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IRU POSITION ON A NEW FRAMEWORK FOR EU ENERGY TAXATION

*As adopted by the IRU EU Goods Transport Liaison Committee
(CLTM) in Brussels on 29 September 2010 and by the IRU
Passenger Transport Council (CTP) in Geneva on 4 November 2010*

IRU Position on a new framework for EU Energy Taxation.

I. ANALYSIS

Climate change and rationalisation of energy consumption are top priorities for the European Union, as witnessed by the EU energy and climate change 20-20-20 target. In order to contribute to achieving a 20% reduction in CO₂ emissions and fossil fuel consumption, and to 20% of energy consumption being derived from renewable sources by 2020, the European Commission (EC) is currently working on a proposal to revise the Energy Taxation Directive 2003/96/EC.

It is expected that the new proposal on energy taxation will maintain the existing tax structure for taxation of motor fuels, heating use and electricity, but with two major changes: namely, that energy prices should reflect the cost of CO₂ emissions and the energy content of the various sources, instead of their volume. Subsequently, it is to be expected that the EU minimum excise duty rate on diesel will be substantially increased because of the high energy content of diesel, thus bringing diesel taxation to the same level, or even higher than unleaded petrol taxation. This will most likely be followed by increases in the diesel excise duty rates in the different Member States which will therefore substantially increase the fuel costs for commercial road transport operators who will be unable to immediately pass on these cost increases to clients.

Since the year 2000, dramatic price hikes in fuel due to rising oil prices are having a devastating impact on commercial road transport operators. In addition, diesel taxation for commercial road transport – excise duties and VAT - already accounts for up to 56% of the pump price in the EU, which is the highest in the world and therefore negatively impacts EU production, employment and competitiveness.

Taxation on commercial vehicles and, in particular on diesel, is excessive in comparison to other transport modes and industry sectors, especially considering commercial road transport's irreplaceable role as a production tool, contributor to the European economy and driver of sustainable mobility of people and goods.

Apart from light commercial vehicle urban distribution and short distance passenger transport, commercial road transport is, and will remain, fully dependent on oil and in particular diesel, with no economically viable alternative in sight. This is unlike the more solicited use of energy for other applications, such as power stations, which could be just as

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economically run on other sources of energy, which are far more abundant than oil. Currently, the EU lacks an Energy Policy which would ensure that scarce energy resources, in particular oil, are reserved for those sectors without alternative energy sources, such as commercial road transport, in order for it to be able to continue to perform its essential service for future generations.

The efficiency of introducing a CO₂ component to the energy taxation can also be questioned, if the revenue is not earmarked. If this component were to be considered a “tax”, Member States would retain the freedom to allocate its revenue to any sector. However, if it is considered a “charge”, then Member States could be requested to earmark its revenue to initiatives aimed at reducing the environmental footprint of commercial road transport at-source. There is also a risk of double taxation of CO₂ emissions if no provisions in the new rules are in place to exclude the future possibility of charging for CO₂ emission-related costs of heavy goods vehicles within the framework of other legislation, including the Eurovignette Directive.

II. IRU POSITION

In line with existing IRU policy on commercial road transport fuels, CO₂ emissions and taxation, the IRU and its Member Associations call on the EU to develop and implement an energy policy that would effectively diversify the use of energy sources where alternatives to fossil fuels exist, namely for heating, electricity, steel, cement and paper production.

The IRU as such opposes any changes in the calculation method of EU fuel taxation which leads to increases of fuel taxes for commercial road transport in the EU Member States and which will do nothing to reduce CO₂ emissions nor effectively decrease oil consumption nor increase energy diversification in the way envisaged by the European Commission.