Europe pushes plans to hike diesel, coal taxation

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EU Taxation and Customs Union, Audit and Anti-Fraud commissioner Algidras Semeta gives a joint press conference on a proposal to revise the Energy Taxation Directive at the EU headquarters in Brussels. The European Commission today presented its proposal to overhaul the outdated rules on the taxation of energy products in the European Union.

The European Commission pushed controversial plans Wednesday for a tax on carbon emissions to promote clean energy use by increasing the cost of dirty fuels such as coal and diesel.

The aim is "to promote energy efficiency and consumption of more environmentally-friendly products," the European Union executive said.

It would tax carbon dioxide emissions at 20 euros per tonne while also taxing the "actual energy that a product generates" -- at 9.60 euros per gigajoule for motor fuels and 0.15 euros per gigajoule for heating fuels.

The idea is for the 27 EU states "to redesign their overall tax structures in a way that contributes to growth and employment by shifting taxation from labour to consumption."

EU taxation commissioner Algirdas Semeta said the target date for adoption after negotiations with the states and the European Parliament would be 2013 -- but that industry would get until 2023 to adapt.

"A fair and transparent energy taxation is needed to reach our energy and climate targets," Semeta insisted.

He also claimed that the receipts from the new tax could create a million jobs by 2030.

The minimum tax on diesel would rise from the current 330 euros per 1,000 litres to 412 euros per 1,000 litres in 2018. The tax on petrol (gasoline) would be unchanged at 359 euros per 1,000 litres.

Most EU states already tax at levels higher than the EU minimum.

Among those hardest hit could be Luxembourg, whose low pump prices attract huge queues of commuters every day at its borders. France and Germany meanwhile have invested heavily in diesel engines, increasingly used in passenger cars.

The head of Germany's auto industry federation, Matthias Wissman, said Wednesday that the proposals should be "taken off the table" because their penalise diesel car owners and would increase road transport costs.

German Economy Minister Rainer Bruderle was equally hostile, saying he saw no merit in the plans, adding that member states should retain the right to set their own taxation regimes when it comes to energy.

The head of the commission Jose Manuel Barroso said Brussels would not give in to national pressures while Semeta acknowledged that bringing the plans to fruition would "not be easy."

Employers federation BusinessEurope said the proposals did not satisfactorily take into account the needs of businesses.

The tax system would fall mostly on the transport, construction and farming sectors -- together responsible for 60 percent of the EU's annual 4.9 billion tonnes of CO_2 emissions.

Semeta said the plan could reduce emissions by 92 million tonnes per year.

Heavy industry and aviation are already covered by a separate regime of carbon credits, the Emissions Trading System.