

## Time to turn energy taxation from an obstacle to a driver of the energy transition

*Brussels, 15 February 2024*

Dear Ministers,

Direct electrification via homegrown clean energy sources is the most efficient driver of decarbonisation. As the EU successfully dealt with the COVID and energy crises, it is time for structural measures to improve our energy security and accelerate the fight against climate change. As we have stated in our Manifesto<sup>1</sup>, electrification is by far the most cost-effective way to drive the transition across all economic sectors, and the EU must support it.

We must prepare for maximum electrification of our transport, heating and industry sectors. Unfortunately, our electrification rate has been stagnating below 25%<sup>2</sup> for years, which is far from enough to reach the EU's climate and energy targets. The electrification rate must reach at least 35% by 2030, 50% by 2040 and 70% by 2050 to reach climate neutrality by 2050.

However, as you will see in the graph<sup>3</sup> below, most Member States impose lower taxes and levies on fossil fuels than they do on clean electricity for households. This makes the most sustainable solutions, as well as those providing (thermal and electricity-based) flexibility, the most expensive. In addition, active consumers providing flexibility to the grid by storing electricity with storage assets or electric vehicles are still being hampered in many Member States by getting taxed twice when reinjecting electricity into the grid. As long as all of this is the case, the energy transition will be an impossible uphill battle.

The Energy Taxation Directive (ETD) is both the cause and the solution to this issue. It is the legislation which can align taxation levels with climate and energy policy targets by giving clear price signals to support the energy transition. Most importantly, a reformed ETD will support consumers with lower electricity bills all the while rewarding them for their efforts in decarbonising their houses, factories and transports.

The Electrification Alliance urges you to find an agreement on this key text and align national fiscal rules with the climate agenda.

As long as we delay those negotiations, the EU cannot claim to have completed the Green Deal nor addressed comprehensively the energy crisis. You have an excellent opportunity, still within this mandate, to close the Fit-for-55 package and enable the implementation of our climate targets.

We thank you very much for your consideration and remain at your disposal to discuss those points in more details.

Yours sincerely,

The Electrification Alliance

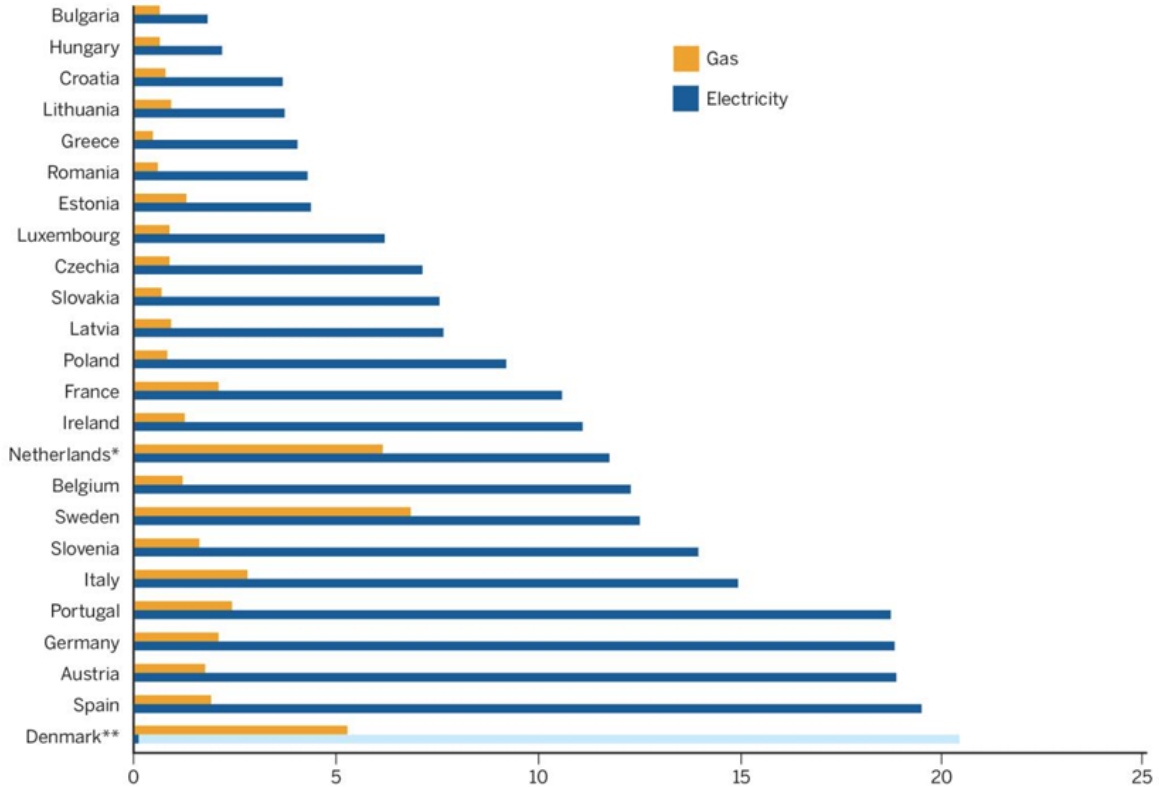
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<sup>1</sup> [Positions – Electrification-Alliance](#)

<sup>2</sup> Source: [Power Barometer 2023 \(eurelectric.org\)](#)

<sup>3</sup> Source: [Taxes-and-levies-final-2022-july-18.pdf \(raponline.org\)](#)

**Figure 2. Levies and taxes (including VAT) on residential gas and electricity (euro cents per kWh) in EU Member States, average in 2021**



\* The taxes and levies on electricity in the Netherlands do not include the lump sum rebate given to residential electricity consumers, as this is not directly related to electricity consumption.

\*\* The taxes and levies on residential electricity consumption over 4 000 kWh per year for residential consumers registered as using electricity for space heating in Denmark is the lowest in the EU. All other residential electricity consumption is subject to the highest rate in the EU.

## Alliance members

