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Proposal for a

**COUNCIL IMPLEMENTING DECISION**

**authorising Ireland to apply reduced rates of excise duty for commercial use of gas oil  
by certain road transport operators, pursuant to Article 19 of Directive 2003/96/EC**

## **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<sup>1</sup> (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 20 May 2026, the Irish authorities informed the Commission of their intention to apply for an authorisation to apply a temporary reduction of the effective national tax rates for the commercial use of gas oil by road transport operators qualifying under the commercial use provision of Article 7(2) of the Directive, which go below the minimum levels of taxation as laid down in Article 7 and Table A of Annex I to the Directive. By letter dated 1 July 2026, the Irish authorities further clarified the duration of the requested authorisation.

Since the commencement of hostilities in the Strait of Hormuz on 28 February 2026 and the resulting increase in energy prices, the Government of Ireland has introduced a reduction in the overall level of excise applied to gas oil used as a propellant to 37.185 cent per litre with effect from 15 April 2026.

Additionally, Ireland operates a diesel rebate scheme to the benefit of road haulage and bus passenger operators as permitted under Article 7(2) of the Directive. Legislation introduced since the beginning of this crisis results in parties qualifying for this scheme receiving such repayments that the effective level of excise duty for those parties shall be 0.25185 EUR per litre of gas oil used as a propellant until 31 August 2026 and 0.31689 EUR per litre of gas oil used as a propellant between 1 September 2026 and 30 September 2026. Both rates are below the Union minimum rate established by the Directive.

The requested period of validity of the measure is for the period from the adoption of the Council decision to 30 September 2026, which is within the maximum period allowed by Article 19(2) of the Directive.

According to the Irish authorities, the aim of the measure is to alleviate the effect of high retail prices of gas oil resulting from recent geopolitical events on the road haulage and bus passenger operators. This measure will mitigate second-round effects of higher fuel prices on consumer prices given the importance of these sectors in the provision of other goods and services.

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.

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<sup>1</sup> Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L 283, 31.10.2003, p. 51, ELI: <http://data.europa.eu/eli/dir/2003/96/oj>).

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 Directive, including the adoption of temporary reduced rates, carefully linked to the extraordinary circumstances and the objectives of energy affordability.

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 hostilities on 28 February 2026 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<sup>2</sup>. According to the Central Statistics Office of Ireland, prices for gas oil as measured by the Harmonised Index of Consumer Prices (HICP), increased by 18 per cent on a monthly basis in March 2026 and were at their highest level since July 2022<sup>3</sup>.

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 hostilities in the Middle East and the disruption to the Strait of Hormuz.

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 gas oil that EU is importing tends 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 Member States will be subject to similar global prices for energy products.

Due to its specific geographical characteristics and insufficiently developed railway infrastructure, the Republic of Ireland is highly dependent on road transport for both passengers and goods.

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

Article 19(1), first subparagraph, of Council Directive 2003/96 reads as follows:

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<sup>2</sup> DG ENER, Weekly oil bulletin, 2 April 2026, [https://energy.ec.europa.eu/data-and-analysis/weekly-oil-bulletin\\_en](https://energy.ec.europa.eu/data-and-analysis/weekly-oil-bulletin_en).

<sup>3</sup> [Focus on Fuel and Home Heating Costs March 2026 - Central Statistics Office](#)

*‘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.’*

By means of the tax reductions in question, the Irish authorities intend to help mitigate the effects of high retail prices of gas oil on the road transport sector triggered by the hostilities in the Middle East and ultimately, through mitigating second-round effects, pursue the objective of reducing the social and economic impacts on households and companies.

These tax repayments would lead to a situation where recipients would benefit from effective excise rates which are below the EU minimum rate under the Directive, hence the authorisation under discussion.

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

The limited period of validity is within the maximum period allowed by Article 19(2) of the 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, tax repayments imply 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 reduction in effective taxation rates requested by the Irish authorities will result in rates below the minimum levels of taxation of transport fuels as laid down in Article 7 and Table A of Annex I to the Directive. Specifically, the effective tax rates will be 0.25185 EUR per litre of gas oil used as a propellant for the period to 31 August 2026 and 0.31689 EUR per litre of gas oil used as a propellant for the period 1 September 2026 to 30 September 2026. These rates shall apply exclusively to those parties qualifying under a scheme established pursuant to Article 7(2) of the Directive.

The present proposal is without prejudice to any assessment of the Irish measure under State aid rules. Moreover, the proposal for a Council implementing decision does not prejudice 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 Irish authorities, the envisaged tax repayment should partially alleviate the social and economic burden of the Irish population due to the recent transport fuels price

increase resulting also from hostilities in the Middle East and the disruption in the Strait of Hormuz which risks second-round price effects impacting the transport of goods and the provision of transport services.

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 may require an ability to temporarily lower the excise rates below the EU minimum rates for products.

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 the Directive is considered adequate and proportionate to the need to balance out the specific policy objectives listed in Article 19 of the Directive, and notably the EU's environmental policy with the emergency imperative to ensure 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 and the resulting second-round effects has a disproportionate impact on low-income households<sup>4</sup>. Reductions in excise duties targeted at road haulage and bus transport operators can therefore have a positive social impact by contributing to minimising cost increases for low-income households.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

### **• Legal basis**

Article 19 of Council Directive 2003/96/EC.

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<sup>4</sup> [Economic and distributional effects of higher energy prices on households in the EU - Employment, Social Affairs and Inclusion](#)

- **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.

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 (from adoption by Council to 30 September 2026) 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 Ireland 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 Ireland 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 an effective tax reduction, which is provided for a 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 Ireland will be allowed to apply reduced taxation rates to gas oil used for commercial use by the road transport sector below the minimum levels of taxation.

Article 2 stipulates that the authorisation requested is granted until 30 September 2026 from the entry into force of the Decision, as requested by Ireland, which is within the maximum period of 6 years allowed by the Directive.

Proposal for a

## COUNCIL IMPLEMENTING DECISION

**authorising Ireland to apply reduced rates of excise duty for commercial use of gas oil by certain road transport operators, pursuant to Article 19 of Directive 2003/96/EC**

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<sup>5</sup>, and in particular Article 19(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Prior to the adoption of this Decision, geopolitical developments in the Middle East, which impacted supply chains of oil and oil products globally, triggered sharp and persistent increases in wholesale and retail prices of energy products. Those increases 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<sup>6</sup>, the European Council recognised the extraordinary nature of the energy market situation and its macroeconomic implications. The Council invited the Commission to work closely with Member States to design national temporary and targeted measures to mitigate significant impacts of fuel price increases due to the crisis in the Middle East, and underlined in particular the need for a coordinated response as the conflict in the Middle East has an immediate impact on energy prices for Union citizens and businesses.
- (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 mechanisms provided for in Directive 2003/96/EC enable Member States to lower, within defined limits, the tax burden on specific energy products in a targeted and temporary manner. In view of the exceptional and urgent nature of the current situation, it is necessary to provide for specific, time-limited mechanisms that explicitly aim to alleviate the impact of the energy price shock.
- (5) Temporary reductions in the taxation of targeted energy products are able to 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

<sup>5</sup> OJ L , , p. .

<sup>6</sup> <https://www.consilium.europa.eu/media/lwhk3itd/en-20260319-european-council-conclusions.pdf>

instrument to address the serious disturbance in the economy resulting from the energy price shock.

- (6) By letters dated 20 May 2026 and 01 July 2026, the Irish authorities requested authorisation, pursuant to Article 19 of Directive 2003/96/EC to apply, in the form of repayments, reduced rates of excise duty to gas oil used for commercial uses specifically road haulage and bus passenger sectors.
- (7) Through such repayments, which Ireland would carry out by means of its diesel rebate scheme established for this purpose, the effective excise rate for gas oil for qualifying parties would fall to 0.25185 EUR per litre for the period to 31 August 2026 and 0.31689 EUR per litre for the period 1 September 2026 to 30 September 2026. Such effective rates fall below the minimum levels of taxation applicable to motor fuel referred to in Article 7 of Directive 2003/96/EC.
- (8) According to the Irish authorities, the application of such reduced rates of excise duty aims to mitigate the impact of the price increase of gas oil resulting from the geopolitical situation and affecting directly or, through second-round effects, indirectly both households and companies.
- (9) The Commission reviewed the requested authorisation and found it unlikely to hinder the proper functioning of the internal market. The Commission considers the requested derogation to be adequate and proportionate, given its short duration, the exceptional circumstances linked to the geopolitical situation, coupled with an exceptionally high market price of oil, and the need to strike a balance between the specific policy objectives listed in Article 19(1), third subparagraph, of Directive 2003/96/EC, in particular the Union environmental policy, and the emergency imperative to ensure energy affordability for businesses and households.
- (10) Ireland should therefore be authorised to temporarily apply reduced rates of excise duty below the minimum Union levels to gas oil used as motor fuel by persons or entities that qualify for reimbursements under Ireland's diesel rebate scheme.
- (11) In accordance with Article 19(2) of Directive 2003/96/EC, each authorisation granted under that provision is to be strictly limited in time. However, in order not to undermine future developments of the existing legal framework, it is appropriate to provide that, should the Council, acting on the basis of Article 113 or any other relevant provision of the Treaty on the Functioning of the European Union, introduce new minimum levels of taxation for gas oil used as motor fuel, with which the authorisation granted by this Decision is not compatible, this authorisation should cease to apply.
- (12) At the same time, tax reductions imply significant fiscal costs and tend to increase fossil fuel demand, thereby exacerbating the imbalance of supply and demand. Therefore, the authorisation granted by this Decision should remain strictly limited in time,

HAS ADOPTED THIS DECISION:

#### *Article 1*

Ireland is authorised to apply the following effective minimum excise rates to road transport operators that use commercial gas oil as a propellant, as defined in Article 7(3) of Directive 2003/96/EC:

- (a) 0.25185 EUR per litre of gas oil, for the period between the date of notification of this Decision and 31 August 2026;
- (b) 0.31689 EUR per litre of gas oil, for the period between 1 September 2026 and 30 September 2026.

#### *Article 2*

This Decision shall apply until 30 September 2026.

However, where the Council, acting on the basis of Article 113 or any other relevant provision of the Treaty on the Functioning of the European Union, modifies the minimum levels of taxation referred to in Article 7 of Directive 2003/96/EC for gas oil used as motor fuel to minimum levels of taxation with which the authorisation granted in Article 1 of this Decision is not compatible, this Decision shall cease to apply on the date from which those modified minimum levels of taxation apply.

#### *Article 3*

This Decision is addressed to the Republic of Ireland.

Done at Brussels,

*For the Council*  
*The President*