



Joint communiqué

Ten European gas & electricity associations call for a comprehensive implementation of the EU anti-VAT-fraud package by all 28 Member States

Following the large-scale VAT fraud discovered in the CO₂ emissions market in 2009, criminal networks are now targeting other tradable goods such as gas and electricity. In order to prevent further major fraud with several billion euros in VAT losses in the energy commodity sector, the ten largest European energy associations have been coordinating their efforts in the fight against VAT fraud since 2010. The group aims at increasing the awareness among all relevant stakeholders of this high-level risk along the energy value chain and calls for legislative measures to end VAT fraud in gas, electricity and emissions trading in Europe.

A spokesman from Europol, the European Union's criminal intelligence agency, commented *"despite the application of VAT reverse charge in some Member States in relation to supplies in the energy markets, Europol continues to be notified by our partners in both the law enforcement and the private sector of organised criminal attempts to infiltrate this field. These can range from creating bogus companies with the sole purpose of stealing millions of euros of VAT from European governments, and therefore ordinary European citizens, to hijacking the activities of reputable companies in the market, therefore damaging legitimate trade. It is only right and proper that the European energy associations continue to warn against this danger and for all parties involved in the fight against fraud to do their utmost to minimise such threats"*.

In June 2013, [the group welcomed the adoption](#) of an ambitious anti-VAT fraud package by the European Union. At that time, we stated the importance that *"all EU Member States make appropriate use of the possibility of applying the Reverse Charge Mechanism (RCM) to qualifying electricity and gas transactions in their national markets in order to actively eradicate VAT fraud and to prevent significant losses to their Exchequers as well as to affected organisations"*.

At present, only six EU Member States have transposed this set of legal measures into national law: Austria, France, Germany, the Netherlands, Romania and the United Kingdom. Hence, 22 EU Member States remain unprotected while law enforcement agencies have repeatedly reported signs of a major penetration of the gas and electricity markets by VAT fraudsters. Moreover, due to the specific VAT treatment of gas and electricity transactions, the wholesale markets of the six Member States applying the RCM can still be misused to perform illicit trading in order to steal VAT from unprotected third countries. Until all 28 Member States of the European Union transpose and apply

the RCM, the integrity of the European energy wholesale markets remains significantly threatened. This creates important legal and financial risks for the legitimate market participants unwittingly involved in these fraudulent activities, and may also harm the fair operation of the market itself.

As a group of ten European gas & electricity associations, comprising regulators, exchanges, brokers, clearing houses, infrastructure operators, energy trading firms, utilities and guarantee of origin issuing bodies, we call upon the new European Commission together with the remaining 22 Member States to take proactive measures in order to quickly adopt the anti-VAT fraud package at national level. This relates to the RCM for gas and electricity transactions but also to emissions trading, given that a few Member States still have not implemented these measures for either type of transaction. In addition, it is important that Guarantees of Origin (GOs) are clearly recognised as falling under the definition of “electricity certificates” and are included in the RCM for electricity transactions given that they are very similar to emission certificates and also threatened by VAT fraud.

We call upon all firms involved in the energy value chain to reinforce their KYC (Know Your Customer) procedures and to monitor continuously the economic justification of transaction flows with their counterparties. In case of any suspicious activity, we strongly recommend immediately contacting the relevant local customs and/or law enforcement agencies.

The Group of Ten: Who We Are

The group of ten European gas and electricity associations consists of AIB, CEER, EACH, EFET, ENTSO-E, EURELECTRIC, Eurogas, Europex, GIE, and LEBA. Please find below short descriptions of their roles, missions and members:

About AIB – Association of Issuing Bodies

The purpose of the AIB is to guarantee the origin of European energy by using and promoting the European Energy Certificate System - EECs – which ensures the reliable operation of international certificate schemes, and operating an inter-registry communications hub. The AIB’s members are European energy certificate system administrators, almost all of which are competent bodies for guarantees of origin – usually transmission system operators, electricity regulators and energy market operators, or the service organisations that administer energy certificate systems on their behalf.

<http://www.aib-net.org>

About CEER – Council of European Energy Regulators

The Council of European Energy Regulators (CEER) is the voice of Europe’s national regulators of electricity and gas at EU and international level. Through CEER, a not-for-profit association, the

national regulators cooperate and exchange best practice within and beyond Europe's borders. CEER includes national regulatory authorities from 33 European countries (the EU-28, Iceland, Norway, Switzerland, FYROM, Montenegro and growing). A key objective of the CEER is to facilitate the creation of a single, competitive, efficient and sustainable EU internal energy market that works in the public interest. CEER works closely with and supports the work of the Agency for the Cooperation of Energy Regulators (ACER).

<http://www.ceer.eu>

About EACH – European Association of CCP Clearing Houses

European central counterparty clearing houses formed EACH in 1991. EACH's participants are senior executives specialising in clearing and risk management from CCPs, both EU and non-EU. Increasingly, clearing activities are not restricted exclusively to exchange-traded business. EACH has an interest in ensuring that the evolving discussions on clearing and settlement in Europe and globally, are fully informed by the expertise and opinions of those responsible for providing central counterparty clearing services.

<http://www.eachorg.eu>

About EFET – European Federation of Energy Traders

The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET improves the conditions for energy trading by: finding solutions for market design and advocating suitable policies and regulatory measures; providing standard solutions to the repetitive aspects of wholesale energy transactions; encouraging probity, good risk management practices, responsible corporate governance and proper accounting among energy traders. EFET represents more than 100 member companies, active in over 27 European countries.

<http://www.efet.org/>

About ENTSO-E – European Network of Transmission System Operators for Electricity

ENTSO-E, the European Network of Transmission System Operators, represents 41 electricity transmission system operators (TSOs) from 34 countries across Europe. ENTSO-E was established and given legal mandates by the EU's Third Legislative Package for the Internal Energy Market in 2009, which aims at further liberalising the gas and electricity markets in the EU.

<http://www.entsoe.eu>

About EURELECTRIC – The Union of the Electricity Industry

The Union of the Electricity Industry-EURELECTRIC is the sector association which represents the common interests of the electricity industry at pan-European level, plus its affiliates and associates on several other continents.

<http://www.eurelectric.org>

About Eurogas

Eurogas is an association representing 44 companies and associations engaged in the wholesale, retail and distribution of gas in Europe. Eurogas provides data and information relevant to EU decision makers and opinion formers in making the right policy choices.

<http://www.eurogas.org>

About Europex – Association of European Energy Exchanges

Europex is a not-for-profit association of European energy exchanges. It represents the interests of the exchange-based wholesale markets for electricity, gas and environmental products, engages in the further development of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

<http://www.europex.org>

About GIE – Gas Infrastructure Europe

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 68 members in 25 European countries.

<http://www.gie.eu/>

About LEBA – London Energy Brokers Association

The London Energy Brokers' Association was formed in 2003 in affiliation with the Wholesale Markets Brokers' Association (www.wmba.org.uk) to represent wholesale markets broking firms active in the Over the Counter (OTC) and exchange traded UK and liberalised European energy markets.

<http://www.leba.org.uk>

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