

**Block tax exemptions
or
an EU Energy Tax**

for undertakings covered by the EU ETS?

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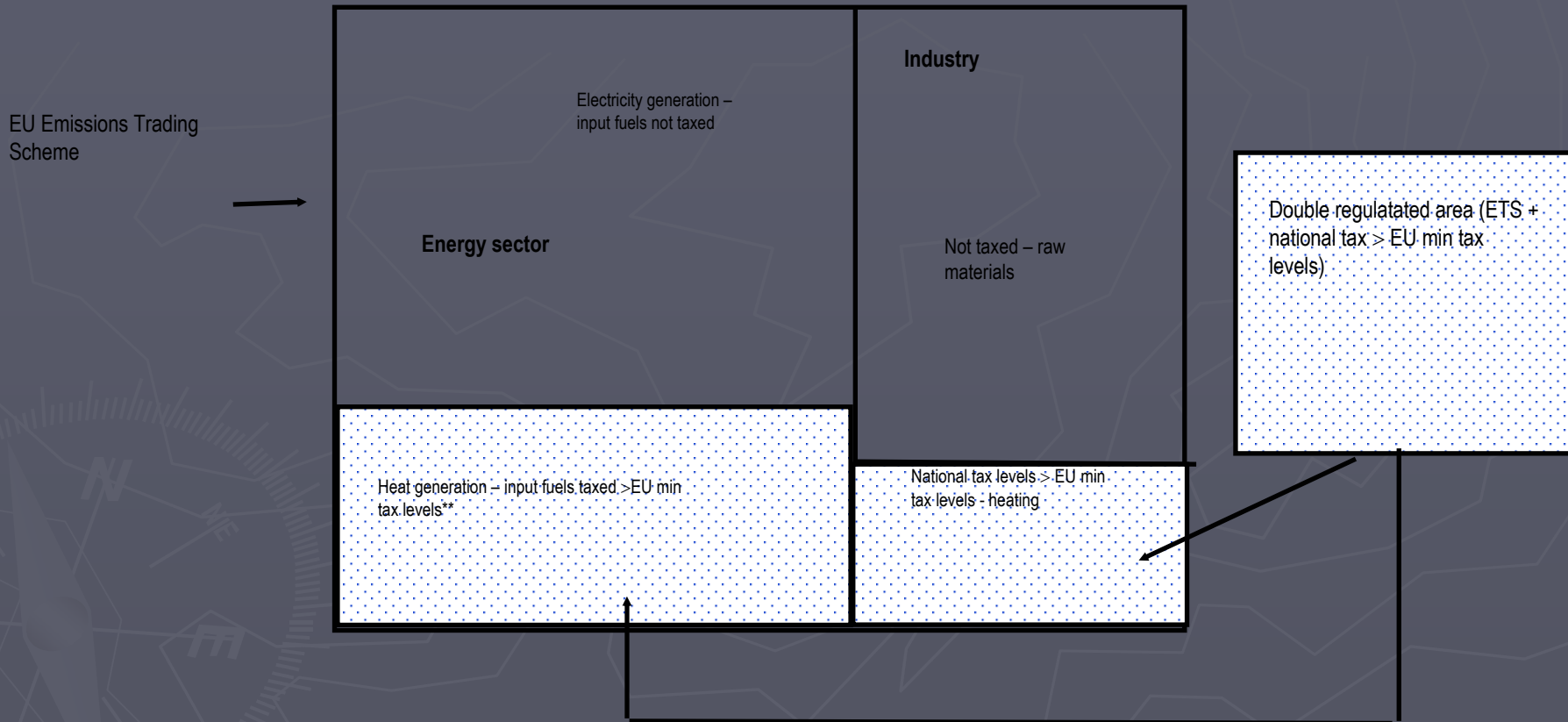
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- ▶ Since January 2005, European energy-intensive sectors are regulated by *the Energy Taxation Directive & the EU Emission Trading System (ETS) Directive*
- ▶ Both regimes impose constraints aiming at reducing CO2 emissions at the minimum possible 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.

	Block exemption from energy taxes for undertakings covered by the EU ETS	EU tax charged on their energy consumption which replaced current national energy taxes
Cost efficiency problem associated to regulatory overlap	✓	✓
Environmental effectiveness	✓ (stringent NAP)	✓
Revenue interests & Polluter Pays Principle		✓

Regulatory overlap



** 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**