Revision of the Energy Taxation Directive (ETD)

28.05.2021
Context of the revision

- The Revision of the ETD presents an integral part of the European Green Deal (EGD)
- The Revision of the ETD is aligned to other climate and energy proposals of the package, such as the revision of the Emission Trading System directive and the Energy Efficiency directive.
- Energy taxation impacts all sectors of the EU’s economy from households, through transport to large industries. The Revision of the ETD aims to set the right price signals thereby reinforcing green innovation and investment in all these sectors.
- Aligned to the approach of the EGD, the revision streamlines the taxation of energy products across end use sectors to abate emissions, reduce local pollution while boosting the EU’s economy and ensuring a just transition for all regions.
Objectives of the Revision

1. Contributing to the EU 2030 targets and climate neutrality by 2050 in the context of the European Green Deal.
   - by aligning taxation of energy products and electricity to EU energy and climate policies and contributing to the EU efforts to reduce emissions.
   - while ensuring coherence with the ETS by eliminating inconsistencies and overlaps.
   - and by aligning taxation to other initiatives of the package such as the revision of the Energy Efficiency Directive and the introduction of a Carbon Border Adjustment Mechanism.

2. Preserving and improving the functioning of the EU internal market
   - by updating the scope and the structure of rates
   - and by rationalising the use of tax exemptions and reductions applied by Member States.

3. Ensuring the ability to generate revenues remains an objective
Pillars of the revision

1. Eliminating fossil fuel incentives
   - by redesigning the structure of rates
   - by enlarging the taxable base through broadening the scope of the Directive and removing certain exemptions and reductions
   - and by generally removing the possibility of national rates going below the ETD minima.

2. Providing a real ranking of rates
   - according to the environmental performance of fuels and electricity (per use)
   - Where all rates based on energy content
   - and are periodically updated according by inflation rates.
   - Introduction of transitional periods for some products or uses to allow for a smoothing adjustment