

# Taxation of energy products and electricity

1997/0111(CNS) - 12/03/1997 - Legislative proposal

**OBJECTIVE:** To establish a Community framework for the taxation of energy products to enable national tax systems to be restructured and achieve the objectives of the employment, environment, transport and energy policies, while respecting the internal market. **SUBSTANCE:** The proposal for a Directive is concerned with modernization of the Community system of taxation of mineral oils and extends its scope to all energy products, with a view to improving the functioning of the internal market. It has to be seen in the context of the political process initiated by the Commission's 'confidence pact for employment' and seeks to refocus fiscal policy towards combating unemployment. It encourages Member States to respect the objective of fiscal neutrality by reducing statutory charges on labour at the same time as introducing the new common system of taxing energy products. The essential elements of the Commission's proposed new measures are the following: (1) extending the scope of the Community taxation system to all energy products: taxation in future would cover the other sources of energy, namely coal, coke, lignite, bitumen and derived products, natural gas and electricity; (2) setting new minimum levels of taxation for all energy products: the Commission proposes that the Community minimum levels on mineral oils set by Directive 92/82/EEC be up-rated and that minimum levels be created for products other than mineral oils; different minimum levels would be set for the following three categories: energy products used as motor fuels, energy products used as motor fuels for certain industrial and commercial purposes and energy products used as heating fuels; it also proposes establishment of a timetable for uprating these Community minimum levels (1998, 2000 and 2002); (3) flexibility for the pursuit of objectives of environmental, transport or energy policy: the Commission proposes offering the Member States a number of options enabling them to pursue more ambitious environmental policies, consistent with the objective to stabilize CO<sub>2</sub> emissions at 1990 levels by the year 2000; the Member States would thus be authorized to apply reduced rates or exemptions from tax to certain products or uses (biofuels, renewable energy sources, rail transport, inland waterway navigation, heat produced in combined generation installations); with regard to transport, flexibility is emphasized in order to facilitate the introduction of efficient transport pricing instruments which can more adequately address transport problems such as congestion and air pollution; (4) measures to assist enterprises: the Commission proposes measures to ensure that the extended scope of the directive and the setting of new Community minimum levels do not harm the competitiveness of European firms vis-à-vis third countries.