



The Voice
of European
Railways

European Rail
Infrastructure Managers



JOINT POSITION PAPER ON THE INTERNALISATION OF EXTERNAL COSTS AND REVISION OF THE EUROVIGNETTE DIRECTIVE

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The Greening Transport Package adopted by the European Commission on 8 July 2008, which includes a proposal to revise the Eurovignette Directive on charges for heavy-goods vehicles, marks an **important milestone in the drive to internalise the external costs of transport**. This package finally opens up the possibility for Member States to put the “polluter pays” principle into practice in the freight transport sector and helps to create a more level playing field between transport modes.

A broad coalition of stakeholders representing different transport sector organisations, groups supports the internalisation of the external costs of all transport modes and have long argued that EU Member States should be able to apply internalisation for road freight transport – as they can already do for the other modes of transport. This will finally put an end to the paradox in which the most polluting mode – road – is the only one to benefit from a privileged legal situation: a ban, at EU level, on taking external costs into account when setting road charges for heavy goods vehicles.

We thus welcome the Commission’s proposal, the Parliament’s Report by Mr. El Khadraoui and his compromises proposed to the TRAN Members, as first steps in the right direction. The speedy approval of the Directive is necessary to finally allow Member States to internalise the external costs of heavy good vehicles and remove the exclusive privilege for road, the most polluting mode and yet the only one that cannot be charged for its real costs. This measure is long overdue to put the transport policy in line with EU goals on the environment and climate change.

A unique privilege for road: the ban on external costs charging

The current Eurovignette Directive makes road freight transport the only mode for which the internalisation of external costs is explicitly prohibited, whereas Directive 2001/14 allows it for rail.

Road and maritime transport are the only modes without specific climate targets or market-based instruments to achieve concrete GHG emissions reduction. Airlines will be covered by the ETS as of 2011-2012, while railways (with 80% of total traffic by electric traction) already participate today through the inclusion of the electricity generating sector in the ETS.

The most polluting mode of transport

The European Environment Agency pointed out in a recent report (N 12/2008) that transport’s carbon footprint is a major obstacle to achieving a sustainable, low-carbon economy in Europe. EEA urges policy makers to take “a fresh

approach to address the spiraling growth of transport, supporting measures that include pricing schemes". Greenhouse gases already account for 27% of the total EU CO₂ emissions and road transport is responsible for 72% of these. The Agency points out that transport is the only industrial sector where emissions continue to grow.

HGV are responsible for 23% of total CO₂ emissions generated on roads and 4.5% of total emissions. If no new measures are taken to address freight transport emissions, the share of HGVs alone in total CO₂ emissions will rise to 7-8% by 2020. This will seriously undermine the EU climate package targets to reduce overall emissions.

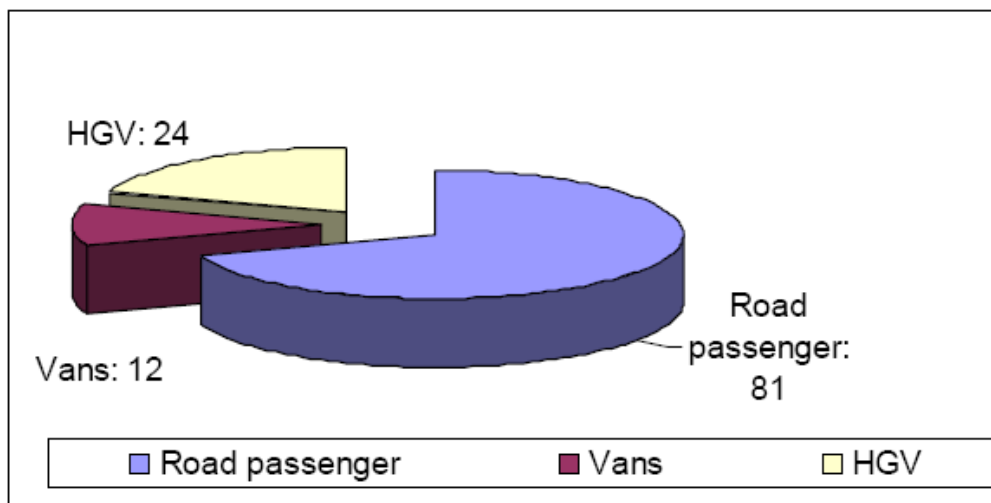
Congestion causes enormous cost to society

Congestion costs must be kept in the scope of the Directive, because road congestion accounts for 40% of all the external costs of road transport.¹

HGVs have a **disproportionate effect** on congestion. HGVs only account for 3% of vehicle-km drive in the EU, and yet they cause around 20% of congestion, as shown in the graph below.² Member States are currently **free to apply congestion charges to private cars** – but prohibited from doing so for the small number of vehicles, HGVs, which cause disproportionate congestion.

Because of their disproportionate congestion impacts, introducing HGV charging as a first step could be a more publicly acceptable means of introducing road charging schemes nationally, with extension to passenger cars as considered appropriate at a later date. The two however should not be linked; Member States must be free to decide on either or both schemes.

Share of transport segments in congestion costs of road transport (very rough estimates; billion Euro)



¹ Unification of accounts and marginal costs for Transport Efficiency, UNITE, 2004.

² Source: CE Delft, 2009, Are trucks taking their toll?

A major opportunity for the EU to act on climate change

The external costs of CO₂ emissions should be included among the elements that can be charged for as part of the Eurovignette framework.

- In December 2008, the climate change package was adopted by Parliament and EU Heads of State. The package includes the effort-sharing proposals to reach specific, binding CO₂ reduction targets for each Member State. The proposals state that it will generally be **left to Member States to define and implement policies and measures** in several sectors, including transport. In keeping with the principle of subsidiarity, Member States should therefore be allowed to meet the targets however they wish – including through charging for CO₂ emissions from heavy goods vehicles.
- **The EU has still not delivered any market-based instrument to tackle CO₂ emissions from road transport.** This situation must be considered as nothing less than **a major failure in the EU's fight against climate change**
- Internalisation of the climate change costs of road transport can be achieved via fuel taxation. However, fuel tax rates currently vary considerably across the EU. **Reaching EU-wide agreement on using fuel taxation to regulate CO₂ emissions will be extremely difficult,** and there are no proposals for this in the current revision of the Energy Taxation Directive.
- The taxes (including fuel taxes) and charges currently paid by the road haulage industry approximately equal the total external infrastructure costs, and leave further €90 bn external costs unpaid. It can be concluded that environmental, climate and accident costs are not currently paid for by the sector which causes them.

Pending a legislative revision which explicitly provides for internalisation of climate change costs in fuel taxation, Member States should be allowed to include these costs in vehicle tolls.

Earmarking: The polluter should pay and not reimburse itself!

- Eurovignette should be seen as a charge for costs incurred, rather than a tax.
- Revenue should be invested to increase sustainable development, to offset the negative externalities.
- As clearly shown by the Swiss Heavy Vehicle Fee, distance based charges have no effect upon the economy. Switzerland is still the most competitive economy in the European Economic Area.

Caps only as a start-up

In principle, the limitations of external costs by means of certain maximum values proposed by the Commission seem out of place, since the Handbook provides a detailed and **reliable method to calculate the real external costs** on local basis. However, we understand that – as a first step – setting maximum values might result in an incentive to Member States to put in place the system **gradually** and evaluate its impact before fully internalising the external costs.

We therefore support the compromise proposed by Mr El Khadraoui that keeps the caps but adjusts the values of congestion costs to a more realistic scenario.

Voting recommendations

Considering that the proposal of the Commission is a first step in the implementation of the polluter pays principle, we ask the Members of the TRAN Committee to:

SUPPORT THE RAPPORTEUR'S PROPOSALS and any amendment providing for:

- The inclusion of greenhouse gases
- The earmarking of revenues for sustainable development in transport
- The use of cap values according to the Commission Handbook

REJECT any amendment providing for:

- The exclusion of congestion costs
- Earmarking exclusively to road transport
- Maximum values not based on transparent scientific evidence

Good scientific basis and good roadmap to internalise the external costs

While we support Mr El Khadraoui's step-wise approach, we regret that the Report by Mr Jarzembowski on the "Greening transport package" and the "Strategy to internalise the external costs" of transport does not fully acknowledge the important work done by the Commission.

The "IMPACT Handbook" published by the Commission in January 2008 represents a consistent, comprehensive and solid model to calculate external costs for all modes of transport, finally consolidating all the scientific knowledge available on this complex subject.

Concerning the balance between modes, the Commission rightly shows that road is the only mode for which new legislation is urgently required. For the other modes, a detailed roadmap is presented in the “Strategy for the internalisation of external costs” (COM (2008)435).

On the Jarzembowski report, we therefore ask to the Members of the TRAN Committee to SUPPORT any amendment:

- restabilising the good work done by the Commission with the Handbook on the scientific assessment of external costs;
- acknowledging that the Greening Transport Package is a good, stepwise basis to tackle transport externalities
- making amendments pointing out the already existing measures to reduce rail noise

A more detailed voting recommendation will be sent by our coalition in the next few days. Please do not hesitate to contact us for any further information. Our coalition is open to any other association that shares the same views on this issue.



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The Community of European Railway and Infrastructure Companies (CER) brings together more than 70 European railway undertakings and infrastructure companies. CER represents the interests of its members vis-à-vis the European institutions as well as other policy makers and transport actors. CER's main focus is promoting the strengthening of rail as essential to the creation of a sustainable transport system which is efficient, effective and environmentally sound. For more information, see www.cer.be

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EIM, the association of European Rail Infrastructure Managers, was established to promote the interests and views of the independent infrastructure managers in Europe, following liberalisation of the railway market. It is a lobbying organisation which also provides technical expertise to the appropriate European bodies. To find out more about EIM, visit www.eimrail.org

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