

## Response of Federmetano on the European Commission consultation on the Energy Taxation Directive

Federmetano welcomes the revision of the Energy Taxation Directive in line with the increased GHG emission reduction targets of the EU. In Federmetano's view, **the only way of achieving a quick and effective decarbonisation of road transport is to support all existing solutions, including biomethane (bioCNG and bioLNG).**

In order for the Energy Taxation Directive to become a truly effective instrument driving the decarbonisation of fuels used in road transport in a fair and cost-effective way, Federmetano points out the following aspects:

- **The minimum levels of tax rates proposed for natural gas used as a fuel risk to jeopardize the future of the biomethane market in road transport.** Since natural gas used in vehicles is a blend, – currently over 20% of the gas used in the EU fleet is biomethane (bioCNG and bioLNG) – raising tax levels for natural gas to the proposed extent, and in such short time frame, would severely compromise the further development of biomethane, whose uptake relies on the competitive advantage of its fossil counter-part over conventional fuels. **This would have counter-productive effects, since biomethane is one of the already available alternative solutions to decarbonise road transport – especially for the heavy-duty sector.** The increase of minimum tax levels should rather be proportionate to the potential of fossil fuels to integrate higher blends of renewables.
- Setting minimum tax levels based on the environmental performance of the fuels is a good step in the right direction, but **it should be consistently applied to all energy carriers**, and not only to gaseous and liquid fuels. Minimum tax rates for electricity should also be set based on its environmental performance, which heavily depends on the origin of the energy used to produce it. On the same logic, **natural gas used as a fuel should also benefit from lower minimum tax rates than petrol/gasoil as of 2023 and until after 2033**, to reflect its positive effects in reducing GHG emissions compared to conventional fuels. The environmental performance of all energy carriers in road transport should be assessed by adopting an LCA approach.
- **More flexibility should be given to Member States to apply different nominal tax rates even below the minimum rate thresholds**, in line with local resources and especially in accordance with their overall strategy for decarbonisation defined in their National Energy and Climate Plans. The possibilities for exemptions should also consider the level of market penetration specified per sector of application.

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