How carbon pricing can **facilitate the transition to cleaner energy**

Carbon pricing ensures that the **costs of greenhouse gas (GHG)** emissions are tied to the polluters – producers and consumers. This way important incentives for the development of clean energy are being set. To accelerate the transition from fossil fuels to sustainable renewable alternatives, such as eFuels, placing an **adequate price** on emissions is of fundamental relevance. The key instruments regulating the CO_2 pricing in the European Union are the **Energy Taxation Directive** (ETD) and the **Emissions Trading System** (ETS).

Energy Taxation Directive (ETD)

Equal taxation for all fuels

The existing distinction between **tax rates for fossil and renewable fuels** in the European Energy Taxation should be **abolished** as presented in the Commission's proposal. In this way, fair competition between the various climate-friendly mobility options can be ensured and customers can choose the option that suits them best.

Low minimum tax rates for eFuels

The proposed minimum tax rates should be adopted by the Member States. A distinction between renewable and fossil fuels is essential for creating incentives for the **large-scale production** of renewable fuels and accelerating their **competitiveness** with existing fossil counterparts.

Ten-year zero tax rate

The proposed ten-year **minimum tax rate of zero** for renewable fuels should be granted **across sectors,** not just for maritime and aviation. In this way, the spread of renewable fuels is supported, a level playing field is guaranteed and CO_2 emissions are reduced.

Taxation of the carbon footprint

In order to better reflect the CO_2 footprint of energy carriers and to clearly distinguish renewable fuels, such as eFuels, from fossil fuels, a **taxation based on CO_2 footprint** should be introduced in the ETD. Also, a **socially just transition** would be promoted since a higher CO_2 price can be realized without affecting the cost per litre for the end consumer – making the ETD much more effective than the ETS in short or medium term.

Emissions Trading System (ETS)

Promoting green hydrogen production

While green hydrogen production would not usually fall under the scope of the ETS, granting **free allocations to hydrogen production** from electrolysers would support the hydrogen production in Europe.
To pave the way for this, the free certificate allocation threshold in the ETS for electrolysers producing green hydrogen needs to be amended from 25 tons to 2.5 tons per day to **also include smaller and decentral hydrogen production.**

Considering eFuels in the ETS

The current ETS proposal requires **further clarification** in terms of eFuels. While biomass is assigned a zero-emission factor for stationary installations and aviation, renewable fuels such as eFuels are excluded although they meet the same requirements of the Renewable Energy Directive (RED) sustainability and GHG criteria.
Policy makers should be clear and set a **zero-emission definition for all renewable fuels** that are in line with the RED for all ETS sectors.

Why **eFuels?**

- As a climate neutral alternative to fossil fuels, eFuels could contribute to a significant **reduction of CO_2 emissions**
- eFuels can be **blended** with conventional fuels or used as a **100 % substitute**
- eFuels are suitable for **all means of transport** powered by an internal combustion engine (ICE) and can use **existing infrastructure**
- eFuels are the only way to **store and transport renewable energy** from around the world
- eFuels can **complement the market ramp-up of electromobility,** especially in cases where e-vehicles might face challenges
- eFuels can be used as feedstock for the **industrial chemical sector** and are a **climate-neutral alternative** to conventional heating oil
- Production costs for **eFuels** are expected to be **between €0.70 and €1.33** per litre by 2050[2]

eFuel alliance

The eFuel Alliance is a stakeholder initiative committed to promoting the political and social acceptance of eFuels and to securing their regulatory approval. We represent more than 150 companies along the value chain of eFuel production. We are clearly committed to more climate protection and aim to win broader recognition of the significant contribution eFuels can make in the drive for sustainability and climate protection.