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**THE REVIEW OF THE ENERGY TAXATION DIRECTIVE  
THE VIEW OF EUROPE'S INDEPENDENT FUEL SUPPLIERS**

**UPEI recognises the need for an Energy Taxation Directive (ETD) and welcomes the European Commission's review of the Directive and intention to update it. This is needed to ensure that the ETD remains relevant by taking account of technological developments in the energy sector, resulting in the emergence of new products which currently do not fall within the scope of the directive.**

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. In order to be effective, Europe's independent suppliers are dependent on an environment which promotes fair competition and avoids distortions to the market. UPEI therefore supports measures that promote harmonisation and the smooth functioning of the single market. Together with the promotion of environmental protection, these form the core objectives of the ETD. Nevertheless, based on past experience, UPEI notes that the ETD has fallen short of delivery on these objectives and recommends the following measures:

**1. Harmonisation and Smooth Functioning of the Single Market**

Whilst the ETD has imposed minimum taxation rates, this has not resulted in significant harmonisation across the European Union, as there remain wide variations in levels of taxation. This can result in volatile distortions of the market affecting the supply chain, notably in cross border situations where the consumer can benefit from lower taxation rates in countries of close proximity. The respect of Member States right to determine taxation rates means that the objective of protecting the internal market needs to be addressed in a more structural way, for example by addressing the approach to optional tax reductions and exemptions.

Distortions occur due to the flexibility that the ETD allows Member States to introduce optional tax reductions and exemptions on specific products and for specific uses. Clear examples have been identified in the biofuels sector which, in addition fall under complex State Aid rules, but also in others, such as LNG and dredging. UPEI believes that a more coherent approach is required whereby the ETD should stipulate in which cases taxation reductions and exemptions should be applied in all Member States in the interests of harmonisation and the smooth functioning of the market.

**2. Promotion of Environmental Protection**

Such an approach should be developed in complementarity and coherence with other EU legislation, promoting products and technologies with environmental benefits such as under the Renewable Energy Directive (RED), the Directive on Alternative Fuels Infrastructure (DAFI)

as well as the European Trading Scheme (ETS). For example, in the case of advanced biofuels a mandatory tax exemption for a period of 10 years would be coherent with the need to stimulate innovation and production in line with the targets currently negotiated under the RED II.

### **3. Recognition of New Technologies**

Similarly, the ETD should be brought up to date to take account of new technologies that have been developed (electricity for transport) and are being developed such as e-fuels (power to liquid). In this respect, it is important to address the need for a taxation policy that promotes sustainable products whilst being mindful of the impact on taxation revenues that expected consumer behavioural shifts are likely to have in the longer term.

### **4. Reduction of Administrative Burden**

Although the implementation of the Energy Taxation Directive at national level is generally well understood by economic operators, cross border activities have highlighted a problem with regards to the level of knowledge of transposition in other Member States. This should be addressed by the Commission through guidance on national implementation measures and relevant contact persons. This is important in order to avoid distortion of the internal market and to ensure fair competition.

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**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.