Fuel Prices in Europe

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European Federation for
TRANSPORT and ENVIRONMENT

Background

Recent media speculation suggests that truck drivers and farmers groups are about to begin widespread protests across Europe in response to recent fuel price increases.

The Polish government has announced plans to cut tax on petrol and other Member States including Germany are reported to be considering similar measures. EU Finance Ministers failed to agree a common position ruling out tax cuts in their informal ECOFIN meeting of 9-10 September.

The European Federation for Transport and Environment (T&E), a network of 39 national environmental and transport non-governmental organisations (NGOs), urges European leaders not to bow to pressure to cut fuel taxes.

Fuel tax cuts are a counterproductive response to higher fuel prices

Current prices reflect high and growing demand for oil. High demand creates high prices. It is clear that the current price of fuel does not reflect a short-term emergency or crisis, high prices are here to stay. Artificially lowering prices by reducing taxes would unbalance the market and boost demand. Indeed, research by the International Energy Agency (IEA) has said that cutting fuel taxes would be the worst possible response to high fuel prices[1].

Tax cuts would boost demand for petrol and diesel fuel at a time when Europe urgently needs the opposite – namely a massive reduction in energy consumption by the transport sector.

Why Europe must end its addiction to energy use for transport:

1. While other sectors have on average reduced their greenhouse gas emissions by 8% over the period 1990-2002, the transport sector has increased its emissions by 22%
2. Emissions from cars are rising by over 1% per year. In 2001, passenger cars alone were responsible for fifteen percent of the EU25's total greenhouse gas emissions under the terms of the Kyoto Protocol.
3. At today's prices, oil imports for use in transport in the EU25 cost EUR 150 billion per year. Money which could be saved and used to invest in health and education or to boost technological innovation.
4. Oil imports are increasingly subject to political and environmental instability

Five years ago, fuel protests brought much of Europe to a standstill. In the months following the protests, policy makers urged the road haulage industry to rewrite service contracts with their customers to include clauses that account for changing oil prices. The industry was in agreement with governments over this approach. But five years later, it looks as if little action has been taken.

European policy

T&E strongly warns against a cut in fuel taxation, a measure that would send the wrong price signal and boost demand. Such a short-term, politically expedient approach would be gravely damaging in the long run.

Five years after the haulage industry was warned to accommodate fuel prices in its service contracts, now is not the time for European governments to bail out companies that have failed to act.

Europe must take an approach that deals with the root cause of the problem – high demand. Energy use in the transport sector must be reduced. That means, in the first instance, sticking to

[1] "Saving oil in a hurry", International Energy Agency, 2005 www.iea.org

existing policy objectives which have stalled in recent years including true pricing for transport[2] and on reducing Carbon Dioxide (CO_2) emissions from new cars in Europe – which would result in a corresponding decrease in fuel consumption. For example, cutting CO_2 emissions from 140 to 120g/km across the European fleet would save EUR 10 billion per year in oil imports. Policies that tackle demand growth are essential to Europe's economic and environmental stability.

Further reading:

"Sense and Sustainability: smart thinking to restart European transport policy", T&E 04/6
"Reducing CO2 Emissions from New Cars", T&E 05/1

Available for free download from www.t-e.nu

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[2] See "Sense and Sustainability", T&E 04/6 pg 8, www.t-e.nu