

## FuelsEurope`s statement on Energy Taxation

**Brussels, 21st February 2014**

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FuelsEurope`s views on energy taxation are summarized below. They are intended to contribute to a balanced discussion on the principles that should be considered when deciding how to revise the taxation of energy products. FuelsEurope recognizes that absolute levels of taxation are a matter for Member States: we do not therefore present arguments on the absolute levels that may be set to influence consumption patterns.

However, it must be recognized that overall levels of taxation on industrial consumers can have a significant impact on their international competitiveness. The type and level of taxation of energy products are chosen for many different purposes, such as revenue raising, to influence consumer behavior, support certain sectors of the economy or drive environmental change. They could however have un-anticipated consequences, often not obvious immediately and this is the case with the taxation of diesel and gasoline in many Member States. Favourable tax rates for diesel versus gasoline have been a major factor influencing the demand growth of diesel and decline of gasoline. In 1990 gasoline demand was 30% greater than diesel; in 2010, diesel demand was twice as big as the gasoline demand. The undesirable effects of this are three-fold:

- The EU has become heavily dependent on imported diesel and long in gasoline, creating a potential risk to long term security of supply;
- This has created a very difficult situation for the competitiveness of the European refining industry as it needs to export its gasoline excess in order to keep operating, but the changing energy landscape in North America makes such exports less attractive;
- Producing more diesel at the expense of gasoline is driving up refining GHG emissions.

The challenges of providing secure energy supplies, addressing climate change and maintaining a competitive European industry are leading to greater diversity in the energy products being used. FuelsEurope believes that a review of the principles considered when revising the taxation of energy products is necessary to rebalance the taxation for oil products, and consider carefully how newer energy products are to be treated.

1. FuelsEurope believes that EU minimum energy taxation levels should apply to all energy products (oil, coal, gas, biomass, electricity) within a given use (private transport, commercial transport, housing, industry).
2. FuelsEurope believes that the minimum energy taxation levels should be directly proportional to the energy content of the different energy products, even if we understand that such convergence may take time.
3. In order to maintain these principles when Member States set their national levels of taxation, they should replicate the relationship between the minimum levels of taxation fixed in the Directive for the various energy sources.
4. If a CO<sub>2</sub> component is to be included as a part of taxation of energy products, then it should be based upon the CO<sub>2</sub> emitted when the product is consumed. The price of CO<sub>2</sub> used to calculate the CO<sub>2</sub> component should be consistent with the CO<sub>2</sub> price in the EU ETS market over a reasonable period. This would ensure a level playing field in a specific industrial sector between those installations within and without ETS.

5. FuelsEurope believes that energy and CO2 taxation should not create an overlap or double burden with other instruments such as the ETS.

FuelsEurope believes that setting energy taxation levels based upon these principles will establish a clear basis for future policy setting either EU wide, or by Member States. There are many details to resolve to put such principles into practice and FuelsEurope is ready and willing to contribute further to the debate.

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**FuelsEurope, the voice of the European petroleum refining industry**

FuelsEurope represents with the EU institutions the interest of 43 companies operating refineries in the EU. Members account for almost 100% of EU petroleum refining capacity and more than 75% of EU motor fuel retail sales.

FuelsEurope aims to promote economically and environmentally sustainable refining, supply and use of petroleum products in the EU, by providing input and expert advice to the EU institutions, Member State Governments and the wider community and thus contributing in a constructive and pro-active way to the development and implementation of EU policies and regulations.

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