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Subject: Draft Council conclusions on the EU energy taxation framework
– Adoption

1. The European Council, in its conclusions of 20 June 2019, invited the Council and the Commission to advance work on the conditions, the incentives and the enabling framework to be put in place so as to ensure a transition to a climate-neutral EU in line with the Paris Agreement.
2. The Commission presented its Staff working document "Evaluation of the Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity"^{1 2} at the Working Party on Tax Questions (WPTQ) on 3 October 2019.

¹ Doc. 12153/19.

² Doc. 12154/19.

3. The text set out in the Annex to this note was considered at the Permanent Representatives Committee on 27 November 2019. All delegations support the text of the draft Council conclusions.

 4. The Council (ECOFIN) on 5 December 2019 is invited to adopt the text of the conclusions.
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Draft
Council conclusions
on the EU energy taxation framework

THE COUNCIL OF THE EUROPEAN UNION:

- (1) RECALLS the invitation by the European Council³ of June 2019 to the Council and the Commission to advance work on the conditions, the incentives and the enabling framework to be put in place so as to ensure a transition to a climate-neutral EU in line with the Paris Agreement, while preserving European competitiveness in a just and socially balanced way, taking into account Member States' national circumstances;
- (2) RECOGNISES that the transition to a competitive climate-neutral economies and societies in Europe is important in driving sustainable growth and innovation, enhancing competitiveness, increasing energy security and creating jobs; STRESSES the urgent need to give clear and credible signals for businesses, investors and consumers to provide longer term certainty and a stable regulatory framework;
- (3) CONSIDERS that energy taxation as a fiscal instrument can be an important part of the economic incentives that steer successful energy transition, driving low greenhouse gas emissions and energy savings investments while contributing to sustainable growth;
- (4) WELCOMES recent discussions on this matter at the September 2019 informal ECOFIN, as well as the work by the Commission on the evaluation of the EU energy taxation framework;

³ <https://www.consilium.europa.eu/media/39922/20-21-euco-final-conclusions-en.pdf>

- (5) EMPHASISES the important role of the harmonisation of energy taxation through the Energy Taxation Directive in ensuring the proper functioning of the internal market; ACKNOWLEDGES that the current directive does not reflect coherence with other objectives of the EU climate and energy policies, development of the EU legal framework and its international commitments, changing energy mix and technological development;
- (6) SUPPORTS an update of the legal framework for energy taxation contributing to wider economic and environmental EU policy objectives; EMPHASISES that the framework should in particular:
- improve the functioning of the EU internal market,
 - support transition to a climate-neutral EU,
 - contribute to the long-term competitiveness of the EU and its Member States fiscal needs;
- (7) INVITES the Commission to analyse and evaluate possible options with a view to publishing in due course a proposal for the revision of the Energy Taxation Directive which would reflect the EU and Member States' current needs; CALLS on the Commission to give particular consideration to the scope of the Directive, minimum rates and specific tax reductions and exemptions;

- (8) CALLS on the Commission to update provisions in the future proposal, as appropriate, in order to ensure that they are practicable and provide greater certainty and clarity in its implementation, taking notably into consideration:
- treatment of biofuels and other alternative fuels,
 - applicability of control and movement provisions to certain products, such as treatment of lubricants and designer fuels,
 - new energy products and technologies,
 - relevant sectors, such as aviation, taking into account their specificities and existing exemptions and international dimension,
 - impacts on government revenues,
 - state aid processes and rules;
- (9) ENCOURAGES the Commission to ensure coherence with other EU policy objectives and relevant instruments and legislation; RECOGNISES the importance of a flexibility in Member States for the pursuit of their policy objectives to take into account their national circumstances;
- (10) CALLS on the Commission to ensure that its proposals are fully assessed in terms of their economic, social and environmental costs and benefits and their implications for competitiveness, connectivity, employment and sustainable economic growth, particularly for sectors most exposed to international competition; and ENCOURAGES Member States to cooperate for sharing information and data of the energy taxation to the Commission in order to ensure high quality assessments;
- (11) RECALLS the importance that any future work should continue to respect general principles of the Union law, in particular the principles of proportionality and subsidiarity, and the full respect for the respective competences of the Union and the Member States;
- (12) UNDERLINES that the social dimension should be considered while implementing policies and initiatives which will support the clean-energy transition to reach climate neutrality.