

Opinion of the European Economic and Social Committee on the ‘Proposal for a Council directive amending Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity’

COM(2011) 169 final — 2011/0092 (CNS)

and the ‘Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Smarter energy taxation for the EU: proposal for a revision of the Energy Taxation Directive’

COM(2011) 168 final

(2012/C 24/13)

Rapporteur: **Mr PIGAL**

On 29 April 2011 the Council decided to consult the European Economic and Social Committee, under Article 113 of the Treaty on the Functioning of the European Union, on the

Proposal for a Council directive amending Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity

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Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Smarter energy taxation for the EU: proposal for a revision of the Energy Taxation Directive

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The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 4 October 2011.

At its 475th plenary session, held on 26 and 27 October 2011 (meeting of 27 October), the European Economic and Social Committee adopted the following opinion by 158 votes to 4 with 13 abstentions.

1. Conclusions and recommendations

1.1 Conclusions

1.1.1 At a time when many Member States are drawing up their strategies for overcoming the economic and financial crisis, the revision of the Energy Taxation Directive (ETD) offers an opportunity to reconcile environmental and economic objectives. It enables Member States wishing to do so to shift part of the burden of taxation from labour or capital to a form of taxation which encourages environmentally responsible behaviour and is favourable to energy efficiency, in accordance with the Europe 2020 strategy.

1.1.2 Europe cannot be content with the energy policy objectives it has set itself. It must now provide the means to achieve them. In order to succeed in this it must send out a strong ‘price signal’. This is an effective way, if not the only one, of forcing through a change in mentalities and behaviour.

1.1.3 The recast of the ETD undoubtedly represents progress compared with the initial version. The introduction of two factors to measure/tax energy is more accurate and relevant. The CO₂ tax factor complements the Emission Trading Scheme (EU ETS).

1.1.4 On the basis of the two taxation factors, most forms of energy should be treated/taxed on an equal footing on the basis of their CO₂ emissions and energy content. It should be noted, however, that electricity is not subject to this alignment with other energy sources.

1.1.5 However painful it may be in the short term, the price message conveyed by high levels of taxation on motor fuels has prepared European energy consumers for inevitable shortages and restrictions by promoting energy investment and economy efforts, the attractiveness and development of renewables, resistance to oil shocks, etc.

However, the price signal given by taxation is not getting across when it comes to heating fuels and the recast ETD may not change this. Consumers cannot then benefit from energy-saving efforts and investment for heating fuels and they suffer from unpredictable market fluctuations.

1.1.6 The stronger incentive for consumers to economise on fuel would also benefit companies in the sector by accelerating the renewal of equipment and offering new market opportunities.

1.1.7 Highly energy-intensive industrial sectors which were previously excluded from application of the ETD are now rightly reintegrated.

However, other sectors remain wholly or partly exempt, for example:

- agriculture, construction, public works,
- public transport and transport used for the armed forces, waste collection and public administration,
- ambulances (excluding taxis), air transport, Community maritime transport,
- household electricity, etc.

It is difficult to see any coherence in all these exemptions, particularly as the need for them may not be understood by those who do not benefit from them.

1.1.8 Contrary to what is stated in the Commission communication, the new ETD does not provide a framework for, take a position on or even present a recommendation regarding the use by the Member States of all or part of the revenues from the new system of taxation to encourage the orientation of energy supply towards new technologies and cleaner energy.

1.1.9 The EESC cannot help but note, however, that the ETD helps to develop the single market by aiming for, and making it possible to achieve, harmonisation of energy taxation.

1.2 Recommendations

1.2.1 The Committee supports the efforts of the European Commission aimed at achieving the objectives of the Europe 2020 strategy. Clearly, the ETD recast goes in that direction, for example by:

- encouraging sustainable development and safeguarding the environment,
- protecting the internal market and promoting growth,
- facilitating a reduction in labour costs and budget deficits.

1.2.2 However, the EESC regrets that the recast ETD is not more ambitious and coherent. Even before the text was presented (or negotiated) in the Council, the Commission took the initiative of including exemptions and derogations in the text designed to please certain Member States or not displease others.

In the coming negotiation process in the Council the Commission risks having no more room for manoeuvre, without finally and dangerously watering down the spirit of the recast, as submitted now.

1.2.3 Reticence or opposition is to be expected from the Member States. However, the Committee considers that Europe, and more specifically the European Commission, should be capable of imposing measures on the Member States, particularly when some of them are faced with blockages at national level of decisions necessary to achieve objectives accepted by all at European level.

1.2.4 The European Commission must also be prepared for, and resist, the efforts of lobbyists who seek to prevent any change by invoking 'possible additional costs' or a 'dangerous loss of competitiveness'. While it clearly must encourage Member States to make allowance for a minority of sensitive cases, it must nonetheless maintain the course set for European energy objectives and stress the strategic advantages of innovation in new energy sources, job creation and spin-off growth, improvements in the quality of life, etc.

1.2.5 The Committee suggests that, in order to pre-empt probable reticence on the part of the Member States, the Commission should identify flanking measures for the changes imposed and, as far as possible, include these in the proposed text. This approach seems to us preferable to concessions made before the negotiations with the Member States, particularly as it would also enable consumers to prepare better for the changes envisaged.

2. Introduction

2.1 Summary

2.1.1 The text under consideration is not a new directive but a recast which is scheduled to enter into force on 1 January 2013, a date which coincides with the third phase of the EU ETS.

2.1.2 For each motor or heating fuel the revised directive introduces **two taxation factors**, each with its own objective:

- taxation of **CO₂ emissions**, aimed at reducing **pollution** by greenhouse gases;
- taxation of **energy content**, aimed at reducing energy **consumption**, independently of the energy product used.

2.1.3 Motor fuels:

- **2013**: the tax on CO₂ will be **EUR 20** per tonne CO₂;
- **2018**: the tax on energy will be **EUR 9,60** per gigajoule (GJ).

2.1.4 Heating fuels:

- **2013**: the tax on CO₂ will be **EUR 20** per tonne CO₂;
- **2013**: the tax on energy will be **EUR 0,15** per GJ.

2.1.5 It should be remembered that the current ETD, like the proposed recast, introduces **minimum rates of taxation**. States may thus set higher levels of taxation, which most in fact do.

2.2 Background

2.2.1 This proposal for a recast is the latest in a series of previously drafted and adopted directives, including:

- **2003/96/EC**: Directive on **taxation of energy products** (ETD), which has to be revised;
- **2003/87/EC**: Directive establishing a scheme for **greenhouse gas emission allowance trading (EU ETS)**;
- **2009/29/EC**: Directive revising emission quotas from 2013;
- **2006/32/EC**: Directive on **energy end-use efficiency**; definition of NCV ⁽¹⁾ in Annex II;
- **2009/28/EC**: Directive on the promotion of the use of energy from renewable sources, which lays down **sustainability criteria** for motor fuels and biofuels.

2.2.2 In addition to examining the proposal for a recast of the ETD, this opinion also draws on additional information contained in the communication ⁽²⁾ and the memo ⁽³⁾ drawn up by the European Commission.

2.2.3 It is important to note that the Commission's work to establish this European policy is part of an international context with a major impact on various areas, for example:

- **regulatory**: the Chicago Convention is strict and binding in limiting taxation on aviation;
- **market**: research has made it possible to extract shale oil. This discovery has made it possible to exploit new sites, thus increasing the supply of fossil energy. It has also completely disrupted the natural gas market; the world natural gas price has collapsed, making other forms of energy, including renewables, less attractive;
- **strategic**: the events in North Africa and the Middle East have a very significant effect not only on fuel prices but also the Member States' position on the energy sources in question;
- **environment**: the Kyoto agreement and the Cancun discussions must be taken into account and, if necessary, European strategy and policies need to be adjusted accordingly;
- **public opinion**: the events in Fukushima have shown how much public opinion can be affected by a major and unexpected event. The Member States and Europe cannot remain

indifferent to this when devising their strategies and decisions and must of course adjust their policies rapidly.

2.2.4 The question therefore arises of how to put the problem of taxing energy into an international context:

- what reference price should be set for CO₂ in Europe in the absence of an international agreement?
- the idea of a general, international tax also deserves consideration.

2.3 Chronology

2.3.1 The previous directive (2003/96/EC) was the product of a 1996 Commission proposal. This proposal was substantially amended following long negotiations in the Council of the European Union in order to take account of specific national situations. The amendments consisted of proposing very progressive application, with transitional periods, derogations and other exemptions. The 1996 proposal for a directive was finally adopted in 2003.

2.3.2 Its implementation in the Member States, developments in the energy market and a growing awareness of the environmental and climatological impact of energy consumption put the spotlight on weaknesses and possible improvements (see below).

2.3.3 Work on revising this directive began in 2005. A first attempt, focusing on the use of commercial diesel fuel, was initiated in 2007 but did not succeed in the Council. A new proposal for a revision was requested by the European Council in its conclusions of March 2008 and was made a priority by the Commission in its 2011 annual growth survey.

On 12 April 2011 the College of Commissioners adopted the proposal for a recast of the provisions of the ETD.

3. General comments

3.1 The recast of the ETD aims first and foremost to respond to the European Union's new priorities, as defined in the **Europe 2020 strategy**, *inter alia*:

- combating climate change;
- priority for sustainable growth;
- a greener and more competitive economy;
- contribution to tax harmonisation;
- reduction of tax on labour;
- support for low-income households;
- budget consolidation in the Member States.

⁽¹⁾ NCV: Net calorific value of energy products and electricity.

⁽²⁾ COM(2011) 168 final.

⁽³⁾ MEMO/11/238.

3.2 It also responds to the **20/20/20 rule** of the EU climate and energy strategy (2013-2020):

- reducing greenhouse gas emissions by 20 %;
- reaching the target of 20 % renewable energy by 2020;
- improving energy efficiency by 20 %.

3.3 It also aims to **correct** the weaknesses and shortcomings of the **previous ETD**:

- The current minimum rates generally apply to the quantity consumed without taking account of their energy content or pollution.
- This leads to behaviour which runs counter to the EU's objectives, for example by encouraging the use of coal and penalising renewable energy.
- The ETD does not provide for any incentives to promote substitute forms of energy; thus ethanol is the most heavily taxed.
- The inadequate coordination between the ETD and the EU ETS on CO₂ emissions results in double taxation or absence of taxation, depending on the sectors.

3.4 This recast takes account of **exogenous constraints**:

- the restructuring and modernisation of tax systems;
- an economic crisis which has reduced the Member States' room for manoeuvre and exacerbated budgetary pressures;
- the tangible and measurable appearance of the first effects of climate change;
- international tensions which cause upheaval and uncertainty on the international energy market.

3.5 Finally, it also has to come to terms with certain other **endogenous constraints**:

- preventing energy taxation from being discriminatory or distorting competition between companies in the Member States;
- and, conversely, limiting distortions arising from the lack of harmonisation of energy taxation in Europe.

4. Specific comments

4.1 The key elements

4.1.1 Referring back to the introduction, the key element of the proposal is the definition of two **taxation factors** (Article 1). It also confirms (Article 4) that the taxation levels set are a **minimum**, which may be exceeded by the Member States and that these minimum rates will be adapted every three years.

4.1.2 The other key point of the proposal is to introduce (Article 4(3)) a new requirement for the Member States to apply **equal levels of taxation to all products** used for the same purpose (motor fuels or heating fuels), the rates to be calculated on the basis of their CO₂ emissions and energy content.

4.1.3 In the initial directive the minimum levels of taxation were established by product (and a given use), but without linking them to each other.

4.1.4 With this change, the Member States will be required to recalculate their (national) levels of taxation in order to ensure that they are in the same proportions as those defined for minimum European taxation levels (see tables A, B and C of Annex I to the revised ETD).

4.1.5 This obligation applies to both motor fuels and heating fuels. It will apply to **heating fuels from 2013** and to **motor fuels from 2023**. This postponement is intended to take account of major differences between Member States.

4.1.6 However, the minimum levels of taxation for electricity being set out in a separate table (Table D), the requirement for proportionality and alignment of taxation levels **does not apply to electricity**.

4.1.7 **Electricity** remains subject to a tax on the final consumer (at the **socket**) as regards the 'tax on energy'. This is in order to prevent double taxation – of production and consumption.

4.1.8 As the consumption of electricity does not in itself emit CO₂, the CO₂ tax can only apply to **electricity producers**. Large plants will be exempt from the ETD as they are part of the **EU ETS**.

Electricity from **nuclear** power plants is not taxed on CO₂ (no emissions) but on energy consumption.

4.1.9 In order to integrate Directive 2003/87/EC on greenhouse gas emission allowance trading and prevent any overlap, the revised directive (Article 14(1)(d)) proposes that energy products used for activities falling under the **EU ETS** be exempt from CO₂ taxation. At the same time activities hitherto excluded from the EU ETS will now fall within the **ambit of the ETD**.

4.2 Specific sectors

4.2.1 The proposal also acknowledges that sectors may be exposed to the risk of **carbon leakage** (Article 14a) and proposes that a tax credit be established until 2020 for each installation concerned. The tax credit will be calculated on the basis of the median annual consumption of energy products during the reference period.

4.2.2 Activities which were hitherto **exempt from taxation** (Article 2) will now be liable to taxation, either on CO₂ or energy content.

4.2.3 The only change to the **differentiated rates of tax** (Article 5) concerns the exclusion of taxis from this provision.

4.2.4 **Air transport** (except private air transport) and Community **maritime transport** (except leisure boating) are exempt from the ETD.

4.2.5 **Motor fuels** may be taxed like **heating fuels** (Article 8) in specific sectors:

- agriculture, horticulture, fish farming and forestry,
- stationary motors,
- construction, civil engineering, public works,
- vehicles not licensed for on-road use.

4.2.6 With regard to **agriculture** and its CO₂ emissions, the Commission proposes (Article 14a) analysing whether this is a sector affected by **carbon leakage**, in which case it would authorise the Member States to establish a **tax credit** for farms.

The Commission will also allow the agricultural sector (Article 15(3)) complete exemption from the tax on **energy content** if it can demonstrate **equivalent energy-efficiency gains**, the definition being left to the individual Member States.

4.2.7 **Biofuels** (Article 16) will no longer be taxed like their fossil equivalents. The general energy tax (on energy content) will apply.

4.2.8 There is a difference, however, in relation to the CO₂ tax. Biofuels are not all renewable; some of them emit more CO₂ than they consume. **Renewable biofuels** will not be subject to it as their CO₂ emissions are considered by definition to be zero. **Non-renewable biofuels** will be subject to the CO₂ tax as conventional energy products.

4.2.9 Until **2023** the Member States will be able to continue applying specific levels of taxation which are lower than the ETD minimum rates.

4.2.10 Member States will retain the option of granting partial or total exemptions for **household heating fuels and electricity** (as well as charitable organisations) (Article 15(1)(h)).

5. Opinion of the European Economic and Social Committee

5.1 *The foundations of the ETD*

5.1.1 Taking account of **two factors** in calculating energy taxation is undoubtedly an advance compared with the old directive. First of all, it responds to the two objectives of the Europe 2020 strategy, namely reducing CO₂ emissions and energy consumption.

It also measures **more precisely** (using only one criterion) the damaging effects of energy consumption: pollution and over-consumption of global reserves.

5.1.2 The proposed revised ETD imposes a **CO₂ tax at Member State** level; it should be remembered that another mechanism already exists at **European level**, involving the purchase of emission rights via the EU ETS.

Moreover an installation falling under the EU ETS cannot be taxed under the ETD; it would be exempt. Thus the ETD prevents **double taxation of CO₂** under the two schemes. Conversely, however, the ETD makes it possible to establish a taxation instrument which also covers small installations, hitherto excluded from the EU ETS on the basis of their size.

The EESC supports this proposal to integrate the ETS into the ETD, as it **fills a gap in the EU ETS** which excluded 50 % of CO₂ emissions from motor and heating fuels.

5.1.3 Certain forms of energy are more polluting than others. Certain, denser forms of energy give rise to more consumption than others. The **fair balance** between energy sources proposed in the revision of the directive is therefore in principle fair and coherent.

It will, however, lead to a sharp **rise in the taxation** of certain energy sources, which are currently taxed more lightly in some Member States. The most striking example is diesel fuel, for which the minimum level of taxation should be higher than that of petrol, in view of its slightly higher CO₂ emissions, but above all its higher energy content. But in many Member States **the opposite situation applies**. Diesel is more lightly taxed and less expensive than petrol and there are considerably more diesel-powered vehicles on the roads.

5.1.4 The Committee shares the Commission's view that, diesel being significantly less expensive than petrol, the refining market is currently distorted by excessive demand for diesel relative to petrol. Increased taxation of diesel would help restore the balance.

5.1.5 However, the EESC also alerts the Commission to the fact that the **inversion of the petrol/diesel price differential** could seriously disrupt the motor vehicle industry market and impose an additional cost on households for motor vehicle transport. Here too the transition should be gradual.

5.1.6 Paradoxically, the **high levels of taxation of motor fuels have protected consumers** from oil shocks: the high price encourages people to reduce their consumption preventively and high taxes reduce the proportion of the price of motor fuel which is sensitive to market fluctuations (shocks).

5.1.7 Over a period of decades motor vehicle manufacturers have been able to invest in R&D and reduce the fuel consumption of their engines. Despite recurrent oil shocks the transport sector has never been in a state of paralysis.

5.1.8 On the basis of this analysis, the EESC notes that the **CO₂ tax is identical** for motor and heating fuels. It would amount to EUR 20 per tonne CO₂ or, for illustrative purposes, **EUR 0,0533** per litre for all diesel fuels (whether used for heating or not).

However, it is surprised that the **general energy tax** is:

— EUR 9,60/GJ for **motor fuels**, or **EUR 0,316 per litre** of diesel,

— but so low for **heating fuels**: EUR 0,15/GJ, or **EUR 0,0054 per litre** of diesel used for heating.

5.1.9 The EESC therefore thinks that the **energy tax on heating fuel** should be made noticeable for consumers; it should not be EUR 0,0054 per litre!

The EESC recommends that it be gradually but significantly **increased**, in order to:

— take into consideration the inevitable heating needs of consumers,

— reduce consumption of heating fuels,

— justify investment by economic players in energy innovation for domestic and industrial uses (as motor vehicle manufacturers have done).

5.2 The exceptions and derogations of the ETD

5.2.1 Five Member States allow lower levels of taxation on the **commercial use of diesel** (lorries, coaches, taxis, etc.) compared with private use. The revision of the ETD addresses this and obliges the Member States to rebalance taxation.

Pollution from diesel is the same, whatever its use (commercial or private), and ending this tax reduction would make **good sense and be coherent** with the principles set out in the 2020 strategy. Moreover, the exponential rise in road transport, most of which is based on consumption of diesel, highlights the need to promote an **end to this trend** and a reduction in lorry traffic.

However, the **cumulative effects** of two measures increasing taxation of diesel (rebalancing vis à vis petrol (see above) and ending the lighter taxation of commercially used diesel) will lead to very sharp rises in the price of diesel in some Member States. In this case certain well organised and easily mobilised groups of workers might either put pressure on their national governments or launch major **protest movements**.

The EESC therefore alerts the Commission to the danger of moving too far, too fast, and to the inevitable reservations of the Member States. It therefore suggests that **flanking measures** be considered, responding to the requirements of the Europe 2020 strategy and encouraging Member States to support the revision of the ETD.

5.2.2 The Member States must ensure that they tax **all forms of energy equally** and in proportion to their CO₂ emissions and energy content (see above). **Electricity is excluded**, however, from this requirement for harmonisation.

The EESC wonders about this **exception** and would like to see the Commission revise its proposal to ensure that electricity is considered in the same way as other forms of energy.

5.2.3 Activities which in the previous directive were considered **exempt from energy taxes** should in future be aligned with the others and taxed identically on CO₂ and energy content.

The **exempt activities** were: metallurgical activities and chemical reduction, electrolytic processes, enterprises making intensive use of electricity (where electricity represents more than 50 % of the cost of production) and the manufacture of non-metallic mineral products (cement, glass, lime, etc.).

With this modification, however, the authors of the revision of the directive show **clear coherence**: all polluting or energy-consuming activities are taxed without discrimination; at the same time all activities are encouraged to invest in order to reduce their energy impact.

The EESC supports this return to fairness and coherence. It is concerned, however, about the **economic and social impact** on the activities concerned. In this area too, it therefore suggests that flanking measures be considered in order to:

- help these sectors to invest and/or adapt;
- ensure their survival and location in the EU.

The Committee also has doubts about the true impact of this revision which brings these activities within the scope of application of the **ETD**, while simultaneously removing those coming under the ambit of the **EU ETS**.

Finally, the EESC wonders whether there might be a risk of carbon leakage from previously exempted activities. The EU ETS includes protection mechanisms and the ETD could draw on these.

5.2.4 The Member States retain the right to levy **different rates of taxation** on almost all the activities to which this previously applied. But allowing **local public transport** to continue to benefit from this will certainly not encourage local transport to reduce pollution or fuel consumption. It could be justified, however, as a way of encouraging public rather than individual transport.

However, the EESC has doubts about the justification for maintaining exceptions for **waste collection, ambulances, public administration, people with disabilities, the armed forces etc.**

It therefore recommends that the proposal be amended so that the excellent reasons for excluding **taxis** from the benefit of differential taxation can be applied on the same basis to other means of transport.

5.2.5 Based on the same analysis as for differential rates of taxation, the EESC wonders about the reasons for **exempting air transport** and **Community maritime transport** from the ETD.

5.2.6 Even if air and maritime transport were in the future to be brought within the ambit of the **EU ETS**, for the purposes of CO₂ emissions only, the EESC is concerned that these two very energy-intensive sectors should be exempted from taxation on **energy consumption**.

International conventions would make it impossible to tax these two modes of transport under the 'energy content' heading. The EESC therefore suggests that negotiations be launched at global level in order to bring these conventions more into line with European rules.

5.2.7 The EESC also has doubts about the right retained by the Member States to **exempt households** (for example) from taxation on **heating fuel and electricity**.

This option compromises the coherence of the whole ETD. The basic principle underlying the ETD is that the **price signal** will encourage the stakeholders concerned to reduce their CO₂

emissions and energy consumption. Why then should households, which are major consumers of energy, not receive this signal?

The EESC therefore recommends that the **option to exempt household heating fuel** be **withdrawn from the text** of the proposal, albeit with due consideration for the specific constraints of local/ national consumers.

5.2.8 The revision of the ETD **seeks coherence** in bringing previously excluded activities back into the ambit of the directive and in ensuring that commercial use of diesel is no longer given preferential treatment compared with private use.

With this in mind, what is the justification for allowing other areas of activity (e.g. **agriculture, construction, public works etc**) to continue to benefit from preferential treatment by being taxed on **motor fuel at the much lower heating fuel rate**? Particularly as these sectors ought to be **exemplary**; given their activities and their high profile, they are **key to improvements** in land-use planning and housing.

5.2.9 The EESC wonders about the **justification for this exception**, which cannot be either economic, social or environmental. It is concerned that this approach could be used as a pretext to slow down or block the application of the new ETD on the grounds that it is **arbitrary and discriminatory**.

5.2.10 With specific reference to the **agriculture** sector, the EESC would like to alert the Commission to the fact that the revised ETD is **rather vague** and that the Member States might require **clarification and legal certainty** before implementing the proposal.

Clarification is needed on:

- the **reasons for specific, highly advantageous treatment** of agriculture which would be at odds with the principles and price signals underlying the ETD and with the efforts required from other sectors facing equal difficulties;
- the **evaluation process and criteria** for the risk of carbon leakage and the *quid pro quo* proposed for energy efficiency.

5.3 Various aspects of the ETD

5.3.1 The new ETD cannot be a simple, monolithic solution. The European Union's energy policy is, more than other policies, **multi-faceted and complex**; it requires either a combination of several solutions or a complex solution.

The EESC notes, however, the efforts made by the authors of the ETD revision to **simplify** its principles, objectives and application.

5.3.2 At the same time, as discussed above, the recast of the ETD is part of a rich and complex regulatory environment. It also contains numerous references to other texts and directives. The **cross-referencing** between texts eliminates the need for **redundant** repetition of elements in several directives.

But the areas of energy and the environment are constantly changing. The procedure for updating the Combined Nomenclature codes (Article 2(5)) illustrates this point. Moreover, any change in a reference text may impact on others in an unexpected or undesirable way.

The EESC proposes that all the reference texts be placed in an annex; in addition, if appropriate, it should be made clear whether certain annexed elements may be **fixed**, in order to ensure the coherence of the future ETD.

5.3.3 Article 4 adds to the calculation of the minimum rate the 'total charge levied in respect of all indirect taxes', including purely national measures like the **carbon tax** levied by some Member States. However, the scope of application of the carbon tax levied by the Member States, and exemptions from it, may differ from the carbon tax established by the ETD.

The EESC thinks that the Commission should **make it clear** that the two CO₂ taxes should be **integrated** by the Member States when **transposing** the directive.

5.3.4 The revision focuses on the taxation of energy and the Commission acknowledges that the ETD does not cover the **use of ETD revenues by the Member States**.

The Europe 2020 strategy makes sustainable growth with a view to a more resource-efficient, greener and more competitive economy a priority.

The EESC wonders why the future ETD does not include **specific measures** paving the way for coherent, joint action by the Member States aimed at achieving a more sustainable, greener and more competitive economy, for example:

- social measures to promote employment and reduce the cost of labour;
- measures to promote technological development in the new energy sector;
- budget consolidation measures in the Member States.

5.3.5 CO₂ emissions are expressed in tonnes, energy content in gigajoules (GJ). The minimum rate of taxation for each energy product is calculated on the basis of its CO₂ emissions and energy content. These minimum rates must be applied to the usual **billing and taxation unit**, typically the litre for motor fuel and certain heating fuels, the kilowatt hour (KWh) for electricity etc. The conversion requires calculations carried out by the Commission's departments. However, the rules and assumptions used for these calculations are not explained, making it impossible for the representatives of certain Member States to arrive at the same results.

The EESC points out that harmonised conversion calculations are essential, and therefore suggests that the text give details of the **conversion methods** used, based as far as possible on units similar to those used for taxation in the Member States.

Brussels, 27 October 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON
