**KEYNOTE SPEECH**

*Participation of VP Kallas in the annual Scania conference*

*Brussels, 26 January 2011*

Ladies and gentlemen,

Transport is fundamental to our economies, to the movement of goods in the single market, and to citizens as they enjoy their freedom to travel. It is also a sector where **Europe is a world leader**, in both manufacturing and transport operations.

Today's transport system, however, is not exempt from problems. Despite many attempts to address the problem, **congestion** in urban areas and around major transport nodes remains unsolved. And although some sectors, especially aviation, have benefited hugely from the EU Single Market, **considerable barriers remain** elsewhere. We need to readdress these issues – how to better respond to the desire of our citizens to travel, and the needs of our economy to transport goods while respecting environmental challenges.

European Transport is at a crossroads. Old challenges remain while new ones have appeared.

Since the Industrial Revolution, transport has depended on **available and cheap fuel** – first coal and then oil. Most predictions see oil becoming scarcer in future decades, sourced increasingly from unstable parts of the world. Together with increasing demand from the BRICs (Brazil, Russia, India, China) and other rapidly developing economies, the price will increase substantially. As the International Energy Agency (IEA) has recently pointed out, the less successful the world is in de-carbonising, the greater the oil price increase will be. If we do not address this **oil dependence**, people's ability to travel – and our economic security – could be severely impacted.

Equally, transport constitutes a significant (24%), and even more importantly, growing (by 34% since 1990), share of **EU $CO_2$ output**. This must be compared to declines in emissions from most sectors. This is not sustainable if we are to meet the challenges of global warming.

Today EU transport is 96% oil powered – substantial change will be difficult and needs time to implement, but it is essential. And our reaction to the oil crises in the seventies proves **we can do it differently if needed**. Industry needs a clear direction and timeline for change, keeping in mind its global character and competitiveness needs.

The challenge for the strategic White Paper that we are currently working on is to propose **policies which will enhance transport's competitiveness** while providing a clear road map for **moving to alternative energy sources**. It is our duty to give governments, manufacturers and industry the clarity they need to plan investments and a policy for the decades to come.

## WHERE ARE WE NOW?

Despite the achievements of the European transport policy over the past decade, we can list a number of areas where intervention is needed and would bring benefits in terms of emissions reduction:

- **European transport is congested**. Traffic jams remain an everyday nuisance for people and business. Congestion costs are estimated at about **1% of GDP** and have clear repercussions in terms of emissions.

- There still remain **unexploited efficiency gains** in the freight flows across Europe. I am thinking for example of the imbalance of efficiency between northern and southern ports, leading to **unnecessary road traffic flows** across sensitive areas such as the Alps.

- On the regulatory side, while we have created a real common market for road and air services, **economically and environmentally damaging barriers** still exist. This is the case for **road cabotage**, which is limited.

- **Pollution from European transport** remains a problem. Although modern road vehicles using the latest engine technologies are far better than in the past, many cities have pollution with significant health implications – and rail, road and airport noise is a continuing health hazard.

- **Transport infrastructure** is unequally developed. The eastern part of the EU has poor roads and railways. European integration has only been reflected to a limited extent in infrastructure. Links to neighbourhood countries further east are even poorer.

## WHERE DO WE WANT TO GO?

Solving the issues I have identified – and tackling the problems of transport in more general terms – means **meeting very difficult targets by 2050 and challenging ones by 2020/30** to ensure we are moving in the right direction.

Our action needs to concentrate around **three fundamental objectives**:

- Use less energy

- Use cleaner energy
- Exploit more efficiently the existing infrastructure

This is fully in line with the Europe 2020 strategy which calls, among others, for a "**resource-efficient Europe**". Achieving these ambitious targets will require action in many fields and mobilising different instruments. The following **main themes** can be identified:

- **Integrate our internal transport market**

We must move decisively towards a **genuinely integrated internal transport market** in which modes are truly and seamlessly integrated, forming **one Single Transport System**. Co-modality will help increasing both the energy efficiency and the economic efficiency of the transport system.

A Single Transport System requires **improvements on various fronts**: elimination of obstacles to the internal market, further harmonisation of interoperability standards, better information for users, adequate transhipment platforms, multimodal electronic transport documents Multimodal transport can save energy and reduce congestion, but we need to make it as cheap, easy and reliable as road transport.

- **Promote new technologies**

If we want to use a cleaner type of energy that also frees transport from its oil dependency, we have to promote new vehicle technologies. We should however not put all our eggs in one basket. We need to assess which are the most promising technologies in the short, the medium and the long term, and focus our limited investment capabilities accordingly.

We need **progress on different solutions that may all be needed at some, possibly different, point in time**: e.g. sustainable biofuels, clean electricity and hydrogen. Timing is also important: too much ambition too soon may favour existing technologies (biofuels) over more promising, but less mature ones.

We already promote technology in various ways: by defining standards, by public procurement rules, by setting $CO_2$ limits for vehicles and through a global target for the use of renewable energy in transport (10% by 2020). We could perhaps **accelerate the uptake of new technologies** by promoting their use in public and commercial fleets and in company cars which benefit from favourable tax treatment.

- **Pursue a well-targeted infrastructure policy**

Funding problems, low public acceptance and environmental impact **prevent the possibility to expand transport infrastructure**. In some cases, new infrastructure is nevertheless needed, if only to fill gaps in existing networks. The new Member States in particular still have many such gaps. Apart from that, and to improve co-modality, activities and money should generally be concentrated on the nodes of the transport system such as transhipment platforms. They are increasingly becoming bottlenecks and therefore deserve particular attention. For the rest we need to maintain and upgrade what we have, finding ways of accommodating more traffic. Technology can be of great help. Intelligent transport systems are already available; the challenge is now to deploy them and integrate them across modes.

The revision of the TEN-T Guidelines which we are also currently working on will also tackle the bottlenecks and missing links with the aim to encourage a balanced transport infrastructure development in all parts of the Union, especially bringing together the Western and Eastern part of the Union, thus shaping the future Single European Transport Area.

- **Funding transport infrastructure**

In a context of ageing societies and the need for budgetary consolidation, financing of transport is becoming an ever more delicate issue. The White Paper will contain a **reflection on the funding of the transport sector** – not just on the amount of funding, but also on appropriate instruments and consistency in their use.

In the future, **transport will have to be increasingly self-financed**. We need to find new sources of revenues that, at the same time, give better signals and incentives to users. The internalisation of externalities and the application of the 'polluter pays principle' should not be seen as an additional burden, but as a way for transport to solve its problems. The review of the so-called Eurovignette directive goes in this direction and should be followed by similar steps in other modes. We should also think about better ways to pay for car mobility.

- **The urban dimension of transport**

Cities account for more than 70% of the population and are responsible for one quarter of all transport $CO_2$ emissions. Their weight is increasing. There is no "one size fits all" solution, but it is clear that cities have to take responsibility for playing their part in making transport more sustainable.

## CONCLUSION

In conclusion, we need to keep in mind that no transformation will ever occur unless all concerned are actively involved and ready to support a **substantial change in our concept of mobility**.