



To: EU Economic and Finance ministers

14 March 2022

Effective & structural measures to help EU households, not tax cuts for well-off SUV drivers

Dear minister,

As you discuss high energy costs and fuel taxes at the ECOFIN meeting today, we are writing to urge you to avoid a blank reduction in fuel taxes in favour of more effective and socially just measures.

As the world looks on in horror at Putin's invasion of Ukraine, Europe faces its biggest crisis in decades. Fuel prices are skyrocketing. In combination with the extremely high energy prices and inflation, many Europeans are having a hard time. It is crucial that effective measures are taken to target vulnerable groups. It is also crucial to reduce Europe's reliance on oil by reducing inefficient car use and accelerating e-mobility.

But many countries, including Belgium, France, Hungary, the Netherlands, Portugal, and Sweden are currently planning exactly the opposite: reducing fuel taxes and excise duties on petrol and diesel. This is expensive: the announced measures will cost an estimated €2 billion in France and €2.3 billion in the Netherlands alone. This is also socially irresponsible because the biggest winners will be rich people with large, polluting cars that drive most.

People on low and average incomes often drive smaller and more economical cars or may not even own a car at all. E.g. in the [Netherlands](#), the 10 percent lowest incomes drive an average of 2,560 kilometers per year and buy 190 litres of petrol annually. The richest 10 percent drive 36,000 kilometers every year and need 2,600 litres of petrol. This means that **the benefits of fuel tax cuts will be 14 times higher to the well off than to those that need such support most.**

This is [mirrored](#) in many European countries: only 5% of drivers in Germany and 9% of drivers in France are “forced car users”, i.e. low income households that rely on cars to get to work. Rather than giving carte blanche to EU member states to subsidise the rich people driving their big cars, we call on you to consider the following measures at your meeting today:

1. Ensure there is **EU-wide coordination of measures** taken across the member states and their duration. This should be done via a Commission guidance as was done for car scrappage schemes in 2008/9. Fragmented actions risk creating race to the bottom. Reduction in excise duties in one country will lead to its neighbours driving to refuel en masse across the border, as is seen in Hungary. Given that national CO2 emissions are calculated on the basis of the amount of fuel sold, this would also significantly increase the CO2 emissions of those member states that reduced fuel taxes the most.
2. Instead of blank fuel tax reductions, member states should put in place **targeted social measures** for those that are in need, such as cash cheques for low income households and lower taxes for SMEs and those on low income. Any reduction in excise duties already in place or about to be implemented by any EU member state should be from the outset **limited in time, with an automatic return to previous tax levels no later than in 6 months**.
3. There are already many Europeans who do not use a petrol or diesel car. People who take the bike, public transport, or people who have made the switch to electric. These are the best structural ways to reduce our reliance on oil. Alongside targeted measures for households, Europe needs to **accelerate structural measures** to wean itself of Russian gas and oil by 2027 as agreed during the Versailles summit. Alongside speed limits for cars and trucks and measures to avoid unnecessary car journeys (including making public transport temporarily free), we call on the EU to set a new goal of achieving **50% battery electric car and van sales by 2025**. The EU CO2 standards should be brought forward to help achieve this goal. Special targets should be set to electrify high mileage vehicles such as company cars, fleets, taxis, and buses as replacing them with electric drive would have the largest near term oil demand impact.

This is the turning point for Europe. We need to get rid of oil quickly in a socially responsible way, but making petrol cheaper for the rich by reducing fuel taxes for all is not the right way to go. We call on you to show European solidarity and to agree more effective and structural measures instead.

Remain at your disposal for any questions and kindest regards,

William Todts
Executive Director
Transport & Environment