



**European Federation for
TRANSPORT and ENVIRONMENT**

02/12/07

Dear Sir / Madam,

Re: transport and climate change policies in Environment Council of 20 February in Brussels

At the above meeting of environment ministers, agenda items 5 and 9 will deal with transport and climate change. This follows the recent Commission proposal on inclusion of aviation in the EU Emissions Trading Scheme (EU ETS, 2006/818, 20 December 2006), the Communication on CO₂ from cars (2007/19, 7 February 2007), the biofuels progress report (2006/845, 7 February 2007) and the interrelated proposal on the review of the fuel quality directive 98/70 (2007/18, 31 January 2007).

On behalf of the European Federation of Transport and Environment (T&E) I would ask you to take the following recommendations on board at the Council debate.

Aviation and EU ETS (2006/818): welcome, but strengthening needed

We would like to ask you to:

- welcome the proposal to include aviation in the EU ETS, but only as a first step to address the climate impact of aviation, and not to rule out any other policy option;
- commit to a political agreement before the next ICAO Assembly takes place;
- improve on the proposal, particularly by strengthening the provisions on non-CO₂ impacts in line with the precautionary principle;

A small step

The aviation industry is a fast growing contributor to human induced climate change, and its emissions remain outside of the scope of any policy control. After a decade of inaction at ICAO level the Commission has finally presented a proposal to tackle the climatic impact of aviation and this is welcome.

However, as the Commission itself acknowledges in its impact assessment, the proposal will, under a €15/tonne CO₂ price, only reduce aviation emissions by 3% compared to a baseline scenario, which is less than 1 year emissions growth. Given this, the proposal must be seen as a first step to address emissions of international aviation but, if Europe is serious about its climate targets, further policy measures will have to be implemented in the future. Clearly other policy options such as kerosene taxation, en route charging cannot be rule out for the future and this should be explicitly mentioned in the council conclusions.

Quick agreement needed

It is of critical importance to get a political agreement at EU level before the next ICAO Assembly takes place next October. You will be aware that internationally the proposal is controversial and a united EU position at the Assembly is a critical success factor. We would therefore like to urge you to agree as quickly as possible on this file.

EUROPEAN FEDERATION FOR TRANSPORT AND ENVIRONMENT AISBL

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Strengthen weak parts

In or view the weakest part of the proposals concern the treatment of non-CO₂ gases and the degree of auctioning of permits. These need to be strengthened.

Concerning the non-CO₂ impacts, although there is still some uncertainty regarding the extent of their contribution to climate change, it is clear that the total climate impact of aviation is 2 to 5 times greater than that of its CO₂ emissions alone. The system should therefore start with a multiplier of at least 2. This multiplier could be reduced or abolished when credible measures to address the non-CO₂ impacts are in place.

Concerning auctioning: Since the majority of these permits is to be allocated free of charge, 'windfall profits' can be expected, repeating the mistakes of the previous EU ETS directive and a missed opportunity to apply the polluter-pays principle. Auctioning of allowances would avoid these problems, with the additional advantage of that it is more efficient and does not raise fairness issues with regard to new entrants and new Member States where growth figures are high.

Finally, the proposed stabilization cap of emissions from aviation at 2004-2006 levels, implies that the aviation industry will get almost the double of the permits it would receive if the cap was set in line with Kyoto targets. This is not fair and should be strengthened.

Cars and CO₂ : legislation, 120 g/km and target for 2020 needed

We ask you to:

- express your dissatisfaction with the progress achieved under the voluntary car industry CO₂ commitment and agree with the Commission's assessment that legislation will be needed for the period after 2008;
- insist that the 120 g/km target for 2012 should be met through measures on new vehicles, and that other measures under an 'integrated approach' should add to, rather than replace, the necessary improvements to new cars.
- insist on the need for a longer-term target that doubles fuel efficiency of new cars over the next decade – 80 g/km by 2020.

Legislation needed

Carmakers are not delivering on their voluntary commitment. The Commission's assessment is, based on 2004 data, that 'the voluntary commitments have not succeeded'. Data for 2005 show that progress was – again – only 1 per cent compared with 2004. Fleet average CO₂ emissions of cars sold in 2005 stood at 162 g/km (ACEA 160, JAMA 169, KAMA 172)¹. This means that carmakers now need an unprecedented improvement rate of 4.3 per cent per year for the next three years to meet their commitment. In other words, the 140 g/km target is out of reach, not to mention Europe's 11 year old 120 g/km CO₂ target for 2012.

Not replacing this failing flagship voluntary commitment with a legally binding measure would have serious consequences. It would reward car makers for failure. It would mean the end for 'environmental policy by voluntary agreement' as the credibility of this policy approach would be severely undermined. And it would be disastrous for the climate and our oil dependence, and raise the cost of achieving future climate targets other sectors of society.

Legislation is the only way to change the unsustainable business model of the car industry, that

¹ See <http://www.transportenvironment.org/Article185.html>



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over-rewards advances in power, speed and size, and that does not adequately reward advances in fuel efficiency.

Stick to 120g/km target for new cars

The 120 g/km target for new cars was set in 1996, when climate situation seemed less urgent than it is today and oil prices were low. Transport emissions have increased by a third since 1990, seriously jeopardizing the achievement of the Kyoto targets. Cars and vans now cause 15% of Europe's greenhouse gas emissions and consume 35% of Europe's oil. Nobody contests that we need an integrated approach – a comprehensive package of measures – to reduce CO₂ emissions from transport. But it is equally clear that weakening the long-standing 120 g/km target for new cars is completely unacceptable given the changed context.

80 g/km target for 2020 needed

Both climate change and car development are not short term processes. They both need clear and ambitious long-term goals. The year 2012 is only five years away. For the fuels sector, targets for 2020 have been proposed. Targets for the car sector for the 2013-2020 period, and preferably beyond that date, are definitely needed too. Doubling fuel efficiency over the next decade is a feasible target. 80 g/km average CO₂ emissions from new cars is needed to reduce the EU's emissions by 30% by 2020, and to make the EU less dependent on oil imports.

No jobs lost

Finally, an ambitious policy to improve fuel efficiency of new cars in Europe will help the European car industry rather than damage it. First, it is always better to react pro-actively to changes than reactively. Second, such a policy plays to the strength of Europe's car industry which is technological prowess. Third, history shows that associated costs are always enormously overestimated, often by an order of magnitude. Fourth, costs to car makers end up being revenues for suppliers of innovative parts. This brings high-skilled jobs to Europe. Fifth, moving production outside of Europe does indeed happen, but is completely unrelated to this policy proposal as the proposal applies to cars sold in Europe, not those produced in Europe. On the contrary, ensuring only the cleanest, safest and top quality cars can be sold in Europe is precisely the best insurance against such job losses.

Fuels: choose for reduction of lifecycle greenhouse gas emissions

We ask you to:

- welcome the proposed revision of the fuel quality directive 98/70, in particular the principle of a mandatory reduction of lifecycle greenhouse gas emissions per unit of transport fuel, and recognize it as a more efficient and effective approach to tackling the climate impact of transport fuels than a volume-based biofuel target;

The Commission proposes two relevant and interrelated targets in this field. First, the biofuels progress report (2006/845) proposes to raise the biofuel target to 10% by 2020. Second, the proposal for review of the fuel quality directive 2007/18 says that fuel suppliers should reduce the lifecycle greenhouse gas emissions from transport fuels from 2011 onward, by 1% per year. We kindly ask you to give a strong endorsement for this latter proposal, rather than the biofuels volume target. The lifecycle greenhouse gas emissions target of 2007/18 is a technology-neutral approach that lets the market decide how to reduce the climate impact of transport fuels. It creates

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a strong market incentive for biofuels with a good climate performance, it incentivises oil suppliers to clean up their extraction and refining processes, and it opens up the transport fuel market for other fuels such as biogas, electricity and hydrogen, provided they are produced sustainably. We consider this a much better approach than setting a volume-based biofuel target as such a target rewards all biofuels, regardless of how they are produced and how their climate impact is.

We hope you can take these considerations on board for the debate in the Council.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jos Dings', is written over a horizontal line.

Jos Dings
Director