



# UNION EUROPÉENNE DES TRANSPORTEURS ROUTIERS

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## EUROPEAN COMMISSION'S PROPOSAL OF REVIEW OF THE ENERGY TAXATION DIRECTIVE

### UETR POSITION

With the present document the European Road Haulers Association (UETR) intends to present a number of comments on the European Commission's proposal *amending Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity*<sup>1</sup> and also on the EC Communication "*Smarter energy taxation for the EU: proposal for a revision of the Energy Taxation Directive*"<sup>2</sup> - report by MEP Astrid LULLING (EPP, LU) on which the next plenary session of the European Parliament in Strasbourg will vote (session 17-20 April)

UETR represents and defends the interests of more than 200.000 road transport undertakings (mostly Micro, Small and Medium Enterprises) from Western and Eastern EU Member States with a total capacity of 430.000 commercial vehicles.

#### **1. Previous EC proposal of 2007**

The current proposal represents a total turnabout compared to a previous text presented by the European Commission in 2007<sup>3</sup>.

The proposal was part of a strategy to reduce emissions, but in very different terms than the present. The reduction was pursued by combating the phenomenon of the so-called

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<sup>1</sup> COM (2011) 169

<sup>2</sup> COM (2011) 168

<sup>3</sup> COM (2007) 52 final



"tank tourism", consisting in making longer trips, therefore more polluting, to fill trucks' tanks in those Member States where taxation is lower than those of country of origin of the company.

The Commission suggested to raise the minimum rates of excise duties on fuel, making at that time from 6 to 18% of the total transportation costs.

The minimum rate of taxation for gas oil for commercial use was fixed at 359 euro/1.000 liters in 2012, then to 380 euros by 2014.

The Commission also wanted to pursue harmonization in the internal market, to avoid unfair competition from businesses from Member States in which taxation is much lower.

The EC also promised more flexibility to Member States in relation to the current situation with regard to the reduction mechanism of excise duty. MS would be able to reduce their levels of taxation to a level lower than the rate in force on 1 January 2003, on two conditions: to respect the minimum allowed in the future directive and maintain stable the general level of taxation, for example, by introducing road charges.

Insisting on maintaining the overall tax burden for environmental reasons, the Commissioner responsible for Taxation and Customs Union at that time Mr. Kovacs indicated that user charges such as tolls would have to compensate for the abandonment of the prohibition of reduction of the rates of excise duty on fuel to levels lower than in 2003.

## **2. The European Parliament's report of 2008**

The European Parliament presented in 2008 a report proposing a number of amendments to the EC proposal by restricting the concept of commercial gasoil in road transport sector. The level of taxation in the EP report is not lowered but increased, spreading them over several years, however less than proposed by the Commission. Regarding the mechanism of reduction of excise duty by State decision, according to MEPs, it must remain the sole condition of the introduction or application of a system of road user charges that will result in a substantially equivalent overall tax burden (commercial gas oil).

Basically, the Parliament rightly proposed a simpler mechanism for the lowering of excise duty by governments.

## **3. Current proposal**

Starting from the COM No. 168, on the one hand, the EC states (point 1) that " *The proposal as such does not aim at raising additional revenue* ": however, the possibility by a State to introduce higher taxes is mentioned immediately after. The EC merely says that "*would encourage them*" to use the proceeds in more appropriate ways (which ones?). Tax burden reduction is always expressed in terms of hope: "*would*".



Paragraph 2 states that transport sector escapes from his responsibilities in the field of emissions (and pollution) – such sentence is particularly incautious and it is denied by the new Eurovignette III Directive<sup>4</sup>. The toll rate varies according to the EURO class of the engine, distances traveled, the location and time of use of road infrastructure.

Additional taxation on the energy products will result in a duplication of excise duty that goes far beyond the application of the “user pays principle”. Moreover, the decarbonisation of the transport sector should focus more on other means of transport, which evade the responsibility for their pollution.

The emissions of commercial vehicles are already subject to stringent limits required by standards set by EU legislation (Euro 5 and 6).<sup>5</sup>

Average levels were also lowered with further provisions recently approved specifically aimed at making the vans and other light commercial vehicles (which make up about three-quarters of the media who perform services for the transport of goods ie third parties) cleaner and with less fuel consumption is expected because 175 grams of CO<sub>2</sub> per km.<sup>6</sup>

European strategies, however, also affect the carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), carbon black or particulate matter (PM) and HFCs from air conditioning and refrigeration.

Equally objectionable is the claim in the COM No. 169 about "*The possibility for Member States to apply a lower level of taxation to commercial than to non-commercial use of gas oil as motor fuel would appear to be no longer compatible with the requirement to improve energy efficiency and the need to address the growing environmental impact of transport. The Commission therefore proposes to abolish this possibility. In light of this approach, the 2007 proposal regarding Article 7 of the ETD9, becomes without object and is thus withdrawn*" (Explanatory Memorandum item 3). UETR strongly opposes to such decision.

The social aspects are taken into account while allowing Member States to exempt entirely from taxation, but only in the case of the energy consumed by households for heating, regardless of energy product used.

#### **4. Conclusions**

UETR expresses serious concerns about the content of the EC proposal.

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<sup>4</sup> Directive 2011/76/EU of the European Parliament and of the Council of 27 September 2011 amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures

<sup>5</sup> Regulation (EC) No 715/2007 of the European Parliament and of the Council of 20 June 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information

<sup>6</sup> Regulation (EU) No 510/2011 of the European Parliament and of the Council of 11 May 2011 setting emission performance standards for new light commercial vehicles as part of the Union's integrated approach to reduce CO<sub>2</sub> emissions from light-duty vehicles



While agreeing in general terms on the objectives of environmental sustainability set by the European Union (most recently in its Europe 2020, and the specific goal "20/20/20" on climate / energy), there is a whole series of critical issues in road transport of goods, failing any reference to the issue of commercial diesel, the new proposal is hinged on a target of reducing CO2 emissions in the area already contained in other strategies of the EC.

Sustainability goals, especially given the economy downturn, should be compatible with economic growth, high employment rate and should promote competitiveness.

If a prospect of alignment of taxation of the energy products is a goal to be fully supported, the new provisions proposed by the new text cannot be seen as positive by UETR.

The period for phasing in the industry is at least more realistic and UETR welcomes the proposal in the report Lulling of a transition period to 2025.

The opposition to the increase in the tax rate of diesel compared with petrol in the report is also to be supported.

The environmental sustainability of road is already ensured by stringent regulations. The companies are already required to pay for emissions according to specific requirements set at EU level.

UETR hopes that the European Parliament will take this into account in its vote on the EC proposal.

In relation to the use of alternative sources, it should be noted that for the fuel the problem is not technological but rather infrastructural: for example, such fuels require an extensive network of filling stations across the EU, without which even the greenest and most advanced vehicle is of little use.

We cannot not ignore the reality of the EU road haulage market with increasingly urgent requests to companies for a c. d. "24 hour economy": a truck should never stop and deliver goods "just in time", but at the same time - and paradoxically – without emissions.

Energy efficiency enables the achievement of immediate and urgent objectives of green economy regardless of the construction of additional and expensive facilities for renewable energy. If we want to cut transport emissions by 50-70% by 2050 as envisaged by the EU (even of '80-95% for the whole economy), the decarbonisation of the transport sector should rather look at other modes than the road transport.

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