GREEN LAWS AND THE EU'S ROAD TRANSPORT SECTOR

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In July, the European Commission unveiled a package of green laws to cut the EU's carbon emissions by 55% by 2030. In this special report, EURACTIV looks at the impact the so-called "Fit for 55" package will have on the commercial road transport sector.

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MEP Petar Vitanov: EU green fuel taxes 'must not create additional inequality'

By Sean Goulding Carroll | EURACTIV.com

MEP Petar Vitanov in the European Parliament in Strasbourg. [Michel CHRISTEN / European Union 2021]

The European Commission has proposed wide-ranging legislation aimed at cutting emissions from road transport across the EU. But the various taxes embedded in the proposals run the risk of exacerbating inequality if not implemented properly, warns MEP Petar Vitanov.

Petar Vitanov is a Bulgarian MEP who sits with the Socialists and Democrats (S&D) group in the European Parliament. He is the S&D shadow rapporteur for the Social Climate Fund file in the Parliament's environment committee and rapporteur for the transport committee's opinion on CO2 emission performance standards for cars and vans.

In the European Parliament, your S&D colleague Ismail Ertug is pushing for higher charging and refuelling point targets in the Alternative Fuels Infrastructure Regulation (AFIR). In your opinion, is the AFIR proposal ambitious enough?

We all know that transport is the lifeblood of our economy. But around 20% of EU pollution is caused by transport, and we have increased greenhouse gas emissions from transport since 1990. So, we need to do something.

What we need is accessible, affordable, competitive, and sustainable transport.

If we want to change something, especially keeping in mind that 70% of this pollution comes from cars and vans, we need to set ambitious targets.

And we can see that if we want the ambitious targets in my file, CO_2 emissions standards for cars and vans, to be achieved, we also need to make sure that alternative fuels infrastructure is in place.

And from that perspective, I totally support Ismail.

Speaking about myself, coming from Eastern Europe, I want to make sure that the infrastructure is in place and will provide this green transition for transport.

In terms of geographical balance, we need to make sure that Eastern Europe is not behind. If we are behind the market, then we will be isolated, and Eastern European business will lose its strength, especially in the transport sector.

Speaking of CO_2 emissions standards, some automakers have expressed concerns that the Commission's proposal to ban the sale of polluting vehicles by 2035 could have negative social consequences. Do you share this concern?

There are two main issues here. The first is the social aspect and then there is the economic aspect.

If we want to keep pace with the United States and China, in industries, high technology, zero emission electric vehicles, we need to push forward, we need more incentives. From this perspective I support the proposed legislation.

From the affordability point of view, all the big manufacturers are moving towards zero emission vehicles. The market, according to experts, is changing, and by 2026 the price of an electric car will be even to the price of a regular car.

And the faster we create this market for electric vehicles, the faster we will create a second-hand market for countries like mine, for Eastern European countries.

The faster it becomes cheaper to drive electric vehicles, the better it will be for poorer countries, because once the second-hand market is formed EVs will really be more affordable. So, when we speak about affordability, I'm in favour of a faster transformation.

Although, let me be honest: there are a lot of challenges. I also think that faster than 2035 is not realistic.

The Commission has proposed extending the Emission Trading System, the EU's carbon market, to road transport. Are you in favour of doing so?

I'm shadow rapporteur for the Social Climate Fund file in the ENVI committee and this is linked with the ETS extension, which is probably the most problematic file of all.

The biggest problem is the penalising of the poor. We have to make sure that there is enough compensation for vulnerable people.

If we do extend the ETS to transport, we have to make sure that the compensation is enough, because this extension will lead to higher fuel prices, which will lead to higher transportation prices for all goods. This is a problem.

We have to make sure that we compensate those who suffer most from the extension of the ETS. And who suffers the most? The poor. And now, because of the way this legislation is designed, we cannot be sure that this compensation goes directly to those who really need it.

It is said that the Social Climate Fund will, for example, give rebates for buying new electric cars. Yet who can afford electric cars? Those who are poor, they cannot. So, we have to make sure that we target those who really need it.

If this happens [the extension of the ETS], we should think about how to make this process less painful. Maybe the solution is to look at the way it is in Germany, with a fixed price, or maybe we should give free quotas just like in the main ETS.

Yes, we have to reduce greenhouse gas emissions. But this reduction cannot come with a decrease in mobility. We need to find another approach.

The extension of the ETS enjoys support not only from the Commission but from MEPs such as Peter Liese of the EPP Group, who say the revenue generated will offset negative impacts. But it sounds like you're concerned about how the Social Climate Fund will be rolled out in practice?

The colleagues that you mentioned think that this fund should be fed from the extension of the ETS. I say that this fund should be fed not only by the extension, but by the main ETS.

I am not 100% sure that we need this extension of the ETS to have enough money to compensate those who will suffer from the green transition, especially in transport.

I'm not against it, we just have to make sure that we find the best possible approach. Like I said, on one hand, we have these new targets that are set in the CO_2 emission performance standards for cars and vans regulation. And on the other hand, we have this extension of the ETS. This will probably lead to a decrease in mobility, which is my biggest concern.

Those who really suffer most, they will not be able to change their lifestyle. They will need to pay more, those who are already poor.

There are different options, but we have to make sure that we're not creating additional inequality.

Industry has said it's unfair to apply green taxes until clean technology is available. So, if it's not possible to buy a clean truck or coach for long-haul journeys it's unfair to penalise truck and coach companies. What are your thoughts on this?

I absolutely agree 100%. We should not penalise business if there's no other solution. We can penalise them only when we offer them an option.

The transport industry has also said that the extra expense from Green Deal laws could diminish European competitiveness.

We have to make sure that this is not going to happen.

When it comes to the energy taxation directive, I think that we should gradually introduce a new taxation structure. And it should be applied to a wider range of fuels over the transition period.

But what is most important is to avoid an overlap in taxes. Because if we don't do this, this will definitely affect economic competitiveness.

It sounds like you are worried that people or companies may have to pay for the same emissions more than once?

Yes, this is my main concern. We have taxes in the energy taxation directive, we have the same taxes possible with the extension of the ETS, and on top of that, we have the same in the Eurovignette.

All of these taxes are coming from different legislation, tackling one single issue. This is multiple taxation on the same thing.

What could be done, for instance, is the exclusion of taxation for carbon emissions in the Eurovignette. This is one possible option in order not to have multiple taxation.

Road hauliers warn EU against green taxes without clean alternatives

By Sean Goulding Carroll | EURACTIV.com

Under European Commission proposals, fossil fuels will become more expensive while road sector carbon emissions will be priced under a new EU carbon market. [Jag_cz / Shutterstock.com]

Industry leaders in the heavy-duty vehicle sector have criticised EU plans to increase carbon taxes on commercial road transport in the next years, arguing that it is unjust to do so before clean solutions for road freight and coaches are widely affordable.

While zero-emission electric and hydrogen fuel-cell heavy duty vehicles are available, they are produced in much smaller numbers than their fossil-fuel counterparts, resulting in a higher price tag.

Many in the industry are also yet to be convinced that the technology is suitable for long-distance journeys, particularly given Europe's limited charging infrastructure for alternative fuels.

"The European economy is based on competitiveness, and to be penalised without having alternatives just demolishes that competitiveness," said Alexander Klacska, the CEO of Austrian logistics company Klacska Group, who was speaking last week at a conference organised by the International Road Transport Union (IRU).

Jos Sales of the Luxembourg Federation of Bus and Coach Operators (FLEAA) agreed that there must be green options available prior to implementing punitive taxes. The coach industry is completely without emission-free vehicle options, Sales said.

In July, the European Commission unveiled a package of green laws aiming to cut the EU's carbon emissions by 55% by 2030. Under the proposals, fossil fuels will become more expensive while road sector carbon emissions will be priced under a new EU carbon market.

The package still needs to be approved by EU member states and the European Parliament before it becomes law, a process usually taking around two years.

But the wide array of measures financially targeting polluters may end up forcing operators to pay more than once for the same emissions, Klacska warned, citing increased excise taxes on fuels, the Emission Trading System (the EU's carbon market), and tolling charges.

"Double taxation, double pricing, from my point of view, it's a no-go. You can have a price on a commodity once but not twice, three times, four times," he said.

"NOT SERIOUS"

The industry's stance was rejected by European Parliament lawmaker Peter Liese, who took issue with the assertion that new EU energy taxation measures and carbon pricing should not apply to transport operators if they do not have sufficient alternatives to replace their fleets.

This is "not serious" said Liese, who is the Parliament's lead on the EU's proposed revised carbon market, the Emissions Trading Scheme (EU ETS).

"I'm doing climate policy for many years and no sector that was included in the ETS said 'of course we can do it. The technology's there, let's go'. They all argued, like the road transport sector, that no alternatives exist," the centre-right German MEP said.

"In your sector, road transport, emissions went up 22.2% [since 1990]… So, to say 'we cannot do it, we can delay it' is just no option. Our children and grandchildren will not accept that," he added, referring to the urgent need to cut greenhouse gas emissions.

Liese told the conference that the situation facing the road transport sector, particularly heavy-duty vehicle operators, is challenging, but the climate situation demands that they rise to the challenge.

"It's very clear, we are the first generation that already suffers from climate change, and the last generation that can still change it. And that's why we don't have plenty of time," he said.

"DREAMING IN TECHNICOLOUR"

Umberto de Pretto, the secretary general of the IRU, echoed industry colleagues' concern that taxes can only work as an incentive if there are clean options to embrace.

"I don't understand how some people can say you need to penalise [operators] when they have absolutely no alternatives," he said.

de Pretto questioned the belief that the industry could switch primarily to electricity in the short term, noting that a long distance heavy commercial vehicle requires the same electricity as 144 households.

Doing so, he argued, would require significant changes to the electricity grid and a much more substantial charging network across the continent.

"We're dreaming in technicolour if we think we can go fully to electricity. A lot needs to be done to be able to get there," he said. "Is it a part of the solution? Yes, it's part of the solution. It's not the solution."

The secretary general warned that without a balanced approach that considers the needs of industry, the harm from soaring green taxation and reduced competitiveness could lead to job losses.

"I will tell you that people standing in the unemployment line will not care less about any potential effects of CO_2 emissions," he said.

de Pretto encouraged European decision makers to work with the industry to develop a pragmatic path to decarbonising.

"[If] government and industry work together, if industry is listened to and and we find pragmatic solutions, I think [the Fit for 55 legislation] will be an opportunity. If we don't work together, this will be a disaster, with ramifications that will be more severe than we can even imagine," he said.

ELECTRIC OPTIONS

Juliana Poliscanova of clean mobility NGO Transport & Environment (T&E) defended carbon pricing, arguing that greater demand for zero-emission trucks will incentivise manufacturers to bring these vehicles to the market at affordable prices.

Already, manufacturers are pivoting in that direction, she said.

"We now have electric truck models coming from every truck maker; we actually see serious production is starting now. In the second half of the 2020s, we'll also have serious production of hydrogen trucks."

Poliscanova referred to an analysis which found that despite the higher upfront cost, total cost of ownership was already lower for alternatively fuelled heavy-duty vehicles. "In Germany today, it's actually cheaper on a five-year basis to have a long-haul battery electric truck than a diesel truck," she said.

AGREEMENT

Speakers at the event were united in calling for an ambitious and rapid rollout of charging infrastructure for electric and hydrogen vehicles across the continent.

"When it comes to the [manufacturing] industry's commitment to decarbonisation, it goes without saying that without the right level of infrastructure we simply cannot deliver to our customers new and cleaner technology in an affordable manner," said Annalisa Stupenengo, chief operations officer with the IVECO Group, an Italian commercial vehicle manufacturer.

Under a proposed EU regulation, member states would be required to install publicly accessible charging points every 60km along Europe's main transport corridors, with hydrogen refuelling stations available every 150km. The proposal is currently being debated in the European Parliament and Council.

To watch the IRU event, click here.

PROMOTED CONTENT

DISCLAIMER: All opinions in this column reflect the views of the author(s), not of EURACTIV Media network.

The way ahead for a greener Europe

By Raluca Marian | IRU - World Road Transport Organisation

Raluca Marian [IRU]

Road transport operators are at the core of the EU's green transformation. Fully aware of their responsibility, they are committed to decarbonise. However, technologies for zero-emissions alternatively fuelled heavy-duty vehicles and related infrastructure are still in their infancy.

Raluca Marian is the Director EU Advocacy and General Delegate of IRU's Permanent Delegation to the European Union.

So how can we pave the way for an efficient and green transition in this sector, which is so vital to social harmony and economic prosperity in Europe? Two concepts are crucial: synchronicity and incentives.

SYNCHRONICITY

The coming decade's green transition will require an enormous effort by about 1 million transport companies in the EU, running over 35 million vehicles, of which approximately 7 million are heavy-duty vehicles (HDVs).

Whilst the sector is committed to decarbonise, three basic conditions have to be met to enable the change:

- Alternative fuelled vehicles (both light commercial vehicles and HDVs) need to be available in sufficient numbers;
- Alternative fuel infrastructure needs to be operational on a wide scale; and
- Alternative fuels (including hydrogen and grid electricity power) need to be consistently and reliably available.

If the first two conditions are not met at the same time across the EU, transport operators will not be able to adapt. If the third condition is not met, significant disruptions in transport markets could occur even after millions of alternatively fuelled vehicles are already on the road.

The road transport sector, serving a diverse range of users, needs to embrace a variety of solutions, from vehicles powered by hydrogen and electric batteries to those running on renewable and bio-fuels.

IRU therefore welcomes the European Commission's proposal on a Regulation for the deployment of alternative fuels infrastructure (AFIR). This is a precondition for success with other measures in the Fit for 55 Package, such as the revision of the energy taxation regime (ETD) and the inclusion of road in the emission trading scheme (ETS).

It is encouraging to see the ambitious view of MEP Ismail Ertug, rapporteur for AFIR in the European Parliament. We hope that his ambitions are shared across the chamber. However, a strong commitment from Member States, via the Council, is also needed to deploy infrastructure on the ground. Without this, transport operators will not be able to operate effective cross-border services in the EU.

Until these three prerequisites for a successful shift are met, an adequate transition and flexibility in the choice for fuels will be essential for the sector given its wide operational scope.

INCENTIVES

The transition will be hugely expensive. A sector dominated by small and medium sized firms, with the average company running less than five vehicles, cannot afford to adapt without adequate support.

In addition to financial help to buy vehicles, incentivising road transport operators with smart taxation and charges set at an EU level would be a useful way forward. However, in their current form, Fit for 55 proposals on energy taxation and ETS for road will not do this.

Zero-emission technology is developing at a much slower pace for HDVs compared to light vehicles such as cars. Even based on the most optimistic forecasts from manufacturers, the production of zero-emission trucks and coaches will not increase quickly enough to replace the EU's seven million HDVs. And given current progress, the same issue is likely to slow replacement of the tens of millions of light commercial vehicles on Europe's roads.

A rapid increase in taxation and charges under the newly proposed energy taxation structure, as well as the inclusion of road transport in the ETS, would therefore heavily penalise many commercial road transport operators who have no zero-emission fleet alternatives.

Despite slow technological progress for HDVs, the recently published report of MEP Peter Liese, the Parliament's rapporteur for the ETS file, proposes to speed up the deadline to implement ETS for commercial vehicles, while offering Member States the possibility to delay fuels sold for private use by two years.

However, differentiating private and commercial use is highly impractical for fuel suppliers. To avoid this hurdle, IRU is calling for a gradual introduction of ETS for road, in accordance with the availability of alternative fuelled vehicles and infrastructure.

Smart EU-wide taxation would also level the playing field by avoiding large variations between Member States. However, in addition to increasing the level of taxation at a premature stage, the current ETD and ETS proposals leave open the possibility of multiple taxation and charging. Under the ETS proposal, it is even unclear if national parallel ETS schemes may co-exist with the EU scheme.

Multiple taxation and charging will put a heavy economic burden on the average road transport operator, with higher costs leading to higher prices for transporting people and goods.

On a positive note, the rapporteur's report on ETS partially recognises the importance of additional incentives and support to collective road passenger transport. This point was strongly supported by IRU and our members because the Commission's proposal only referenced public transport.

Nevertheless, the rapporteur's concept of collective transport is limited to coach tourism, excluding scheduled coach services and taxis.

The report also introduces the concept of partial earmarking of ETS funds allocated to Member States to encourage incentives. Unfortunately, this is limited to rail and public transport. As zero emission road transport would be as clean as rail, even under a tailpipe approach, any earmarking of ETS funds should at least include the promotion of zero emission road transport.

In conclusion, EU decarbonisation plans for road transport will only be successful with synchronicity and incentives. Vehicles, fuel infrastructure and fuel availability all need to be properly synchronised.

Road transport operators need to be incentivised, including via smart taxation and charges that are gradually introduced, aligned with vehicle, infrastructure and fuel availability as they develop over time. With the right policies in place, road transport operators will be at the heart of the EU's green transport transformation.

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