

**Transport and Environment (T&E)
Priorities for the Portuguese EU Presidency
July – December 2007**

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European Federation for
TRANSPORT and ENVIRONMENT

Summary

On 1 July 2007, Portugal took over the six monthly EU presidency from Germany, leading the European Council and the Council of Ministers.

Portugal has the opportunity to lead European decision-making on several critically important transport policy areas that will have a major impact on the future of the Earth's climate, the European economy and our citizens' health.

The major policy issues on the Portuguese transport agenda are concerned with the hot topics of energy and climate. But important policies in a number of other important areas will also be covered. The key topics to be addressed are:

- the inclusion of the aviation sector into the EU Emissions Trading System (EU-ETS) and the triennial assembly of the International Civil Aviation Organisation (ICAO);
- transport fuels: both a review of the fuel quality directive and of the biofuels directive
- a proposal for review of the tyre directive with a perspective on less noisy and more efficient road transport;
- a green paper on urban transport
- an action plan on logistics

In this short briefing, Transport and Environment (T&E), a federation of 49 European non-governmental organisations from 21 countries working in the field of sustainable transport, presents its demands and recommendations for these four key transport and environment policy areas covered by the six months of the Portuguese presidency.

The three most important results we call on the Presidency to achieve are:

- An ambitious **integration of aviation into the European emissions trading scheme**, by standing united at the ICAO Assembly and by adopting an environmentally solid common position among member states;
- A recognition that it is better to set a **climate target for all transport fuels** than a biofuel volume target. In other words: that the approach the Commission chose in the reviewed Fuel Quality Directive is the correct one. In this policy, a robust development of greenhouse gas and other sustainability monitoring and certification systems is more important than hurried political decisions
- A recognition in the discussions surrounding the sustainable development strategy that Europe's transport growth urgently needs to be decoupled from economic growth, and that a strong initiative on transport pricing is therefore expected from the Commission.

Including aviation into the EU Emissions Trading System

T&E calls on the Portuguese Presidency:

- To maintain and strengthen the European consensus on this issue, not just within the EU27, but also with the non-EU European Civil Aviation Conference (ECAC) states, so that Europe has a strong and unified position at the ICAO Assembly in September 2007 and ensures it can go ahead with its plans for integrating aviation into the EU ETS;
- To achieve a strong Council position on the design of the inclusion itself, notably by:
 - not allowing exceptions for peripheral regions (as this undermines international credibility)
 - introducing an impact factor of at least two to take account of non-CO₂ impacts of aviation
 - introducing a fuel efficiency requirement to be met by the aviation industry before permits can be bought by other sectors
 - lowering the emissions cap to half that proposed by the Commission
 - setting the level of auctioning of permits to 100%

Background

Aviation is responsible for 4 to 9 per cent of the climate change impact of global human activity – the range reflecting uncertainty surrounding the effect of cirrus clouds. International aviation is not subject to Kyoto or other climate commitments, and aviation still enjoys a number of important tax exemptions and direct subsidies.

In order to get a grip on the rapidly rising climate impact on the sector, the European Commission published in July 2005 its Communication 'Reducing the climate change impact of aviation' (July 2005). This Communication stressed the need for action, presented inclusion of emission trading into the European Emissions Trading System (EU ETS) as the most feasible way forward. It called for all departing flights from EU airports and the non-CO₂ impacts of aviation to be included, and stressed the need to keep all other options such as kerosene taxation on the table.

In December 2005, the Environment Council adopted conclusions that were largely supportive of the Commission Communication. In July 2006, the European Parliament adopted a Resolution on the topic that stressed the need for a broad package of measures to tackle the climate change impact of aviation, including EU-wide kerosene taxation. The Resolution also proposes the set-up of a dedicated, separate emissions trading system for aviation.

In December 2006, the Commission published its legal proposal for inclusion of aviation into the EU ETS in 2006. This proposal included the following critical aspects:

- Inclusion of all flights from and to the EU;
- Only CO₂ included, an additional proposal on how to deal with NO_x emissions to come later;
- Cap set at average level of CO₂ emissions in 2004-6;
- Auctioning in line with other sectors in EU ETS – approximately 3%;
- The rest of permits to be grandfathered based on historical transport performance (tonne kilometers)

Both Council and Parliament are currently in the midst of deliberations.

Importantly, a strong European stance is also needed to prevent the US and other states from stalling progress at the next ICAO Assembly which is due for September 2007. At the ICAO's last general Assembly in October 2004, the EU narrowly retained the right to unilateral introduction of economic instruments for air travel.

If the EU does not act in unison, progress could be severely hampered at the next Assembly as the US and a range of allies are aggressively arguing that their carriers should be left out of the scheme – which is obviously unacceptable and in blatant conflict with the non-discrimination Article 11 of the Chicago Convention, aviation's constitution.

The June 2007 Transport Council indicated that the EU is prepared to take such a strong stance, including a reference to the possibility to 'reserve' the EU's position. It is now a matter of delivering on this promise.

A quick consensus and the right system design are needed:

- Inclusion of aviation in the EU ETS should in no way preclude application of **other instruments** to reduce the environmental impact of aviation. A package of measures at EU and national level will be required and explicit mention of this is needed in the Directive. En-route emission charges as well as kerosene taxation have a role to play as cost-effective instruments to internalise CO₂ and / or NO_x emissions. En route NO_x charges and / or airport NO_x charges are a necessary complementary instrument. The VAT exemption needs to be ended immediately, for example with a ticket tax. An overhaul of Air Traffic Management is needed to tackle formation of contrails and cirrus clouds.
- NGOs support a **dedicated** (separate) emissions trading system for aviation (i.e. no trade with other sectors), in line with the resolution of the European Parliament.
- If such a separate system appears to be unfeasible, NGOs propose to oblige the sector to meet its voluntary **fuel efficiency target** of 50% by 2020 (3.5% per year)¹, before permits could be bought from other sectors in the ETS;
- **Non-CO₂ emissions** should be fully included because otherwise every tonne of CO₂ that aviation needs to buy would actually lead to more rather than less global warming. There is enough scientific evidence on the non-CO₂ impacts to implement ancillary policies like obligatory NO_x airport charges and instructions in air traffic management systems. In case such ancillary specific policies could not be implemented in time, a multiplier on CO₂ should be implemented to ensure environmental integrity of the system;
- **The cap** should be set in line with current (Kyoto -8% by 2010 from 1990) and future (i.e. -30% in EU by 2020 from 1990) EU climate targets. This is about half the level proposed by the Commission (50% of average 2004-6 emissions). The cap should be set at EU level, not by member states.
- **Permit allocation**: auctioning should be used as the distribution mechanism as it is the most efficient and fairest way to issue permits, it allows for reduction of 'bad' taxes, and avoids the errors of the current EU ETS where electricity firms have made billions of profits from the windfall of grandfathered emissions permits. A similar situation in aviation would be totally distorting as both the road sector (through fuel taxes) and the railway industry (through its purchase of electricity, producers of which fall under the ETS) do not get any CO₂ permits for free.

Further information

Joint NGO statement on Aviation emissions trading:

www.transportenvironment.org/Article431.html

Background briefing on aviation emissions trading:

www.transportenvironment.org/Article428.html

¹ See www.sustainableaviation.co.uk, where the industry has defined a target to improve fuel efficiency per seat kilometre of aviation by 50% by 2020 compared with 2000.

Reducing the climate impact of transport fuels

T&E calls on the Portuguese presidency to

- Deliver Council conclusions that acknowledge it is better to set a **carbon target for transport fuels**, than to set a biofuels volume target (follow the fuel quality directive's 'decarbonisation' of 'well to wheel greenhouse gas emissions' approach to transport fuels);
- Achieve solid progress on the methodology to measure well-to-wheel greenhouse gas emissions of transport fuels;
- Give top priority to a development of sustainability criteria for transport fuels (both biofuels and fossil), and to ensure that only sustainable biofuels count towards targets set;
- Eliminate the highly unproductive and unfair waiver for petrol vapour pressure from the fuel quality directive.

Background

Reducing greenhouse gas emissions and air pollution from transport requires a strategy in which improved vehicles, reduced demand, and also improved fuels all play a role.

During the Portuguese presidency two interrelated files will be on the table that both affect the climate and air quality impacts of transport fuels.

1. The first one is the review of the **fuel quality directive** for which the Commission tabled proposal 2007/18. A critical element of this proposal is Article 7A, which introduces a requirement for fuel suppliers to '**decarbonise**' petrol and diesel fuel for transport by 1% per year, achieving 10% by 2020. Decarbonisation means that the well-to-wheel climate impact of a litre of transport fuel should decrease². The burden of proof should rest on the supply chain – the fuel supplier should show that the well-to-wheel climate impact of the fuels he offers decreases over time, or that he has bought permits from other suppliers to compensate for his own shortfall. Of course other suppliers should only be able to sell these permits if their fuels are less climate-intensive than required. In principle, all measures to reduce well-to-wheel GHG emissions (better refineries, less flaring, lighter crudes, better biofuels, biogas, electricity, hydrogen) should be counted.
2. The second one is the review of the **biofuels directive** (2003/30), for which the Commission is to issue a proposal this Autumn. This proposal will seek to implement the 10% biofuels volume target the European leaders agreed upon in March 2007.

Why a greenhouse gas target for fuels is better than a biofuel volume target

T&E has strongly favoured the 'decarbonisation' approach to transport fuels over the 'biofuels volume' one, for all three classic public policy criteria: effectiveness, efficiency and fairness:

- Effectiveness. Decarbonisation offers a guaranteed environmental outcome – a biofuels volume policy does not;
- Efficiency. The decarbonisation target is a technology-neutral target that puts all potentially carbon-saving fuel technologies on equal footing and lets the most cost effective climate mitigation options prevail. Climate policy objectives are thus achieved at lower cost. Governments should avoid as much as possible 'picking winners'. Why

² T&E issued a briefing on this decarbonisation target that can be found at <http://www.transportenvironment.org/Article390.html>

couldn't sustainable biogas, electricity and hydrogen play a role too in transport's future energy provision? There is no reason to rule them out at this stage.

- Fairness. All fuel technologies are treated equally, whether based on fossil or biological sources. Why should biofuels become accountable for their climate performance, while fossil fuel shouldn't? Studies show that oil will increasingly come from 'unconventional' sources such as tar sands, oil shale and even coal-to-liquid, all conversion paths with a massively higher carbon footprint. If this issue is not addressed, Europe risks that any advantage gained by biofuels is wiped out by the negative impacts of more climate-intensive fossil fuels.

As biofuels are likely to stay more expensive than fossil fuels, their future is inextricably linked to government support, hence consumer confidence which demands environmental integrity. Therefore, it is essential for the future of biofuels that they convincingly offer a positive contribution to sustainability. Shelving biofuel volume targets and introducing a broad transport decarbonisation target instead is one important step towards ensuring that only biofuels that deliver emissions reductions are brought to market in the EU.

Set other sustainability criteria for all transport fuels – not just biofuels

Secondly, non-climate sustainability criteria for transport fuels – not just biofuels - must be developed and incentives should be linked to them. European drivers should not use biofuels that were grown where there was tropical rainforest before, for example. Equally, oil that comes from destroyed natural habitats (Nigeria) should not be allowed either.

Remove the waiver for petrol vapour pressure for ethanol blending

Furthermore, T&E calls upon the Portuguese presidency to **delete Annex VI** of the proposal for the fuel quality directive 2007/18. Annex VI allows petrol with higher vapour pressure (RVP) if ethanol has been blended in. T&E thinks this is wrong for several reasons:

- It is counterproductive because it will not facilitate biofuels. On the contrary, it will undermine their sustainability profile. The higher vapour pressure leads to more smog formation and hence approximately 200 extra deaths from ozone in Europe – directly linked to biofuels.
- It is also counterproductive because it will slow down the much-touted second generation biofuels that do not need such a waiver;
- It is unnecessary because ethanol can be converted into butanol or ETBE, both of which do not have higher pressures, and also because any increase from ethanol could be offset with a decrease in vapour pressure of the petrol base;
- It is unfair and discriminatory because it gives a waiver to ethanol and not to other possible transport fuel components of organic origin.

Further information

NGO response to the European Commission public consultation on biofuels:

www.transportenvironment.org/Article429.html

Towards a 'transport-efficient' economy

T&E calls on the Portuguese presidency to promote decoupling of transport growth from economic growth, one of the critical operational objectives of the revised European Sustainable Development Strategy (SDS) adopted one year ago.

As the Commission will take an initiative on internalising external costs in transport in early 2008, the Portuguese presidency has a crucial role to play in ensuring the Commission will present an ambitious package of measures.

Background

In a sustainable transport system, users instead of taxpayers pay for their infrastructure use and environmental, health, safety and congestion costs so that they get incentives for smarter travel choices and do not leave an unpaid bill to society.

We summarised these views in several of our papers under the slogan that **Europe should become the most transport efficient economy in the world.**

There is an analogy with energy efficiency here - transport use and energy use are alike in many ways. Both are indispensable to any modern economy and both are means to an end, rather than an end in themselves. Both are not external costs in themselves, but rather an important cause of external costs. But crucially both are, in the end, costs to society and should be used as sparsely as possible.

At the beginning of the 1970s there was a generally-held consensus that economic growth and growth of energy consumption inevitably go hand in hand. The Club of Rome used this argument to forecast *ecological* disaster, while right-wing hardliners used it to 'prove' that attempts to break the link (i.e. to save energy) would lead to *economic* disaster. Although energy consumption is still on the rise, it is now, thankfully, clearly nonsense to view energy saving as a bad thing for the economy.

Thirty years on, transport policy makers have some catching up to do. There is abundant scientific and empirical evidence that reducing transport can have numerous positive consequences (better traffic flow, improved safety, reduced environmental and health impacts) – especially when transport prices are too low, as they generally are.

In fact it appears that the countries that score high on competitiveness indices generally have relatively low transport intensities. Saving transport and a healthy economy go hand in hand, they are not mutually exclusive.

The importance of transport pricing

Transport pricing is in essence a tool to make transport more efficient – ensure that transport takes place only when the benefits are higher than the costs. By aligning price signals closely to infrastructure damage, air pollution, climate change and accidents, transport can be made much more efficient and less damaging to the environment and 'modal shift' can be promoted.

T&E wrote an extensive and recently updated guidebook on how Europe's rules on lorry charging (the 'Eurovignette Directive') should be interpreted ('A price worth paying', <http://www.transportenvironment.org/Article430.html>), available in several languages. The report also contains an overview of schemes and plans in 27 Member States.

The report, however also makes it clear that the rules are still overly restrictive. Formally it is still not possible to internalise the €170 bn of external costs caused by lorries on European roads.

The Eurovignette Directive also states that before 10 June 2008 the Commission should present a transparent and generally applicable framework for the internalisation of external costs in all modes. During the Portuguese presidency discussions will start and the Presidency should ensure that the Council gives strong and ambitious guidance to the Commission.

Making tyres quieter and more fuel efficient

Background

Although tyres do not appear to be a top priority for transport policy, better tyres can reduce road noise to an astonishing degree, and lower CO₂ emissions from transport by 1 or 2 per cent. Over the next year there will be a unique opportunity to achieve such results because the Commission is expected to propose a tyre directive in Autumn 2007.

Traffic noise is increasingly recognised as one of the major environmental causes of serious physical and mental health impacts on urban populations and transport users. Type approval testing for tyre noise was first introduced in the EU in 2001. The test method and limit values apply to EC type-approval of tyres with respect to noise emissions. Tackling the sources of road traffic noise (vehicles, tyres, road surfaces) is seen to be considerably more cost-effective than roadside measures, such as insulation or noise barriers. Directive 2001/43/EC (relating to tyres for motor vehicles) outlined indicative figures for two subsequent phases of tightening the tyre/road noise limit values. The Directive announced that tightening would be effective from 2007.

The Forum of European National Highway Research Laboratories (FEHRL, study SI2.408210 Tyre/Road Noise) submitted a study report to the Automotive Unit of DG Enterprise in May 2006. The main conclusion of this report is that stricter tyre/road noise emissions standards are very cost effective and an effective means to protect the public from the harmful effects of road noise on physical and mental health. Some quieter tyre models are already sold in the EU, without compromising safety or fuel efficiency. Standards must firstly keep pace with currently available technologies, and then stimulate further R&D into quieter models. Making our roads quieter will pay off: an overall reduction of 0.9dB(A) – easily feasible with currently available designs – will bring benefits to the EU public worth at least €48billion over little more than a decade. The report also confirms the existing consensus that quieter tyres do not compromise safety or fuel economy.

Tyres do not only differ massively in terms of the noise they cause, but also in terms of their rolling resistance, and therefore CO₂ emissions from cars and lorries. Good tyres have just half the rolling resistance of bad ones. The European tyre industry is calling for regulations to achieve the potential.

- As a first step, noise emissions limit values for tyres must at least keep pace with the best technologies currently available. The FEHRL report recommends two phases of tightening of limit values. The new values would lead to a decrease of 2.5-4.5dB(A) for passenger car tyres and of 5.5-6.5dB(A) for commercial vehicle tyres by 2012. T&E supports these recommendations as a first step, as they represent considerable progress when compared with the limit values outlined in Directive 2001/43/EC.

Proposed tyre noise limits for C1 tyres (including recommendations for new tyre classes):

New tyre class	Nominal section width (mm)	B dB(A) (2008)	Relative decrease compared to current limit value	C dB(A) (2012)	Relative decreased compared to current limit value
C1a_new	• 185	73	0.5-2.5	71	2.5-4.5
C1b_new	> 185 • 215	74	2.5	72	4.5
C1c_new	> 215 • 245	74	3.5	72	5.5
C1d_new	> 245 • 275	75	2.5	73	4.5
C1e_new	> 275	77	0.5	75	2.5

- Furthermore, the revision of the Directive should include deadlines for subsequent phases of tightening of standards, along with recommended future limit values. This will provide certainty for the industry and consumers and stimulate further research and development.
- The Council should call for a consumer labelling and incentive scheme that if possible would integrate noise, rolling resistance / energy and wet grip, to accelerate the take-up of better tyres. Type approval noise and energy levels should be marked on tyres. Such action would clarify the range of consumer choice and pave the way for incentive schemes already under consideration in some Member States.

Further information

Road vehicle and tyre noise, website feature:

www.transportenvironment.org/module-htmlpages-display-pid-20.html

Logistics Action Plan

T&E calls on the Portuguese Presidency to

- Ensure that action points are just as much about environmental progress as about eliminating barriers in the freight sector;
- Encourage the Commission to come up with a methodology for internalising external costs in transport;
- Discourage the idea of a pan-European strategy or study on 'gigaliners'.

Background

Following the publication of the Communication on freight logistics 2006/336 in June 2006, the Commission has announced it will come up with an action plan for logistics which is now scheduled for Autumn 2007. The contents of this action plan are as yet not very clear but it is likely to include attention to ICT, training, data, and multimodal standards.

But it might also include some wording on longer and / or heavier lorries – an issue that is very controversial because of its adverse effects on modal shift, road transport growth and the impact on liveability if access is not properly enforced. T&E thinks that introduction of such lorries is unacceptable in principle.

T&E has also defined a wide range of conditions that have to be fulfilled before introduction of such lorries could be considered – a crucial one being the internalisation of external costs. As long as the road transport sector is not paying its social costs, it is not acceptable to reward the sector with 20-25% lower operational (private) costs. Therefore it is essential that the Portuguese presidency calls upon the Commission to come forward swiftly, before the June 2008 deadline given by the 'Eurovignette Directive', with a formal legislative proposal for the internalisation of external costs in all transport modes, not just a communication on the subject.

Further information

T&E position paper in gigaliners

www.transportenvironment.org/Article400.html

Green Paper on Urban Transport

T&E calls on the Portuguese presidency to

- Acknowledge that not all urban transport policy is subject to subsidiarity and that the EU has an important role to play in improving the sustainability of our cities;
- Endorse the ambition of the European Commission to eliminate or reduce barriers in national law that prevent cities or regions from introducing urban road pricing;
- Endorse a forthcoming proposal on public procurement of clean vehicles, provided the proposal is much more ambitious than its failed 2005 predecessor;

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