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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
Subject:	Revision of the Energy Taxation Directive-Exchange of views

The Permanent Representatives Committee (Coreper) is invited to hold an exchange of views on the basis of the note prepared by the incoming Danish Presidency as set out in the Annex.

ANNEX

Revision of the Energy Taxation Directive

Presidency note

I. INTRODUCTION

1. On 14 July 2021, the Commission submitted a proposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast) ('the ETD proposal').
2. The ETD proposal is part of the Fit for 55 package and therefore contributes to implementing the ambitious EU targets of reducing emissions by at least 55 % by 2030, as compared to 1990 levels, and to achieving climate neutrality by 2050.
3. The ETD proposal aims at: a) providing an adapted framework that contributes to the EU 2030 targets and climate neutrality by 2050 in the context of the European Green Deal. This would involve aligning the taxation of energy products and electricity with EU energy, environment and climate policies, thus contributing to the EU efforts to reduce emissions; b) providing a framework that preserves and improves the EU internal market by updating the scope of energy products and the structure of rates, and by rationalising the use of tax exemptions and reductions by Member States; and c) preserving the capacity to generate revenues for the budgets of the Member States.

II. STATE OF PLAY

4. On 17 June 2022, the Council (ECOFIN) took note of the Presidency progress report on the ETD proposal. On 6 December 2022, the Council (ECOFIN) held a policy debate on the ETD proposal and gave political guidance on the way forward. In general, the Ministers supported a more flexible Presidency approach and asked to find solutions to open issues. Taking into account the political guidance, technical work continued.

5. During the policy debate held at the Council meeting (ECOFIN) on 10 December 2024 most delegations expressed the opinion that the compromise reached so far on the directive as a whole represents a delicate balance between different Member States positions. Some delegations still drew attention to certain issues requiring further discussion. On 20 June 2025, the Council (ECOFIN) took note of the Presidency progress report on the ETD proposal.

6. The previous presidencies have made significant efforts to reconcile the views of all delegations. Recently, delegations have repeated their positions on different issues, which have already been discussed thoroughly during previous presidencies. However, a few open issues remain, such as indexation and the taxation of aviation and waterborne navigation.

7. It should be pointed out that indexation is a fundamental question in the revision, as it ensures that the minimum levels of taxation do not become devalued.

8. The current compromise text already contains quite a few exemptions and reductions. Although the initial goal of the revision of the directive was to decrease the number of tax exemptions and reductions, delegations accept that Member States have different specificities and priorities.

III. BENEFITS OF THE REVISED ETD

9. The Presidency is of the view that the revised directive currently under negotiation represents significant progress compared to the currently applicable directive.

10. The revised directive will bring more clarity to taxation of new technologies (e.g. fuel cells, electric vehicles) and products (e.g. hydrogen) would become clear and feasible in practice. Switching from volume (rates expressed per litre) to energy content-based taxation and determining rates according to the products' environmental performance would create an opportunity for green technologies to benefit from lower tax rates.

11. According to the applicable directive the new, less carbon-intensive fuels are taxed in the same way as fossil fuel equivalents; furthermore, in the applicable ETD biofuels are disadvantaged by the volume-based taxation, because one litre of biofuel typically has a lower energy content than one litre of the competing fossil fuel while the same tax rate applies.

12. The adoption of a revised ETD would create a greater degree of consistency with other EU legislation, such as the Renewable Energy Directive (RED) and the Emissions Trading System (ETS).

13. The risk of tax evasion would be reduced by classifying lubricating oils in bulk as controlled products. In addition, the degree of harmonisation would increase because tax exemptions and reductions would be abolished with time, but in the view of the Presidency it must be accepted that the Member States need time for the transition, which is made possible by the introduction of several transitional periods.

14. The adoption of a revised ETD would contribute to energy security by promoting clean technologies, ensuring that electricity is taxed less than other energy sources, while at the same time allowing decreasing taxes down to zero for certain energy products to ensure economic viability of some sectors. Energy security is mentioned also in the June 2025 European Council conclusions in the context of EU competitiveness.

15. Another significant added value of the compromise text is the indexation, which would halt the debasement of minimum levels and may result in the convergence of tax rates of the Member States.

IV. WAY FORWARD

16. According to the Presidency's understanding, each topic of the ETD file has been discussed thoroughly in the past four years.

17. The Presidency's objective is to reach a political agreement on the ETD file, since it is of the view that the negotiations carried out under the previous presidencies have led to a compromise that strikes an appropriate balance between supporting the green transition and the consideration of the specificities of the Member States without jeopardising EU's competitiveness. The Presidency is convinced of the urgent need to reach a political agreement on the ETD file, which would contribute to ensuring the right incentives for green transition, electrification and energy security.

18. Most of the delegations agree that the compromise reached so far would constitute a clear improvement compared to the currently applicable ETD. A few delegations continue to express the need for further discussion on certain technical issues. The Presidency is committed to make its utmost to find a solution to the few outstanding issues and to facilitate reaching an agreement that would be acceptable to all. The purpose of this exchange of views is to seek guidance on the way forward on this file.

V. CONCLUSION

19. In the light of the above, the Permanent Representatives Committee is invited to:

- take note of the intention of the Presidency to reach an agreement on the ETD file;
- task the technical level to finalise the compromise text in the light of the exchange of views in Coreper;
- task the technical level to report back to Coreper, if needed, with a view to reaching agreement in the Council (ECOFIN) in November 2025.