



EASE Reply to the European Commission Request for Feedback – Energy Taxation Directive Proposal

November 2021



INTRODUCTION

The European Commission has adopted a recast Energy Taxation Directive in the context of the Fit for 55 Package, in order to ensure that tax rates for energy products can support decarbonisation targets.

As demonstrated by the EU decarbonisation strategy for 2050, energy storage technologies are playing a valuable role in the transition to a low-carbon energy system. This role is only set to increase with upward revision of the 2030 decarbonisation targets. In order to enable the deployment of energy storage the barriers that hamper a robust storage business case should be avoided. EASE welcomes the recast Energy Taxation Directive, which goes in the right direction by making it possible to consider energy storage facilities as redistributors so to avoid double taxation, but more ambitious steps are needed.



Public Consultation

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1. Tax rates need to be based on GHG content

The proposal overlooks the opportunity to use the carbon content of energy products as the basis for taxation. The system used still refers to the 2012 Directive' Annexes, and is based on the net calorific value of the energy products (i.e., on the amount of energy produced). EASE supports the recalculation of minimum tax rates based on the cost on all their externalities such as greenhouse gases emissions and air polluting emissions linked to their consumption, in accordance with the polluter–pays principle as set by article 191(2) TFEU.

2. Double taxation should be avoided by Member States – enforceable rules are needed

One of the main barriers hindering large–scale energy storage uptake is double taxation: energy storage devices that are directly connected to the grid, may be considered as both producer (injection) and consumer (offtake). If storage is considered an energy consumer for taxation purposes, energy offtake by storage will constitute a taxable event. Subsequently, if considered also a producer, the discharge energy will be taxed once again when finally consumed by the end–user.

Double taxation has a negative impact on investments in and use of storage. The power sector can decarbonise provided that an investment framework for RES and carbon–neutral firm and flexible capacity, such as storage, is well designed. Consumers and investors need to have proper price signals to perform their investment choices.

EASE welcomes the provisions at article 22(5) stating that energy storage may be consider a redistributor for taxation purposes, making it possible for electricity to be taxed only when reinjected into the grid: the provision still isn't strong enough to avoid double taxation in Member States, and a bolder approach (i.e., making it mandatory to consider energy storage a redistributor for taxation purposes) is needed.



3. Energy losses in the context of energy storage should be considered a chargeable event

Energy losses in the storage cycle could be subject to energy taxation if considered end-use. However, the proposed ETD states in the new art. 22(2) that energy consumption in an establishment producing energy products does not give rise to a chargeable event (e.g. electricity consumption in power plants). Following this and to treat storage equally vis-à-vis other energy producers, losses in the storage cycle should not be subject to energy taxation either.

4. Electric vehicles use needs to be incentivised

While the proposal does not foresee obligation for Member States to treat favourably electricity used by electric vehicles, Recital 18 suggests that rates should be set as if that electricity was used for heating purposes – i.e., at a lower level.

In order to favour the uptake of electric vehicles and maximise their potential, additional efforts are essential to remove the barriers that currently hamper vehicle-to-grid deployment. Vehicle-to-grid is not regulated yet at EU level even though it supports greater integration of RES in the system and can provide numerous grid services and non-frequency ancillary services, e.g. voltage control or synthetic inertia.

5. Tax revenues should promote decarbonisation technologies

Within the European Green Deal context, it is also crucial for tax revenues to promote the development and penetration of technologies that are key for Europe's Energy transition. Further measure should be investigated to steer revenues from environmental taxes towards sustainable innovation in the realm of grids stabilisation and energy storage technologies.



About EASE

The European Association for Storage of Energy (EASE) is the voice of the energy storage community, actively promoting the use of energy storage in Europe and worldwide. It supports the deployment of energy storage as an indispensable instrument within the framework of the European energy and climate policy to deliver services to, and improve the flexibility of, the European energy system. EASE seeks to build a European platform for sharing and disseminating energy storage-related information and supports the transition towards a sustainable, flexible and stable energy system in Europe.

For more information please visit www.ease-storage.eu

Disclaimer

This response was elaborated by EASE and reflects a consolidated view of its members from an energy storage point of view. Individual EASE members may adopt different positions on certain topics from their corporate standpoint.

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