

31 May 2002

**TAXATION OF ENERGY PRODUCTS**

**UNICE POSITION IN VIEW OF THE 4 JUNE 2002 ECOFIN COUNCIL**

UNICE has learnt that the 4 June 2002 Ecofin Council is to examine a compromise text drawn up by the Spanish Presidency for revision of the proposal for a directive (COM 97-30) establishing a Community framework for taxation of energy products.

For UNICE, the fundamental objections that have always been raised by this proposal for a directive apply equally and fully to the new draft:

1. The reworking of the proposal makes no meaningful contribution to improving competition between energy products within the single market. This is because Member States remain free to charge higher duties than the minima set at EU level.

UNICE believes that any progress in the area of tax harmonisation needs to be made by reducing energy taxes in those countries where they are highest. In any event, improving the business climate in Europe, and in particular competitiveness, is an infinitely more important objective than harmonisation of taxation on energy products.

2. The reworked proposal is not an instrument which would guarantee protection of the international competitiveness of European companies.

It would lead, in the short to medium term, to additional taxes on several categories of energy products in several countries. In the long term, it would open the way to a generalised increase in energy taxes in all Member States. This conclusion is inescapable given that the initial Commission proposal has been clearly thought around this objective.

UNICE's comments on the mechanism for protecting the international competitiveness of European companies contained in the new draft are as follows:

- no protection at all is offered to a large portion of European companies;
- the option given to Member States to exempt certain energy-intensive companies totally or partially (in exchange for acceptance of alternative obligations) provides only partial protection. Moreover, this mechanism is fragile and opens the door to major uncertainties, bearing in mind the Community framework for state aid for environmental protection, which could place a question mark over these exemptions or limit them in time.

3. No more than the Commission's original draft, the reworked proposal for a directive contains no clear design for:
- promotion of tax harmonisation;
  - promotion of environmental progress in line with precise and carefully thought-out targets, and in good conditions for economic efficiency, in line with the objective of sustainable development;
  - rationalisation of the overall tax burden on transport.

As a consequence, UNICE urges the Ecofin Council not to adopt an instrument which is incompatible with the main objectives that the European Union is currently pursuing.

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