



Joint Industry Call to Sustain Protections Against VAT Fraud in Energy, Emissions and Energy Certificates Trading

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Missing Trader Intra-Community (MTIC) fraud continues to pose a significant threat to the integrity, transparency and proper functioning of European wholesale markets for electricity, gas, emission allowances and related environmental and energy attributes, including the transfer of gas and electricity certificates, such as Guarantees of Origin.

To address this risk, the EU VAT Directive provides a targeted derogation under Article 199a, authorising the application of the Domestic Reverse Charge Mechanism (DRCM) to wholesale business-to-business transactions involving these products.

Since its introduction for emission allowance trading in 2011 and for electricity and gas trading and energy certificate transfers in 2013, the DRCM has proven to be a highly effective and proportionate anti-fraud tool. It prevented a recurrence of the large-scale carousel fraud that caused significant disruption to the carbon market in 2009-2010, when fraudsters exploited VAT gaps to extract billions of euros in illicit tax refunds. By shifting the tax collection obligation from the supplier to the buyer, the DRCM removes the primary incentive for Missing Trader schemes.

Its effectiveness is further reflected in continued Member State implementation. For example, Hungary extended the DRCM to gas supplies as of 1 January 2025, joining other Member States in recognising its importance in safeguarding energy, emissions and certificate markets.

This targeted approach has proven both effective and proportionate, protecting tax revenues while maintaining market liquidity and operational efficiency. Its success demonstrates that well-designed anti-fraud tools can co-exist with competitive and transparent wholesale markets. Conversely, removing such protections would expose European energy markets to renewed fraud risks and fiscal losses.

However, due to the ongoing reform of the EU VAT system, this derogation remains temporary and is set to expire on 31 December 2026, despite the absence of an equivalent, fully operational alternative at EU level.

We, the undersigned associations representing key stakeholders across the wider European energy sector, therefore call on the European Commission and EU Member States to ensure the continued applicability of the derogation under Article 199a beyond December 2026, to prevent a re-emergence of fraud risks and regulatory fragmentation across the EU Internal Market.

In particular, we call for the following:

1. Permanent Derogation or Extension by at Least Ten Years

The derogation in Article 199a has already been extended three times – each time for relatively short periods. This repeated reliance on temporary extensions creates legal uncertainty and unnecessary administrative complexity for both market participants and tax authorities. To avoid the need for continuous extensions, we suggest making the derogation permanent until the definitive reform of the EU VAT system is implemented. If this is not agreeable, we propose an extension by at least ten years. This would provide long-term certainty for the markets concerned and enable stable and efficient compliance frameworks, while reducing administrative burdens at both European and national levels.

2. Comprehensive DRCM Implementation Across All Member States

We strongly advocate for the consistent implementation of the DRCM for transactions in wholesale energy and emission allowance trading as well as for the supply of gas and electricity certificates, including Guarantees of Origin, across all EU Member States. A unified approach would enhance the collective resilience of EU markets by providing a robust and coherent defence against VAT fraud, as unprotected markets remain vulnerable.

3. Consistent Application of the DRCM to the Transfer of Gas and Electricity Certificates

We call for the consistent application of the DRCM to the supply of gas and electricity certificates, including Guarantees of Origin, across all Member States. Given that these certificates share similar characteristics with energy and emissions trading, notably high value, standardisation and electronic transferability, they are exposed to comparable risks. Indeed, attempts to exploit these markets for MTIC fraud purposes have already been recorded.

To safeguard the integrity of European energy and emissions markets, we would greatly appreciate an explicit clarification of the existing Article 199a provision, specifying which types of certificates are deemed to be included. Such guidance, accompanied by a non-exhaustive list of relevant certificates – including, but not limited to, Guarantees of Origin – could, for instance, be issued by the EU VAT Committee.