

EBB

European Biodiesel Board

Avenue de Tervuren, 363 – 1150 Bruxelles
Tel: +32 (0)2 763 24 77 – Fax: +32 (0)2 763 04 57
E-mail: info@ebb-eu.org - web site: www.ebb-eu.org

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EBB POSITION ON THE REVISION OF THE ENERGY TAXATION DIRECTIVE 2003/96

The Energy Taxation Directive (ETD) 2003/96¹ represents one of the two pillars of the legislative framework supporting biofuels deployment at EU level, together with the recently adopted Renewable Energy Directive revising the Biofuels Directive 2003/30². Essentially, the ETD defines both the fiscal structures and tax levels that Member States should impose on energy products and electricity.

Article 16 of the ETD lays down the possibility for Member States to apply multi-annual detaxation schemes in favour of biofuels production. Biofuels produced in the EU may therefore be levied a lower excise tax than conventional diesel, which rewards their environmental benefits. Paragraph 6 of the same Article 16 however introduces an important limitation, whereby Member States would no longer be authorities to grant detaxation, once an EU mandate is in place. This should be in theory the case only as from 2020, with the binding 10% biofuels target provided under the Renewable Energy Directive.

As a result of the mutually reinforcing effects of the Biofuels Directive and the Energy Taxation Directive, biofuels production in the EU has been until now supported via the two main policy tools of detaxation and mandatory objectives. This well-designed combination has consolidated the growth of the EU biodiesel and biofuels sectors, enabling the EU to secure its world-wide leadership in terms of biofuels production.

The European Commission recently issued a legislative proposal revising the Energy Taxation Directive, which introduces important changes to the taxation structure of biofuels. A final adoption date is not yet foreseeable due to both the fiscal nature of the legislation and to important political hurdles.

Given the far-reaching implications that the revised Energy Taxation Directive will entail for EU biodiesel producers, EBB would like to point out the following key messages:

- **The possibility for Member States to apply national detaxation schemes should be maintained, in parallel with existing mandatory targets for biofuels use.** In this framework, EBB strongly opposes the Commission proposal to delete the entire Article 16 from the revised Directive. This would remove the possibility to detax already as from 2013, which would stand in clear contradiction with the long-term aim of promoting biofuels deployment in the EU. Furthermore, incentivising biofuels only via mandatory targets would result in redirecting most of the tax burden to final consumers, which is not desirable in times of economic crisis and which would not contribute to wider public acceptance of biofuels.
- **The new fiscal structure should reward biofuels environmental benefits.** The Commission is indeed suggesting a two-fold tax structure combining: 1) **an environmental tax**, levied in proportion to the CO₂ emissions from the energy product considered, and 2) **an energy tax** based on the energy content, meaning for instance that biodiesel would be taxed at a lower rate than diesel.

¹ Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity

² The Renewable Energy Directive was included in the Climate Change Package voted in the EU Parliament on December 17th, 2008

EBB welcomes the proposal that biofuels should not be subject to the environmental tax, which is fully in line with international and EU commitments to promote low carbon technologies, especially in the transport sector.

At the same, EBB would like to point out that a clear definition of low carbon technologies will be necessary, to incentivise truly renewable energy.

- **The fiscal promotion of advanced biofuels promoted by the Commission is a positive approach, provided it is based on sound scientific evidences.** More specifically, it will be essential that future biofuels technologies such algae to biofuels are duly included in the list of technologies benefiting from the environmental tax exemption.

To summarise, EBB supports the following changes to the current Commission proposal:

1. Article 16 has to be maintained or its spirit has to be kept in the text of the Directive, allowing Member States to continue applying detaxation schemes for biofuels;
2. Paragraph 6 of Article 16 should be changed in order to ensure consistency with the Renewable Energy Directive, maintaining the possibility for Member States to detax biofuels at least until 2019;
3. The new fiscal structure should rewards biofuels environmental benefits. In addition, the differentiated taxation of diesel and petrol should continue to give a fiscal incentive to diesel for being more energy efficient than petrol.

Over the last years, the EU biodiesel industry has committed significant investments to build-up a worldwide leading technology and production capacity and is now ready to produce in line with the ambitious objectives adopted at EU and national level. However, this will only be possible provided a favourable legislative and regulatory environment is maintained, combining the support of policy obligations and national detaxation schemes.

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The European Biodiesel Board, also known as EBB, is a non-profit organisation established in January 1997. EBB represents the voice of the EU biodiesel industry. It gathers 72 companies and associations and aims to promote the use of biodiesel in the European Union. EBB member companies account for around 80% of EU biodiesel production.