



Ms Stephanie Lose

Minister for Economic Affairs of Denmark and
President of the Economic and
Financial Affairs Council (ECOFIN)
Ved Stranden 8
1061 København K
Denmark

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The Tax Treatment of Hydrogen under the Energy Taxation Directive

Dear Minister,

As the Danish Presidency works to finalise negotiations on the Energy Taxation Directive (ETD), BusinessEurope reiterates its support for reforming minimum tax rates on energy products to ensure a taxation framework fully aligned with the Clean Industrial Deal and that supports EU decarbonisation objectives and industrial competitiveness.

While renewable capacity scales up, blue hydrogen (fossil-based hydrogen with CCUS - carbon capture, utilization and storage) provides an indispensable bridge towards achieving the EU's 2030 and 2050 targets. It enables rapid, large-scale emissions reductions in hard-to-abate sectors where renewable hydrogen is not yet available at scale.

Against this background, we put forward the following recommendations for inclusion in the ETD to help businesses accelerate the deployment of low-carbon hydrogen:



1. Ensure consistency across EU instruments

Diverging definitions across the ETD, RED III, and the Gas & Hydrogen Package risk leading to inconsistent treatment across taxation, targets, and infrastructure rules. Such fragmentation creates uncertainty and weakens the investment signal. We therefore recommend fully aligning the ETD with these instruments.

In addition, existing VAT frameworks for gas and electricity should be applied to hydrogen to ensure cross-border consistency and prevent double taxation.

2. Apply Category 3 rates to blue hydrogen

The current ETD proposal does not provide a sufficiently supportive tax framework for blue hydrogen. Category 3 minimum rates should be extended to blue hydrogen where it meets stringent lifecycle emissions thresholds, in line with the Gas & Hydrogen Package Delegated Acts.

This would ensure a level playing field for all low-carbon hydrogen pathways, send a clear EU-wide signal to investors, and safeguard Europe's industrial competitiveness.

3. Introduce temporary zero or near-zero minimum tax rates

A temporary zero or near-zero minimum tax rate should apply to renewable and low-carbon hydrogen (including blue hydrogen) to support early market uptake. This should be accompanied by clear phase-in schedules to provide predictability for investors and Member States.

4. Align certification and mass-balance alignment

It is important to recognise certificates of origin and align ETD provisions with RED III sustainability criteria to ensure practical implementation across supply chains. Furthermore, physical product differentiation could be replaced with mass-balance mechanisms to reflect hydrogen's fungibility and ensure workable compliance.



Concluding Remarks

Europe needs a taxation framework that accelerates, rather than hinders, the deployment of low-carbon hydrogen. Treating blue hydrogen on equal footing with renewable hydrogen, where it meets strict emissions performance criteria, is vital to send the right investment signals, safeguard industrial competitiveness, and ensure a pragmatic, cost-effective pathway to EU decarbonisation.

Considering the recommendations outlined above, we encourage Member States to ensure that the revision of the ETD is future-proof, flexible, and coherent with all EU climate and energy legislation. Only then can hydrogen realise its full potential as a cornerstone of Europe's clean energy transition.

We remain at your disposal for further dialogue on these points and any other aspects of the ETD relevant to industry.

Yours sincerely,

Markus J. Beyrer