



Mr Algirdas Šemeta
Member of the European Commission
B-1049 Brussels
Belgium

Brussels, 13 April 2011

Re: revision of energy tax directive (ETD): all conditions for business support not yet fulfilled

Dear Commissioner,

BUSINESSEUROPE recognises and supports the EU's energy and climate change objectives and the part which businesses will need to play to achieve a 20% reduction in CO₂ emissions by 2020. These objectives must be met using the most cost-effective instruments and ensuring their mutual consistency, in order to support the competitive position of Europe in the transition to a low-carbon economy.

We consider it important to reduce emissions from non-ETS sectors in all EU Member States by providing a carbon price, but whether this will be best achieved through taxation should be assessed carefully as to its cost efficiency in reaching targets. The proposal for a new Energy Tax Directive addresses relevant issues, but raises important concerns that will require further investigation.

Regarding the introduction of a minimum CO₂ tax, BUSINESSEUROPE has expressed in the past that the following key conditions had to be met:

1. Emissions from companies which are already included within the EU Emission Trading System (ETS) should not be subject to carbon taxation.
2. To prevent carbon leakage, the same protections for energy-intensive and trade-exposed sectors which exist in the ETS should be replicated in the ETD.
3. The overall tax burden and compliance costs weighing on business should not be increased as a result of a minimum carbon tax
4. Installations covered by equivalent measures at national level that meet existing energy and emission targets should be exempted from taxation.
5. When projects in third countries can reduce carbon emissions more economically, they should accrue tax credits, as done with the ETS.



At present, the Commission proposal fulfils some but not all the five requirements, and raises a number of technical concerns such as the indexation clause for the minimum tax levels.

The revision of the ETD also provides for a common energy tax based on the energy content of fuels, which will require important changes in the level of taxation of different energy sources in most Member States. It is important that the impact on all businesses and business sectors and the linkages with other policies are assessed in formulating the final form of the Directive and that the transitional periods reflect normal product cycles.

We will continue to engage in a constructive dialogue with the European Commission and with Member States to ensure that the specificities of this legislation will not hamper competitiveness for businesses while meeting wider climate policy objectives.

Yours sincerely,

Philippe de Buck