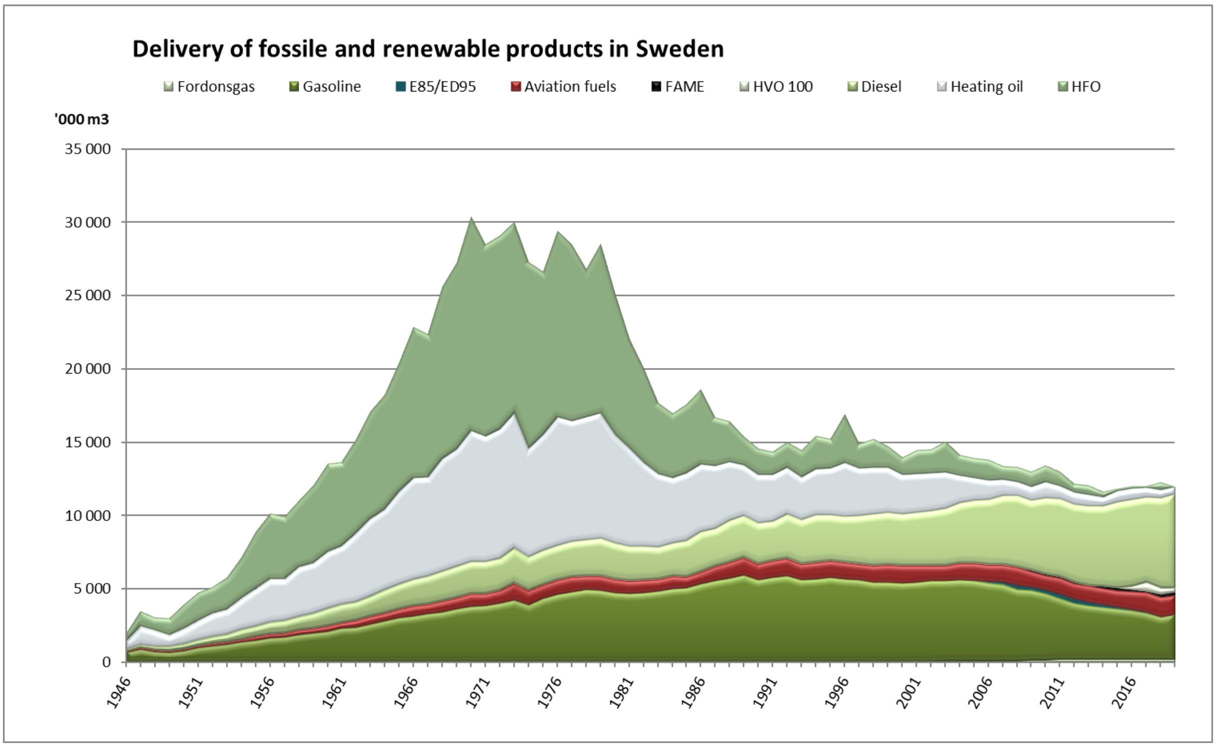
Drivkraft Sverige, a national industry association for fuel and biofuel producers and marketing companies (was formerly called The Swedish Petroleum and Biofuels Institute) and its member companies work actively with the change to a carbon neutral society by 2045.

Sweden is as many other countries set on the path towards a carbon neutral environment. With the base in current EU legislation Sweden has introduced national legislation for replacing fossil fuels by biofuels. The fuels industry has set its own targets in ("Roadmap for a competitive climate neutral petroleum and biofuel industry") [FFS_Petroleum-och-biodrivmedelsbranschen_Webb_V2.pdf (drivkraftsverige.se)].

Based on minimum tax rates in the Energy Tax Directive (ETD) Sweden uses two tax rates for fuels in national legislation. One tax rate is set after energy content ("energiskatt") and one rate is based on the calculated carbon dioxide emissions ("koldioxidskatt") per type of fuel. The system was introduced in 1991 and has been fundamental for replacing heating fuel by biomass-based district heating.



In Sweden replacing fossil fuels by renewable fuels in the transport sector has been ongoing for the last fifteen years and Sweden is number one in Europe when it comes to share of renewable fuels in the transport sector. Currently there is a proposal from the Swedish

Nybrogatan 11 - SE-114 39 Stockholm
+46 8 667 09 25 | info@drivkraftsverige.se
drivkraftsverige.se

government for an update of the quota system setting increasing targets for each year until 2030 with the possibility to add e-fuels. This would include both e-fuels as defined in the Renewable Energy Directive as well as e-fuels from nuclear power for national targets.

High blend fuels have a high emission reduction potential. As they are more expensive to produce, they do not fit into the quota system that requires full taxation. Support for these products will still be required as the alternative under the current Energy Tax Directive would be the same tax rate as for the fossil fuel that is replaced.

EEAG and the energy tax directive

The tax exemption for renewable energy has been fundamental for replacing fossil fuels with renewables in the transport. This is driven by the fact that the energy tax directive is from 2003 when renewables were at an early stage and the directive is more focused on fair play within the internal market, which we also understand is the main purpose of the state aid rules. The effect is that renewable fuels should be taxed at the same level as the fuels they replace. Given that renewables so far have been more costly to produce than the fossil alternative, it would not be possible to introduce renewables in a competitive market based on tax rates for fossil fuels. ETD allows for lower tax rates providing that the member state has obtained a state aid approval for the reduction.

Positive is that Sweden has managed to obtain state aid approval for fuels for each coming year from late 1990's. The drawback is that the approvals have been for one to two years not giving any long-term perspective for investments.

Drivkraft Sverige's view is that although the state aid system forms a crucial part for the long-term development of a carbon dioxide neutral environment allowing for new energies and applications it needs to be combined with an update of the ETD to set minimum tax rates also for renewables. These tax rates should be based both on energy content and carbon dioxide content in order to achieve technical neutrality.

EEAG and the Renewable energy directive

The current version of EEAG in combination with national schemes for biofuel blending obligations has enabled Sweden to reduce CO_2 emissions with 17% (4,6 million tons CO_2 on a base of 26,8 million tons CO_2 if all had been fossil, 2018 values) per year. This has been achieved through biofuels produced from so called food and feed crops.

In the updated Renewable Energy Directive, REDII Art 2 the concepts of *food and feed crops* and *biofuels* are defined.

In EEAG from 2014 volumes of food and feed crops are not eligible for support after 2020 under EEAG and not in line with RED II.

We strongly suggest that the revised EEAG should be aligned with RED II, i.e., not forbidding any member state to use tax exemptions for biofuels based on food and feed crops as long as they comply with e.g., the sustainable criteria of RED II We cannot see any reason why biofuels that are supported and authorised by RED II, which we see as the primary legislation for biofuels, should not be authorised by the state aid rules nor EEAG.
