Carbon Market Watch feedback to energy taxation directive impact assessment

Doc:
https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12227-Revision-of-the-Energy-Tax-Directive-

Carbon Market Watch welcomes the opportunity to provide feedback on the ETD revision. Several aspects of this directive are crucial to set the EU on a pathway compatible with the Paris Agreement's objectives. Carbon Market Watch supports the revision of the Directive, in particular with regard to the aim of "aligning taxation of energy products and electricity with EU energy and climate policies with a view to contributing to the EU 2030 targets and climate neutrality by 2050 in the context of the European Green Deal".

The ETD should be brought in line with setting a carbon price at a level compatible with the Paris Agreement (40-80$/tCO2e in 2020 and rising to 50-100$/tCO2e in 2030, according to the high-level commission on carbon pricing). Revenues from taxation should be reinvested into climate action as well as measures to ensure a just transition. Climate action must leave no one behind. Revenues should therefore be re-distributed to the most affected workers, and the poorest communities and regions. This can be done through direct payments, tax rebates, re-training of workers, and other measures.

Carbon Market Watch requests the European Commission to also follow through on the second objective of the ETD review ("Preserving the EU internal market by updating the scope and the structure of rates as well as by rationalising the use of optional tax exemptions and reductions by Member States."). Taxation on fuels for international transportation should be regulated at the EU level to protect the single market and ensure that Member States do not further engage in a race-to-the-bottom.

Regarding the ETD's impact on the effective taxation rates covering fuels used for international transport. CMW highlights the unfairness of the current situation, where fuels burned for shipping and aviation do not face the same taxation rate as that faced by the rail and road transport sectors.

Aviation jet fuel is extremely carbon intensive, and its in-flight combustion also creates so-called "non CO2 effects" which act as a multiplier to the climate impact of these fuels. All fuels used for aviation should be taxed at least at the same level as those used for road transport. The current suggestion of taxing aviation fuel at 33c/liter which is part of the ETD, and which has not been taken up by any member state, should be increased to match the rate faced by road transport.

Bunker fuels used in the shipping industry also release high levels of greenhouse gasses (among other pollutants) when burned. These fuels should be taxed accordingly to ensure the shipping industry pays for the pollution it causes and is further incentivized to decarbonize in line with the European Climate Law.

The minimum excise rates should take energy content and fossil greenhouse gas emissions into account and reflect external costs caused by the burning of these fuels. Inversely, the use and development of climate-friendly fuels should be incentivised fiscally.