



- Press release -

## **Tackling VAT fraud: Europex welcomes the extension of the domestic reverse charge mechanism for electricity, gas and emissions trading**

Brussels, 2 October 2018 | Europex welcomes today's ECOFIN Council decision to extend the derogation in Article 199a of the VAT Directive which allows Member States to apply the domestic reverse charge mechanism (DRCM) to transactions in electricity, gas and emission allowances until 30 June 2022.

The domestic reverse charge mechanism is a vital tool to help prevent missing trader intra-community fraud in highly liquid energy and emissions markets in Europe. The extension, as set out in the Commission's legislative proposal of 25 May 2018<sup>1</sup>, ensures that Member States can continue to apply the domestic reverse charge mechanism in specific sectors, including electricity, gas and emissions. Given that Article 199a contains a sunset clause, the derogation would have run out by the end of the year, had the Council not proactively prolonged it.

Europex would nonetheless have liked to see the Council use this opportunity to explicitly include Guarantees of Origin (GOs)<sup>2</sup> within the scope of the products to which the DRCM can be applied. Europex along with 17 other European energy associations<sup>3</sup>, had proposed that GOs, which are very similar in nature to emission allowances, be mentioned specifically as being able to benefit from the derogation in Article 199a. This is already happening today in some Member States, namely Austria and Ireland. However, an explicit reference would have helped clarify the application.

Currently, not all Member States make use of the derogation and not for all products. To reduce the risk of fraud in unprotected markets, Article 199a should be applied across all Member States and in a comprehensive manner - for electricity, gas, emissions and guarantees of origin alike. This will prevent fraud from shifting to markets in unprotected Member States and will ensure that trust is maintained in the integrity and safety of electricity, gas and emission allowance markets as an essential part of the economic value chain in Europe.

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018PC0298&from=EN>

<sup>2</sup> As defined in Directive 2009/28/EC.

<sup>3</sup> <https://www.europex.org/wp-content/plugins/download-attachments/includes/download.php?id=4612>

## **About**

Europex is a not-for-profit association of European energy exchanges with 26 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

## **Contact**

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