24.11.2011

OPINION

of the Committee on Budgets

for the Committee on Economic and Monetary Affairs

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


Rapporteur: Angelika Werthmann
SHORT JUSTIFICATION

Traditionally, energy taxes have been levied for several reasons, in particular to raise revenue and to influence consumer behaviour towards a more efficient use of energy and cleaner energy sources.

All EU Member States levy energy taxes, and these are harmonised to a certain extent at EU level. One of the specific aims of the Energy Taxation Directive (ETD) from 2003 that is currently in force was to prevent distortions of competition in the energy sector within the internal market.

Since the adoption of the ETD, the underlying policy framework has changed radically (European Council of March 2008; UN Climate Change Conference, November / December 2010 in Cancun). In the areas of energy and climate change, concrete and ambitious policy objectives have been defined for the period until 2020.

The Commission’s draft proposal seeks to reconcile the four different areas of climate change, energy efficiency, the internal market and promoting growth and employment.

The Commission suggests splitting future energy taxation into two components: one based on CO2 content and one based on energy content.

In the context of the current discussions on a possible future system of new own resources for the EU¹, the Commission proposal gains in importance from a budgetary perspective, in that a possible CO2 tax could be used in part for these future own resources. In addition to this link to the EU budget, the rapporteur also considers it important to take account of the social impact of the Commission proposal.

¹ COM(2011)500; ‘Europe for Growth’ reform paper by Alain Lamassoure, Jutta Haug, Guy Verhofstadt.
AMENDMENTS

The Committee on Budgets calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1

Proposal for a directive
Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) CO₂-related taxation could also be regarded as a possible element of a future system of own resources for the European Union budget with the aim of reducing Member States’ contributions and contributing towards the fight against climate change.

Justification

It was already one of the original aims of the Treaties establishing the European Communities for the Union to be financed entirely from own resources. Using part of the CO₂-related taxation, along with another possible component, would be in line with this legal basis.

Amendment 2

Proposal for a directive
Recital 17

Text proposed by the Commission

Amendment

(17) Exemption or reductions to the benefit of households and charitable organisations may form part of social measures defined by Member States. The possibility to apply such exemptions or reductions should, for reasons of equal treatment between energy sources, be extended to all energy products used as heating fuel and electricity. In

(17) Exemption or reductions to the benefit of low income households and charitable organisations may form part of social measures defined by Member States. The possibility to apply such exemptions or reductions should, for reasons of equal treatment between energy sources, be extended to all energy products used as
order to ensure that their impact on the internal market remains limited, such exemptions and reductions should be applied only to non-business activities. heating fuel, electricity and motor fuel. In order to ensure that their impact on the internal market remains limited, such exemptions and reductions should be applied only to non-business activities.

Justification

*In terms of disposable income, the proposed future taxation of energy sources will impose a disproportionately high burden on low income households in comparison to medium and high income households. It seems appropriate, in view of professional and private mobility needs, to extend the possibility of tax exemptions to fuels.*

Amendment 3

Proposal for a directive
Recital 28

Text proposed by the Commission

(28) Every five years and for the first time by the end of 2015, the Commission should report to the Council on the application of this Directive, examining in particular the minimum level of CO2-related taxation in the light of the evolution of the market price in the EU of the emission allowances, the impact of innovation and technological developments and the justification for the tax exemptions and reductions laid down in this Directive, including for fuel used for the purpose of air and maritime navigation. The list of sectors or sub-sectors deemed to be exposed to a significant risk of carbon leakage shall be the subject of regular review, in particular taking into account the availability of emerging evidence.

Amendment

(28) Every three years and for the first time by the end of 2015, the Commission should report to the European Parliament and to the Council on the application of this Directive, examining in particular the minimum level of CO2-related taxation in the light of the evolution of the market price in the EU of the emission allowances, the impact of innovation and technological developments and the justification for the tax exemptions and reductions laid down in this Directive, including for fuel used for the purpose of air and maritime navigation. The list of sectors or sub-sectors deemed to be exposed to a significant risk of carbon leakage shall be the subject of regular review, in particular taking into account the availability of emerging evidence. *The Commission should also monitor the market to ensure transparency of the energy market and that consumers are not adversely affected by market abuses.*

Justification
CO2-related taxation would have far-reaching environmental and taxation policy repercussions within the Union, so the reporting obligation should include Parliament. In order that policy guidance can be given, the reporting period needs to be shortened.

Amendment 4

Proposal for a directive
Article 1 - point 13 - point a - point i
Directive 2003/96/EC
Article 15 – paragraph 1 – point h

Text proposed by the Commission

(h) energy products used as heating fuel and electricity if used by households and/or by organisations recognised as charitable by the Member State concerned. In the case of such charitable organisations, Member States shall confine the exemption or reduction to use for the purpose of non-business activities. Where mixed use takes place, taxation shall apply in proportion to each type of use. If a use is insignificant, it may be treated as nil;

Amendment

(h) energy products used as heating fuel, electricity and motor fuel, in particular if used by low income households and/or by organisations recognised as charitable by the Member State concerned. In the case of such charitable organisations, Member States shall confine the exemption or reduction to use for the purpose of non-business activities. Where mixed use takes place, taxation shall apply in proportion to each type of use. If a use is insignificant, it may be treated as nil;

Justification

In terms of disposable income, the proposed future taxation of energy sources will impose a disproportionately high burden on low income households in comparison to medium and high income households. It seems appropriate, in view of professional and private mobility needs, to extend the possibility of tax exemptions to fuels.

Amendment 5

Proposal for a directive
Article 1 – point 14
Directive 2003/96/EC
Article 17 – paragraph 1 – point a – paragraph 1
An ‘energy-intensive business’ shall mean a business entity, as referred to in Article 11, where either the purchases of energy products and electricity amount to at least 3.0 % of the production value or the national energy tax payable amounts to at least 0.5 % of the added value. Within this definition, Member States may apply more restrictive concepts, including sales value, process and sector definitions.

Amendment

An ‘energy-intensive business’ shall mean a business entity, as referred to in Article 11, where either the purchases of energy products and electricity amount to at least 5.0 % of the production value or the national energy tax payable amounts to at least 0.5 % of the added value. Within this definition, Member States may apply more restrictive concepts, including sales value, process and sector definitions.

Justification

A 3% threshold is too low and would embrace too many businesses. The ensuing bureaucracy would be disproportionate.

Proposal for a directive

Article 1 – point 21

Directive 2003/96/EC

Article 29 – paragraph 1

Text proposed by the Commission

Every five years and for the first time by the end of 2015, the Commission shall submit to the Council a report on the application of this Directive and, where appropriate, a proposal for its modification.

Amendment

Every three years and for the first time by the end of 2015, the Commission shall submit to the European Parliament and to the Council a report on the application of this Directive and, where appropriate, a proposal for its modification.

Justification

CO2-related taxation would have far-reaching environmental and taxation policy repercussions within the Union, so the reporting obligation should include Parliament. In order that policy guidance can be given, the reporting period needs to be shortened.
## Procedure

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<tr>
<th>Title</th>
<th>Amending Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity</th>
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<tr>
<td><strong>References</strong></td>
<td>COM(2011)0169 – C7-0105/2011 – 2011/0092(CNS)</td>
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<td><strong>Committee responsible</strong></td>
<td>ECON</td>
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<td>Date announced in plenary</td>
<td>10.5.2011</td>
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<td><strong>Committee(s) asked for opinion(s)</strong></td>
<td>BUDG</td>
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<td>10.5.2011</td>
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<tr>
<td><strong>Rapporteur(s)</strong></td>
<td>Angelika Werthmann</td>
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<tr>
<td>Date appointed</td>
<td>5.5.2011</td>
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<tr>
<td><strong>Date adopted</strong></td>
<td>22.11.2011</td>
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| **Result of final vote** | +: 35  
| | -: 0  
| | 0: 0 |
| **Members present for the final vote** | Alexander Alvaro, Lajos Bokros, Andrea Cozzolino, Jean-Luc Dehaene, James Elles, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Ivars Godmanis, Estelle Grelier, Carl Haglund, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Sergej Kozlík, Jan Kozłowski, Giovanni La Via, Vladimír Maňka, Barbara Matera, Nadezhda Neynsky, Dominique Riquet, László Surján, Helga Trüpel, Derek Vaughan, Angelika Werthmann |
| **Substitute(s) present for the final vote** | Antonello Antinoro, Maria Da Graça Carvalho, Frédéric Daerden, Derk Jan Eppink, Paul Rübig, Peter Šťastný, Georgios Stavrakakis |
| **Substitute(s) under Rule 187(2) present for the final vote** | Arnaud Danjean, Matthias Groote, Bernadette Vergnaud |