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# Future of the EU Transport Sector

# European Parliament Resolution on the Commission's White Paper

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- ► Financing transport infrastructure on the basis of the "user pays principle" and charging polluters for external costs, helps to create a level playing field between the various modes of transport.
- ► The creation of the Single European Sky (SES) reduces prices for air transport services and the CO<sub>2</sub> emissions per flight route.
- ▶ It is unnecessary to call for new CO₂ limits on cars and vans for the period beyond 2020 as these were only laid down in 2014. Instead, the transport sector should be included in the EU Emissions Trading System.
- Opening up national rail passenger markets leads to more competition and thus to lower prices and better quality in rail transport services.

# **Key Issues**

#### Applicable across all modes of transport

- Financing transport infrastructure on the basis of the "user pays principle" and charging polluters for external costs, helps to create a level playing field between the four modes of transport – air, road, rail and water.
- EU measures to regulate urban transport are in breach of the principle of subsidiarity as they lack of a cross-border element.

#### Aviation

- ► The creation of the Single European Sky (SES) reduces prices for air transport services and the CO<sub>2</sub> emissions per flight route.
- The introduction of a global market-based mechanism at the level of the International Civil Aviation Organisation (ICAO) would effectively protect the climate and remove the distortions of competition which currently work against European airlines.

#### **Road Transport**

- A distance-based toll is preferable to a time-based charge because it more effectively takes account of the actual infrastructure usage and may have a positive effect on traffic flows.
- ▶ It is unnecessary to call for new CO₂ limits on cars and vans for the period beyond 2020 as these were only laid down in 2014. Instead, the EU should include the road transport sector in the EU Emissions Trading System (EU-ETS).

#### **Rail Transport**

- Opening up national rail passenger markets leads to more competition and thus to lower prices and better quality in rail transport services.
- ► The introduction of the European rail traffic management system (ERTMS) will create interoperability in the EU rail transport sector and thereby make railways more competitive.

#### **Maritime Transport**

- Setting up the European Maritime Transport Space ("Blue Belt") reduces the administrative burden for shipping companies and thus the cost of maritime transport.
- The inclusion of maritime transport into climate protection creates a level playing field for the various different modes of transport.

# **Table of Contents**

1	Introduction		
2	Cross-modal Measures		4
	2.1	Application of the "user pays" and "polluter pays" principles	4
	2.2	Reduction of greenhouse gas emissions in the transport sector	5
	2.3	Urban Transport	6
3	Measures Relating to Aviation		6
	3.1	Single European Sky (SES)	6
	3.2	Fair competition with non-EU airlines from third countries	7
	3.3	Global measures to reduce greenhouse gas emissions	8
4	Measures Relating to Road Transport		9
	4.1	Road use charges for cars and vans	9
	4.2	Improvement in road safety	10
	4.3	$CO_2$ limits on cars and vans after 2020	10
	4.4	Reduction of $CO_2$ emissions from heavy duty vehicles	11
5	Measures Relating to Rail Transport		12
	5.1	Opening up the domestic rail passenger market	12
	5.2	European Rail Traffic Management System (ERTMS)	13
6	Measures Relating to Maritime Transport		13
	6.1	Reduction of bureaucracy for shipping	13
	6.2	Global measures to reduce greenhouse gas emissions	14

# 1 Introduction

The transport sector, with its four modes of transport – air, road, rail and water – is of great importance to the economies of the European Union. It employs about 10 million people and contributes approx. 5% to gross domestic product (GDP).<sup>1</sup>

In 2011, the European Commission published the "Transport White Paper" for the creation of a "Single European Transport Area" which aims to remove the remaining obstacles which exist between modes of transport and between national systems. In this White Paper, the Commission presents its vision of a competition-orientated and sustainable European transport system for the period up to 2050. In order to achieve this overriding aim, the Commission has developed a comprehensive strategy containing a total of 40 initiatives with 131 measures.<sup>2</sup>

In 2013, the EU passed guidelines to develop a trans-European transport network (TEN-T).<sup>3</sup> The TEN-T will be an integrated transport network encompassing all modes of transport and ensuring the interoperability of transport networks both between the individual Member States and with neighbouring countries. A fundamental component of the TEN-T is the so-called "core network corridors". These will correspond to the most important cross-border long-distance routes and cover at least three modes of transport and three Member States in each case.

In September 2015, the European Parliament (EP) issued a report on the implementation of the measures contained in the White Paper.<sup>4</sup> Although the EP indicated that it is too early to assess the impact of all the proposed measures, it nevertheless considered a stocktaking exercise to be necessary to obtain an overview of the state of play in the implementation.<sup>5</sup> In addition, it proposes a list of additional policy measures which will contribute to achieving a competition-oriented and sustainable transport sector. The EP affirms its support for the targets already set out in the White Paper.

This cepInput presents the most important measures proposed by the European Parliament for the establishment of a competition-oriented and sustainable transport sector. The measures are subdivided, in Sections 2 to 6, into cross-modal measures and specific measures for each individual mode of transport, and are accompanied by an economic and, where appropriate, a legal assessment.

# 2 Cross-modal Measures

## 2.1 Application of the "user pays" and "polluter pays" principles

**Context:** The use of transport infrastructure is taken for granted but the construction, operation and maintenance of transport infrastructure involves costs and therefore requires the corresponding financing. Currently, it is largely the Member States who decide on the form which this is to take. One possibility in this regard is for the users to finance transport infrastructure ("user

<sup>&</sup>lt;sup>1</sup> European Commission, White Paper COM(2011) 144 of 28 March 2011 "Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system", p. 4 et seq.; see cepPolicyBrief "Transport White Paper", <u>http://www.cep.eu/en/eu-topics/transport/transport-white-paper.html</u>.

<sup>&</sup>lt;sup>2</sup> Ibid., p. 3 et seq., Annex I.

<sup>&</sup>lt;sup>3</sup> Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU (1); see cepPolicyBrief of 19 December 2011, <u>http://www.cep.eu/Analysen KOM/KOM 2011 650 TEN-V/cepPolicyBrief KOM 2011 650 Trans-European Transport Network.pdf</u>.

 <sup>&</sup>lt;sup>4</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility.

<sup>&</sup>lt;sup>5</sup> Ibid., p. 5.

pays principle"). In addition, all transport users basically cause costs in the form of greenhouse gas emissions (GHG emissions), noise and accidents. These effects have a negative impact on the public and on companies who do not even cause them (known as negative "external effects"). There are already numerous regulations aimed at reducing these external costs in the transport sector and/or charging them to the polluter ("internalisation").<sup>6</sup> These regulations basically each only apply to one mode of transport. There is currently no provision for a systematic cross-modal internalisation of external costs by the polluter ("polluter pays principle").

**The European Parliament calls for** uniform rules, applicable to all modes of transport, on the allocation of external costs and for costs to be borne by the users and polluters in order to create a level playing field between the individual modes of transport.<sup>7</sup>

**cepAssessment:** Both the required funding of transport infrastructure by the users and the charging of external costs to the polluters, are appropriate. Only when these two principles are applied according to uniform rules can distortions of competition between the modes of transport be avoided. Prices will signal scarcity. Consistent application of the "user pays" and the "polluter pays" principles will give rise to reliable price signals by allowing all relevant costs to actually be incorporated into the pricing. This enables users, operators and investors to take account of economic effects when making their decisions. One problem in this regard, however, is that it is not possible to accurately calculate the external costs. This requires knowledge which is not available in a complex market economy such as e.g. the exact number of victims or the exact extent of the damage. Thus, the imputation can only involve approximate values. Nevertheless, it is still preferable to other principles because distortions of competition can be prevented irrespective of the exact level of external costs.

#### 2.2 Reduction of greenhouse gas emissions in the transport sector

**Context:** The transport sector is responsible for approx. one quarter of all GHG emissions in the EU and is thus the second largest polluter after the energy sector.<sup>8</sup> Whilst GHG emissions have fallen in many sectors in recent years, there is not yet any clear sign of such a trend in the transport sector. GHG emissions are a classic example of negative external effects. The global and regional adjustment costs arising from changes in climatic conditions are not sufficiently taken into account by the emitters when making their decisions because they do not have to bear such costs, or only do so to a limited degree.

**The European Parliament calls for** the implementation of the target, set in 2011 by the European Commission, to reduce GHG emissions by 60% by 2050.<sup>9</sup>

**cepAssessment:** In order to achieve the CO<sub>2</sub> reductions, which have already been passed or planned as part of climate policy, the transport sector must also be included. However, a sector-specific CO<sub>2</sub> reduction target unnecessarily increases the costs of climate protection because CO<sub>2</sub> reduction may be significantly cheaper in other sectors and it is irrelevant for the climate in which sectors the CO<sub>2</sub> emissions reduction takes place. The EU should therefore only specify an overall CO<sub>2</sub> reduction target for the whole economy and leave it up to market forces to find out in which

<sup>&</sup>lt;sup>6</sup> These include e.g. CO<sub>2</sub> limits on cars [Regulation (EU) No. 333/2014, see cepPolicyBrief No. 46/2012, <u>http://www.cep.eu/en/eu-topics/transport/co2-emissions-from-new-passenger-cars-as-of-2020-regulation.html</u>.

<sup>&</sup>lt;sup>7</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 7.

<sup>&</sup>lt;sup>8</sup> EEA greenhouse gas – data viewer, <u>http://www.eea.europa.eu/data-and-maps/data/data-viewers/greenhouse-gasesviewer</u>, last accessed: 21 August 2015

<sup>&</sup>lt;sup>9</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 4

sectors reduction can be achieved at the lowest costs. With the EU Emissions Trading System (EU-ETS), the EU is already using an instrument which allows for a politically predetermined GHG reduction target to be reached in a way which is effective and minimises costs – i.e. efficiently. Until now, of the four modes of transport, only aviation and, via the electricity suppliers, electrified rail transport have been included in the EU-ETS. An expansion of the EU-ETS to include all modes of transport<sup>10</sup> would bring about a cost-effective CO<sub>2</sub> reduction and at the same time ensure that CO<sub>2</sub> savings in sectors covered by the EU ETS are not thwarted by additional CO<sub>2</sub> emissions in sectors not covered by the EU-ETS. In addition, the expansion of the EU-ETS increases its economic efficiency as the range of possibilities for discovering cheaper avoidance potential is greater the more sectors that are included.

#### 2.3 Urban Transport

**Context:** Just under 75% of all Europeans currently live in urban areas. This figure is likely to rise to 85% by 2050.<sup>11</sup> The growth in the number of people living in urban areas has resulted in roads in many European cities becoming overloaded as well as in a deterioration in air quality and an increase in noise pollution. Personal transport is one of the causes of these problems.

**The European Parliament calls for** a doubling of the use of public transport in urban areas by 2030 by taking measures to provide infrastructure for door-to-door mobility of public transport users.<sup>12</sup>

**cepAssessment:** Matters relating to urban transport in general, and support for public transport in particular, have no identifiable cross-border element. They should therefore be regulated as far as possible within the Member States, where they should be handled, at the appropriate level, as a local issue. Corresponding measures by the EU would breach the principle of subsidiarity (Art. 5 TEU).

## **3** Measures Relating to Aviation

#### 3.1 Single European Sky (SES)

**Context:** For the purposes of the monitoring and management of air traffic, EU airspace and that of its neighbouring regions is currently divided up along state borders rather than on the basis of optimising traffic flows. It is monitored by 38 air-navigation organisations using differing air-navigation systems.<sup>13</sup> This fragmentation increases the costs for airlines as a result of less than optimum routes and inefficiencies in air-traffic control. As early as the 1960s, six Member States made an initial attempt to create a single airspace. This attempt failed, however, due to the unwillingness of some Member States to surrender rights of sovereignty over their airspace. For 15 years, the European Commission has pursued the idea of setting up a "Single European Sky" (SES).<sup>14</sup> This will increase the overall efficiency of air transport in Europe, firstly by planning and monitoring the usable airspace according to traffic flows and, secondly, by creating an internal market for air

<sup>&</sup>lt;sup>10</sup> See cepInput 05/2015 "Extend Emissions Trading!", <u>http://www.cep.eu/en/eu-topics/climate/erweitert-den-emissionshandel.html</u>.

<sup>&</sup>lt;sup>11</sup> European Parliament, Draft Report of 30 March 2015 on the implementation of the 2011 Transport White Paper: taking stock and the way forward towards sustainable mobility, s. 17.

<sup>&</sup>lt;sup>12</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 20

<sup>&</sup>lt;sup>13</sup> European Commission, Proposal for a Regulation COM(2013) 410 of 11 June 2013 on the implementation of the Single European Sky, p. 3.

<sup>&</sup>lt;sup>14</sup> European Commission, Communication COM(614) 1999 of 1 December 1999 "The creation of a Single European Sky".

navigation services. In order to establish the SES, the EU initially passed four Regulations in 2004<sup>15</sup> which it amended in 2009.<sup>16</sup> There were, however, significant delays in the implementation of these two legislative packages, particularly as a result of a lack of political will in the Member States. These delays led to the proposal of a further Regulation by the Commission in 2013 which aims to speed up the implementation of the SES.<sup>17</sup> So far, however, the EP and the Council have been unable to agree on a Common Position. The main problem remains the unwillingness of some Member States to transfer rights over their airspace from the national to the supranational EU level.

#### The European Parliament calls for the implementation of the SES.<sup>18</sup>

**cepAssessment:** Most European air traffic is cross-border. The creation of an SES, particularly one based on the optimisation of flight routes, reduces airline costs and thereby also the price of air services. Both the suppliers and purchasers of air services profit from this because it will facilitate shorter flight routes in the SES. In addition, fuel consumption will fall and thus also CO<sub>2</sub> emissions per flight route. The decisive factor will remain the question of whether policy-makers, national regulatory authorities and air navigation organisations will, in future, subordinate their national interests in order to actually establish the SES.

#### 3.2 Fair competition with non-EU airlines from third countries

**Context:** By comparison with the other three modes of transport, competition in the aviation sector is more global in nature. A large number of rules are passed at international level under the auspices of the International Civil Aviation Organization – ICAO. In the EU, air transport contributes  $\in$  356 billion (2.4%) to GDP and provides 5.1 million jobs. And it will gain in importance in the future. Worldwide, aviation is expected to grow by over 100% (5% per year) by 2030. In the main, however, this growth is most likely to take place outside the EU, particularly in Asia and primarily the Middle East. The share of European airlines in the global air transport market is likely to fall from 29% in 2003 to just 20% in 2025.<sup>19</sup> The competitive pressure on EU air carriers is greater than ever, particularly from Middle Eastern airlines. Allegations have arisen that international competition is being distorted in third countries, to the detriment of European airlines, due to unfair subsidies, dishonest practices such as overflight restrictions and a lack of transparency in relation to the billing of airlines. In order to reduce or remove such distortions, the EU adopted a regulation in 2004 on the protection of European airlines against subsidisation and unfair pricing by airlines in third countries ("Protection Regulation").<sup>20</sup> This Regulation was never applied, however, because it simulated anti-dumping and anti-subsidy measures for goods and failed properly to address the

<sup>&</sup>lt;sup>15</sup> Regulation (EC) No. 549/2004 of 10 March 2004 laying down the framework for the creation of the single European sky ("the framework Regulation"); Regulation (EC) No. 550/2004 of 10 March 2004 on the provision of air navigation services in the single European sky ("the service provision Regulation"); Regulation (EC) No. 551/2004 of 10 March 2004 on the organisation and use of the airspace in the single European sky ("the airspace Regulation"); Regulation (EC) No. 552/2004 of 10 March 2004 on the interoperability of the European Air Traffic Management network ("the interoperability Regulation").

<sup>&</sup>lt;sup>16</sup> Regulation (EC) No. 1070/2009 of 21 October 2009 amending Regulations (EC) No 549/2004, (EC) No 550/2004, (EC) No 551/2004 and (EC) No 552/2004 in order to improve the performance and sustainability of the European aviation system; see cepAnalysis "Single European Sky", <u>http://www.cep.eu/en/eu-topics/transport/single-european-sky.html</u>

<sup>&</sup>lt;sup>17</sup> European Commission, Proposal for a Regulation COM(2013) 410 of 11 June 2013 on the implementation of the Single European Sky, p. 3; S. 3; s. cepPolicyBrief No. 48/2013, <u>http://www.cep.eu/en/eu-topics/transport/single-european-sky-ses-ii-regulation.html</u>.

<sup>&</sup>lt;sup>18</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 63.

<sup>&</sup>lt;sup>19</sup> European Commission, Communication COM(2012) 556 "The EU's External Aviation Policy - Addressing Future Challenges", p. 2 et seq.

<sup>&</sup>lt;sup>20</sup> Regulation (EC) No. 868/2004 of 21 April 2004 concerning protection against subsidisation and unfair pricing practices causing injury to Community air carriers in the supply of air services from countries not members of the European Community.

particular characteristics of the aviation industry. In 2012, the European Commission adopted this topic and, in a Communication, presented its ideas for an external European aviation policy and set out how to improve the competitiveness of European airlines.<sup>21</sup> Inter alia, it suggested a revision of the Protection Regulation.

**The European Parliament is now also calling for** a revision of the Protection Regulation in order to ensure fair competition in the EU's external aviation relations and to enhance the competitive position of EU airlines.<sup>22</sup>

**cepAssessment:** The protection of the EU aviation industry against subsidisation and unfair practices is basically appropriate because although subsidies by third countries can bring about lower prices for air services in the short term, in the long term they can lead to a rise in prices due to a reduction in the intensity of competition. A revision of the Protection Regulation may help to maintain the intensity of competition. However, the revised Regulation should not facilitate any protectionist measures by the EU. Such measures firstly reduce the number of flights, especially international flights, and secondly, in the case of subsidies, cost the tax payer money. This tends to have a negative impact on the economy. Subsidies for EU airlines may also distort intermodal competition with other modes of transport. This is true irrespective of the fact that burdens on the respective modes of transport already vary, such as the tax exemption on kerosene whilst fuels used for road transport are subject to tax. The EU should also consider the fact that some of the negative effects on EU airlines which are currently pushing up costs, e.g. collectively agreed labour costs, are market-based and do not therefore justify any state intervention. Other negative effects are intentional burdens. This is primarily true of national taxes and fees.

#### 3.3 Global measures to reduce greenhouse gas emissions

**Context:** The global GHG emissions from aviation currently make up approx. 2.5% of total worldwide GHG emissions and are likely to increase by up to 300% by 2036 as compared with 2006 levels.<sup>23</sup> In order to ensure that aviation is also involved in climate protection, the EU has decided to extend the EU Emissions Trading System (EU ETS), in existence since 2005, to include aviation.<sup>24</sup> Under the EU ETS, companies from specific industries are only permitted to emit GHGs if they have the appropriate emission rights ("allowances").<sup>25</sup> For the period 2013 to 2016, emissions from flights between two EU airports require allowances.<sup>26</sup> The reason for the time restriction is the fact that the ICAO announced at its general meeting in October 2013, that it would enact a global market-based mechanism to reduce GHGs by 2016 which will come into effect from 2020.<sup>27</sup> The European Commission will examine this and then decide to what extent it covers GHG emissions from flights.

<sup>&</sup>lt;sup>21</sup> European Commission, Communication COM(2012) 556 "The EU's External Aviation Policy - Addressing Future Challenges",see cepPolicyBrief No. 52/2012, <u>http://www.cep.eu/en/eu-topics/transport/external-aviation-policycommunication.html</u>.

<sup>&</sup>lt;sup>22</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 63.

<sup>&</sup>lt;sup>23</sup> European Commission, Working Document SWD(2013) 431 of 16 October 2013, p. 2.

<sup>&</sup>lt;sup>24</sup> Directive 2003/87/EC of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC of the Council, Art. 2 in conjunction with Annex I.

<sup>&</sup>lt;sup>25</sup> Ibid., Art. 2a and 3a–g.

<sup>&</sup>lt;sup>26</sup> Regulation (EU) No. 421/2014 of 16 April 2014 amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in view of the implementation by 2020 of an international agreement applying a single global market-based measure to international aviation emissions, Art. 1.

<sup>&</sup>lt;sup>27</sup> ICAO Resolution A38-17/2.

**The European Parliament calls for** negotiations at ICAO level to be intensified in order to agree a global market-based mechanism for the reduction of GHGs in the aviation industry.<sup>28</sup>

**cepAssessment:** Efforts to reach agreement, at ICAO level, on a "global market-based measure" for CO<sub>2</sub> emissions from aviation, are appropriate because the climate can only be effectively protected at a global level. In addition, a solution at ICAO level would remove the current one-sided distortions of competition which are disadvantageous to EU airlines. For reasons of efficiency, the ICAO should also opt for an emissions trading system in this regard. In addition, when introducing such a system, it should ensure that it is compatible with other emissions trading systems, such as the EU ETS, so that allowances can be traded freely with those of other systems. If this were not the case, the most important characteristic of emissions trading would be lost, namely the ability to determine where or in which sectors the reduction of GHG emissions can be achieved at the lowest cost.

#### 4 Measures Relating to Road Transport

#### 4.1 Road use charges for cars and vans

**Context:** The EU currently has no common provisions – beyond the general principles contained in the EU treaties – to regulate charges for road use by cars and vans weighing 3.5 tonnes or less. Member States are therefore free to impose charges for the use of their roads. The general principles of the EU treaties include inter alia the ban on discrimination on grounds of nationality (Art. 18 TFEU) and the principle of proportionality (Art. 5 TEU), which the Member States must also take reasonable account of when imposing road-use charges. In 2012, the European Commission issued a communication setting out non-binding guidelines aimed at clarifying how the Member States could arrange their road-use charges for cars and vans in accordance with EU law.<sup>29</sup> In principle, they have to distinguish between two types of road-use charge: they can either use a time-based "vignette" for using the main transport network or a distance-based "toll" for the use of specific sections of road. 15 of the 28 EU Member States impose such charges for the use of their motorways or arterial roads by cars and vans. Seven Member States<sup>30</sup> impose road use charges by way of vignettes; eight Member States<sup>31</sup> impose a toll.<sup>32</sup>

**The European Parliament calls on** the Commission to propose an EU framework for national road-use charges for cars and vans weighing 3.5 tonnes or less, which is non-discriminatory for third-country residents and prioritises distance-based charging.<sup>33</sup>

**cepAssessment:** Road-use charges can help to finance roads. Existing EU law already prohibits discrimination against citizens from other EU countries. This is essential for the unimpeded cross-border mobility of citizens of the Member States and for the establishment of the Single European Transport Area. Equal treatment for third-country citizens, called for by the EP, is not required by law however. A distance-based toll is better adapted than a vignette system to take account of the actual use of infrastructure. In addition, it may have a positive influence on traffic where the toll

<sup>&</sup>lt;sup>28</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 63.

<sup>&</sup>lt;sup>29</sup> European Commission, Communication COM(2012) 199 of 14 May 2012 on the application of national road infrastructure charges levied on light private vehicles, see cepPolicyBrief No. 28/2012, <u>http://www.cep.eu/en/eu-topics/transport/guidelines-for-motor-vehicle-vignettes-communication.html</u>.

<sup>&</sup>lt;sup>30</sup> Bulgaria, Austria, Romania, Slovakia, Slovenia, Czech Republic, Hungary.

<sup>&</sup>lt;sup>31</sup> France, Greece, Ireland, Italy, Croatia, Poland, Portugal, Spain.

<sup>&</sup>lt;sup>32</sup> Zeit online of 7 July 2014, "Europa ist mautpflichtig", <u>http://www.zeit.de/mobilitaet/2014-07/maut-eu-dobrindt</u>, last accessed: 15 September 2015

<sup>&</sup>lt;sup>33</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 8.

levels are dependent on the degree of capacity utilisation. With this sort of toll system, toll charges at busy and congested times are higher than at times where traffic is light. The extent to which EU rules on national toll systems for cars and vans are compatible with the principle of subsidiarity depends on the scope and depth of regulation. In this regard, a legally binding standard EU rule for cars – by contrast with freight transport using heavy duty vehicles (Eurovignette Directive 1999/62/EC) – would not seem, prima facie, to be absolutely necessary in view of the provisions on the free movement of goods (Art. 28 TFEU) and the free movement of workers (Art. 45 TFEU).

#### 4.2 Improvement in road safety

**Context:** Mobility and the use of the different modes of transport involves a certain amount of risk to health and safety for all transport users. This also applies to the road transport sector. Despite clear road traffic rules and relatively high technical standards, accidents cannot be ruled out altogether. Although road safety has improved in the last few decades, nevertheless approx. 30,000 people die on EU roads every year and 1.5 million are injured.<sup>34</sup> In 2010, the European Commission published a Communication setting out guidelines on road safety in which it set a target to halve annual road deaths by 2020. It was opposed to setting a target for reducing the number of severely injured because there was no definition of the terms "severe injury" and "minor injury".<sup>35</sup>

**The European Parliament calls for** a 40% reduction in the number of people seriously injured by 2020 and comprehensive use of driver assistance and safety systems.<sup>36</sup>

**cepAssessment**: The health and safety of transport users and innocent by-standers obviously has to be a high priority for transport policy. However, the 40% reduction level seems to be an arbitrary target since Parliament provides no grounds as to why a 40% reduction would be appropriate. In addition, the call for the reduction is meaningless as long as Parliament fails to provide clear definitions of "severe injury" and "minor injury". Comprehensive use of driver assistance and safety systems may increase road safety. However, Parliament fails to indicate how it intends to achieve the comprehensive use of these systems. Mandatory use would give rise to a significant increase in the price of cars, particularly small cars, as car manufacturers would pass on the additional costs to the customers. An increase in the price of small cars would in turn have the effect that buyers, who are less willing to pay, will tend to choose older second-hand cars which generally have a lower safety standard than new cars. Higher vehicle prices tend to have a negative impact on the growth of the sector. It is ultimately a political decision whether the potential gain in safety would justify the additional costs, particularly for small cars.

#### 4.3 CO<sub>2</sub> limits on cars and vans after 2020

**Context:** The road transport sector is responsible for approx. 23% of all  $CO_2$  emissions in the EU.<sup>37</sup> In order to reduce GHGs from cars and vans weighing 3.5 tonnes or less, the EU has brought in binding  $CO_2$  limits. Since 2012, every vehicle manufacturer has had to ensure that the average  $CO_2$  emissions of its new cars do not exceed its manufacturer-specific  $CO_2$  limit. Where a manufacturer

<sup>&</sup>lt;sup>34</sup> European Commission, Communication COM(2010) 389 "Towards a European road safety area: policy orientations on road safety 2011-2020", p. 2

<sup>&</sup>lt;sup>35</sup> Ibid., p. 4

<sup>&</sup>lt;sup>36</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 34.

<sup>&</sup>lt;sup>37</sup> European Commission, Impact Assessment SWD(2014) 160, p. 2.

exceeds its specific  $CO_2$  limit, a fine becomes payable. New  $CO_2$  limits for cars and vans, applicable from 2020, were established by the EU in 2014.<sup>38</sup>

**The European Parliament calls for** new binding CO<sub>2</sub> limits on cars and vans for the period beyond 2020.<sup>39</sup>

**cepAssessment:** There is currently no reason to call for  $CO_2$  limits for the period beyond 2020 at this early stage. The requirements applicable for the period up to 2020 were only laid down last year. If the EU intends to stick to its limits policy, it should first wait to see what effects the recently adopted stricter CO<sub>2</sub> limits have on the climate and the economy before it passes new ones. It would however, be better to abandon this approach altogether because, in general, instructions and bans, which give rise to fines in the event of infringement, should only be used where marketbased measures are not available for achieving a target. With the EU-ETS, however, the EU is already using an effective and efficient tool which, in addition, hardly places any restriction on decision-making authority. "Upstream emissions trading", which focuses on oil manufacturers and importers, represents a practicable approach for the road transport sector.<sup>40</sup> Since with the EU-ETS, it is the actual fossil fuel consumption which is relevant, all vehicle users will be involved in climate protection if it is introduced. The contribution of each car driver to climate protection is proportional to fuel consumption and does not therefore depend on whether or not the vehicle is new. By contrast with current CO<sub>2</sub> limits, the extension of the EU-ETS to include the road transport sector will ensure that all vehicles, new and second-hand, will be covered by a single climate protection measure. In parallel to the extension of the ETS, existing fuel taxes in the Member States should be cut back to avoid double taxation.

#### 4.4 Reduction of CO<sub>2</sub> emissions from heavy duty vehicles

**Context:** About 25% of road transport emissions come from heavy duty vehicles, i.e. buses and trucks weighing over 3.5 tonnes. Emissions from heavy duty vehicles have risen over the last few decades and by 2050 are likely to be approx. 35% more than their 1990 level.<sup>41</sup> There are currently no binding GHG reduction measures at EU level applicable to heavy duty vehicles; determining their CO<sub>2</sub> emissions is more complex than for cars. They are used in various different ways and are not generally sold by the manufacturer to the end customer. Usually, depending on the wishes of the buyer, they have various different body types. A single model of commercial vehicle may, for example, be fitted with a crane and saw for forestry use or with a refrigeration unit for foodstuffs. Since vehicle construction has a significant influence on fuel consumption, the CO<sub>2</sub> emissions released may also differ considerably according to construction.<sup>42</sup> Since 2009, the European Commission has been working together with industry to develop a simulation tool to measure fuel consumption and the total CO<sub>2</sub> emissions from heavy duty vehicles (Vehicle Energy Consumption Calculation Tool – VECTO). It records all emissions caused by the engine and drive train, the aerodynamics and roll resistance. In 2014, the Commission submitted a strategy for reducing GHG

<sup>&</sup>lt;sup>38</sup> Regulation (EU) No. 333/2014 of 11 March 2014 amending Regulation (EC) No 443/2009 to define the modalities for reaching the 2020 target to reduce CO<sub>2</sub> emissions from new passenger cars, Art. 1; Regulation (EU) No. 253/2014 of 26 February 2014 amending Regulation (EU) No 510/2011 to define the modalities for reaching the 2020 target to reduce CO<sub>2</sub> emissions from new light commercial vehicles, Art. 1.

<sup>&</sup>lt;sup>39</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 64.

<sup>&</sup>lt;sup>40</sup> See cepInput 05/2015 "Extend Emissions Trading!", <u>http://www.cep.eu/en/eu-topics/climate/erweitert-den-emissionshandel.html</u>.

<sup>&</sup>lt;sup>41</sup> European Commission, Communication COM(2014) 285 "Strategy for reducing Heavy-Duty Vehicles' fuel consumption and CO2 emissions", p. 2 et seq.

<sup>&</sup>lt;sup>42</sup> Although individual models of car have varying optional extras, the variation in fuel consumption is much less than in the case of the wide variety of optional extras available for heavy-duty vehicles.

emissions from heavy duty vehicles<sup>43</sup> where it calls for the determination and provision of VECTO data and for the introduction of binding  $CO_2$  limits for these vehicles similar to those applicable to cars.<sup>44</sup>

**The European Parliament calls for** the timely completion of "a" simulation tool and, where appropriate binding  $CO_2$  limits for heavy duty vehicles.

cepAssessment: The EP should not be calling for the completion of "a" simulation tool but explicitly for the completion of VECTO because politicians, business and industry have been working together on its development for years and there is therefore a high level of acceptance for this tool. The availability of VECTO data for all new heavy duty vehicles, in the first place, allows buyers to compare the different vehicle models of the manufacturers, the respective fuel consumption technologies and the various vehicle bodies. Secondly, it enables a comparison to be made between the many different combinations of components. The ability to compare products increases competition both between vehicle manufacturers and between body manufacturers. The availability of VECTO data alone may result in a reduction in CO<sub>2</sub> emissions in this sector: since fuel consumption is one of the most important cost factors for heavy duty vehicles, buyers can now demand vehicles with technologies and bodies aimed at reducing fuel consumption which optimise their costs. Lower consumption also reduces CO<sub>2</sub> emissions. The EU should refrain from introducing CO<sub>2</sub> limits like those applicable to cars. They would result in huge inefficiencies. In order to enable the additional costs, brought about by the introduction of CO<sub>2</sub> limits for these vehicles, to be set off against savings in fuel consumption, the exact level of these additional costs for all manufacturers must be known. However, due, inter alia, to the various types of vehicle body, no-one – including the EU – knows what these additional costs are. Instead of introducing  $CO_2$ limits for heavy duty vehicles, the EU should include the entire transport sector in the EU ETS.

## 5 Measures Relating to Rail Transport

#### 5.1 Opening up the domestic rail passenger market

**Context:** A full opening-up of the EU rail services market has only taken place in the case of freight transport. Rail companies have had access to the rail network for both domestic and cross-border rail freight services since 2004.<sup>45</sup> Rail passenger services have had such access since 2007 but only for cross-border services.<sup>46</sup> Thus, as part of the 4th Railway Package, the European Commission proposed that the rail services markets now also be opened up for domestic rail passenger services.<sup>47</sup> It is the overriding objective of the 4th Railway Package to establish a "Single European Railway Area". So far, however, the Parliament and the Council have been unable to agree on a Common Position.

<sup>&</sup>lt;sup>43</sup> European Commission, Communication COM(2014) 285 "Strategy for reducing Heavy-Duty Vehicles' fuel consumption and CO2 emissions", see cepPolicyBrief No. 40/2014, <u>http://www.cep.eu/en/eu-topics/transport/senkung-der-co2emissionen-schwerer-nutzfahrzeuge-mitteilung.html</u>.

<sup>&</sup>lt;sup>44</sup> Ibid., p. 10.

<sup>&</sup>lt;sup>45</sup> Directive 2004/51/EC of 29 April 2004 amending Council Directive 91/440/EEC on the development of the Community's railways, Art. 1.

<sup>&</sup>lt;sup>46</sup> Directive 2007/58/EC of 23 October 2007 amending Council Directive 91/440/EEC on the development of the Community's railways and Directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure, Art. 1.

<sup>&</sup>lt;sup>47</sup> European Commission, Proposal for a Directive COM(2013) 29 amending Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area, as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure, Art. 10a (2); see cepPolicyBrief No. 13/2013, <u>http://www.cep.eu/en/eu-topics/transport/4th-railwaypackage-single-european-railway-area-directive.html</u>.

**The European Parliament calls for** the completion of the single European railway area by way of the prompt acceptance of the 4th Railway Package, with the particular aim of ensuring a "balanced opening-up of the market" for domestic passenger rail services.

**cepAssessment:** Opening up the markets for domestic rail passenger services is overdue and essential for the completion of the EU internal market. Opening up markets will give rise to more competition among the rail companies. This is beneficial to citizens and companies alike as the increase in competition will result in lower prices and/or better quality rail transport services. It is unclear, however, what Parliament means by a "balanced opening-up of the market".

#### 5.2 European Rail Traffic Management System (ERTMS)

**Context:** For the safe and trouble-free operation of the railways, traffic management and signalling systems are required. These systems involve components on the railway lines and in the trains. Due to the fact that the railways in Europe were, for a long period of time, run by state-owned rail companies each operating primarily in just one Member State, more than 20 different national systems now exist on the territory of the EU.<sup>48</sup> Consequently, today, cross-border trips often require a change of locomotive at frontier stations where the train is not equipped with several signalling systems. Against this background, the EU has developed a single European traffic management system (European Rail Traffic Management System – ERTMS) in order to standardise rail operations in the EU and to facilitate cross-border transport.<sup>49</sup> This will help to create a "Single European Railway Area" in which trains can travel across borders unhindered. The ERTMS is currently only being used on a small number of railway lines. A unified system is, however, essential for the planned trans-European transport network (TEN-T)

**The European Parliament calls for** the deployment of the ERTMS on all TEN-T core network corridors including the corresponding on-board equipment on locomotives.<sup>50</sup>

**cepAssessment:** The deployment of the ERTMS on all TEN-T core network corridors is necessary in order to create a single European railway area. The ERTMS creates interoperability for EU rail transport by standardising the various different European signalling systems. This promotes cross-border rail services and improves traffic flow. In addition, the ERTMS makes the use of several systems on one train superfluous. Full interoperability along the tracks of the core network corridors, involving the removal of technical barriers, increases the competitiveness of rail transport in the EU with respect to the other modes of transport, not only air and maritime transport but also road transport, which today is subject to almost no technical barriers for cross-border transport.

#### 6 Measures Relating to Maritime Transport

#### 6.1 Reduction of bureaucracy for shipping

**Context:** Shipping plays an important role in EU trade. About three-quarters of EU exports and imports are channelled through ports.<sup>51</sup> Commercial shipping in the EU is, however, subject to a great deal of red tape. The reason for this is that, where ships travel from one EU port to another, it

<sup>&</sup>lt;sup>48</sup> Umweltbundesamt (2009): Strategie für einen nachhaltige Güterverkehr, p. 94.; <u>http://www.umweltbundesamt.de/publikationen/strategie-fuer-einen-nachhaltigen-gueterverkehr</u>, last accessed: 11 September 2015

<sup>&</sup>lt;sup>49</sup> Directive 96/48/EC of 23 July 1996 on the interoperability of the trans-European high-speed rail system .

<sup>&</sup>lt;sup>50</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 65.

<sup>&</sup>lt;sup>51</sup> European Commission, Communication COM(2013) 510 "Blue Belt, a Single Transport Area for shipping", p. 2.

is assumed that they will leave the EU Customs Territory because, on these trips, the ships often have to leave the sovereign waters of a Member State. This constitutes crossing EU external borders which means that customs formalities at the ports of departure and destination apply even though both ports are in the EU. The Commission indicated this problem in a Communication in 2009.<sup>52</sup> In a Communication in 2013, it proposed concrete measures on how to establish a "Single Transport Area for shipping" ("Blue Belt") in which ships could be operated freely within the EU internal market with only a minimum of red tape.<sup>53</sup>

**The European Parliament calls for** the creation of the "Blue Belt" in order to reduce red tape for ships travelling between two EU ports.<sup>54</sup>

**cepAssessment:** The creation of the "Blue Belt" will reduce the administrative burden for shipping companies and thus also the cost of maritime transport. This will strengthen the internal market. At the same time, the competitiveness of shipping, in the context of transport within Europe, will be enhanced with respect to the other modes of transport. The removal of repeated and therefore unnecessary customs formalities will create a situation for maritime freight transport which has long been taken for granted in the case of road and rail transport

#### 6.2 Global measures to reduce greenhouse gas emissions

**Context:** Maritime transport is the only mode of transport in the EU which has not yet been made subject to EU reduction requirements with regard to its CO<sub>2</sub> emissions. In a Communication in 2013, the European Commission submitted proposals for reducing CO<sub>2</sub> emissions in the maritime transport sector.<sup>55</sup> Its objective is a gradual reduction of CO<sub>2</sub> emissions by maritime transport. For this, an EU system for monitoring, reporting and assessing the GHG emissions from maritime transport will be set up.<sup>56</sup> A corresponding Regulation was passed by the EU at the beginning of 2015.<sup>57</sup> A CO<sub>2</sub> reduction target will then be laid down for maritime transport before introducing, as a third step, a "market-based mechanism" for achieving this reduction target. With regard to shipping, a large number of matters are regulated at international level. The International Maritime Organization (IMO) is currently developing a system for recording GHG emissions from maritime transport.

**The European Parliament calls for** a global binding target for GHG reduction in maritime transport and an intensification of the negotiations at IMO level on the introduction of a global market-based mechanism for international GHG reduction in maritime transport.<sup>58</sup>

**cepAssessment:** Maritime transport should, along with the other modes of transport, be subject to a CO<sub>2</sub> regulation in order to create a level playing field between all the modes of transport. Efforts

<sup>&</sup>lt;sup>52</sup> European Commission, Communication COM(2009) 10 "Communication and action plan with a view to establishing a European maritime transport space without barriers"; see cepPolicyBrief of 18 May 2009, <u>http://www.cep.eu/en/eu-topics/transport/european-maritime-transport-space-without-barriers-communication-directive.html</u>.

<sup>&</sup>lt;sup>53</sup> European Commission, Communication COM(2013) 510 "Blue Belt, a Single Transport Area for shipping" see cepPolicyBrief No. 14/2014, <u>http://www.cep.eu/en/eu-topics/transport/single-european-transport-area-for-shipping-communication.html</u>.

<sup>&</sup>lt;sup>54</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility para. 66.

<sup>&</sup>lt;sup>55</sup> European Commission, Communication COM(2013) 479 Integrating maritime transport emissions in the EU's greenhouse gas reduction policies.

<sup>&</sup>lt;sup>56</sup> Ibid., p. 5.

<sup>&</sup>lt;sup>57</sup> Regulation (EU) 2015/757 of 29 April 2015 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and amending Directive 2009/16/EC; see cepPolicyBrief No. 19/2013, http://www.cep.eu/en/eu-topics/transport/monitoring-of-co2-emissions-from-maritime-transport-regulation.html.

<sup>&</sup>lt;sup>58</sup> European Parliament, resolution (2015/2005(INI)) of 9 September 2015 on the implementation of the 2011 White Paper on Transport: taking stock and the way forward towards sustainable mobility, para. 66.

to reach agreement, at IMO level, on a "global market-based measure" for  $CO_2$  emissions from maritime transport, are appropriate because the climate can only be effectively protected at a global level. In view of its efficiency, the method of choice for maritime emissions is also an emissions trading system whose allowances can be traded with those of other sectors that are subject to emissions trading. This is the only way that emissions trading can determine which sectors are the cheapest for achieving the reduction of  $CO_2$  emissions.

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