

Position Paper: Surcharges on natural gas

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Date: 26/3/2024

Description

The price that the end consumer has to pay for the supply of natural gas consists of the following components:

- energy price or commodity
- transport tariff: the price for the transmission of natural gas on the transmission grid (grid operated by Fluxys)
- distribution grid tariff: compensation for the grid operator for distributing natural gas on his grid to the end consumer
- special excise¹
- energy tax (excise)
- road tax (applied in the Walloon region)

This position paper focuses on the three latter components, i.e. the surcharges which are applied to natural gas. We mean by surcharges the taxes/levies which are not directly linked with the real cost of natural gas supply, but which aim at financing certain authorities' expenses or funds.

Special excise

Certain public service obligations and costs linked to the regulation of and the control on the natural gas market were financed until the end of 2021 by a federal levy on natural gas. However, with the program-law of 27 December 2021, the federal levy was suppressed as from 1 January 2022 and replaced by a special excise on natural gas.

To this end, the 'bill of April 12, 1965 concerning the transport of gaseous products and other by means of pipelines' was modified to indicate that the various funds that were filled by means of the federal levy so far, will from now on be financed by the revenues of the special excise.

The revenues of the special excise on natural gas will be used for:

1. financing the operational costs of the CREG
2. financing the tasks of the OCMW/CPAS as regards financial support to those in need
3. financing the real net cost that comes forth from applying the maximum prices for supplying natural gas to residential protected customers
4. financing the real net cost that comes forth from applying the maximum prices for supplying heat to residential protected customers²

Excises on energy products are ruled by the program-law of 27 December 2004. It already contained a special excise on natural gas but given the fact that the tariff was zero, it has no effect so far.

Through the program-law of 27 December 2021, the tariff for natural gas used as fuel was however modified as follows.

<u>Consumption level</u>		special excise (€/MWh)
0 MWh	20.000 MWh	0,66
20.000 MWh	50.000 MWh	0,56
50.000 MWh	250.000 MWh	0,54
250.000 MWh	1.000.000 MWh	0,42
1.000.000 MWh	2.500.000 MWh	0,22
> 2.500.000 MWh		0,15

¹ The federal levy on natural gas was replaced per 1/1/2022 by a special excise (see Program-law of 27/12/2021). For more information on the former federal levy gas, see the position paper 'Federal levy on electricity and natural gas'.

² In view of the climate objectives, the social tariff was extended through the program-law of 27 December 2021 to the supply of heat by means of grids for heat supply.

The level of the special excise on natural gas is set per consumption level and calculated on a yearly basis. To this effect, the same degressivity was maintained as the one that existed for the federal levy on natural gas. However, the “cap” (750.000 euros) that existed for the federal levy on natural gas was not kept in the system of excises.

Finally and as foreseen in the Energy Taxation Directive some activities are exempted of (special) excise. For more details, we refer to the program-law of 27 December 2004 (art. 429).

Energy tax

The energy tax is an indirect tax (excise) on supplying natural gas and is also ruled by the program-law of 27 December 2004.

The energy tax was indexed by the law of 26 December 2015 « *relative aux mesures concernant le renforcement de la création d’emplois et du pouvoir d’achat* » and now amounts to **0,9978 €/MWh** (VAT excl.).

The reduced excises on natural gas which were applicable for companies having an agreement or environmental permit (cfr. benchmark and audit agreement in the Flemish region and ‘*accord de branche*’ in the Walloon region) were cancelled by the program-law of 19 December 2014 as from the 1st January 2015, given the fact that the approval granted by the European Commission on 31 December 2014 had expired. Companies that had subscribed the successors of these ‘agreements of environmental permits’, namely the EBO (‘*energiebeleidsovereenkomst*’) in the Flemish region and the ‘*accord de branche*’ of 2nd generation in the Walloon region, could therefore no longer benefit from these lowered excises. Moreover, it looked as if the EBO and the ‘*accord de branche*’ of 2nd generation were not going to be accepted by the European Commission in the framework of the state aid mechanism to grant lowered excises to companies having subscribed to such agreements.

In the end, the federal government decided to lower the tariff for excises on natural gas used by companies having subscribed an EBO or an ‘*accord de branche*’, to the European minimum, namely 0,54€/MWh. This lowered excise tariff for natural gas was introduced by the law of 14 December 2015 “*modifiant les articles 419, i), iii), 420 et 432, §3 de la loi-programme du 27 décembre 2004*”, and entered into force as from the 1st January 2016.

In order to benefit from this lowered tariff, companies must have a permit energy products and electricity, delivered by the Administration for Customs and Excises.

It must however be underlined that this lowered excise tariff for natural gas only partially compensates for the loss of excise advantages, as was foreseen when subscribing an EBO or an ‘*accord de branche*’.

Finally, it is worth noting that some sectors are exempted from the excise on natural gas due to their activity.

Levy on the connection to the gas grid (Walloon region)

In view of financing the Energy fund of the Walloon region, a levy on the connection to the gas grid has been introduced³. The Energy fund aims a.o. to finance the CWaPE (*Commission wallonne pour l’énergie*), the promotion of renewable energy, social guidance concerning energy, ...

The levy is due by every end consumer which is connected to the gas grid during the reference year.

The amount of the levy on the connection to the gas grid is calculated as follows:

1° from 0 to 0,1 MWh: 0,0075 euro;

2° for the subsequent MWh on:

- the consumers with an annual consumption lower than 1 GWh: 0,075 euro/MWh;
- the consumers with an annual consumption lower than 10 GWh: 0,06 euro/MWh;
- the consumers with an annual consumption of 10 GWh or more: 0,03 euro/MWh.

Road levy (Walloon region)

The decree relative to the organization of the regional natural gas market of 19/12/2002 stipulates that gas distribution grid operators have to pay an annual compensation to municipalities, provinces and the Region for using the public domain. The modalities for the calculation of this levy are fixed by the program decree of 10 December 2009.

³ Arrêté du Gouvernement wallon du 19 juin 2003 relatif à la redevance de raccordement au réseau électrique et gazier.

The revenue of this levy is affected for 35% to the Walloon region, for 1% to the province and for 64% to the municipality concerned.

The levy for using the public domain is passed on in the distribution grid tariffs. For the calculation of this levy, the distribution grid operators use a digressive system in which lower unit values are applied to higher off-take levels. Please consult therefore the specific websites of the Walloon distribution grid operators. Covenant companies benefit from a lowered tariff.

Objectives of Febeliec

- General authorities' expenses should be financed in a transparent way, preferably through general means instead of waving them off to the energy consumers, in casu natural gas. The aid to those in need is a task for the social security and not for the companies. Financing the authorities' institutions should be done with general revenues from the authorities, and should not be waved off to companies. This also goes for the levy on the connection to the gas grid, which is used to finance the Walloon Energy fund, used amongst others for the operational costs of the CWaPE. This retribution is moreover only applied in Wallonia, which causes a competitive disadvantage for Walloon companies compared to companies in other regions. Febeliec is thus in favor of suppressing this retribution.
- The use of natural gas as a raw material must benefit from all exemptions allowed by the European legislation.