Block tax exemptions
or
an EU Energy Tax
for undertakings covered by the EU ETS?

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Both regimes impose constraints aiming at reducing CO2 emissions at the minimum possible cost.

Such double regulation might compromise the objectives set in the Lisbon Strategy:

*To tackle the EU's urgent need for higher economic growth and job creation and greater competitiveness in world markets, aiming to provide people with a better standard of living in an environmentally and socially sustainable way.*
| Cost efficiency problem associated to regulatory overlap | √ | √ |
| Environmental effectiveness | √ (stringent NAP) | √ |
| Revenue interests & Polluter Pays Principle | | √ |
Regulatory overlap

- **Energy sector**
  - Electricity generation – input fuels not taxed
  - Heat generation – input fuels taxed, >EU min tax levels**

- **Industry**
  - Not taxed – raw materials
  - National tax levels > EU min tax levels - heating

- **Double regulated area (ETS + national tax > EU min tax levels)**

** Tax exemption for CHP production possible
Discussing the use of taxes in the presence of tradable permits

- Distorting double regulation
- Relevance of the allocation method
Discussing remedies

- The undesirability of a case-by-case approach
- Block exemptions *versus* an EU energy tax