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Proposal for a

COUNCIL IMPLEMENTING DECISION

authorising Sweden to apply reduced rates of excise duty to gas oil and unleaded petrol used as motor fuels, pursuant to Article 19 of Directive 2003/96/EC

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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Taxation of energy products and electricity in the Union is governed by Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity[1] (the 'Energy Taxation Directive' or the 'Directive').

Pursuant Article 19(1) of the Directive, in addition to the provisions laid down in particular in Articles 5, 15 and 17, the Council, acting unanimously on a proposal from the Commission, may authorise any Member State to introduce further exemptions or reductions in the level of taxation for specific policy considerations.

By letter dated 26 March 2026, the Swedish authorities informed the Commission of their intention to apply for an authorisation to apply a temporary reduction of the national tax rates for gas oil and unleaded petrol used as motor fuels, which go below the minimum levels of taxation as laid down in Article 7 and Table A of Annex I to the Directive. The requested reduction is 2.4 SEK[2] per litre for both gas oil and unleaded petrol and the reduction would be applied to the CO2 component of the tax.

The requested period of validity is for a period of 5 months starting as soon as the decision is adopted by the Council, which is within the maximum period allowed by Article 19(2) of the Energy Taxation Directive.

According to the Swedish authorities, the aim of the measure is to alleviate the high retail prices of gas oil and petrol in the country, resulting from the recent geopolitical developments, and directly affecting both households and companies.

In its conclusions of 19 March 2026, the European Council underlined that the energy transition remains the most effective strategy for achieving Europe's strategic autonomy, strengthening resilience, structurally lowering energy prices, and delivering the clean, abundant and homegrown energy needed to power the economy of the future.

At the same the European Council recognised that targeted solutions are needed in the short term to ensure affordable energy, taking into account technological neutrality and the specific situations of Member States, the particular exposure of certain industrial sectors to the risk of relocation, and the need to improve the conditions for energy-intensive innovative sectors, without undermining predictability and the level playing field.

In view of this, the European Council called on the Commission to present without delay a toolbox of targeted temporary measures to address the recent spikes in the prices of imported fossil fuels arising from the crisis in the Middle East. The European Council Conclusions provide political guidance from the Member States and constitute a political mandate to adopt fiscal measures allowing for the requested flexibilities. These Conclusions clearly advocate for the full utilisation of the derogations and flexibilities foreseen in the Energy Taxation Directive, including the adoption of temporary reduced rates, carefully linked to the extraordinary circumstances and the objectives of energy affordability.

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[1] OJ L 283, 31.10.2003, p. 51–70.

[2] This equals EUR 0,217 per litre based on the official exchange rate on 1 October 2025 (1 EUR=11.035 SEK)

The objectives of such measures would be to enable Member States to develop targeted and temporary solutions to deal with the negative impact of the current energy crises on prices. These are needed in the short term to ensure affordable energy, taking into account technological neutrality and the specific situations of Member States, the particular exposure of certain industrial sectors to the risk of relocation, and the need to improve the conditions for energy-intensive innovative sectors, without undermining predictability and the level playing field.

Since the outbreak of the conflict and the ensuing disruption of the Strait of Hormuz the oil price (Brent) has risen from around 60 EUR/barrel to more than 90 EUR/barrel.[3] Following this price hike, the average fuel prices in Sweden were registered as follows:[4]

	Petrol (Super 95)	Gas oil
30/03/26	€ 1.71	€ 2.15
23/03/26	€ 1.77	€ 2.24
16/03/26	€ 1.65	€ 1.99
09/03/26	€ 1.51	€ 1.78
02/03/26	€ 1.44	€ 1.58
23/02/26	€ 1.43	€ 1.57
16/02/26	€ 1.42	€ 1.53

Looking at the energy prices development of oil within the period of this derogation, prices are expected to continue to be elevated. After that, expectations depend heavily on the duration of the conflict in the Middle East and the the disruption of the Strait of Hormuz.

Oil prices are expected to remain elevated while the conflict and the disruption of the Strait of Hormuz is ongoing. The fuel prices follow the dynamics of crude oil price with a delay of a week or two, with the distinction that gasoline prices tend to react less directly to oil prices, while diesel and jet fuel that EU is importing tend to be more volatile than crude oil prices.

The global nature of oil prices and the limited influence Member States have on those prices, makes this crisis an exogenous crisis. All EU Member States will be subject to similar global prices for energy products. The ability to cope with price increases will, however, differ significantly, for instance dependant on income, transport mode, heating source and the energy efficiency of housing. This will make effects of price increases asymmetrical. Additionally, lower income households tend to spend a larger part of their income on consumption, instead of investments or savings. This makes increases in consumption prices more impactful for lower income households.

• **Consistency with existing policy provisions in the policy area**

Article 19(1), first subparagraph of the Directive reads as follows:

‘In addition to the provisions set out in the previous Articles, in particular in Articles 5, 15 and 17, the Council, acting unanimously on a proposal from the Commission, may authorise any Member State to introduce further exemptions or reductions for specific policy considerations.’

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3 DG ENER, Weekly oil bulletin, 2 April 2026, https://energy.ec.europa.eu/data-and-analysis/weekly-oil-bulletin_en

4 DG ENER, Weekly oil bulletin, 2 April 2026, https://energy.ec.europa.eu/data-and-analysis/weekly-oil-bulletin_en.

By means of the tax reduction in question, the Swedish authorities intend to mitigate the high retail prices of transport fuels, gas oil and petrol triggered by the conflict in the Middle East and ultimately pursue the objective to reduce the social and economic impacts of the current geopolitical situation affecting both households and companies.

These tax reductions would lead to a situation where beneficiaries would be charged with national rates, which can fall below the EU minimum tax rates under the Energy Taxation Directive, hence the authorisation under discussion. This can contribute to the stated policy objectives.

The possibility to introduce such a tax reduction can be envisaged under Article 19 of the Directive since its purpose is to allow Member States to introduce further exemptions or reductions for specific policy considerations.

The limited period of validity of the authorisation of 5 months after the Council Implementing Decision takes effect, is within the maximum period allowed by Article 19(2) of the Energy Taxation Directive, with the possibility of renewal.

Finally, the tax reduction is not cumulative with any other sorts of tax reduction.

Under these circumstances, it appears appropriate to grant the authorisation for the requested period.

At the same time, untargeted tax reductions imply significant fiscal costs and tend to increase fossil fuel demand, thereby exacerbating the imbalance of supply and demand. Therefore, the measure should remain strictly limited in time and its expected impact on fossil fuel demand as well as its fiscal cost should be assessed. Where needed, compensatory measures should be taken.

State aid rules

The temporary tax reduction requested by the Swedish authorities will go below the minimum levels of taxation of transport fuels as laid down in Article 7 and Table A of Annex I to the Directive by 2.4 SEK per litre.

The present proposal is without prejudice to any assessment of the Swedish measure under State aid rules. Moreover, the proposal for a Council implementing decision does not prejudge the Member State's obligation to ensure compliance with State aid rules.

- **Consistency with other Union policies**

Each draft derogation under Article 19 of the Energy Taxation Directive must be examined by the Commission taking into account the proper functioning of the internal market, the need to ensure fair competition and EU health, environment, energy and transport policies.

According to the Swedish authorities, the envisaged tax reduction should partially alleviate the social and economic burden of the Swedish population due to the recent transport fuels price increase resulting also from the conflict in Iran and the disruption in the Strait of Hormuz.

As a result of this exceptional situation, this temporary measure is not likely to affect intra-EU trade. Overall, the measure seems acceptable from the point of view of the proper functioning of the internal market and the need to ensure fair competition. Given its limited effects and the limited duration, the measure should not distort competition or hinder the functioning of the internal market.

Environmental and climate policy

The Union remains firmly committed to its climate and energy objectives, as stated in the European Climate Law (Regulation 2021/1119). The temporary tax reductions allowed by this act should not lead to a structural weakening of price signals that encourage energy efficiency and the transition to renewable energy sources.

Energy policy

Given the scale of the current energy price spike resulting from the situation in the Middle East, Member States require an ability to temporarily lower the excise rates below the EU minimum rates for products not covered by the above provision.

Given its short duration and the current exceptional circumstances linked to the geopolitical situation coupled with an exceptionally high market price of energy products, an ability to reduce excise rates below minimum rates established under Directive 2003/96/EC is considered adequate and proportionate to the need to balance out the specific policy objectives listed in Article 19 of the Energy Taxation Directive, and notably the EU's environmental policy with the emergency imperative to ensure energy affordability for businesses and households.

Internal market policy and fair competition

As a result of the exceptional situation, this temporary measure is not likely to affect intra-EU trade. Overall, the measure seems acceptable from the point of view of the proper functioning of the internal market and the need to ensure fair competition. Given its limited effects and the limited duration, the measure should not distort competition or hinder the functioning of the internal market.

Social policy

The observed and expected increase in the cost of energy across the Union has a disproportionate impact on low-income households given that energy costs generally constitute a larger share of their budgets[5]. Reductions in excise duties on energy products can therefore have a positive social impact by contributing to reducing energy costs for low-income households.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Article 19 of Council Directive 2003/96/EC.

- **Subsidiarity (for non-exclusive competence)**

The field of indirect taxation covered by Article 113 of TFEU is not in itself within the exclusive competence of the European Union within the meaning of Article 3 of TFEU.

[5] Economic and distributional effects of higher energy prices on households in the EU - Employment, Social Affairs and Inclusion

However, pursuant to Article 19 of Directive 2003/96/EC, the Council has been granted an exclusive competence, as a matter of secondary law, to authorise Member States to introduce further exemptions or reductions within the meaning of that provision. Member States cannot therefore substitute themselves for the Council. As a result, the principle of subsidiarity is not applicable to the present implementing decision. In any event, since this act is not a draft legislative act, it should not be transmitted to national Parliaments pursuant to Protocol No 2 to the Treaties for review of compliance with the subsidiarity principle.

- **Proportionality**

The proposal respects the principle of proportionality. The tax reductions do not exceed what is necessary to attain the objective in question.

The authorisation is for a very limited period of time, namely for 5 months, and in an energy crisis context.

- **Choice of the instrument**

The instrument proposed is a Council implementing decision. Article 19 of Directive 2003/96/EC makes provision for this type of measure only.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The measure does not require the evaluation of existing legislation.

- **Stakeholder consultations**

This proposal is based on a request made by Sweden and concerns only this Member State.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

This proposal concerns an authorisation for an individual Member State upon its own request and does not require an impact assessment. In line with better regulation rules these types of acts are not subject to an impact assessment, by their nature.

- **Regulatory fitness and simplification**

The measure does not provide for a simplification. It is the result of the request made by Sweden and concerns only this Member State.

- **Fundamental rights**

The measure has no bearing on fundamental rights.

4. BUDGETARY IMPLICATIONS

The measure does not impose any financial or administrative burden on the Union. The proposal therefore has no impact on the budget of the Union.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

An implementation plan is not necessary. This proposal concerns an authorisation for a tax reduction, which is provided for a very limited period of time. The applicable tax rates can fall below the minimum levels of taxation set by the Energy Taxation Directive. The measure can be evaluated in case of a proposal to extend the validity of this Decision.

- **Explanatory documents (for directives)**

The proposal does not require explanatory documents on the transposition.

- **Detailed explanation of the specific provisions of the proposal**

Article 1 stipulates that Sweden will be allowed to apply reduced taxation rates to gas oil and unleaded petrol used as motor fuels, below the minimum levels of taxation.

Article 2 stipulates that the authorisation requested is granted for 5 months after the entry into force of the Decision, as requested by Sweden, within the maximum period of 6 years allowed by the Directive.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity[1], and in particular Article 19(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) In the weeks preceding the adoption of this Decision, sharp and persistent increases in wholesale and retail prices of energy products have been observed across the Union, triggered by the geopolitical developments in the Middle East, which have impacted supply chains of oil and oil products globally. These developments have had significant adverse effects on households, in particular vulnerable consumers, and on undertakings, including small and medium-sized enterprises, thereby posing a serious risk to social cohesion, economic stability and the proper functioning of the internal market.

(2) In its Conclusions of 19 March 2026[2], the European Council recognised the extraordinary nature of the energy market situation and its macroeconomic implications. The Conclusions invited Member States to make full use of the instruments available within the Union legal framework, including fiscal measures, in order to address the adverse social and economic consequences of the energy price shock arising from the crisis in the Middle East, and underlined in particular the need for close coordination of national responses so as to avoid fragmentation, prevent harmful distortions of competition and ensure a level playing field within the internal market.

(3) Excise duties as established by Directive 2003/96/EC contribute to the final cost of energy products supplied within the Union. A reduction in excise duties below the minimum rates can mitigate some of the energy cost increases currently experienced by Member States.

(4) The flexibilities provided by Directive 2003/96/EC enable Member States, within defined limits, to lower the tax burden on specific energy products in a targeted and temporary manner. In view of the exceptional and urgent nature of the current

[1] OJ L 283, 31.10.2003, p. 51, ELI: http://data.europa.eu/eli/dir/2003/96/oj.
[2] https://www.consilium.europa.eu/media/lwhk3itd/en-20260319-european-council-conclusions.pdf

situation, it is necessary to provide for specific, time-limited flexibilities explicitly aimed at alleviating the impact of the energy price shock.

(5) Temporary reductions in the taxation of targeted energy products can deliver rapid relief to households and undertakings by directly lowering end-user prices. In the current situation, such extraordinary reductions are a suitable and necessary instrument to address the serious disturbance in the economy resulting from the energy price shock.

(6) By letter dated 26 March 2026, the Swedish authorities requested authorisation, pursuant to Article 19 of Directive 2003/96/EC, to apply reduced rates of excise duty to gas oil and unleaded petrol used as motor fuels, which fall below the minimum levels of taxation applicable to motor fuels referred to in Article 7 of that Directive by 2,4 SEK per litre of fuel. The authorisation was requested for a period of five months.

(7) According to the Swedish authorities, the application of a reduced rate of excise duty aims at alleviating the social and economic impacts of high retail prices of petrol and diesel resulting from the geopolitical situation and directly affecting both households and companies.

(8) The requested authorisation is not likely to unduly distort competition or hinder the proper functioning of the internal market. Given its short duration and the exceptional circumstances linked to the geopolitical situation coupled with an exceptionally high market price of oil, the requested derogation has been found to be adequate and proportionate considering the need to strike a balance between the specific policy objectives listed in Article 19(1) of Directive 2003/96/EC, and in particular the Union environmental policy, and the emergency imperative to ensure energy affordability for businesses and households.

(9) Sweden should therefore be authorised to temporarily apply reduced rates of excise duty below the minimum Union levels to gas oil and unleaded petrol used as motor fuels.

(10) At the same time, untargeted tax reductions imply significant fiscal costs and tend to increase fossil fuel demand, thereby exacerbating the imbalance of supply and demand. Therefore, the measure should remain strictly limited in time and its expected impact on fossil fuel demand as well as its fiscal cost should be assessed. Where needed, compensatory measures should be taken.

HAS ADOPTED THIS DECISION:

Article 1

Sweden is authorised to apply a reduction of 2.4 SEK per litre to the minimum rates of excise duty referred to in Article 7 of Directive 2003/96/EC for gas oil and unleaded petrol used as motor fuels.

Article 2

It shall expire [5 months after the day of the notification].

Article 3

This Decision is addressed to the Kingdom of Sweden.

Done at Brussels,

For the Council
The President