Death and Taxes

Dear Reader,

It is not wise to pick a fight with the Grim Reaper or the tax authorities, because it will inevitably end in disaster. In this case it is the combustion engine that has been declared dead. But, contrary to popular opinion, it can and must make a significant contribution to achieving our climate targets. All vehicles are taxed according to their CO₂ emissions under the WLTP. Although the cycle represents larger areas of the real load profile than the NEDC because of its differing proportions, this approach still raises the question of why vehicles are taxed on the basis of a test procedure that cannot fully reproduce reality and that relates only to the CO₂ emissions produced during operation using a tank-to-wheel evaluation. This leads to the argument that electric vehicles should be completely exempt from taxes, because the taxation system takes only local emissions into account.

Charging additional duty on fuel makes absolute sense, however painful it may appear at first sight. The ultimate aim of doing this is to give drivers the incentive to use renewable fuels. But taking CO₂ as the basis for this is the wrong approach. It is not about the CO₂ content of the fuels, but purely about the question of whether or not they come from fossil sources. Generating one kilowatt hour of electricity in Germany produces an average of 401 g of CO₂, which makes it only slightly better than diesel (2.6 kg CO₂/l with an energy content of 9.7 kWh/l) in terms of total emissions. The proportion of renewable sources is currently higher for electricity than for diesel and this is precisely where blends

come in and can be used to create incentives. If diesel is blended with higher proportions of renewably produced fuel, the tax on the liquid fuel could be reduced and its market acceptance could be increased. Ideal candidates are second and third generation biofuels and e-fuels manufactured using hydrogen, green electricity and CO₂ from the air. This would reduce the proportions of fossil CO₂ and help to create a climate-neutral circular economy, which would represent a genuine success.

An even better solution would be to tax the entire system using a cradle-to-grave or life cycle analysis. But because this would result in taxes being imposed on battery electric vehicles and would prevent the existing subsidy policy from being retained, it is unlikely to happen.

I hope you enjoy this issue of MTZ.

Marc Ziegler
Deputy Editor in Chief

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