

ACEA Position Paper

EU Emissions Trading System (ETS) for road transport



BACKGROUND

The European Commission adopted a proposal amending the EU Emissions Trading System (ETS) – Directive 2003/87/EC – and creating a separate system to include buildings and the road transport sector in the greenhouse gas emissions trade scheme. This proposal aims to reduce CO₂ emissions by 2030 by at least 61% compared to 2005 to ensure that the overall reduction target of 55% by 2030 is met.

The European Automobile Manufacturers' Association (ACEA) welcomes the proposal to establish an emissions trading system for road transport. It is one of the key cornerstones of an effective EU policy framework that is needed to support and enable the transition to carbon neutrality.

GENERAL REMARKS

- Achieving the necessary emission reductions by 2030, on the way towards climate neutrality, requires unprecedented efforts by all stakeholders. Industry and policymakers on all levels must contribute and collaborate effectively to enable a rapid transformation.
- Vehicle manufacturers have repeatedly expressed their commitment to reaching climate neutrality by 2050 at the latest¹. They are already well on the way by providing an increasingly wide range of low- and zero-emission powertrain solutions across all vehicle segments and use cases.
- Cutting emissions of the road transport sector as a whole at the necessary pace requires the rapid deployment of zero-emission vehicles – but providing just the vehicles is not enough. In order to enable their operation, a sufficiently dense network of charging points and refueling stations, as well as clear economic signals, are indispensable to give transport operators confidence to invest in zero-emission vehicles.
- A coherent and effective policy framework is equally indispensable to facilitate this shift and help close the persisting gap in the total costs of ownership (TCO) of vehicles with zero-emission powertrains. Especially commercial road transport operations are almost exclusively driven by their focus on the TCO.

¹ ACEA-PIK joint statement – The transition to zero-emission road freight transport, 2020.
<https://www.acea.auto/files/acea-pik-joint-statement-the-transition-to-zero-emission-road-freight-trans.pdf>

- Only with the strong support of a policy framework that sets a price on carbon, will it be possible to encourage transport operators to choose low- and zero- (carbon) emission powertrain solutions over conventional diesel-powered vehicles. After all, transport operators will only invest in zero-emission vehicles if they can be operated as profitably and seamlessly as conventional powertrain vehicles.
- A self-standing emissions trading system is instrumental for closing the TCO gap of zero-emission vehicles, especially with respect to commercial vehicles. Without this key element of the ‘Fit for 55’ climate package in place, overall efforts to lower emissions – and especially in the road freight transport sector – cannot be effective.
- In addition to the shift to new low- and zero-emission vehicles, all energy carriers and fuels used in road transport must be decarbonised quickly and made widely available to ensure that the current vehicle fleet can contribute to the necessary emission reductions.
- Like all measures proposed in the ‘Fit for 55’ package, the inclusion of road transport in the ETS will only contribute to the overall emission reductions if it is implemented synchronously as part of a well-balanced package.

SPECIFIC ELEMENTS OF THE PROPOSAL

ETS AS A CRUCIAL PART OF THE ENABLING POLICY FRAMEWORK

- As part of a holistic policy approach and in line with science, an ambitious carbon price, which gradually increases to significantly higher levels than today, is crucial to drive the deployment of zero-emission technologies and adequately incorporate the total costs of CO₂ emissions.
- Carbon pricing should become a core element of EU decarbonisation policy in order to maintain Europe’s competitiveness and support the transformation towards carbon neutrality.
- A broad market uptake of alternatively-powered vehicles across all vehicle segments can only be expected if the carbon content of all energy carriers and CO₂ emissions are priced appropriately. All energy carriers should therefore be subject to a cap-and-trade system. Like electricity, where decarbonisation is already successfully driven by the system of ETS allowances, fuels should be part of the EU trading system in order to provide a cost-efficient market tool to reduce emissions.

- It is important to note that the ETS for road transport should be considered a complementary system. It does not replace other policy measures, such as performance targets for vehicles or renewable energy targets for fuels. Nonetheless, it constitutes an integral part of a coherent policy framework that enables all sectors to reach their targets in a holistic and cost-efficient way.
- Eventually and with a medium-term perspective, a convergence and merger of the current ETS with the new ETS for road transport and buildings should be considered.
- ACEA welcomes the proposal to use revenues from the road transport ETS to support the transition of the transport sector to carbon neutrality, eg for the roll-out of charging and refuelling infrastructure or incentives for low- and zero-emission vehicles that accelerate the renewal of the fleet.

SOCIAL AND DISTRIBUTIONAL EFFECTS

- ACEA takes note of concerns that have been raised with regard to rising fuel costs, the potential cumulative effect of different elements of the 'Fit for 55' package and the impact this may have on citizens and professional transport operators.
- No doubt, it is crucial to carefully balance the impact and share the unavoidable economic costs of the necessary transition to climate neutrality. ACEA therefore welcomes the provisions that have been proposed to ensure that a large share of the revenues of the new emissions trading system covering road transport will be made available to address the social and distributional effects of its introduction.
- Earmarking auctioning revenues for use in the Modernisation and Innovation Funds will accelerate the deployment of low- and zero-emission powertrains. It is essential to use these ETS funds to support transport operators and citizens in the transition to (often more costly) new powertrain solutions, thereby mitigating the costs of this transition.
- While some elements of the 'Fit for 55' climate package, including the extension of the ETS to road transport, will effectively lead to higher costs for customers and operators relying on fossil fuels today, it is crucial that low- and zero-carbon alternatives become widely available. It will not be acceptable if customers and operators across all mobility needs and affordability levels only see costs for transport and mobility rising without having widespread access to low-carbon alternatives.

INTERACTION WITH NATIONAL MEASURES

National emissions trading systems that include road transport emissions have recently been introduced in some EU member states (eg Germany). While ACEA welcomes early moves to establish carbon pricing as a key policy instrument at the national level, emissions from road transport should best be addressed at European level. This will avoid fragmentation and market distortions between member states.



ABOUT THE EU AUTOMOBILE INDUSTRY

- 12.6 million Europeans work in the auto industry (directly and indirectly), accounting for 6.6% of all EU jobs
- 11.6% of EU manufacturing jobs – some 3.5 million – are in the automotive sector
- Motor vehicles are responsible for €398.4 billion of tax revenue for governments across key European markets
- The automobile industry generates a trade surplus of €76.3 billion for the European Union
- The turnover generated by the auto industry represents more than 8% of the EU's GDP
- Investing €62 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 33% of the EU total

REPRESENTING EUROPE'S 15 MAJOR CAR, VAN, TRUCK AND BUS MANUFACTURERS

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