

Position Paper: Federal levy on electricity and natural gas

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The program law of 27/12/2021 (Belgian Bulletin of 31/12/2021, Ed.1) replaces all federal surcharges, amongst which the federal levy on electricity and natural gas, by a new special excise duty on electricity and natural gas. The federal levy is thus suppressed as from 1/01/2022. For more information on the further financing of the components of the former federal levy, please consult the Position Paper on Special excise duties.

Description

The federal levy is a levy that the Belgian authorities charge for the electricity and gas consumption.

The federal levy on electricity is ruled on the one hand by the bill of April 29, 1999, concerning the organization of the electricity market, and on the other hand by the Royal decree of March 24, 2003 fixing more specific rules concerning the federal levy aimed at financing certain public service obligations and the costs related to the regulation and control of the electricity market. Both texts were modified at repeated intervals.

The federal levy on gas is ruled on the one hand by the bill of April 12, 1965 concerning the transport of gaseous products and other by means of pipelines and by the royal decree of March 24, 2003 introducing a federal levy aimed at financing certain public service obligations and the costs related to the regulation and control of the natural gas market. The surcharge “Protected gas customers” that is included in the federal levy on gas, is ruled by the royal decree of December 22, 2003 “fixing more specific rules for the financing of the real net cost resulting from the application of maximum prices for the supply of natural gas to protected residential customers.” These texts were modified at repeated intervals.

Components of the federal levy on electricity

The bill of April 1999 stipulates that the federal levy on electricity is levied aimed at financing certain public service obligations and the costs linked to the regulation and the control on the electricity market. The revenue of the federal levy is used for:

- partial financing of the CREG functioning (**CREG-fund**)
- financing the denuclearization of the Mol-Dessel site (**Denuclearization fund**)
- partial financing of the task of the CPAS with regard to Financial aid for those in need (**Social energy fund**)
- financing federal policy for reducing greenhouse gasses (**Greenhouse gasses fund**) (**back to zero since 1/04/12**)
- financing supply electricity for protected customers (**fund Protected customers**)
- financing lump sum reductions for the heating with electricity and natural gas (**fund Heating premium**) (**suppressed by the act of 8/01/2012**)

See chart below for the allocation per fund:

€/MWh	2019	2020	2021
CREG-fund	0,1565	0,1488	0,1679
Denuclearization fund	1,0668	1,0100	1,0867
Greenhouse gasses fund	0	0	0
Social energy fund	0,4755	0,4332	0,4624
Fund protected customers	1,6473	1,5508	1,753
Total	3,3461	3,1428	3,4700

Note: the federal levy is increased due to administrative costs (+1.1% for end users) and grid losses (tariff differs per distribution grid operator).

Levy, degressivity and exemption

- The federal levy is due by the end user on each kWh taken off the net for its own consumption and is levied by means of a surcharge per consumption site and per kWh taken off the transmission, local transport or distribution grid. Until July 1st, 2009, suppliers were charged with collecting it. Since July 1st, the system operator, Elia, is carrying out this duty.
- According to article 21bis of the bill of April 29, 1999 concerning the organization of the electricity market, when a site consumes more than 20 MWh/year for professional use, the federal levy for end users is marked down as follows:

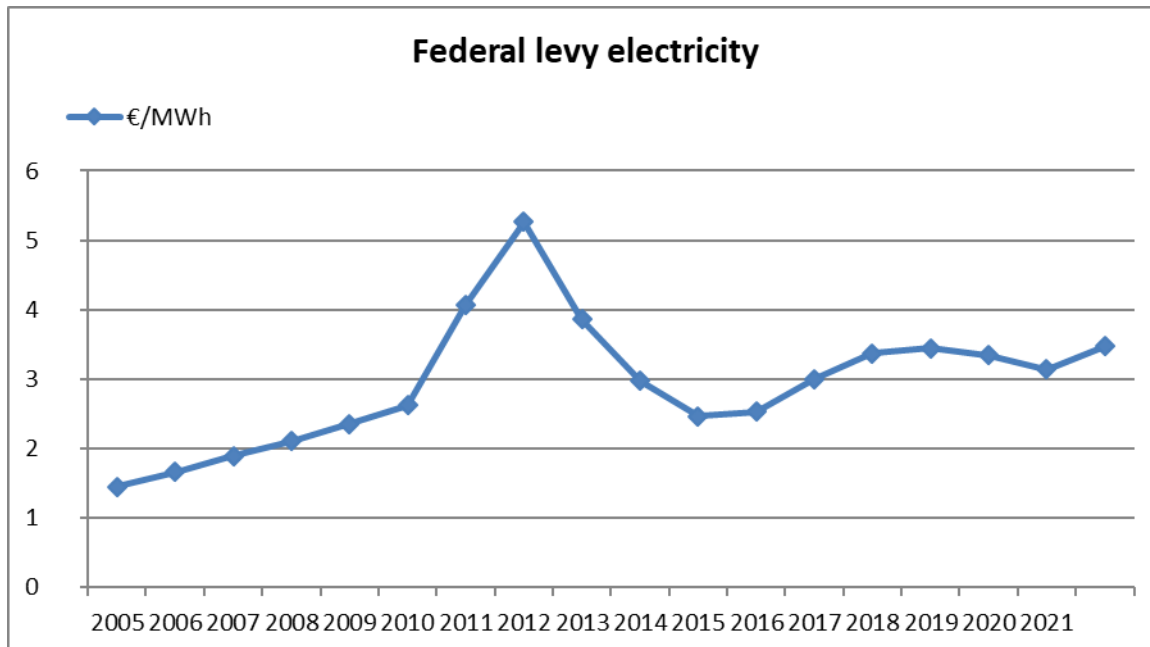
- 1° consumption between 20 MWh/year and 50 MWh/year: 15%;
- 2° consumption between 50 MWh/year and 1.000 MWh/year: 20%;
- 3° consumption between 1.000 MWh/year and 25.000 MWh/year: 25%;
- 4° consumption above 25.000 MWh/year: 45%.

Since 1/1/2013, the maximum amount for the federal levy was fixed at 250.000€/site. The “anomaly” of the ceiling, where companies that consumed right below 250.000MWh/year, still had to pay more than 250.000€, was thus finally canceled (*wet houdende Diverse Bepalingen inzake energie*, Belgian Bulletin 28/12/2012).

In order to benefit from this degressivity and cap, the end user must have subscribed to a “accord de branche” or covenant/“energiebeleidsovereenkomst” if it is applicable.

- Until 2012 included, the suppliers or the (distribution) system operator(s) could exempt some end users from that part of the federal levy that was aimed at financing the Kyoto fund and the denuclearization fund and which respected the criteria according to which electricity was supplied and produced by means of renewable energy sources or qualitative cogeneration units.

Evolution federal levy electricity since 2003 (€/MWh)



Components of the federal levy on natural gas:

The Bill of April 1965 stipulates that the federal levy on gas is levied in order to finance certain public service obligations and the costs linked to the regulation and control of the gas market. The revenue of the federal levy is used for¹:

- partial financing of the CREG functioning (**CREG-fund**)
- partial financing of the duties of the CPAS regarding Financial aid for those in need (**Social energy fund**)
- partial financing for natural gas enterprises that supply residential protected customers with limited revenues or in a fragile situation at social maximum prices (**Fund Protected customers**)

¹ The Bill of 26/3/2014 integrates the previous levy Protected customers into the federal levy.

- financing lump sum reductions for heating with electricity and natural gas (**Fund heating premium**) (**suppressed by the act of 8/01/2012**).

The chart below gives the allocation per fund:

€/MWh	2019	2020	2021
CREG-fund	0,0285	0,0286	0,0302
Social energy fund	0,1355	0,1314	0,1318
Fund Protected customers	0,4403	0,5816	0,4862
Total	0,6043	0,7416	0,6482

Note: the federal levy is increased in view of administrative costs (+ 1,1% for end users, + 0,1% for intermediates).

Furthermore, the Royal Decree of April 2, 2014 'établissant les modalités de la cotisation fédérale destinée au financement de certaines obligations de service public et des coûts liés à la régulation et au contrôle du marché du gaz naturel' regulates as from 1/7/2014 also the **exemption and degressivity/ceiling** of the federal levy.

Exemption :

- 1) The quantities of natural gas that are taken from the grid by the end user exclusively in view of the production of electricity are exempted from the federal levy according to the modalities taken up by the Royal Decree of 2/4/2014.
- 2) When the production plant of the end consumer is only destined for production of electricity, the total amount of natural gas that is taken from the grid or directly from the pipeline is exempted from the federal levy.
- 3) When the quantities of natural gas taken from the grid are destined to feed a plant for combined production of electricity and heat, the exemption is only granted for plants for quality cogeneration / highly profitable cogeneration compared to the quantities of natural gas that are used to produce electricity injected into the grid.

In order to compensate for the exemption of certain users, the federal levy has substantially been increased as from 1/9/2014.

Degressivity/cap :

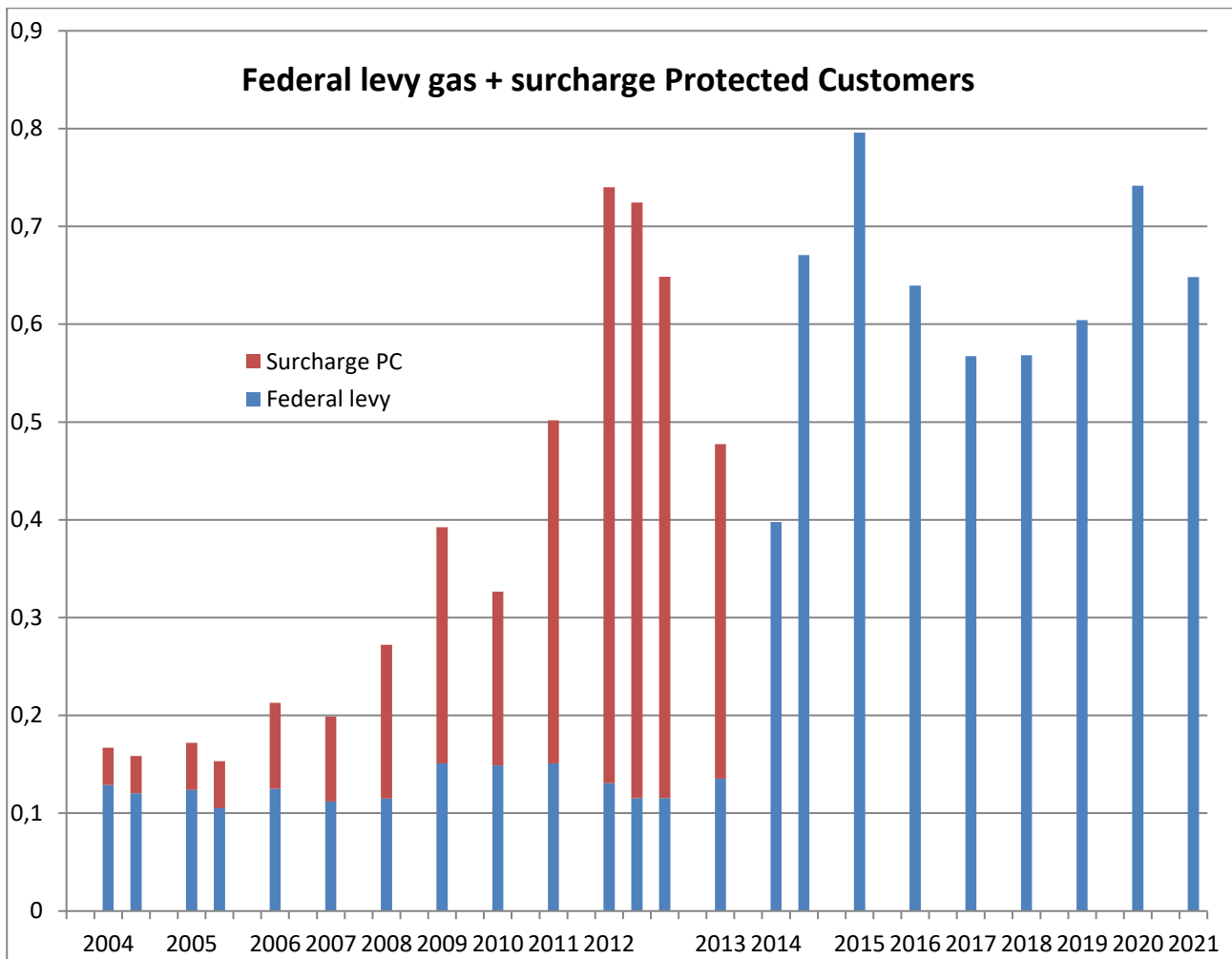
- 1) The degressivity is calculated on the basis of the total consumption of the past 12 months.
When a site consumes more than 20 000 MWh/year for professional use, the federal levy for this end user is marked down as follows, on the basis of his annual consumption:
1° consumption between 20 000 MWh/year and 50 000 MWh/year: 15%;
2° consumption between 50 001 MWh/year and 250 000 MWh/year: 20%;
3° consumption between 250 001 MWh/year and 1 000.000 MWh/year: 25%;
4° consumption above 1 000.001 MWh/year: 45%.
- 2) The legal cap is calculated on the total offtake per calendar year: per consumption site and per year, the federal levy amounts to maximum 750.000 euros.
- 3) In order to benefit from this degressivity and cap, the end user must have subscribed to a covenant or voluntary agreement if it is applicable.

For more details, see the Bill of 26/3/2014:

http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=2014032606&table_name=loi

and the Royal Decree of 2/4/2014:

http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=2014040219&table_name=loi.



Objectives of Febeliec

- Since the liberalization of the gas and electricity markets, several levies, surcharges and taxes were introduced which strongly increase the energy bill and affect the competitiveness of companies. This is an important reason which explains why the cost of electricity and natural gas increases.
- To finance the authorities' expenses in a transparent way and with global means: the federal levy finances various funds having a social objective (subvention of low revenues). For electricity this represents 64% of the total levy, for gas even 96%. This is a task for the social security system and not for the companies. Public service should in general be financed out of general public revenues and not on the back of the industry.
- The level of the federal levy should be kept within acceptable boundaries. The cap for the federal level gas must be lowered to the same level as for electricity.