

2007 German EU Presidency: Priorities for Transport and Environment

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**European Federation for
TRANSPORT and ENVIRONMENT**

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Introduction

On 1 January 2007, Germany will take over the presidency of the EU from Finland, leading the European Council and the Council of Ministers.

During the six-months that follow, Germany will have 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 European economy, our environment and our citizens' health.

Major policy issues on the German transport agenda will primarily focus on the hot topics of energy and climate change, but obviously also other issues will appear. The most important ones that will certainly be presented under the German presidency are:

- the inclusion of the aviation sector into the EU Emissions Trading System;
- the future of Europe's CO₂ policy for cars and vans, now the current voluntary industry commitment is approaching its end;
- the review of the EU Directive on biofuels for transport and the fuel quality directive, which both offer opportunities to lower the climate impact per litre of fuel burnt;
- a proposal for review of the tyre noise directive.

In this short briefing, T&E, a federation of 44 non-governmental organisations working in the field of sustainable transport, presents its demands and recommendations for these four most important transport and environment policy areas covered by the six months of the German presidency.

Including aviation into the European Emissions Trading System

T&E calls on the German Presidency

- To swiftly build a European consensus on this issue, not just within the EU27, but also with the non-EU ECAC states, so that the EU has a strong and unified position at the ICAO Assembly of October 2007. Europe should definitely NOT await an ICAO verdict before taking significant decisions - this is the surest way of sinking the process which would be irresponsible;
- To advocate an as strong and meaningful design of the ETS as possible. In particular a wide geographic scope (all flights from and to the EU) and emissions scope (both CO₂ and NO_x) are necessary to ensure an effective system. A strict cap should be set, permits should be auctioned, and unambiguous allocation criteria should be decided at EU level.

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 in a policy, and stressed the need to keep all other options such as kerosene taxation on the table.

In December 2005, the 25 Environment ministers adopted under the UK Presidency conclusions that were largely supportive of the Commission Communication. In July 2006, the European Parliament adopted a Resolution on this topic that stressed that a broad package of measures is necessary 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.

The Commission has the intention of publishing a legal proposal for inclusion of aviation into the EU ETS in 2006, in which the views of all institutions on the Communication will be taken into account. This proposal will be sent to the Council and Parliament for a co-decision procedure.

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

If the EU does not act swiftly and in unison, progress could be severely hampered at the next Assembly of October 2007 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.

Besides the need for a quick consensus there is also a need to get the system design right:

- 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;
- En-route emission charges as well as kerosene taxation and emissions trading can have a role to play as cost-effective instruments to internalise CO₂ and / or NO_x emissions;
- 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;
- 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.

In case aviation would be included in the EU ETS through a gateway mechanism, the following design factors are critical:

- **The geographic scope:** all flights from an to EU airports should be included because then the coverage is approx. 250 MT of CO₂ emissions, compared with 55 MT for a system limited to intra-EU flights only;
- **Non-CO₂ emissions** should be fully included because otherwise every tonne of CO₂ that aviation needs to buy would actually lead to a net increase of global warming rather than a decrease. 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 system. In case such ancillary specific policies could not be implemented in time, a multiplier on CO₂ could ensure environmental integrity;
- **The cap:** 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. The cap should be set at EU level. Member States have no incentives to impose a meaningful cap on aviation because the sector is outside of Kyoto and setting a loose cap does not increase necessary compliance efforts by other sectors;
- **Permit allocation:** auctioning should be used as the distribution mechanism as it is the most efficient and fairest way to issue permits, and avoids the errors of the current EU ETS where electricity firms are reported to have made billions of profits from the windfall of grandfathered emissions permits.

Making cars more fuel efficient

T&E calls on the German Presidency

- To respect the commitments EU leaders set out in the renewed Sustainable Development Strategy and not to relax the 120g/km target for new cars or the timetable that was set in 1996. This target is and has always been a fuel efficiency target, ruling out non-car measures such as biofuels or driver education to count towards it;
- To set a longer-term (post-2012) target to achieve a doubling of fuel efficiency of new light duty vehicles within the next decade;
- To instruct the Commission to swiftly come forward with a legally binding proposal to achieve the target.

Background

In January 2007 the European Commission is expected to adopt a Communication reviewing the EU policy on cars and CO₂. That decade-old policy consists of the following elements:

- an objective of 120 g/km of CO₂ for new cars to be attained by 2010 at the latest (informally postponed till 2012);
- a voluntary commitment of the industry to achieve 140 g/km by 2008/9 mainly through technical measures;
- fuel economy labelling;
- CO₂-based car taxation.

The most important element of the expected Communication will be the Commission's stated intention for a follow up of the voluntary commitment.

The Council already implicitly endorsed a stronger approach on this topic in the Sustainable Development Strategy which states that *'In line with the EU strategy on CO₂ emissions from light duty vehicles, the average new car fleet should achieve CO₂ emissions of 140g/km (2008/09) and 120g/km (2012)'*

The European Parliament has also called for fleet average CO₂ emissions of 80-100 g/km in its Resolution on 'Winning the battle against global climate change'.

The arguments in favour of this course of action are overwhelming:

Climate Change and Energy Security

As the Stern report published in November 2006 has shown, delaying action on climate change is no longer an option from an environmental or economic point of view. But furthermore, in two decades the EU will be almost entirely dependent on imported oil from unstable regions. Light vehicles are already the biggest single consumers of that oil (some 35%), and this figure will increase if the issue is not addressed at the earliest opportunity. Also, the benefits of action spread wider than Europe alone – European technology powers a significant part of the world's car market, notably in Asia.

The voluntary approach has failed

Recent Commission documents on CO₂ policy for light duty vehicles point out that 'the situation is unsatisfactory' and that "the Commission will not hesitate to propose legislation (...) should it become clear that the voluntary commitments (...) will not be honoured". These statements are based on progress to 2004, when the industry achieved average CO₂ emissions of 163g/km. Our data analysis, published in April, found that progress in 2005 has again been unsatisfactory - average CO₂ emissions dropped by less than 1% to 162g/km. Carmakers would now need to increase their rate of reduction by an unprecedented four times to hit the target.

It can be done

On 25 October T&E published research showing that a quarter of the 20 best selling brands studied (roughly 30% of the market for new vehicles), is actually on track to meet the 140g/km target. This shows that considerable reduction of CO₂ emissions is feasible, if a car maker puts its mind to it – it is more a question of policy than of technology or cost. The bad news is that three quarters of the industry has apparently chosen not to, they are far from making good on their promise. Furthermore, the good performers are not rewarded and the bad performers are not punished, leading the overall commitment to fail.

Clear case of market failure, and a clear case for regulation

Car efficiency standards are a classic case for regulation as there are two clear market failures that need correcting. The stakeholder that initially bears the costs of measures (the car maker) is not the one that enjoys the benefits (the consumer). In addition, consumers do not take the life-cycle fuel costs – let alone the cost of climate change and energy dependence - into account when making car purchase decisions. This explains why numerous relatively simple and cheap fuel-saving technologies do not make it in the market. A regulatory policy that internalises these issues into car purchase decisions therefore improves the functioning of the market and the EU's overall economic performance.

The 120g/km target is cost effective and the Commission's Impact Assessment (IA) overestimates costs and underestimates benefits

The Commission's IA only takes the costs of technical measures into account, whereas an important result of a regulatory policy will be an - extremely cost effective - reversal of the trend towards ever more powerful and heavier vehicles. Furthermore, the IA does not properly quantify one of the most important economic benefits to the EU, namely the lower cost of oil imports and the economic benefits of lower oil prices resulting from the significant drop in oil demand. This is striking as these considerations play a vital role in this file. Thirdly, the TNO study comes to cost estimates roughly three times those made by the same consortium two years earlier – this undermines the credibility of both studies. Finally, recent research for the Commission has shown that ex ante cost estimates have consistently exceeded the true costs by a wide margin.

Taxation, labelling, biofuels and 'ecodriving' should be complementary policies

Indeed, the car industry cannot be solely held responsible for overall CO₂ emissions from road transport – nobody suggests that should happen. But they can, and should, be held responsible for the fuel efficiency of their products. Anything that helps them to improve the efficiency of their products should be included in the new policy, such as better air conditioners, tyres, and lubricants. CO₂-based taxation is a necessary tool but it will not be sufficient as 1) an EU-wide directive for obligatory CO₂ based taxation is unlikely to pass and 2) if that directive were to pass the potentially most effective tax instrument, the car registration tax, stands to be scrapped in the process. Biofuels should certainly Not count towards car makers' objectives – there is no point in exchanging better efficiency for biofuels.

Making fuels more climate friendly

T&E calls on the German Presidency to

- Give top priority to a development of policy that rewards only good biofuels, and not the bad ones from a climate and biodiversity point of view;
- Support the setting of a decarbonisation target for transport fuels – so that transport fuels are guaranteed to gradually become less climate intensive per litre.

Background

Reducing greenhouse gas emissions from transport requires an integrated strategy in which improved cars, reduced demand, and also improved fuel play a role.

During the German Presidency the Commission is likely to present two interrelated proposals that offer excellent opportunities to reduce the well-to-wheel environmental impact per litre of fuel. The first one is the review of the biofuels directive (2003/30), the second one is the review of the fuel quality directive (98/70).

In the review of the biofuels directive 2002/30 it is essential to adopt a more sophisticated approach towards biofuels – an approach that encourages development of better biofuels over worse ones, from a climate and biodiversity point of view. The critical issue for the future of biofuels is their environmental integrity. It is essential for the future of biofuels that they convincingly offer a positive contribution to sustainability. Development and implementation of sustainability certification of biofuels, and basing targets and incentives based on the GHG performance are vital steps.

The upcoming review of the fuel quality directive 98/70 offers an excellent opportunity to decarbonise petrol and diesel fuel for transport. Decarbonisation means that the well-to-wheel climate impact of a litre of transport fuel should decrease, for example by 2 per cent per year. 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 can only sell these permits if their fuels are less climate-intensive than required.

Biofuels could be one way of moving towards this target - depending of course on the proven 'well to wheel' climate impact. But also other fuels like LPG, CNG, clean hydrogen, biogas, and clean electricity could eventually be included in such a system. Such a 'technology neutral' approach can work better than separate targets for specific technologies, because 1) it gives environmental guarantees, whereas the technology-based approach does not 2) the 'winners' picked by governments might turn out to be losers and 3) governments might overlook useful new fuels.

Secondly, biodiversity impact criteria for 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.

Making cars less noisy

T&E calls on the German presidency to

- Follow the recommendations of the FEHRL report on tighter standards for tyre noise;
- Agree of a labelling and incentive framework to promote quick introduction of low noise tyres.

Background

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. However, the first tightening is now expected for 2008.

The European Commission is currently reviewing the tyre regulations, including the indicative noise limit reductions. To this end, 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.

The report is intended to be used as the basis for a Commission proposal to amend the Directive. The proposal from the Commission is expected be published in the first months of 2007.

Revision of the tyre noise directive 2001/43/EC

- 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 European Council must demand that the revision of the Directive includes 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 promote the concept of noise labelling for tyres and an associated incentive scheme to accelerate the take-up of quiet tyres – if possible in combination with energy efficiency for which standard might be defined in a later stage. Type approval noise levels should be marked on tyres, and especially quiet models should be awarded a “low noise” mark. Such action would clarify the range of consumer choice and pave the way for incentive schemes already under consideration in some Member States.

Logistics Action Plan

T&E calls on the German Presidency to

- Ensure that the actions from the action plan are just as much about environmental progress as about eliminating barriers for the freight sector;
- Encourage the Commission to come up with a methodology for internalizing external costs in transport;
- Discourage the idea of a pan-European strategy 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 in Spring 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 split and transport growth.