

## Methodological note

# GUIDANCE ON REPORTING ENERGY COST COMPENSATION IN ELECTRICITY AND NATURAL GAS CONSUMER PRICES, AS OF REFERENCE PERIOD 2022S1, IN THE CONTEXT OF THE IMPACT OF THE WAR IN UKRAINE

EUROSTAT, DIRECTORATE E

UNIT E.5 — ENERGY

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VERSION	DATE	CHANGES IN SECTION
1.0	26 APRIL 2023	

## BACKGROUND

Regulation (EU) 2016/1952 on natural gas and electricity prices, “*prices shall include all charges payable: network charges plus energy consumed, minus any rebates or premiums, plus any other charges (e.g. meter rental, standing charges). Initial connection charges shall be excluded*”. The prices questionnaires require a detailed breakdown into different price components, including tax subcomponents. However, the questionnaires do not include a component for subsidies and allowances. Given that the data on subsidies and allowances is necessary in order to identify the final price paid by the consumers, countries were given specific instructions for reference period 2021S2 on how to report these data. However, the initially proposed reporting of allowances, which differed depending on whether VAT was charged on the price with or without allowances, decreased the comparability of data between countries. For this reason, this methodological note introduces a uniform approach to reporting subsidies and allowances as of 2022S1, according to which all subsidies and allowances given to electricity and natural gas consumers need to be reported equally, regardless of how they interact with VAT. The methodology was discussed at Task Force level and was presented to and supported by countries’ experts at the April 2022 meeting of the Energy Statistics Working Group (ESWG).

## Reporting instructions

### TABLE 1

Allowances and subsidies that final consumers receive from the state, whether in the form of a lump sum paid directly to the consumers' accounts, or a deduction visible on electricity/gas bills, should always be reported under Level 2 prices. The difference between Level 2 and Level 3 prices should therefore remain equal to the amount of VAT for household consumers, and to the amount of VAT and other recoverable taxes for non-household consumers, as laid down in the Regulation. Since allowances are reported as a negative value under a specific tax category or under "All other taxes, fees, levies and charges" in Table 2, they should logically be part of Level 2 prices, which comprise all taxes except VAT.

If VAT is charged on the price before the allowance was deducted, there are in practice no changes in reporting compared to our proposal for 2021S2. However, if VAT is charged on the final price, i.e. the price after the allowance was deducted, the countries are asked to recalculate the amount of the allowance and of VAT in order to be able to include the allowance in Level 2 prices. Concrete examples are presented below.

#### EXAMPLE 1 – VAT CHARGED ON PRICE WITH ALLOWANCE

*Household electricity consumers receive an energy allowance as a fixed yearly sum. The allowance is the same for all household end-users, i.e. does not differ based on consumption volumes, income, etc. The country imposes an energy tax on electricity consumers, which is variable based on consumption volumes. The compensation is envisaged as a form of tax restitution. This can lead to negative prices in case of a very low consumption of the end-user.*

Reporting: In Table 1, the allowance should be reported in Level 2 prices (prices with VAT excluded), and consequently also Level 3 prices (All taxes + VAT included).

#### EXAMPLE 2 – VAT CHARGED ON PRICE WITHOUT ALLOWANCE

Non-household consumers of electricity receive a compensation which changes on a monthly basis and is calculated for each individual non-household consumer. The compensation is not paid directly to the consumer, but rather to the suppliers, who deduct the sum from the total price on each monthly invoice. VAT and all other taxes are charged based on the initial price without compensation. In other words, the compensation is deducted from the final amount after VAT has been charged.

Reporting: Recalculate the amount of the subsidy and the amount of VAT so as to match the model from Example 1. Report the subsidy/allowance in Level 2 prices (prices with VAT excluded), and consequently also Level 3 prices (All taxes + VAT included).

For example:

Energy and supply = 0.7  
 Network costs = 0.3  
Nuclear taxes = 0.1  
 TOTAL = 1.1  
+ VAT = 20% = 0.22  
 PRICE WITHOUT SUBSIDY = 1.32  
SUBSIDY = -0.07  
 FINAL PRICE WITH SUBSIDY = 1.25

RECALCULATE



Energy and supply = 0.7  
 Network costs = 0.3  
Nuclear taxes = 0.1  
SUBSIDY = -0.05833  
 TOTAL = 1.04167  
+ VAT = 20% = 0.208334  
 FINAL PRICE WITH SUBSIDY = 1.25

The final price the consumer pays has to be exactly the same before and after recalculation, as do the Level 1 price and the VAT rate. The amount of the allowance and of VAT change.

## TABLE 2

Reporting allowances/subsidies in Table 2 does not change compared to the reporting proposed for 2021S2. Allowances/subsidies should be reported under a specific tax category if they are explicitly related to the tax in question. Otherwise, they should be reported under “All other taxes, fees, levies and charges”. This is in line with the Regulation (EU) 2016/1952. If the amount of the allowance/subsidy is higher than the amount of tax, the value will be negative.

The new version of the prices questionnaire will include an additional category “Of which subsidies”, related to all types of taxes except VAT in Table 2. This data point is voluntary. For better readability of our data, the countries are strongly encouraged to fill in this non-mandatory data point.

Table 2: Components and sub-components in national currency per kWh (averages for the whole calendar year)

Household electricity consumption band	Component	Annual electricity consumption in kWh		Energy and supply	Fees	Network costs	Fees	Taxes, fees, levies and charges														Total	Fees	
		Minimum	Maximum					Value Added Tax	Promotion of renewable taxes	Of which subsidies	Fees	Capacity taxes	Of which subsidies	Environmental taxes	Of which subsidies	Fees	Nuclear taxes	Of which subsidies	All other taxes, fees, levies and charges	Of which subsidies	Fees			
																								Fees
DA		<1000																						
DB		≥1000	<2500																					
DC		≥2500	<5000																					
DD		≥5000	<15000																					
DE		≥15000																						
DA-DE		0	≥15000																					