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JOINT POSITION PAPER

Creation of a new EU Emission Trading Scheme for road transport

Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757.

Summary

We, CLECAT, the European Association for Forwarding, Transport, Logistics and Customs services, the European Automobile Manufacturers' Association (ACEA) and the European Shippers' Council (ESC) welcome the intentions of the European Commission to amend the 'EU-ETS' Directive to create a new EU-ETS for road transport, adjacent to the existing system, which will put a price on carbon emissions from the building and the road transport sectors. We support market-based measures to reduce emissions in the transport sector. The associations underline that a proper integration with already existing schemes at national level, such as in Germany, is important to avoid double charging of CO₂ emissions.

The ETS for road transport should ensure that revenues from the auctioning of allowances is ringfenced and reinvested towards the road freight transport sector, to allow for the uptake of investments into low and zero-emission road freight transport technologies. Without securing the funding for these much-needed investments, and clear and explicit targets for ringfence investments in e.g. charging infrastructure, fleet renewal investments etc, there is a risk of insufficient funding in support of zero emission trucking.

Background

We would like to draw attention to the following points regarding the European Commission's proposal of a new EU-ETS for road transport:

Freight transport in Europe is growing at an increasing rate. An increase in land freight transport of 30 percent is predicted for 2030. Despite considerable efforts by the European Commission and the EU Member States to increase the share of rail freight and inland waterways, the modal share in land freight transport has not changed significantly and it is to be questioned whether the additional regulatory and economic measures will secure the modal shift targets of the Green Deal. In fact, the modal share of inland freight transport in the EU has remained constant for years at around 76% for

road, 18% for rail and 6% for inland waterways.¹ Therefore, the dominance of road freight transport in EU land freight transport can be assumed to continue in the future despite new efforts.

Transport represents almost a quarter of Europe's greenhouse gas (GHG) emissions, while road transport accounts for almost 70% of all GHG emissions from transport. Road haulage is currently responsible for around one third of the CO₂ emissions from road transport.

To achieve the European target of 55% emissions reduction by 2030 and climate neutrality by 2050, the ramp-up of alternatively powered commercial vehicles will need to proceed rapidly. As far as heavy road haulage is concerned, the German Federal Government states that by 2030, alternatively powered vehicles should account for around one third of the overall mileage to achieve the climate goals.

Diesel-fuelled commercial vehicles currently account for almost the whole mileage in road haulage. In 2020, diesel still dominated EU truck registrations in terms of market share (96.5%). Electrically chargeable vehicles (ECV) accounted for only 0.4% of all new trucks registered across the European Union, while all alternatively-powered vehicles (APV) combined held a market share of 3.4%.

The number of alternatively fuelled commercial vehicles available on the market is increasing rapidly, although alternatively fuelled heavy-duty vehicles are still predominantly in the final pre-series or early series production phase, with a growing number of market-ready vehicles expected in the next two to three years.

Two major issues currently prevent the uptake of alternatively fuelled commercial vehicles in road haulage:

1. The cost of zero-emission commercial vehicles is currently 3.5 to 5 times more expensive than comparable conventionally fuelled commercial vehicles. This is unlikely to change dramatically in the foreseeable future, hence the need for carbon pricing to help close the TCO gap.
2. The refuelling and charging infrastructure required for low and zero-emission commercial vehicles is currently insufficient.

(1) Most companies in the road freight transport sector operate with an extremely low operating margin (EBIT) of 2 - 3 %, so changes in vehicle prices have a major impact on company profitability. In addition, the transition towards more sustainable technologies brings considerable uncertainty about the TCO with fuel costs making up to ¾ of total costs, the secondary market and the reliability of the infrastructure. To mitigate the uncertainty factors and accelerate the green transformation of the transport industry, EU and government funding are needed.

The German 'National Platform Future of Mobility' (NPM), convened by the Federal Ministry of Transport, shows in a study on the effect of government subsidies for zero-emission commercial vehicles that in particular high acquisition subsidies make these vehicles competitive.²

The costs of alternatively fuelled commercial vehicles will decrease due to scaling effects and technical developments. With this in mind, it can be assumed that a substantial acquisition subsidy will be necessary at least until the end of the decade, to secure the success of alternatively fuelled commercial vehicles.

¹ All figures in this brochure are taken from various European studies and institutions: EU Commission, Eurostat, Fraunhofer IIS, BMVI, and ACEA

² WERKSTATTBERICHT ANTRIEBSWECHSEL NUTZFAHRZEUGE. 12/2020. P. 26: [20201201-NPM-Bericht-AG1-NFZ-V3-ah-e.indd \(plattform-zukunft-mobilitaet.de\)](#) (23.08.2021).

(2) The European Commission's proposal for a Regulation on the deployment of alternative fuels infrastructure (AFIR) is encouraging and a major step forward towards a climate-neutral European road freight industry. However, a few issues remain, such as the required power level of the truck chargers, which is currently too low to satisfy the need to recharge during the legal resting breaks of the drivers. A recent industry report by the European Automobile Manufacturers Association (ACEA) is calling for up to 15,000 high-performance public and destination charging points no later than 2025, and up to 50,000 high-performance charging points no later than 2030.

To meet the targets of the AFIR-proposal and build a European-wide alternative fuels infrastructure, a rapid build-up is necessary, even if the economic viability, due to the small number of vehicles in operation, is not yet given. The ramp-up of alternatively fuelled commercial vehicles can only succeed, if the infrastructure is available on a uniform basis throughout Europe that will allow cross-border coverage, so that the transformation runs smoothly for the road freight industry. To this end, it is essential that private-sector initiatives are supported by government subsidies in addition to the government's development of alternative fuels infrastructure.

To tackle both central issues described above, high levels of government investment are needed to support programs for the purchase of commercial vehicles and the development of infrastructure. Unfortunately, the level of ambition of climate policies and the financial clout of the EU Member States is extremely ambivalent, which could lead to inconsistent funding practices across Europe and jeopardize the EU's efforts towards a climate-neutral transport sector.

Proposals to improve the draft Directive

The proposal for a revised EU ETS directive must therefore mandate Member States to return a significant part of the revenues from CO₂ pricing for freight transport to the transport sector in the form of subsidy programs for investments in green vehicles and technology. In this regard, we propose to amend the Commission proposal as follows:

Article 30d, paragraph 5, point (b)

“Member States shall use at least a third³ of the revenues from the auctioning of allowances referred to in paragraph 4 for measures intended to accelerate the uptake of zero-emission commercial vehicles or to provide financial support for the deployment of fully interoperable refuelling and recharging infrastructure for zero-emission vehicles...” (bold text added)

We also need a much faster deployment of innovation than we currently see. To tackle this issue, the Commission proposed that a part of the revenues from the auctioned allowances should be made available for the Innovation Fund (Article 30d, paragraph 3). We welcome this initiative, but the support towards innovative technologies in transport should be made mandatory. The provision in Article 10a paragraph 8, sub-paragraph 3 should therefore be amended as follows:

“...The Innovation Fund ~~may~~ shall also support break-through innovative technologies and infrastructure to decarbonise the maritime sector and for the production of low- and zero-carbon fuels in aviation, rail and road transport...”

We strongly encourage European and national decision makers to consider these recommendations as a matter of urgency in their upcoming discussions on the proposal.

³ According to EU studies, one third of CO₂ emissions from road transport come from HDVs.
<https://www.consilium.europa.eu/en/press/press-releases/2019/06/13/cutting-emissions-council-adopts-co2-standards-for-trucks/>