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**TRANSPORT &
ENVIRONMENT**

BalticWaters
2030



Mr Mikael Damberg, Minister of Finance, Sweden

Ms Annika Strandhäll, Minister for Climate and the Environment, Sweden

Mr Hans Dahlgren, Minister for EU Affairs, Sweden

7 April 2022

Dear Minister Damberg,
Dear Minister Strandhäll,
Dear Minister Dahlgren,

Request for a meeting to discuss the revision of the Energy Taxation Directive (ETD)

We are writing about the ongoing revision of the Energy Taxation Directive (ETD). This legislative reform will determine how and to what extent energy taxation will contribute to the decarbonisation of our economy.

We strongly support the Commission's proposal to eliminate fossil fuel subsidies in the revised ETD. However, we consider that some aspects of the proposal have not been ambitious enough when it comes to setting price signals consistent with the reduction in greenhouse gas emissions that we must achieve in the coming years.

Taxation must be aligned with the climate objectives of the European Green Deal and the Polluter Pays Principle. A report released by the European Court of Auditors on 31 January 22¹ shows that energy taxation can support efforts to combat climate change but that current tax levels do not reflect the extent to which different energy sources pollute. The report highlights that even though renewable-energy subsidies almost quadrupled over the 2008-2019 period, fossil fuel subsidies "have remained relatively constant over the last decade despite commitments from the European Commission and some Member States to phase them out".

The EU agreed to transition to a sustainable Europe that achieves climate neutrality by 2050, which will not happen without the elimination of all subsidies to fossil fuels (exemptions, fiscal advantages and rebates). Most recently, the Glasgow Climate Pact at global level and the European Climate Law², committed to eliminate "inefficient" fossil fuel subsidies recognising that if this does not happen all other climate actions will be negated.

The UN Sustainable Development Agenda and the Paris Agreement set out precise goals to end harmful subsidies and limit global warming to 1.5 degrees. Yet, EU governments continue to provide billions every

¹ European Court of Auditor report, Review 01/2022: Energy taxation, carbon pricing and energy subsidies, <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=60760>

² Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), OJ L 243, 9.7.2021, p. 1–17

year in fossil fuel subsidies that degrade the ocean and the land environment, pollute the air, make people sick and exacerbate the climate crisis. Lower taxes or full exemptions, for instance, are in place for commercial kerosene in the aviation sector, bunker fuel in the fisheries and maritime sectors, and for the production of coal, gas and oil electricity.

The fisheries sector is a worrying example of how taxation can affect energy and environmental performance. Recent scientific studies show that CO₂ emissions from the global fisheries sector are much higher than previously believed, emitting as much as global aviation.³ Annual emissions from the EU fishing fleet are equal to those of all of Malta.⁴ Particular fleets, such as bottom trawls which drag heavy gear along the seafloor, are extremely destructive to biodiversity and ecosystems, and release carbon from vital ocean sinks. These destructive fishing fleets benefit the most from fossil fuel subsidies, as their gear is heavy, so they use more fuel.

Similarly, the lack of kerosene taxation has contributed to aviation being the fastest growing polluting mode of transport up until Covid-19. Taxing kerosene is not only essential from an environmental point of view, but also when it comes to social equity. While other sectors and citizens are paying their fair share and taking strong action to decarbonize, airlines are receiving billions of subsidies from taxpayers despite causing a growing share of climate warming. Secondly, it also creates competitive distortions with other cleaner modes of transport that are subject to taxation (rail) or cleaner fuels that are currently under-utilised (synthetic fuels). Taxing kerosene will correct this and result in many other benefits including raised revenue for Member States to decarbonise the sector.

Reducing financial subsidies to these extremely polluting and destructive parts of the sector would allow the EU to more efficiently fulfil four key European Green Deal promises: to reduce greenhouse gas emissions by at least net 55% by 2030, to achieve net emissions by 2050, to decouple economic growth from resource use, and to do no significant harm to the environment in the process.

Real and effective fuel taxation would free up to 1.5 billion euro of subsidies⁵ for fishing and almost 7 billion euros for aviation⁶ that could be reinjected into the economy. It would rebalance the industry towards cleaner energy and modes of transport as well as small scale and low-impact fishing, which have been pushed out by taxation that favours the polluting modes of transport and industrial fishing that most Europeans would find excessive. This rebalancing is a triple win and would deliver social, economic and environmental benefits.

We would like to meet you to present our priorities on the file and offer support to achieve this necessary change in the taxation policy of the EU.

Yours sincerely,



Rebecca Hubbard

Program Director, Our Fish

On behalf of Our Fish, ClientEarth, European Environmental Bureau (EEB), Transport & Environment, and Baltic Waters 2030

³ Protecting the global ocean for biodiversity, food and climate, Nature 17 March 2021, Enrich Sala and other authors; <https://www.nature.com/articles/s41586-021-03371-z>

⁴ REPORT: CLIMATE IMPACTS & FISHING INDUSTRY PROFITS FROM EU FUEL TAX SUBSIDIES, Our Fish, September 2021 point 8 of Executive summary; https://stopfossilfuelsubsidies.eu/wp-content/uploads/2021/09/FUEL-SUBSIDIES-EXEC-SUMMARY_V4.pdf

⁵ Climate Impacts & Fishing Industry Profits from EU Fuel Tax Subsidies <https://our.fish/publications/report-climate-impacts-fishing-industry-profits-from-eu-fuel-tax-subsidies/>

⁶ [Aviation Taxation Report](#), for DG TAXUD European Commission