

November 2021

UFE's reply to the consultation of the European Commission on the [revision of the Energy Taxation Directive](#)

The association representing the French electricity industry, UFE, welcomes the Commission's new proposal to revise the Energy Taxation Directive.

1. The proposed restructuring of the Directive will send more appropriate messages to consumers, in line with the decarbonisation agenda

In the current Energy Taxation Directive (ETD), the minimum levels of taxation for fossil fuels are too low, and therefore not aligned with the EU's climate and energy goals. **UFE advocated for the removal of disparities between energy carriers to ensure that externalities of fossil fuels are properly reflected.**

- **UFE supports the proposed restructuring of the ETD, based on a hierarchy of taxation levels that reflects the environmental performance of energy products and electricity.** This will ensure a level playing field among energy carriers and electricity, by providing the appropriate price signals to users, in consistency with the EU's decarbonisation objective.

One of the main weaknesses of the current ETD is the discrepancies that result from the numerous exemptions and reductions in minimum taxation levels.

- **The removal of sectoral exemptions and country-specific derogations proposed by the Commission is a necessary step forward** to provide a more consistent taxation framework across the EU.

Clear exemptions for energy products and electricity used to produce electricity and electricity used to maintain the ability to produce electricity are necessary to avoid any double taxation.

- **UFE supports maintaining these provisions,** as proposed by the Commission in art.13.

The Commission proposes to maintain the possibility for Member States to apply tax reductions on the consumption of energy products used for heating purposes and on electricity in favour of energy-intensive businesses.

- **As these tax reductions are of major importance for energy-intensive businesses, UFE supports the Commission's proposal to keep them in art.18.**

2. The issue of energy suppliers' exposure to bad debt needs to be addressed

UFE takes the opportunity of this consultation to raise an issue relating to art.22.4. The Commission's proposal reads as follow: "*For the purpose of applying Articles 2 and 7 of Directive 2008/118/EC, electricity, natural gas and hydrogen shall be subject to taxation and shall become chargeable at the time of supply by the distributor or redistributor*". The underlined section of this sentence is identical to the provision of the current ETD, which has exposed **energy suppliers to the risk of bad debt**. As taxes are applicable at the time of delivery by the supplier, **energy suppliers are liable for payment even when taxes have not been collected from end-users**.

- **To avoid this issue, electricity, natural gas and hydrogen should be chargeable at the time of collection of the tax by the distributor (VAT), rather than at the time of supply (excise duties).** This would replicate the efficient collection of the value added tax (VAT) under the VAT Directive (Directive 2006/112/EC).

3. Support for vulnerable households needs to be better structured

The Commission mentions vulnerable households in several legislative initiatives including the ETD, and provides specific support measures to assist them.

- **A clear and stable definition of vulnerability over time by Member States is required to help suppliers apply these measures.**

According to art.17, Member States may apply reductions in the level of taxation to energy products used as heating fuel and electricity if used by households, and even exemption for a maximum period of ten years after the entry into force of the directive for households recognised as vulnerable.

- Electricity suppliers cannot identify "vulnerable" customers since they do not have access to their income information. **Therefore, UFE recommends complementing art.17 with a provision related to the labelling of vulnerable customers by Member States.**
- **In order to maintain some good practices to tackle energy poverty, Member States should be allowed to continue to propose direct payment aids to provide support to specific populations** (e.g., the energy cheque in France, targeted at low-income households).