

Procedure file

Basic information		
CNS - Consultation procedure Directive	1997/0111(CNS)	Procedure completed
Taxation of energy products and electricity		
Amended by 2004/0016(CNS)		
Subject		
2.70.02 Indirect taxation, VAT, excise duties		
3.60.03 Gas, electricity, natural gas, biogas		
3.60.08 Energy efficiency		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		09/05/2003
		V/ALE JONCKHEER Pierre	
	Former committee responsible		
	ECON Economic and Monetary Affairs, Industrial Policy		18/06/1997
		ELDR COX Pat	
	ECON Economic and Monetary Affairs, Industrial Policy		
	Committee for opinion	Rapporteur for opinion	Appointed
	ITRE Industry, External Trade, Research, Energy		19/06/2003
		GUE/NGL CAUDRON Gérard	
RETT Regional Policy, Transport and Tourism			
Former committee for opinion			
ENER Research, Technological Development and Energy		27/05/1997	
	PPE ESTEVAN BOLEA María Teresa		
ENVI Environment, Public Health and Consumer Protection		16/04/1997	
	PPE SPENCER Tom		
Council of the European Union	Council configuration	Meeting	Date
	Environment	2536	27/10/2003
	Economic and Financial Affairs ECOFIN	2493	07/03/2003
	Economic and Financial Affairs ECOFIN	2442	20/06/2002
	Economic and Financial Affairs ECOFIN	2432	04/06/2002
	Economic and Financial Affairs ECOFIN	2424	07/05/2002
	Economic and Financial Affairs ECOFIN	2212	08/11/1999
	Economic and Financial Affairs ECOFIN	2181	25/05/1999

European Commission	Economic and Financial Affairs ECOFIN	2167	15/03/1999
	Economic and Financial Affairs ECOFIN	2143	01/12/1998
	Environment	2033	16/10/1997
	Economic and Financial Affairs ECOFIN	2004	12/05/1997
	Commission DG	Commissioner	
	Taxation and Customs Union		

Key events			
12/03/1997	Legislative proposal published	COM(1997)0030	Summary
09/04/1997	Committee referral announced in Parliament		
12/05/1997	Debate in Council	2004	
16/10/1997	Debate in Council	2033	
01/12/1998	Debate in Council	2143	
20/01/1999	Vote in committee		Summary
20/01/1999	Committee report tabled for plenary, 1st reading/single reading	A4-0015/1999	
09/02/1999	Debate in Parliament		
09/02/1999	Decision by Parliament	T4-0083/1999	Summary
09/02/1999	Report referred back to committee		
15/03/1999	Debate in Council	2167	
30/03/1999	Vote in committee		Summary
30/03/1999	Committee report tabled for plenary, 1st reading/single reading	A4-0171/1999	
12/04/1999	Debate in Parliament		
13/04/1999	Decision by Parliament	T4-0253/1999	Summary
25/05/1999	Debate in Council	2181	
08/11/1999	Debate in Council	2212	
07/05/2002	Debate in Council	2424	Summary
04/06/2002	Debate in Council	2432	
20/06/2002	Debate in Council	2442	
03/04/2003	Amended legislative proposal for reconsultation published	08084/2003	Summary
16/04/2003	Formal reconsultation of Parliament		
10/09/2003	Vote in committee		Summary
10/09/2003	Committee report tabled for plenary, reconsultation	A5-0302/2003	
23/09/2003	Debate in Parliament		

24/09/2003	Decision by Parliament	T5-0404/2003	Summary
27/10/2003	Act adopted by Council after consultation of Parliament		
27/10/2003	End of procedure in Parliament		
31/10/2003	Final act published in Official Journal		

Technical information

Procedure reference	1997/0111(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amended by 2004/0016(CNS)
Legal basis	Rules of Procedure EP 050; EC Treaty (after Amsterdam) EC 093
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/19662; ECON/4/08784; ECON/4/10768

Documentation gateway

Legislative proposal	COM(1997)0030 OJ C 139 06.05.1997, p. 0014	12/03/1997	EC	Summary
Document attached to the procedure	SEC(1997)1026	23/05/1997	EC	Summary
Economic and Social Committee: opinion, report	CES1194/1997	29/10/1997	ESC	Summary
Committee report tabled for plenary, 1st reading/single reading	A4-0015/1999 OJ C 150 28.05.1999, p. 0003	20/01/1999	EP	
Text adopted by Parliament, partial vote at 1st reading/single reading	T4-0083/1999 OJ C 219 30.07.1999, p. 0015-0025	09/02/1999	EP	Summary
Committee report tabled for plenary, 1st reading/single reading	A4-0171/1999 OJ C 219 30.07.1999, p. 0007	30/03/1999	EP	
Text adopted by Parliament, 1st reading/single reading	T4-0253/1999 OJ C 219 30.07.1999, p. 0025-0100	13/04/1999	EP	Summary
Amended legislative proposal for reconsultation	08084/2003	03/04/2003	CSL	Summary
Committee final report tabled for plenary, reconsultation	A5-0302/2003	10/09/2003	EP	
Text adopted by Parliament after reconsultation	T5-0404/2003 OJ C 077 26.03.2004, p. 0088-0246 E	24/09/2003	EP	Summary
Document attached to the procedure	COM(2014)0673	29/10/2014	EC	
For information	COM(2015)0004	15/01/2015	EC	
For information	COM(2015)0203	13/05/2015	EC	
For information	COM(2016)0020	25/01/2016	EC	
For information	COM(2016)0677	25/10/2016	EC	

For information		COM(2017)0724	01/12/2017	EC	
For information		COM(2021)0023	21/01/2021	EC	
For information		COM(2021)0152	31/03/2021	EC	
For information		COM(2021)0209	29/04/2021	EC	
For information		COM(2021)0211	29/04/2021	EC	
For information		COM(2021)0630	13/10/2021	EC	
For information		COM(2022)0219	20/05/2022	EC	
For information		COM(2024)0018	22/01/2024	EC	
For information		COM(2024)0039	30/01/2024	EC	

Additional information

European Commission

[EUR-Lex](#)

Final act

[Directive 2003/96](#)
[OJ L 283 31.10.2003, p. 0051-0070](#) Summary

Taxation of energy products and electricity

OBJECTIVE: To establish a Community framework for the taxation of energy products to enable national tax systems to be restructured and achieve the objectives of the employment, environment, transport and energy policies, while respecting the internal market. **SUBSTANCE:** The proposal for a Directive is concerned with modernization of the Community system of taxation of mineral oils and extends its scope to all energy products, with a view to improving the functioning of the internal market. It has to be seen in the context of the political process initiated by the Commission's 'confidence pact for employment' and seeks to refocus fiscal policy towards combating unemployment. It encourages Member States to respect the objective of fiscal neutrality by reducing statutory charges on labour at the same time as introducing the new common system of taxing energy products. The essential elements of the Commission's proposed new measures are the following: (1) extending the scope of the Community taxation system to all energy products: taxation in future would cover the other sources of energy, namely coal, coke, lignite, bitumen and derived products, natural gas and electricity; (2) setting new minimum levels of taxation for all energy products: the Commission proposes that the Community minimum levels on mineral oils set by Directive 92/82/EEC be up-rated and that minimum levels be created for products other than mineral oils; different minimum levels would be set for the following three categories: energy products used as motor fuels, energy products used as motor fuels for certain industrial and commercial purposes and energy products used as heating fuels; it also proposes establishment of a timetable for uprating these Community minimum levels (1998, 2000 and 2002); (3) flexibility for the pursuit of objectives of environmental, transport or energy policy: the Commission proposes offering the Member States a number of options enabling them to pursue more ambitious environmental policies, consistent with the objective to stabilize CO2 emissions at 1990 levels by the year 2000; the Member States would thus be authorized to apply reduced rates or exemptions from tax to certain products or uses (biofuels, renewable energy sources, rail transport, inland waterway navigation, heat produced in combined generation installations); with regard to transport, flexibility is emphasized in order to facilitate the introduction of efficient transport pricing instruments which can more adequately address transport problems such as congestion and air pollution; (4) measures to assist enterprises: the Commission proposes measures to ensure that the extended scope of the directive and the setting of new Community minimum levels do not harm the competitiveness of European firms vis-à-vis third countries. ?

Taxation of energy products and electricity

PURPOSE: to present a proposed new Community system for the taxation of energy products. **CONTENT:** The proposals leave the Member States free to apply the taxes of their choice to energy products. The total charge levied in respect of all indirect taxes covered by the proposal on an energy product is taken into account in order to assess compliance with Community minimum levels. Above these minimum levels, and provided that the Member States comply with Community competition rules, they may differentiate the rates applicable to a product, on the basis of quality criteria or in relation to the user. No authorization is necessary in order to do this. In an effort to strengthen the internal market, the scope is extended beyond mineral oils to all energy products. Energy products should be taxed provided that they are used as motor fuels or heating fuels. Those used for other purposes should be exempted by the Member States. The Commission proposes that electricity be taxed at the level of output but also proposes to allow Member States the possibility, for reasons of environmental policy, to apply additional taxation to inputs. This may not be taken into account when assessing compliance with the minimum level of taxation on electricity produced as laid down in the Commission proposal. To encourage the development of renewable energy sources, the Commission also proposes authorizing Member States to refund to the producer all or part of the tax paid by the consumer. The Commission must be informed of such refunds, as they will constitute state aid. The scope of Directive 92/12/EEC, which relates to the holding, movement and monitoring of products subject to excise duty will be extended to include all energy products covered by this proposal, with the exception of movement formalities for

natural gas, electricity and solid energy products, which the Commission proposes should be waived. In defining minimum levels of taxation, the Commission sets out three categories: - energy products used as motor fuels; - energy products used as fuel for certain industrial and commercial purposes; - energy products used as heating fuels. For reasons of environmental and transport policy, the Commission proposes that energy products used for the following purposes should be exempted: - navigation within Community waters; - air navigation; - carriage of goods and passengers by rail and for navigation on inland waterways (other than in private pleasure craft) - passenger transport and captive fleets which provide services to public bodies. Rates applicable to newly taxed energy products should be set at a positive level but one which avoids too costly a transition for users. They should be increased in stages. Similarly, rates between motor fuels will be approximated in three stages. The Commission also proposes a phased three-stage transition to minimum levels of taxation based on the energy level of products and that two minimum levels be set for heavy fuel oil, on the basis of its sulphur content (more or less than 1% in weight). The Council is requested to recommend to the Member States to help bring down unemployment by reducing statutory charges on labour. Member States should also inform the Commission of the measures they have taken and the conditions they have set in order to ensure tax neutrality. Member States will be authorized to grant tax refunds when investment expenditure designed to improve energy efficiency is incurred by firms. The Commission may also grant preferential treatment to energy products used for pilot projects for the development of more environmentally friendly products and exemptions or rate reductions may be granted for sustainable energy and the use of more sustainable forms of transport of goods and passengers. Member States may apply for other derogations for three years, subject to the provision of sufficient background material and compatibility with the internal market and Community environmental and competition policy.?

Taxation of energy products and electricity

The Committee regrets that no clear indications have been given about tax neutrality. Experience unfortunately shows that newly introduced energy taxes are not balanced by corresponding reductions elsewhere in the tax system. The Committee therefore urges the European Council, in parallel with the decision on the directive in the Council, to give a commitment to use any increase in tax revenues to reduce the burden of taxation on employment. Since private households will be hit especially hard by any increase in minimum tax rates, compensatory social measures should be taken to help low-income groups in particular. The Committee has the impression that the proposal has been prompted less by environmental objectives than by the desire to make the single market operate more efficiently by reducing distortions of competition caused by taxation. This specific objective is welcomed wholeheartedly, especially as tax policy issues in the single market are becoming of ever-increasing importance with economic and monetary union pending. The Committee feels that distortions of competition are particularly marked in the fuels sector. For the rest, the Committee does not expect this proposal to endanger the planned liberalization of EU energy markets. A big advantage in this proposal compared with the proposed CO₂/energy tax lies at the technical level. The Commission's proposal to tax the final form of energy will involve much less red tape than a tax on primary energy. ?

Taxation of energy products and electricity

The Committee gave its support to a Commission proposal to introduce an EU-wide framework for energy taxation. The proceeds from this tax are planned to be used to lower taxes on labour, thus ensuring tax neutrality. However, following the advice of its rapporteur, Patrick COX (ELDR, IRL), the Committee called for substantial modifications aimed at simplifying the original proposal. Describing the proposed tax as over complicated, difficult to collect and riddled with exemptions effectively excluding those sectors that should be taxed, Mr Cox argued for a more comprehensive tax base, fully embodying the polluter pays principle. He had therefore introduced a number of amendments, which were supported by the Committee, proposing the deletion of most of the numerous exemptions, and in particular those automatically exempting energy-intensive industries from the tax. Instead of granting immunity to whole sectors of the economy, the Committee adopted amendments allowing Member States to refund part or all of the tax to assist those firms who can prove that they suffer a genuine competitive handicap as a result of the tax. Such exemptions may be granted for a limited time only, and must be approved by the Commission to ensure that they are compatible with the single market and do not violate State Aid rules. Exemptions retained by the Committee are mostly concerned with "green" forms of energy, such as solar, wind and hydroelectric power. Initially introduced in 1997, the proposal envisaged the introduction of minimum tax rates for energy in two steps; the first as of 1998, and the second, with higher tax rates, as of 2000. However, as the first deadline has already passed the Committee supported Mr Cox's argument that the first step should be dropped altogether making the tougher rules mandatory as of 1 January 2000 as originally foreseen. Finally, the Committee also rejected the idea that the tax rates should be revised by amending the Directive every two or three years, ie. through political negotiations. Instead, the Committee introduced a system where the tax is automatically indexed each year at a rate of the annual inflation plus two percentage points thus accelerating the tax rate. This system will apply for at least five years, thereby ensuring greater clarity and certainty for those affected by the tax. After the five year period a new system may be envisaged. ?

Taxation of energy products and electricity

The proposal for a Council Directive restructuring the Community framework for the taxation of energy products was rejected by the European Parliament and referred back to Committee, although a number of amendments were adopted, notably those relating to the following areas: - setting out as a long-term objective a Europe-wide ecological tax reform; - stressing that the European Union has undertaken, not only to stabilise greenhouse gas emissions in the atmosphere, but in time to reduce them; - underlining the importance of taxation of energy products as a key instrument for achieving this; - requiring that minimum levels of taxation must reflect not only the competitive position but also the environmental and public health effects of energy products; - allowing Member States, pending the adoption of common rules on energy tax, to apply other parameters to their national systems of energy taxation which are positive for the environment and public health, without being in breach of single market rules; - deleting reference to the drawing up of a schedule of biennial increases in minimum taxation levels; - exempting renewable energy sources from the proposed directive; - requiring the Commission and Member States to seek an abolition in future international agreements of the exemption of products for use in commercial aviation from taxation on fuel; - defining the meaning of "electricity and heat" for the purposes of the proposed directive, together with exemptions; - raising the proposed minimum taxation levels for motor fuels, heating fuels and electricity and heat; - indexing minimum levels of taxation to increase automatically each year at the annual rate of inflation plus 2% until the Council adopts a new system; - deleting certain total or partial exemptions to the proposed directive other than those laid out in Directive 92/12/EC on exempt uses of taxable products and adding three new ones; - providing for the authorisation of Member States to partly or fully refund the tax paid by individual firms where those firms can demonstrate that the tax burden

is leading to a serious competitive handicap; - deleting certain other provisions on refunds. The European Parliament's rapporteur was Pat Cox (ELDR,IE).?

Taxation of energy products and electricity

By 28 votes to 18, the committee has adopted an amended report by Mr Pat Cox (ELDR, Irl) on a Commission proposal concerning the taxation of energy, to which it has tabled numerous non-binding amendments. The proposal had been referred back to committee following the rejection of the initial report by the House at its plenary part-session in February. The committee seeks to establish the principle that the long-term objective is a European energy tax, based on the consumption of natural resources and designed to create the conditions for a reduction in carbon dioxide (CO₂) emissions; to this end, it has once again presented most of the amendments that were tabled at the first reading. These reflect its support for the aim of the European Commission to use revenue from this tax to achieve a corresponding reduction in non-wage labour costs. The main amendments tabled again by the committee relate to an increase in the rate proposed for the taxation of petrol from EUR 417 to EUR 450 per 1 000 litres with effect from 1 January 2000, with automatic index-linking designed to ensure that subsequent increases are two percentage points higher than the rate of inflation; provision is made for a review after five years. Also back on the table are amendments relating to the procedures for authorising the Member States to grant temporary derogations to major energy consumers such as the steel industry, provided that these consumers can demonstrate that the tax burden is seriously impairing their competitiveness. The committee, however, has added a provision authorising the Commission to grant exemptions en bloc to particular industries if their competitiveness is liable to be severely handicapped, but it must be recognised that there are varying degrees of national sensitivity to the question of the extent to which the Commission should intervene in matters of fiscal policy. The committee has also added public transport services to the list of operators that are eligible to be granted an exemption. If this proposal is to enter into force, it must be adopted unanimously by the Member States. ?

Taxation of energy products and electricity

Under consultation procedure, the European Parliament approved the legislative resolution by Patrick Cox (ELDR,IE), which approves the Commission proposal for a Council directive on restructuring the Community Framework for the taxation of energy products, subject to amendments in the following areas: - suggesting that the long-term objective should be a Europe-wide ecological tax reform, with a particular emphasis on taxation of CO₂ emissions; - noting that, as party to the United Nations Framework Convention on Climate Change, the European Union has undertaken not only to stabilise, but in time to reduce greenhouse gas concentrations in the atmosphere and further underlining the importance of energy taxation as a key instrument for achieving these objectives; - requiring that the minimum levels of taxation must reflect not only the competitive position but also the environment and public health effects of the different energy products; - proposing that, pending the adoption of common rules on a carbon dioxide/energy tax, Member States should be encouraged to apply other parameters (notably carbon content) to their national systems of energy taxation without the consequent differences in fiscal treatment being in breach of single market rules; - proposing a constant increase in real terms (rather than a schedule of biennial increases) of the minimum levels of taxation for energy products other than renewable sources of energy (rather than energy products other than mineral oils); - allowing Member States to apply other exemptions of reduced levels of taxation below the Community minimum levels where it would enhance environmental, public health or other benefits (rather than where it would not distort competition); - requiring the Commission to seek an abolition of the exemption of energy products used in commercial aviation from taxation on fuel in future international agreements; - extending the scope for Member States to be authorised to grant tax refunds to cover amortisation (as well as investment) expenditure aimed not only at improving energy efficiency but also at reducing emissions that damage the environment and public health; - providing that the general provisions of directive 92/12/EEC will continue to apply; - rewording the recital regarding the application of the directive with regard to electricity and heat; - deleting the Commission's own proposals for full exemptions from the proposed directive and instead setting out its own exemption proposals, namely: energy products used for the technological development of more environment-friendly products or to develop energy products from renewable sources, products falling within CN codes 2207 20 00 and 2905 11 00, all products produced from renewable sources, electricity generated from hydrogen-based or other fuel cells and gas from biomass or waste origin and heat generated during electricity production; - fixing the minimum levels of taxation for motor fuels from 01/01/2000 (rather than 01/01/98) as follows: EURO 450 (instead of ECU 417) per 1000 litres for petrol, EURO 343 (instead of ECU 310) per 1000 litres for gas oil and kerosene, EURO 174 (instead of ECU 141) per 1000kg for liquid petroleum gas and EURO 3.5 (instead of ECU 2.9) per gigajoule for natural gas; - fixing the minimum levels of taxation for products used as fuel for certain industrial and commercial purposes as follows: EURO 37 (instead of ECU 32) per 1000 litres for gas oil, EURO 35 (instead of ECU 30) per 1000 litres for kerosene, EURO 48 (instead of ECU 41) per 1000 kg for liquid petroleum gas and EURO 0.6 (instead of ECU 0.3) per gigajoule for natural gas; - fixing the minimum levels of taxation for heating fuels from 01/01/2000 (rather than 01/01/98) as follows: EURO 23 (instead of ECU 21) per 1000 litres for gas oil, EURO 23 (instead of ECU 18) per 1000 kg for heavy fuel oil falling within CN code 2710 00 74, EURO 28 (instead of ECU 22) per 1000 kg for other heavy fuel oil falling within CN code 2710, EURO 16 (instead of ECU 7) per 1000 litres for kerosene, EURO 22 (instead of ECU 10) per 1000 kg for liquid petroleum gas and EURO 0.45 (instead of ECU 0.2) per gigajoule for natural gas and solid energy products; - as from 01/01/2000 (instead of 01/01/98) fixing the minimum level of taxation on electricity and heat at EURO 2 (instead of ECU 1) per megawatt hour and requiring Member States to apply a supplementary tax based on the carbon content of the fuels used for the production of electricity; - proposing that the minimum levels of taxation for the products listed in the directive (with the exception of those in the exemption list already mentioned) be indexed to increase automatically at the beginning of each year following the implementation of the directive, at a rate of the latest available figure for the annual rate of inflation for the EU as a whole plus 2 percentage points until such times (and not before 5 years after the implementation of the directive) as the Council adopts a new system for energy taxation; - requiring the Commission, in calculating the indexation formula, to give special priority to the achievement of Member States' climate change commitments; - deleting the derogation accorded to Member States, allowing them to maintain the amounts of taxation in force at the time of the annual fixing of the value of the ECU (to be replaced by the EURO in the Parliament's proposal) in relation to national currencies (for those Member States, the Parliament adds, not participating in the single currency), if the conversion of the amounts of the level of taxation from one currency to the other would result in an increase of less than 5% or ECU 5 (whichever is lower) in the level of taxation expressed in national currency; - with regard to products which Member States may totally or partially exempt or for which they may reduce the level of taxation, the European Parliament (having transferred many of those proposals to its own list of full exemptions) deletes all of the Commission proposals in this area, with the exception of three, namely: energy products used for the carriage of goods and passengers by rail or for navigation on inland waterways other than in private pleasure craft, and natural gas in Member States whose gas market is in the process of actual development for as long as the share of gas in the domestic and industrial market is less than 10% and for a period of no more than 10 years after the directive's entry into force; - in turn the Parliament adds to the aforementioned list energy products used for local

transport purposes, bio-gas obtained by organic recycling of animal residues, energy products supplied for use as fuel for the purposes of navigation within Community waters (including fishing) and fuel additives sold in packages containing not more than 1 litre and intended for use by the final consumer; - allowing for the authorisation of Member States (subject to certain conditions laid down in the Parliament's amendment) to refund all or part of the tax paid by individual firms where the firms are able to demonstrate that the tax burden is leading to a serious competitive handicap; - deleting the provisions made by the Commission with regard to refunds.?

Taxation of energy products and electricity

The Council held a detailed exchange of views on draft guidelines for the taxation of energy drawn up by the Presidency which are designed to give political impetus to work on a proposed Directive on the taxation of energy. The draft guidelines deal in particular with: - the scope of compulsory exemption; - differentiation between business and non-business use; - tax reductions for particular areas of production; - application of differential tax rates by Member States; - minimum levels of taxation of energy products subject to harmonised excise duties; - minimum levels of taxation of energy products not yet subject to harmonised excise duties. The Council broadly welcomed the Presidency's approach and objectives and asked the Permanent Representatives Committee to mandate a High Level Group to further prepare the work of the Council with a view to reaching consensus on the guidelines at the ECOFIN Council meeting on 4 June.?

Taxation of energy products and electricity

Following the agreement between Finance Ministers, the Working party on Tax Questions (Indirect Tax), on 1 April 2003, approved the draft Council Directive on the taxation of energy products. COREPER decided to reconsult the European Parliament on the basis of the draft Directive. All the delegations except for one approved the compromise laid down by the Presidency. It should be recalled that the outstanding issues were the following: - the possibility of setting national levels below the new minimum levels of taxation; - the arrangements for the use of diesel oil; and - the treatment of energy used in agricultural, horticultural or piscicultural works and in forestry.?

Taxation of energy products and electricity

The committee adopted the report by Pierre JONCKHEER (Greens/EFA, B) broadly approving the draft Council Directive on which Parliament was being reconsulted, subject to a number of amendments. It deleted the provision in the text stipulating that Member States could offset road user charges against oil tax if, and only if, their oil tax rate is double the minimum tax rate being sought. MEPs argued that the only country in that situation was the UK and that the possibility of offsetting should nevertheless be available to every Member State. Another amendment pointed to the importance of emissions trading within the EU as a means of reducing emissions and said that regulation overlapping with it, as is the case with taxation of energy products and the various exemptions proposed thereto, should therefore be avoided as far as possible. Moreover, to ensure a coherent and consistent legislative framework, the committee also wanted to avoid overlapping and possibly contradictory definitions of biofuels. It therefore amended the proposal so that the common legal definition of biofuels as laid down in Directive 2003/30/EC (the Biofuels Directive) would also apply for the purposes of energy taxation. Lastly, the committee wanted it to be clearly specified that the unit of measurement used as the basis for calculating the taxation should not give rise to distortions between the different energy sources.?

Taxation of energy products and electricity

The European Parliament adopted a resolution drafted by Pierre JONCKHEER (Greens/EFA, Belgium) making certain amendments to the Council's draft. The following principal amendments were made: - the Directive will not apply to "chemically unmodified pure vegetable oil" which is covered by codes NC 1507 to 1515; - the relevant dates were brought forward so that minimum levels of taxation for motor fuels will be applicable from 2004 and 2008 (rather than 2010.) The Council must decide on taxation levels for gas oil no later than 2010 for a further period beginning in 2001; - the unit of measurement used as the basis for calculating the taxation must not give rise to distortions between the different energy sources; - exemptions and reductions are obligatory for certain specified matters; - zero taxation may be applied to certain products until the end of 2007. After that the Council must examine whether this should be extended; - the common legal definition of biofuels as laid down in Directive 2003/30/EC (the Biofuels Directive) will also apply for the purposes of energy taxation.?

Taxation of energy products and electricity

PURPOSE: to present a new Community system for the taxation of energy products.

LEGISLATIVE ACT: Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity.

CONTENT: The proper functioning of the internal market and the achievement of the objectives of other Community policies require minimum levels of taxation to be laid down at Community level for most energy products, including electricity, natural gas and coal. In addition, the taxation of energy products and, where appropriate, electricity is one of the instruments available for achieving the Kyoto Protocol objectives. This Directive widens the scope of the Community minimum rate system, currently limited to mineral oils, to all energy products, chiefly coal, gas and electricity, as well as updating the minimum rates for mineral oils which have not been revised since 1992. For all these products, only their uses as motor fuel or heating fuel are taxed, and not their use as raw materials, or in chemical reductions or for electrolysis. Furthermore, energy products used as motor fuel for certain industrial and commercial purposes and those used as heating fuel will normally be taxed at levels lower than those applicable to energy products used as motor fuel. Specific provisions are proposed concerning the taxation of diesel used by hauliers engaged in international activities, in order to limit the distortion of competition operators are confronted with. Member States are allowed to differentiate between commercial and non-commercial diesel, in particular in order to reduce the gap between the use of

non-commercial gas oil used as propellant and petrol. Business use of energy products may be taxed at a lower rate than non-business use. Member States are also allowed to apply other exemptions or reduced levels of taxation where this will not be detrimental to the proper functioning of the internal market and will not result in distortions of competition. The introduction of more efficient transport pricing instruments is also facilitated by authorisation for corresponding reductions in the tax levels.

DATE OF TRANSPOSITION: 31/12/03.

DATE APPLICABLE: 01/01/04.

ENTRY INTO FORCE : 31/10/03.