

Taxation of energy products and electricity: restructuring the Community framework

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The Council endorsed a report reflecting the **state of play of negotiations** and setting out proposals for **future work** regarding a Directive amending the existing energy taxation directive to bring it more closely in line with the EU's energy and climate change objectives.

The Cypriot Presidency has presented **four compromise proposals**, the latest on 12 November 2012. The Presidency's compromise proposals have, *inter alia*, been based on the following principles as a starting point for further discussions:

- the levels of taxation which Member States shall apply to energy products and electricity may not be less than the minimum levels of taxation laid down in the Directive;
- the single minimum levels of taxation were established on the basis of two reference components, an energy related component and a CO₂-related component;
- Member States may express their national levels of taxation as one single tax or as separate taxes as well as in units other than those used to express the minimum levels of taxation, provided that the minimum levels laid down in the Directive are respected.

Even though most Member States support, in principle, this structure of the taxation, additional discussions on the minimum levels and a number of technical issues are necessary to achieve further progress on the compromise text. The report notes that, in order to achieve further progress towards a final compromise, further work is needed, in particular in the following areas:

- levels of the minimum rates of taxation of the energy products and electricity;
- taxation of installations falling within the EU Emission Trading Scheme (ETS);
- tax treatment of biofuels and bioliquids;
- tax treatment of commercial gasoil;
- tax treatment of energy products and electricity used for agriculture;
- transitional periods;
- tax reliefs below the minimum levels.

The Council invited the incoming Irish Presidency to **continue work**, taking as a starting point the latest compromise text.