

The Impact of EU Energy Taxation Decisions

The revision of the Energy Taxation Directive (ETD) will impact millions of European citizens, including the 130 million that reside in rural areas.

It is crucial that the energy needs of European rural businesses and communities and the state of the rural building stock are considered in this revision. If given sufficient attention, improvements on this particular building stock would facilitate the implementation of the European Green Deal and enable Europe to deliver a Just Transition to all its citizens.

The FREE Initiative conducted a study which developed the following conclusions:



BUILD BACK BETTER

Energy taxation should not place excessive costs on the least able to pay.

- On average across the EU, a greater proportion of people are unable to afford to keep their home warm in rural areas, than urban.
- The COVID-19 pandemic has impacted rural businesses and communities. Energy affordability must be considered in new policies to ensure a Just Transition.



TARGETED TAXATION

Energy and carbon taxes should be fairly imposed on consumers that have the ability to change their behaviour.

- 30% of Europeans live in rented homes and may not have the ability to change energy supply.
- Targeted and supportive policies are crucial for delivering a Just Transition. Taxation decisions are best set by policymakers who understand local conditions.



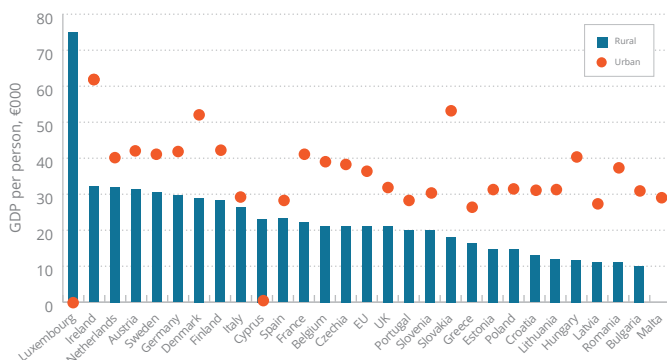
RESPONSIBLE RECOVERY

Air quality must be considered in the upcoming policy decisions alongside carbon emission reductions.

- 400,000 Europeans die prematurely from PM_{2.5} exposure annually. Studies suggest a link between COVID, air quality, and the combustion of certain fuels.
- Policymakers must also look to price air pollution as well as carbon emissions.

Build back better - energy affordability is more important than ever post-COVID

GDP per inhabitant by rural-urban topology (2016)



- On average across the EU, GDP per person is 70% higher in urban areas than in rural areas.

- The COVID-19 crisis has impacted all countries, sectors and communities. Experimental analysis suggests that COVID-19 may have shifted public support away from a higher tax and welfare state¹.
- Across the EU, rural areas already lag behind urban centres in terms of GDP per person, and rural households are more likely to be unable to keep their home warm and suffer from higher levels of energy povertyⁱⁱ. A revised Energy Taxation Directive must reflect the specific needs of rural areas.

Energy affordability will be key as European economies recover from the COVID-19 pandemic. When developing relevant policies, short- and long-term recovery should be considered in order to achieve a Just Transition. Revisions to the Energy Taxation Directive should not disproportionately impact low-income households.

Taxation targeted – carbon taxes should be fairly imposed on consumers who can change their behaviour



PRINCIPLE: JUST TRANSITION

Carbon taxes should be imposed on consumers/sectors who can change their behaviour. Otherwise, prices will rise with no emission reductions.



EVIDENCE: VARIED TENURES

Nearly a third of Europeans live in rented accommodation (30% in EU-27). Many of these renters will be unable to change their energy consumption behaviour.



INSIGHT: TARGETED POLICY

Targeted and supportive policies are crucial to enable a Just Transition. This is best delivered by policymakers who understand local conditions.

Responsible recovery - air quality must be considered in upcoming policy decisions

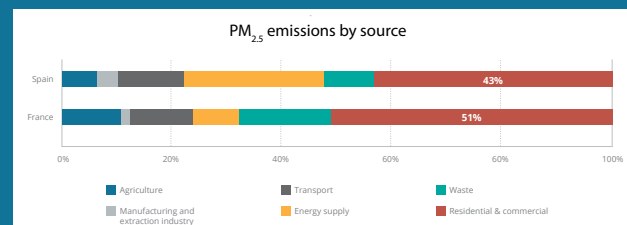
- Across Europe, over 400,000 premature deaths per year are caused by exposure to $PM_{2.5}$ ⁱⁱ.
- Studies suggest that high levels of air pollution are associated with higher incidence of COVID-19 deaths^{iv}.
- Heating fuel decisions are known to influence ambient and indoor air pollution levels, including in rural areas.
- A significant number of rural air quality measurement stations (42%) reported $PM_{2.5}$ concentrations that exceeded WHO guidelines across the EU in 2017.

Tackling air quality must be at the heart of upcoming policy decisions which impact the fuel and energy consumption across Europe. The Commission's ETD consultation notes that the revised directive should "better tackle environmental concerns, like air pollution."

- i Daniele et al (2020) *Wind of Change? Experimental Survey Evidence on the Covid-19 Shock and Socio-Political Attitudes in Europe*
- ii EU Energy Poverty Observatory (2020) *Inability to keep home adequately warm data*
- iii EEA (2020) *Air quality in Europe 2019*
- iv See Wu et al (2020), Pozzer et al (2020), and Thakur et al (2020) amongst other studies

CASE STUDY: contribution of Spanish and French buildings to harmful air pollution

- $PM_{2.5}$ can penetrate the lungs and enter the blood system. Chronic exposure to particles adds to the risk of developing cardiovascular and respiratory diseases, and lung cancer.
- In 2017, 33,000 premature deaths in France and 24,000 in Spain were attributable to $PM_{2.5}$ emissions.
- Households and businesses were the source for a significant portion of this pollution, 51% of all $PM_{2.5}$ emissions in France are derived from households and businesses, and 43% in Spain.



RURAL ENERGY MATTERS

130 million people live in rural areas across Europe. Policy decisions made as part of the upcoming revisions of several Directives will impact millions of Europeans living in rural communities.

Rural communities matter and need to be understood. To deliver a just energy transition, policy should reflect conditions in rural areas. This publication provides information to better highlight energy and environmental issues faced by rural communities.



The Future of Rural Energy in Europe (FREE) initiative was created by SHV Energy in 2010 to promote the use of sustainable energy within rural communities. FREE is supported by a variety of stakeholder groups, together giving a voice to all those who believe that rural energy needs are important, and aiming to add new perspectives to the EU's energy and climate debate. Identifying untapped potential in Europe's rural areas to decarbonise and improve air quality in a cost-effective manner. Filling in rural energy data gaps. Engaging and supporting rural communities is essential if government energy, climate and environment policies are to be realised.