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COUNCIL IMPLEMENTING DECISION (EU) 2026/1775

of 10 July 2026

authorising Croatia to apply reduced rates of excise duty to gas oil and unleaded petrol used as motor fuels, pursuant to Article 19 of Directive 2003/96/EC

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity [1], and in particular Article 19(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) In the weeks preceding the adoption of this Decision, sharp and persistent increases in wholesale and retail prices of energy products were observed across the Union, triggered by the geopolitical developments in the Middle East, which have affected supply chains of oil and oil products globally. Those developments have had significant adverse effects on households, in particular vulnerable consumers, and on undertakings, including small and medium-sized enterprises, thereby posing a serious risk to social cohesion, economic stability and the proper functioning of the internal market.

(2) In its Conclusions of 19 March 2026, the European Council recognised the extraordinary nature of the situation in the energy market and its macroeconomic implications. The European Council invited the European Commission to work closely with Member States to design national temporary and targeted measures, to mitigate the significant impacts of fuels and related cost components on electricity generation costs, and underlined, in particular, the need for a coordinated response, as the conflict in the Middle East has an immediate impact on energy prices for European citizens and businesses.

(3) Excise duties as established by Directive 2003/96/EC contribute to the final cost of energy products supplied within the Union. A reduction in excise duties below the minimum levels of taxation set out in that Directive can mitigate some of the energy cost increases currently faced by Member States.

(4) The flexibilities provided by Directive 2003/96/EC enable Member States, within defined limits, to lower the tax burden on specific energy products in a targeted and temporary manner. In view of the exceptional and urgent nature of the current situation, it is necessary to provide for specific, time-limited flexibilities explicitly aimed at alleviating the impact of the energy price shock.

(5) Temporary reductions in the taxation of targeted energy products can deliver rapid relief to households and undertakings by directly lowering end-user prices. In the current situation, such extraordinary reductions could constitute a suitable and necessary instrument to address the serious economic disturbance resulting from the energy price shock.

[1] OJ L 283, 31.10.2003, p. 51, ELI: http://data.europa.eu/eli/dir/2003/96/oj.

(6) By letter dated 2 April 2026, in accordance with Article 19 of Directive 2003/96/EC, the Croatian authorities requested authorisation to apply reduced rates of excise duty to gas oil and unleaded petrol used as motor fuels. Those reduced rates would fall below the minimum levels of taxation applicable to motor fuel referred to in Article 7 of that Directive by 0,2195 EUR per litre for unleaded petrol and 0,225 EUR per litre for gas oil. The authorisation was requested for a period of six months.

(7) According to the Croatian authorities, the application of a reduced rate of excise duty aims to alleviate the social and economic impacts of high retail prices of petrol and gas oil resulting from the geopolitical situation and directly affecting both households and companies.

(8) The requested authorisation has been reviewed by the Commission, and is considered unlikely to hinder the proper functioning of the internal market. In view of its short duration and the exceptional circumstances linked to the geopolitical situation coupled with an exceptionally high market price of oil, the requested derogation is considered to be adequate and proportionate considering the need to strike a balance between the specific policy objectives listed in Article 19(1), third subparagraph, of Directive 2003/96/EC, and in particular the Union environmental policy and the emergency imperative to ensure energy affordability for businesses and households.

(9) Croatia should therefore be authorised to temporarily apply reduced rates of excise duty below the minimum Union levels to gas oil and unleaded petrol used as motor fuels.

(10) Pursuant to Article 19(2) of Directive 2003/96/EC, each authorisation granted under paragraph 1 of that Article is to be strictly limited in time. However, in order not to undermine future developments of the existing legal framework, it is appropriate to provide that, in the event the Council, acting on the basis of Article 113 of the Treaty on the Functioning of the European Union (TFEU) or any other relevant provision of the TFEU, introduces new minimum levels of taxation as referred to in Article 7 of Directive 2003/96/EC for gas oil and unleaded petrol used as motor fuels to which that authorisation would not be adapted, that authorisation should cease to apply on the date on which those new minimum levels of taxation become applicable.

(11) At the same time, untargeted tax reductions imply significant fiscal costs and tend to increase fossil fuel demand, thereby exacerbating the imbalance of supply and demand. Therefore, the measure should remain strictly limited in time.

(12) This Decision is without prejudice to the application of Union rules regarding State aid,

HAS ADOPTED THIS DECISION:

Article 1

Croatia is authorised to apply a reduction of the rates up to 0,225 EUR per litre below the minimum levels of taxation referred to in Article 7 of Directive 2003/96/EC for gas oil used as motor fuels and 0,2195 EUR per litre below those levels for unleaded petrol used as motor fuels.

Article 2

This decision shall apply from 1 August 2026 until 31 January 2027.

However, in the event that the Council, acting on the basis of Article 113 TFEU or any other relevant provision of the TFEU, introduces new minimum levels of taxation as referred to in Article 7 of Directive 2003/96/EC for gas oil and unleaded petrol used as motor fuels to which the authorisation granted in Article 1 of this Decision would not be adapted, this Decision shall cease to apply on the date on which those new minimum levels of taxation become applicable.

Article 3

This Decision shall take effect on the date of its notification.

Article 4

This Decision is addressed to the Republic of Croatia.

Done at Brussels, 10 July 2026.

For the Council
The President
S. HARRIS