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**Interinstitutional File:
2021/0213 (CNS)**

NOTE

From: Presidency
To: Permanent Representatives Committee

Subject: Draft Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast)
- General approach

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)¹ ('the ETD proposal'). The ETD proposal is a part of the Fit for 55 package².
2. 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.

¹ 10872/21.

² 10849/21.

3. According to the ETD proposal, these objectives could be achieved by switching from volume-based to energy content-based taxation, by establishing a ranking of rates based on environmental performance, and by limiting incentives for fossil fuel use.
4. The European Economic and Social Committee adopted its opinion on 20 January 2022³ and the Committee of the Regions adopted its opinion on 27 April 2022⁴. The opinion of the European Parliament is pending.

II. STATE OF PLAY

5. The analysis of the ETD proposal was launched within the Working Party on Tax Questions (Indirect Taxation - Excise Duties/Energy Taxation) (WPTQ) in September 2021 and the negotiations have been ongoing for more than four years. The Working Party on Tax Questions (High Level) (HLWP) discussed the file on several occasions.
6. On 7 December 2021 and 17 June 2022, the Council (Ecofin) took note of the Presidency progress reports on the ETD proposal⁵. On 6 December 2022, the Council (Ecofin) held a policy debate on the ETD proposal⁶ and gave political guidance on the way forward. In general, the Ministers supported the Presidency's approach and asked for solutions to be found to outstanding issues. On 10 December 2024, the Council (Ecofin) held a policy debate on the ETD proposal⁷ and provided political guidance. On 20 June 2025, the Council (Ecofin) took note of the Presidency progress report on the ETD proposal⁸.

III. WORK UNDER THE CURRENT PRESIDENCY

7. During its exchange of views on 9 July 2025, Coreper tasked the technical level to finalise the compromise text in light of the guidance received and to report back to Coreper, if needed, with a view to reaching an agreement in the Council (Ecofin) in November 2025.

³ 5615/22.

⁴ 7822/25.

⁵ 14574/21 and 9874/22.

⁶ 14736/22.

⁷ 16174/24 REV 1.

⁸ 7819/25.

8. On that basis and building on the progress made under the previous Presidencies, the file was analysed at the meetings of the WPTQ on 5 September, 26 September and 14 October, as well as at the HLWP on 3 November 2025. During the second semester of 2025, based on discussions at the Working Party meetings, the Presidency prepared four sets of compromise text, which facilitated discussions and helped achieving agreements on some outstanding technical issues.
9. In general, delegations are of the view that the currently applicable ETD is outdated (it has not been revised since its adoption in 2003), its revision is needed and the compromise text constitutes an improvement compared to the currently applicable ETD.
10. The latest compromise text aims at striking a balance between a number of diverging concerns and in Presidency's view provides a good basis to finalise these negotiations. However, some delegations have expressed concerns about the following political issues:
 - a. On the one hand, a few delegations are not willing to accept the indexation as a concept or consider the cap (maximum percentage of adaptation) to be problematic. On the other hand, many other delegations find that indexation is a key to ensure that the Directive does not become irrelevant as inflation raises the energy prices over time. The Presidency believes that the current text presents a balanced compromise with the inclusion of indexation but proposing lower rates, later starting dates, and a cap to limit indexation in case of high inflation. This would enable to take into account the socioeconomic differences between Member States.
 - b. Although the application of the new rates on natural gas and LPG will be considerably delayed (transitional periods last until 2042), some delegations are still concerned that the proposed rates on natural gas and LPG will affect households and industries negatively. To accommodate this, the Presidency is exploring the options to extend the transitional periods even further and lower the rates, while at the same time keeping in mind that the support of some other delegations should not be lost.

- c. Although an overwhelming majority of delegations support the compromise text on aviation and maritime, there are a few delegations who find it important to uphold the current exemption for aviation and maritime sectors. In addition, these delegations prefer not to include a review clause according to which in 2035 the Commission shall assess the possibilities of taxation of energy products used in these sectors.
11. The Presidency is of the view that the compromise text addresses the concerns raised by the delegations, while ensuring a balance between diverging views of the delegations. In the spirit of compromise, the Presidency asks the delegations to consider the compromise text as a package in order to be in a position to agree also on these last outstanding political issues. Therefore, the Presidency expects that all delegations should be in a position to accept the latest compromise text and lift any remaining reservations.

IV. CONCLUSION

12. Against this background, Coreper is invited to:
- a) confirm its agreement on the text as set out in document 13589/25;
 - b) recommend that the Council, at its forthcoming meeting, reaches a general approach on the text of the draft Directive set out in document 13589/25, with a view to adopting the Directive, subject to receiving the opinion of the European Parliament and legal-linguistic revision.