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## UPEI Position Revision of the Energy Taxation Directive

In a context of peaking energy prices, it is crucial to follow the path of the energy transition while mitigating adverse effects on consumers and businesses alike. UPEI members are committed to the EU climate objectives and have developed their own [2050 vision](#) which outlines short and long-term recommendations for a carbon neutral society and highlights their own contribution.

UPEI – Europe's Independent Fuel Suppliers, welcome the long overdue review of the Energy Taxation Directive (ETD) to bring it up to date, support the transition to low carbon fuels and address current issues related to the functioning of the internal market.

In particular, we welcome:

- The abolishment of several optional tax reductions and exemptions, and the obligation for Member States to keep the same ranking between different energy products when setting their own rates, as it will foster convergence and improve the functioning of the internal market;
- The change to an energy-based tax (alongside the Emission Trading Scheme setting a price on carbon), as it will incentivise energy efficiency and support low carbon and renewable fuels;
- The maintenance of a sector-based approach to reflect different challenges each faces.

On the other hand, we believe that certain amendments are necessary to, on the one hand, improve the practicality of the new system and avoid adverse effects, and on the other hand, to accelerate the deployment of sustainable renewable fuels while guaranteeing a neutral approach to different technologies.

### KEY POLICY RECOMMENDATIONS

- In light of the risks of the relocation of fuel bunkering outside the EU and carbon leakage, keep the mandatory tax exemption as a general rule for energy products supplied for use as fuel for the purposes of maritime navigation. Should the removal of the exemption be pursued, introduce measures to alleviate these risks.
- Create a level-playing field for different solutions based on their climate performance by ensuring a fair treatment for sustainable crop-based biofuels and introduce different rates for renewable and non renewable electricity.
- Give a strong price signal in support of low carbon and renewable fuels by guaranteeing that lowest rates apply consistently across Member States.
- Make the implementation of the new rates and fuel categories practical, from a logistical perspective, especially for blended fuels.

Please find more details on UPEI policy recommendations in continuation.

## Maritime sector

The Commission proposes to introduce a 0.9 EUR/GJ tax on gasoil and marine fuel oil, with lower rates for alternative and renewable fuels, to intra-EU waterborne regular service navigation, fishing and freight transport, including domestic navigation, as of 2023. However, it does not foresee any mechanism to ensure that only the fuel effectively used for intra-EU maritime navigation is taxed. UPEI is concerned by this proposal for the following reasons:

- As shipping is a global business and bunkering decisions are very price sensitive<sup>1</sup>, the introduction of a tax could affect European bunker suppliers' ability to compete on the same footing with suppliers from outside the EU. This could lead to a relocation of bunkering activities outside the EU (including to neighbouring ports and off-shore bunkering facilities in international waters) and related carbon leakage.
- Seagoing vessels (international commercial shipping) are used for international as well as intra community transports<sup>2</sup>. In some EU countries, bunkering deliveries to seagoing vessels are considered as an export, whatever the destination of the vessel, therefore are dealt with under the customs and not the excise procedures. This could result in a situation in which some Member States would apply the new tax, others not.
- In practice, vessels sometimes bunker at a time when their destination or net port of call is not yet known, and changes to their itinerary can occur during the voyage. As a result, bunkering companies cannot always know whether the fuel they provide should be taxed.

For these reasons, UPEI believes that only the fuel used for intra-EU regular service navigation, inland waterways and as appropriate intra-EU short-sea shipping, should be subject to excise duty. We recommend keeping the mandatory tax exemption as a general rule for energy products supplied for use as fuel for the purposes of maritime navigation.

Should the removal of the exemption be pursued, we call for the consideration of the following measures to protect the competitiveness of European bunker suppliers (making use of the data collected in the context of the Monitoring, Reporting and Verification Regulation):

- Introduce obligation for vessels to bunker in the EU (setting an obligation on ship owners or operators as in the ReFuelEU aviation proposal);
- Introduce the possibility for shipowners and operators to claim the reimbursement of the excise duty payment on energy products not used for intra-EU maritime navigation, with necessary evidence (albeit this could generate administrative burden incentivising companies to bunker outside of the EU anyways).

## Regulatory consistency and level playing field between technologies

The ETD proposal discriminates against food and feed crop-based biofuels by increasing their minimum taxation level over time to reach the same as fossil fuels, which is not justified and inconsistent with EU legislation on renewables. The Renewable Energy Directive (RED) sets stringent sustainability criteria, including minimum GHG savings performance, for all biofuels to count towards the renewable energy targets, limiting the phase out only to high ILUC-risk biofuels. For regulatory consistency and to ensure a fair treatment of all eligible solutions, there

<sup>1</sup>A 1% difference in the price per tonne can lead to a 30,000 EUR difference on the bill for a complete refueling for a typical container ship. Bunkering is often based on short-term contracts making it easy to switch supplier. In 1991, California imposed a 8% tax on bunker fuels and after one year the volume of bunker fuel delivered in its ports had dropped by 68%.

<sup>2</sup>Fuel supply to sea-going vessels (which bear an IMO number) is considered by most Member States as an export and therefore it is dealt with in the context of the custom legislation.

should be only one category for "sustainable biofuels" associated with a 5.38 EUR/GJ minimum tax rate, which should encompass all the biofuels compliant with the RED sustainability criteria.

The Commission states that electricity should be promoted by being taxed the least. Member States can decide to exempt or apply a reduced rate to renewable electricity (below the minimum rate). In line with the principle of technology neutrality, we believe that a differentiation should be introduced in the minimum rates for electricity between electricity of fossil or of renewable origin in the Directive, just like it is done for all the other energies.

### Incentivising renewable and low carbon fuels

In light of Europe's ambitious climate objectives, and after decades of regulatory uncertainty which has hindered the penetration of low carbon and renewable fuels, especially in the transport sector, the ETD should give them a strong push by increasing their competitiveness against conventional fuels, driving their prices down and offering consumers both greener and cheaper alternatives.

UPEI believes that Member states should apply the minimum rates set by the Directive on all renewable and low carbon fuels, or at least keep the same ratio between the different categories of energy products as detailed in the explanatory memorandum to the proposal. This would guarantee low tax rates on sustainable alternatives across Member States. In addition, Member states should be able to apply a 0 rate for 10 years on sustainable renewable fuels including for motor fuels.

For fuel blends (e.g. whereby a certain percentage of renewables is blended into petrol or diesel), which is common practice in Europe, new tax rates and categories should be applied in a practical and consistent manner, based on the theoretical content of the blended fuels.

### Concluding remarks

It is essential that the obligations arising from the ETD review and their impact on industry and consumers be examined not in isolation but together with other 'Fit for 55' proposals, including proposals for the revision of the Emission Trading Scheme and the RED. Negotiations should be conducted with a view at the entire package to avoid regulatory inconsistencies, maximise synergies and guarantee the most cost-effective achievement of the objectives.

UPEI and its members, representing nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, look forward to constructively working with the EU institutions to make Europe's climate policy a success.

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Contact: [info@upeei.org](mailto:info@upeei.org) | +32 2 740 2020 | [www.upei.org](http://www.upei.org)

UPEI represents nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, supplying Europe's customers independently of the major energy producers. They are the interface between producers and consumers, using their own infrastructure and flexibility to supply existing demand for conventional and renewable liquid fuels, as well as non-liquid alternatives as part of the energy transition. They cover more than a third of Europe's current demand. The organisation brings together national associations and suppliers across Europe.

Independent fuel suppliers bring competition to Europe's energy market and are able to respond rapidly to changes affecting supply, contributing to security on a local, national and regional level. They have developed and maintain a comprehensive infrastructure for the sourcing, storage and distribution of transport and heating fuels, with a commitment to delivering a high-quality service to all consumers, including those in remote areas.

Since 1962 UPEI has been advocating for a level playing field and fair competition to ensure an affordable, sustainable, and secure energy supply for Europe's consumers. Today, in the context of the transition to a low carbon economy, UPEI and its members are also addressing the challenges of adapting the product range and meeting consumer demand through market-oriented solutions.

With its strong track record in pioneering the supply of renewable fuels in the EU, UPEI's members remain committed to delivering and embracing new, cost effective solutions which further promote energy efficiency and reduce pollutants and emissions.