

Energy Taxation Directive (ETD)

Subject Overview

The Energy Taxation Directive (ETD) establishes common tax principles and minimum tax rates for energy taxes in EU member states. The directive also specifies allowed derogations from tax practices, such as tax exemptions for energy-intensive industries, tax exemptions for bio-based energy, and country-specific exceptions. Changes to the Energy Taxation Directive require unanimous approval in the Council, making attempts to update the directive challenging. Recent attempts have failed, and the content of the 2003 directive no longer adequately reflects the current situation. For example, it does not recognize new climate-friendly fuels.

Objective of the Chemical Industry

The chemical industry believes that the Energy Taxation Directive should ensure competitive tax rates for the industry. The current distinction between tax rates for industry and other uses should be maintained. The current directive does not explicitly mention bio fuels and other low-emission fuels, causing them to be compared to fossil fuels. The chemical industry appreciates the Commission's proposal to expand the directive to cover new fuels. However, energy taxation should favor all climate-friendly fuels and energy forms equally.

The taxation of climate-friendly hydrogen should be moderate and should apply only at the final consumption stage. Multiple taxation should be avoided, as has been done with electricity taxation. Hydrogen production from raw materials should also be exempt from energy taxation. Additionally, there should be no electricity tax on hydrogen production.

The current directive allows for moderate levels of taxation on industrial electricity. It is crucial to maintain the current EU minimum level of electricity tax for industry. Industrial process use should continue to be exempt from taxation. When updating the tax system, it is essential to identify overlaps, such as the carbon dioxide-based tax component, which would duplicate emissions trading.

Current Situation and Timeline

The Commission published a proposal for the Energy Taxation Directive in 2021, followed by discussions in the Council.

What We Influence

1. Finland's stance
2. Parliament and Commission
3. Cefic's position

What We Monitor

1. Positions of other countries
2. Positions of other associations

Additional information:

Tuomas Tikka

Senior Advisor

tuomas.tikka(a)kemianteollisuus.fi

+358 45 131 6683