



Danish presidency of the Council of the European Union

Rue d'Arlon 73 /Aarlenstraat 73
B-1040 Brussels

Brussels, 12 November 2025

Subject: Aligning the Energy Taxation Directive with the Energy Efficiency First Principle – The Case for Cogeneration

Dear Ambassador Carsten Grønbech-Jensen,

On behalf of energy-intensive industries, the district heating sector, energy efficiency solution providers, and energy service companies, the undersigned urge EU legislators to ensure that the revised Energy Taxation Directive (ETD) is fully aligned with the Energy Efficiency First principle.

Despite the significant energy efficiency and resiliency advantages delivered by cogeneration across the EU economy, the proposed revision of the ETD inadvertently favours less efficient energy production. Centralised electricity generation benefits from a mandatory EU-wide full tax exemption on energy inputs, regardless of plant efficiency or fuel type used. In contrast, cogeneration receives only partial, temporary, or optional tax relief on the fuels used to produce both electricity and heat, under strict energy efficiency and emission requirements. This disparity risks discouraging investment in proven energy-saving cogeneration technologies and undermines Europe's decarbonisation and energy resilience objectives.

Cogeneration—also known as combined heat and power (CHP)—achieves energy conversion efficiencies of 75% to 90%, outperforming conventional centralised generation in line with Energy Efficiency Directive requirements¹. Cogeneration is embedded across the EU economy at local level through district heating networks, industrial processes, businesses, and households. Producing 30% of thermal power generation and more than 60% of heat in district heating, cogeneration contributes towards significant primary energy savings, lower emissions, and enhanced affordability for both energy consumers and the energy system as a whole². As the EU moves towards net-zero emissions by 2050, cogeneration will remain a cornerstone technology for achieving the EU's climate and energy goals ambitions³.

We therefore call for a revision of the ETD that recognises both industries and district heating efforts to improve energy efficiency, resilience, and competitiveness. In addition to maintaining the EU-wide tax exemption for energy sources used in electricity production, Member States

¹ Conventional power-only generation reaches efficiencies between 10-60%, with conversion losses. At EU level, conversion losses from power-only generation amount to 240 Mtoe – equivalent to the entire energy demand in industry.

² Eurostat, 2025, reports that CHP installed in the EU saves more than 26 Mtoe of energy – equivalent to Austria's final energy consumption.

³ Artelys, 2020. [Towards an efficient, integrated and cost-effective net-zero energy system in 2050. The role of cogeneration](#)

should be granted the option to fully exempt fuels used in cogeneration for the efficient production of both electricity and heat. This provision should apply across all cogeneration users, not only to district heating operators, but also for energy-intensive industries, small businesses and domestic users. Furthermore, Member States should retain the flexibility to determine the duration of such tax benefits, ensuring long-term investment certainty tailored to national circumstances.

Aligning the ETD with the Energy Efficiency First principle is a critical step toward strengthening Europe's energy security, reducing energy waste, and enhancing industrial competitiveness. This alignment is essential to establish a level playing field that would incentivise the use of cogeneration for the efficient, competitive and secure production of heat and power in strategic sectors of the economy - district heating, energy intensive industries and SMEs. It would also allow Member States the necessary flexibility to grant tax incentives for cogeneration, in line with their national priorities on energy, climate and competitiveness.

Cogeneration is ready to deliver these benefits today—provided it is supported by a fair and coherent tax framework that values efficiency as a key driver of the energy transition. The signatories of this letter remain committed to working constructively with the Council, the Commission, and Member States to help realise this alignment.

Yours sincerely,

Hans Korteweg



Managing Director, COGEN Europe

on behalf of

CEDEC, Cepi, COGEN Europe, Euroheat & Power, Eurometaux, CEFS/EU Sugar, IFIEC Europe, Starch Europe

CC:

Stéphane Séjourné, Executive Vice President for Prosperity and Industrial Strategy

Wopke Hoekstra, Commissioner for Climate, Net Zero and Clean Growth

Dan Jørgensen, Commissioner for Energy and Housing

About the signatories of the letter

CEDEC

[CEDEC](#), the European Federation of Local Energy Companies, represents 2,000 local energy and broadband providers serving 100 million customers across Europe. It promotes decentralised, integrated and digital energy systems, supporting the transition to renewables, sectoral integration, sustainable investment, digital innovation, and a just, inclusive energy transition.

Cepi

[The Confederation of European Paper Industries \(Cepi\)](#) is a Brussels-based non-profit representing the European pulp and paper sector. It is led by a Director General and governed by a Board, Steering Committee, and Association Directors' Group. Cepi champions the industry's competitiveness, engages with EU institutions, and promotes sustainable practices.

COGEN Europe

[COGEN Europe](#) envisions a decentralised, carbon-neutral European energy system by 2050, with cogeneration at its core. It provides efficient, local heat and power, complements renewables, integrates energy systems, and runs on low- or zero-carbon fuels to support a flexible, resilient, and sustainable energy future.

Euroheat & Power

[Euroheat & Power](#) is a Brussels-based non-profit network promoting sustainable district heating and cooling across Europe. It brings together utilities, manufacturers and research institutes to foster innovation, decarbonise heating, integrate renewables and support a climate-neutral built environment.

Eurometaux

[Eurometaux](#) represents Europe's non-ferrous metals producers and recyclers, engaging with EU policymakers to promote sustainable production, recycling, and a supportive business environment. Its focus includes energy, climate, chemicals, trade, and overall industry sustainability.

CEFS - EU Sugar

[CEFS](#) represents sugar producers and refiners in the EU, UK and Switzerland, promoting a competitive and sustainable sugar industry while engaging with EU institutions on economic, social and environmental issues.

IFIEC Europe

[IFIEC Europe](#) is a Brussels-based non-profit representing energy-intensive industries across Europe. It advocates for competitive, sustainable energy systems and policies, supporting sectors where energy is a major production cost, including metals, chemicals, paper, cement, and pharmaceuticals.

Starch Europe

[Starch Europe](#) represents over 95% of EU starch producers, promoting the industry's role in supplying starches, plant-based proteins and fibres for food, feed and industrial uses. It supports sustainable agriculture, innovation, fair competition, and the development of bio-based materials from European starch crops.