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Diarienummer M2021/01389

The Swedish 2030-secretariat review of the proposal for the revision of the Energy Taxation Directive

10 september 2021

Please note that the general comments of the Swedish 2030-secretariat's comments on the Fit for 55 Package, are a general introduction to the detailed comments. They can be found here.

The first four pages will be a general comment on the total Fit for 55 Package.

**Nedan följer 2030-sekretariatets kommentarer på enskilda förslag till ändringar i direktiv, förordningar med mera som är del av EUs Fit for 55 paket.**

**2030-sekretariatet fokuserar på de förslag som har en direkt påverkan på transportsektorn. Här utgår vi från de svenska 2030 målet, och eftersom de beslut som tas i EU skall införas i svensk rätt är de av avgörande betydelse.**

**Vi kommer att frånga gängse remiss struktur, och inleda alla enskilda remisskommentarer med en gemensam del, dessutom allt på engelska. Skälet till den gemensamma övergripande strukturen att EUs Fit for 55 paket måste ses som en helhet, och där olika förslag delvis motverkar varandra. Det är även viktigt att se till helheten när de olika delarna kommenteras, inte minst i skuggan av Sveriges betydligt mer ambitiösa klimatkrav för transportsektorn. Vi skriver på engelska för att EU kommissionen har samtliga förslag på konsultation, och att samma kommentarer kan användas.**

The Fit for 55 package is the most comprehensive environmental review in the history of the European Union. The Climate law increased the ambitions, and now more than 13 directives and regulations are amended, revised, or presented as new directives.

We comment on each of the transport connected proposals below, but first some general points for the overall package.

1. The ambitions for the transport sector are far too low and not ambitious enough to contribute to the targets of the Paris agreement or to put the EU on track for reaching the 2050 net zero target. The ambition to decrease greenhouse gas emissions (GHG) by 13% by 2030 is the same as allowing 87% of fossil carbon dioxide emissions to continue to pollute the atmosphere. In a decade where the climate target of many industries often is more ambitious, and countries like Finland, Sweden

and the UK go far beyond, it is not acceptable that the commission takes this passive position. The recent IPCC [Working Group I contribution to Sixth Assessment Report](#) and the IEA [Net Zero by 2050](#) clearly outlines the need to start now, and use all available low carbon technologies.

2. It is good that GHG reduction targets are introduced as a rule, as this is a fundament for a technologically neutral approach. However, the commission is not applying the same way to determined emissions across the board. In some directives, like the FuelEU Maritime directive, the concept of Well-to-Wake is introduced. It is a life cycle approach that incorporates all aspects of fuel/ energy production and combines it with the efficiency of the vessel/vehicle. The Commission must, to allow for prioritization of the most cost-effective way to transition to a net Zero society, allow for life cycle reviews of all forms of energy for transport.
3. The CO<sub>2</sub> targets for vehicles and trucks have been instrumental in incentivizing the vehicle industry to decrease emissions. However, the CO<sub>2</sub> measurements are done with a tailpipe approach, not considering the life cycle of the fuels, nor the vehicle power train. Electric vehicles are given a zero-emission status, when the fossil fuel content of producing the electricity determines climate impact. Likewise, biofuels are not given any advantages, despite GHG reduction of up to 90%. Indeed, with biogas made from manure, the GHG savings are higher than 100% due to the avoided methane leaking from the manure.
4. It is good that there are up to date requirements of electricity provided for electric vehicles, and to produce renewable fuels of non-biological origin (RFNBO). We need similar requirements for all types of energy, i.e., a threshold for when the type of energy is deemed sustainable, and a GHG reduction factor to be used when calculating the benefit of the type of energy. By doing that for all fuels, we have a level playing field, and society can prioritize.
5. We are strongly in favour of basing the taxation of energy for transport on the energy content rather than volume. We are also supportive of phasing in taxation for maritime and aviation fuels. Again, it creates a level playing field. The reduction quotas suggested for these latter fuels are interesting and will give industry a long-term direction. We do however note that the ambitious targets are set post 2030 – why not directly?
6. Cohesion is key. The many suggested revisions and amendments span over a huge area of transport related initiatives. It is crucial that the initiatives are connected through similar determinations of GHG reductions, and through similar approaches to types of energy. This is not the case. The “newer” directives, for instance maritime and Aviation, contain some novel approaches, but they are often negated through antiquated approaches from older directives.
7. The Aviation and Maritime directives represent new thinking in challenging sectors. We note that the Commission still is determined to censor the largest supply of biofuels on the market, despite sometimes 80-90% GHG reduction potential. We are however encouraged by the introduction of a Well-to-Wake approach for emissions from energy supplied to shipping. We also note the quota for biofuels in the aviation sector. We do however recommend a GHG reductions quota rather than a volume based on a sustainable aviation fuel (SAF) quota.

The Fit for 55 package consists of:

<b>Proposal</b>	<b>Pro's</b>	<b>Con's</b>
Revision of the renewable energy directive	Good with GHG target focus Demands on renewable electricity Union database	Too low ambition. Biased evaluation of energy sources. Different demands on different fuels based on terminology, not GHG reduction.
Revision of the energy tax directive	Much needed revision of the 2003 directive. Will be hard to pass as it needs consensus. Good suggestions on taxation based on energy content.	Still not a fully technological approach – should build on GHG reduction (life cycle). Fails to incentivize faster GHG reduction that set out in RED.
Revision of the directive on the deployment of alternative fuels infrastructure	Very important directive. Important requirements of transparency. Good structure on progress reports.	Misses focus on biofuels, the most prominent source of fossil carbon reduction in place today. By 2030, 90% of vehicles on the roads will be combustion engine – will need biofuels.
Amendment of the regulation setting CO2 emission standards for cars and vans	Has been important and has proven effective. We strongly support continued sharpened requirements, but from a well-to-wheels basis.	Zero emission vehicles do not scientifically exist. The measurement of CO2 needs to be revised to allow a technologically neutral approach.
ReFuelEU Aviation for sustainable aviation fuels	Very interesting proposal, good with a Europe wide reduction quota.	Again, arbitrary method used to censor some energy sources with high GHG reduction. Quota should be set by GHG reduction level. Need to be more ambitious. Strange to disqualify crop based fuels.
FuelEU Maritime for a green European maritime space	Interesting proposal that introduces a Well-to-Wake approach, a life cycle assessment of fuels and vessels. Good GHG related target.	Strange limitations of most biofuels on the market. Late and low introduction of GHG reduction targets. Strange to disqualify crop based fuels.
A carbon border adjustment mechanism	Important, but of less direct importance to transport. Important to counter the high emission of CO2 by using polluting technologies in other countries.	
Revision of the EU emissions trading system (EU ETS), including its extension to shipping, revision of the rules for aviation emissions and establishing a separate Emission Trading System for road transport and buildings	Good to keep transport in the burden sharing.	
Recast of the energy efficiency directive	Important, of less direct importance to transport.	
A social climate fund	Naturally important as there is a risk of negative reactions as the cheaper fossil fuels are replaced.	

	However, the fossil fuels come with a great negative impact on society through climate impact.	
Revision of the effort sharing regulation on member states' reduction targets in sectors outside the EU ETS	Important that transport remains, as it will force the member states to set national requirements higher than RED.	
Revision of the regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF)	Important, of less direct importance to transport. However, the proposal risk to limit raw material to be used for energy for the transport sector.	
EU forest strategy	Important, of less direct importance to transport. However, the proposal risk to limit raw material to be used for energy for the transport sector.	

[Review of the proposal for the revision of the Energy Taxation Directive](#)

The Energy Taxation Directive was approved in 2003 and has needed a revision for several years. As it deals with member states taxation it needs unanimous approval.

A taxation on fossil fuel content is often a cost-effective way to achieve decreased emissions. It has been poorly used, and while many members states, as is the Commission, look at a carbon tax, we have not seen it in practise.

We also note that the revision states: *(5) Member States should, however, be able to use the energy taxation of motor fuels, heating fuels and electricity for a variety of purposes not necessarily nor specifically or exclusively related to the reduction of greenhouse gases.* This is important, as pay-as-you go will be a strategic tool to support behavioural changes.

We support taxation on energy content, coupled with emissions. Here we would like to see strengthened assessments of emissions from fuels and electricity. Today electricity often has an arbitrary zero emission status, true at “tail pipe” (as they don’t exist on ev’s) but the method of production that determines the carbon content per kWh from a life cycle perspective.

We support taxation on aviation and the maritime sector. While we support an introductory rebate for a new taxation regime, we suggest to quickly move into a standard taxation rate where low emission fuels are taxed lower.

The directive refers to a minimum level taxation. We note that as the Fit for 55 targets are extremely low for transport (-13% GHG compared to 2010), many member states need to go way above the minimum level or increase taxation on “fossil fuels”. With more and more drop in fuels, we will see increased levels of mixing biofuels and fossil fuels, why there should be clear definition on taxation based of *de facto* GHG reduction life-cycle.

The minimum taxation level as suggested is too high to support biofuels, and too low for fossil fuels. There must be a stronger linkage to the GHG potential of the fuel. Higher taxes on fossil content in the fuel is in line with polluter pays. As most of fossil fuels are imported into the EU this would help to decrease dependency on imports.

Motor Fuel	Energy tax in 2023 in ct/l	Energy tax in 2033 in ct/l
Gasoline	44,3	44,3
Diesel	48,2	48,2
Kerosine	4	40
Crop-based biofuel (Diesel-equiv.)	20,12	48,2
Sustainable biofuel (Diesel-equiv.)	20,12	20,12
Advanced biofuel (Diesel-equiv.)	0,56	0,56
eFuels (Diesel-equiv.)	0,56	0,56

We do not support *Electricity should always be among the least taxed energy sources in view of fostering its use, notably in the transport sector.* All fuels/types of energy should be treated alike and should be given financial incentives based on their GHG reduction. There should be support for immature technologies, like we see proposed for RFNBO and Advanced biofuels, but on a temporary basis until market development has matured.

We support the introduction of taxation of aviation and maritime fuels over a ten-year period. We also understand, and support that, at least initially, the minimum levels are lower.

Article 2 defines conditions for different fuels. We note that: *Biofuels, biogas and bioliquids produced from the feedstock listed in part B of Annex IX to that Directive shall be considered equivalent to advanced products.* This is a positive step, expanding the raw material potential to annex B. However, biofuels from raw materials not included on the Annex IX list, for instance crop based biofuels, need to be specifically addressed. These fuels have the largest part (7%) of the RED target to 2030. *Low-carbon fuels* are mentioned but are limited to *low-carbon hydrogen and synthetic gaseous and liquid fuels the energy content of which is derived from low-carbon hydrogen.* This is an arbitrary neglect of the major share of biofuels used on the market today.

We note that the term “Sustainable biofuels” remains undefined. We suggest, in line with the definition of sustainable RFNBO, that there should be a life-cycle threshold of 70% GHG reduction and sustainability targets to produce raw material.

We strongly support taxation to be based on energy content rather than volume.

The RED is said to provide: *An EU approach is needed to provide the right incentives to Member States with different levels of ambition to accelerate, in a coordinated way, the energy transition from the traditional fossil fuel-based energy system towards a more integrated and more energy-efficient energy system based on renewables-based generation.* On the contrary. RED limits the most used biofuels, and *de facto* limits the member states ambitions to go beyond a 13 percent

GHG reduction. We had hoped the Energy Taxation Directive would maintain a technologically neutral approach, but it still limits crop-based fuels on basis of terminology.

Article 31 is interesting and opens for a continuous review of the *effect* of the Energy Taxation Directive. We strongly encourage that the scope should widen to all GHG reduction fuels (life cycle), and directly refer to the achieved GHG reductions through the energy taxation with a focus on the Paris agreement targets. We note that the Commission in the Fit for 55 has low climate ambitions for 2030 – something we think need to be adjusted as we see developments on the market.

10 September 2021

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