

Conference - Driving Road Decarbonisation Forwards

Brussels, 18 June 2015

Break-out Session 3: The role of the Single Market

- Moderator: Jacki Davis (Meade Davis Communications)
- Rapporteur: Philip Owen (European Commission, DG Climat Action)
- Minutes-taker: on behalf of the European Commission - Pracsis

This session focuses on the Single Market and in particular where are the gaps and what regulatory and non-regulatory measures should the EU take.

Topics will include:

- alternative fuel infrastructure
- internal energy market
- road charging
- clean vehicle Directive
- car and van CO₂ Regulations
- HDV certification
- vehicle leasing liberalization
- combined transport.

Minutes

Opening by Jackie Davis:

What we might talk about in this session? – this is YOUR session

What are the priorities? One priority for action you would pick?

Introducing Philip Owen; info that everything said will be taken note of.

Introduces Pete Harrison to give some thoughts to start the discussion.

Pete Harrison (European Climate Foundation) – some thoughts? What do we need to focus on?

Co-benefits: A few years ago we did a little experiment: taking the car industry CO₂ targets and checking the energy security benefits. The existing legislation for cars & vans by 2030 will be cutting €20–30 billion from the European road fuel bill; if we add Heavy Duty Vehicles that will go up a lot.

1/3 of the fuel imports come from Russia, some more from other unstable regions. The saved cost of fuel is measured in thousands of euros per vehicle (not in hundreds, like for other areas). What can be saved will be invested in other areas of the economy.

The shift of spending in the economy will create thousands of jobs - 300-400,000 jobs across the EU. Companies in the EU which make electronic systems will also benefit from higher job creation - perhaps 300.000 new jobs in this area. 2% of could be added to EU GDP through a push throughout the world to reduce CO₂ emissions.

Riskiness for the EU: being ahead of the curve, but also being behind the curve. Policymakers have a role to play in helping companies focus on long-term goals; vs short-term profit making.

There is a long term fundamental transition – need for EU political support in the domains:

- population growth
- urbanisation – will our cities be livable with acceptable air quality?
- need for low-emission vehicles
- climate change – fundamental to be taken into account by vehicle industry

Jacki Davis:

Pete talks about win-win possibilities for Europe. Elements of risk on both sides: being behind the curve, and ahead of the curve. What do you, the audience, see as the key challenge ahead? Not only regulations, but also non-regulatory?

Ilmari Lastikka (NESTE oil)

We haven't talked about the fuel sector at all this morning. Why are we not discussing this? It is an important question. This can help with climate change issues. A break-through with e-mobility has been discussed this morning. Similar things have been happening with the fuel sector: renewable fuels that you can use in existing cars (and planes) without any modification needed.

Companies have invested in renewable fuels as they are able to be used. We also need low-carbon fuels – what will happen after 2020 in the single market? If you are a fuel supplier, you want to have a single market. A CO₂ market for a few countries would not be as interesting.

Jacki Davis: so you say, your sector needs targets?

Bert Witkamp (AVERE)

The challenge is we need European manufacturing capability, which does not exist. We sell solar cells in Europe produced in China – why? Why in China are they using the latest German technology for solar panels, and in Europe we use only the 2nd or 3rd technology? We have key technology, why don't we use it?

Timo Huhtisaari (North European Oil Trade Oy)

If we want to de-carbonise transport, we need to calculate in the same way in all different sectors. Energy use in transport needs to be measured the same in all sectors. For the moment, it is not the case. We need a Well to Wheel approach to Regulation otherwise we have contradictions! In energy taxation, we have the same contradictions on how taxation is calculated. Now it is calculated on volume not energy, therefore tax rates are higher on renewable than on fossil fuels.

Jacki Davis: are there some inherent contradictions in what we are doing?

Matthias Maedge (NGVA)

Natural gas is a fantastic technology as it is in the middle of all the energy branches. The customer accepts gas vehicles; momentarily they don't accept many new products. But our vehicles have already achieved the 2020 targets! Our vehicles are in the same price range as diesel vehicles. But still it is difficult to get in the market. Need to consider more the market dynamics – reflect industrial & consumer reality, not only theory.

Jacki Davis: is it going to work?

Greg Archer (Transport and Environment)

How do we benefit from the single market? There is a single market for oil products. The one for electric transport is less developed especially for train transport. Citizens need to be aware of the

benefits, of the very attractive pay-backs. You might pay a premium on a vehicle, but you might also benefit from great benefits in the following years of the fuel efficiency – the consumer needs to know that.

Peter Mock (ICCT)

Full electrification of fleets won't be achieved by 2025. Large volumes of hybrids can however be expected by then. Industry always brings high cost estimates. Take into account technology assessments from outside industry.

Alexander Stoehr (AEGPL)

Alternative fuels are fostered in a very cyclic way: today its electricity, tomorrow something else. The consumer is unsure which will be the next fashion, so 90% stay with the old alternatives.

Joerg wind (Daimler - New IG)

Hydrogen is also becoming available. But all these technology and fuel choices are a big challenge. Every field has positive and negative aspects. This presents a big challenge for the whole industry. What is the right pathway, which way should we go? We are open to different technologies, but we don't know which way to go.

Jacki Davis: Which infrastructures to choose, how to manage them all, how or who will pay for it?

(IVECO)

There is a presumption that vehicle manufacturers can change the market. But we can't, we can only address the market. If we are obliged to put on the market vehicles that the market wants, we have to develop them, to put them on the market. Nobody will pay 3x more for a vehicle with better technology. All manufacturers can do is calculate the level of CO₂ at the end of the year's sales.

Jacki Davis: What is it then that influences the public? Incentives? Something else?

(IVECO)

Politicians should create a market to which we can respond. Without political support it is very difficult for manufacturers to plan their work.

(Daimler)

One important factor is Time: if you want to change consumer habits, it will take time. University professor said maybe 50 years. If we need the next 5 – 10 years to develop a new technology, at the same time we still need to keep selling cars every year.

Douglas Parr (Greenpeace)

Transport is not only getting people from A to B as fast as possible. It is also air pollution? What is sustainable is still very questionable? Emissions also come from electric vehicle technology. We should be seeking for perfection.

William Todts (Transport and Environment)

We need to also discuss HDV emissions. That means considering road charging and HDV CO₂ standards.

Jacki Davis: So you mean we also need a truck & bus strategy?

Thorsten Wege (Dutch Ministry of Environment)

We should not put too much focus on electric trains, as has been suggested this morning. I think we should concentrate biofuel on sectors that have no other options, to de-carbonise: road freight transport, aviation.

Jacki Davis: are we reaching the bounds of what is technically and economically feasible, or not yet?

Didier Stevens (Toyota)

We need to change our angle of vision: what does the consumer want? In the long term: less emissions, to fuel their car in 3-5 minutes, not too far from where they are, to keep the same comfort as today. To help industry, policymakers need to look at the consumer's wants and needs. We have to meet the customer's demands when regulating, otherwise manufacturers will not be able to meet the regulation's goals.

Akos Ersek (UIRR)

Why are we talking about road-decarbonisation only concerning road freight transport. There is also rail traction and combined transport: only one driver is needed to move a lot of vehicles. Why is there no single market in combined transport? We no longer need promotion of combined transport, but rather we need a combined European framework.

Eva Bille (Alliance of European Logistics)

What can we do so trucks don't drive around Europe empty? Reform of cabotage rules.

Jürgen Hacker (German Emissions Trading Association)

One of the best policies for the transport sector would be to include fuels in the EU emission trading system. That depends on how much additional allowance would be given to the traffic sector. Germany could decide to include road traffic into the ETS

Jacki Davis: let's also include public transport in the discussion.

Manfred Schuckert (Daimler)

When discussing Europe vs US in relation to Heavy Duty Vehicles, we have to remember that we have the same engines and the same technology. Only the regulations are different: the US approach doesn't touch some elements of the vehicle while the EU approach is intended to.

Pete Harrison (ECF)

Proposal on road in the ETS ignores the fact that at current allowance prices this would lead to a road transport emissions reduction of around 1%. With a reformed ETS, it is likely that the reduction would increase to 3%. To have the same effect as the current Regulations would require an allowance price that peaks at €400 per tonne. It seems illogical to be trying to push innovation by putting pressure on the consumer by heightening the fuel price by 38%.

Ilmari Lastikka (NESTE oil)

We need to certainty from the EU that there is a future market, so we can decide to make investments into high quality new fuels. In the past, we made such a decision, based on the promise of a single market, and once we started exporting our product, we met with a series of national directives and regulations which stood in our way. Currently national rules discriminate - we really need one real single market with single regulations.

Jürgen Hacker (German Emissions Trading Association)

Innovation is not only limited to the transport sector – we need to ask: where is technology development the most effective? We can achieve the same effect on climate change, for example, in investing in different sectors. The same money can be spent either in emission reduction in traffic; or in emission reduction in another sector where other greenhouse gas emissions would be lowered.

Toyota

There is a profitability difference between the US and Europe, due notably to taxation. EU needs vehicle tax harmonisation. If the EU doesn't take measures to reduce emissions much; then the only solution for member states will be to do it themselves. It is much more effective to have a single market, with common regulations.

Jacki Davis: So no single market due to vehicle CO₂ taxation? So taxation is a new issue.

David Baldock (IEEP)

What is the public benefit in changing regulations in the single market? Once we know this (the public benefit), we can adapt regulations. But priority should be on “what is the public benefit?” You cannot create a market if you don't know the consumer's needs. You cannot detach the whole principle of the single market from consumer & their benefits. Benefits could be different for the fuel sector, and other sectors.

William Todts (Transport and Environment)

Road charging is a very efficient instrument. Include a CO₂ element in the differentiation of road charges.

Jacki Davis: if each of you could identify ONE priority, one message for the EC, about how to really make sure that we have a single market, what would it be? And not just regulatory, also the non-regulatory side.

Microphone gets passed around for this “elevator pitch”:

- Need a legal framework.
- CO₂ regulation plan should cover the 4 aspects: climate change, fossil fuel import, transport, and renewables
- (Jacki: do we need more sub-targets?). We need a more simple tool (like in the US, China): a CO₂ target as fast as possible, as low as possible
- Besides the CO₂ reduction per year, how much do you want to reduce, and then include all sectors to fulfil this reduction.
- Energy providers could sell their CO₂ reductions to others who cannot achieve the plan, so every sector can participate as much as they can.
- We need new investments: electrical cars, low-carbon fuels. So the EC needs to look at the sectors / companies that have moved, have made investments & encourage them to go on like this after 2020.
- Security of investment.
- Longer term investment into electrical cars, and inventions that already exist; and not just finding one hype after another.
- Global warming is the main concern; move the focus from CO₂ and replace it by greenhouse gas, so that the incentives go not only to lowering CO₂, but all gases, and consumers would also be more interested.
- Treat all fuels and technologies on the same level eg based on well to wheel emissions.
- Consider all modes of transport the same way, including heavy duty vehicles.
- Address high carbon fossil fuels.

- Taxation directives for Europe.
- We need solutions that allow regions and member states to address local issues.
- Strong leadership from the EU
- Look at the whole picture, all means of transport.
- Market surveillance is priority.
- Get access to new technologies by getting the price down.
- We need a real single market in Europe, we don't have it yet.
- Creating new jobs in the industry prevent these jobs from going to China!
- Going back to a comprehensive approach concerning energy for trucks.
- EU-level policy to decarbonise aviation fuels; concern other segments of transportation
- A digital single market, a holistic approach.
- Efficiency per kilometre.
- Make reasonable targets; is 2050 a vision or a target? Let's make targets, rather than visions.
- The solutions have to work everywhere – cars, buses, ships, trucks ...
- Reform the car CO₂ labels and advertise the benefits of buying such cars
- Transparent communication on the different sector's advances in CO₂ efficiency
- In addition to fuel economy, let's not forget all the other things that can be done: van speed limiters, promote cycling and walking.
- Focus on what the consumer will and can pay for (market reality).
- Incentives for consumers.
- Tell the EU to be consistent: address the issues and also drive the economy; allow all technologies to compete.
- Expand public transport, and in particular railways.
- Push harder to remove fuel subsidies (there is a whole range of them in the member states).
Revive energy taxation systems.
- Take a truly comprehensive approach and include transportation into the ETS.

Jacki Davis: if you had to identify something not mentioned so far, not your priority, what would it be?

- More cycling regulations.
- Speed limiters.
- Focus on where the EU most adds value: Europe, region, locally
- Also focus on the demand-side, to help manufacturers; notably improve information; consumers are intelligent, but they need info to make the right decision.
- Strip away regulatory barriers.
- Electric vehicles have the potential to become very successful: promote their manufacture and Lithium Ion batteries in Europe, and not lose this market.
- Incentives to working from home; reduces the need for car and thus congestion.
- Easier booking of international rail tickets - still too complicated (it is an area for self-regulation, but doesn't work well)
- Car-sharing, etc. for the way to work; sharing vehicles in a broader sense.
- Be aware of limited capabilities to see into the future; include not-yet known developments in your thoughts for the future.
- Only move as many vehicles as really needed (e.g. no empty trucks, living in cities ...).
- Raise awareness that if you don't travel one way (owning a car for example) but another way (visit a friend in NY), you still consume as much energy. Air travel has become very easy, and consumes a lot.