EBA position on the revision of the Energy Taxation Directive (2003/96/EC)

The European Biogas Association warmly welcomes the European Commission's plans to revise, as part of *the Fit for 55 package*, the Energy Taxation Directive (ETD) aiming at an effective environmental pricing and the removal of fossil fuel subsidies.

Taxation must be aligned with the European Green Deal and support legislation like the Renewable Energy Directive, the Energy Efficiency Directive and Alternative Fuels Infrastructure Directive ensuring emissions savings and rapidly increasing deployment of renewable energy. It is essential to underline that the best energy is the one that does not need to be produced. Therefore, fuels should be taxed based on their energy content (instead of volume) promoting energy efficiency and sufficiency.

Products under the ETD should be taxed based on their global environmental impact. Even though EBA is strongly in favour of making a clear difference between the taxation of fossil and renewable fuels – to make polluters pay –certain fossil fuels allowing green transition by accelerating decarbonization, like natural gas replacing coal or diesel then paving the way for renewable methane and having a significantly lower carbon footprint than oil products while reducing also air pollutants, should be taxed at a more moderate level than conventional oil products. The environmental impact should include a carbon component. **The carbon component of each energy product should be calculated by taking into account the fossil carbon lifecycle of the products and not only the carbon emissions at the consumption, thus reducing the risks of carbon dumping between Member States and carbon leakage outside the EU. It will send the right price signals to ensure European investments are decided in the best ways to decarbonise the EU.**

Taxation and State Aids should be kept separate. Sustainable biofuels such as biomethane are needed and available as of today to start decarbonizing heat and transport sectors. Lower taxation of such renewable fuels should therefore be allowed without lengthy state aid approvals.

In respect of the subsidiary principle, EBA recognizes that Member States are free to allocate tax revenues where they wish to. However, the ETD should encourage that additional tax revenues received should be earmarked to finance clean technologies and renewable energies that provide many positive externalities that still must be internalised, as well as support programs for vulnerable consumers in a situation of energy precarity. The tax earnings could be directed to research and development programs, as well as industrial programs that would boost the competitiveness of EU's economy. Eventually, we could also set up a system where the tax revenues from each fossil fuel energy product finance the renewable or decarbonised equivalent. For instance, tax collected on natural gas would finance biomethane development, which creates nearly 100% of its value inside the European borders.

Following these recommendations, energy taxation would support the EU's energy and climate policies and the long-term target on climate-neutrality.