

Scene setter

[REDACTED], Deputy Director General of BDI (Federation of German Industries) has requested a meeting with you to talk about the European Green Deal and the Future EU Transport Policy. You last met him in July 2017.

Objectives

- Highlight the role of industry to meet the objectives of the Green Deal.
- Exchange on planned DG MOVE initiatives and seek support from German industry.

Key Messages

European Green Deal

- The European Green Deal is the first priority of this Commission.
- We need a broad mix of policies to decarbonise transport. Key among them: an accelerated use of sustainable alternative fuels across modes.

Greening Aviation

- Aviation, as other transport modes will need to fully contribute to the Green Deal. There is no silver bullet and we need a basket of measures:
 - To increase the efficiency of aircraft and continue the work on international technical standards which frame the development in manufacturing aircrafts and engines to emit less;
 - As a matter of priority, to complete the Single European Sky.
 - To address CO₂ emissions through market based mechanisms: we already have the ETS for intra-EU flights, the Commission will come forward with a proposal to reduce free ETS allowances to airlines over time;
 - To implement into EU law CORSIA – we will report to the EP and Council on the best way to do this in the course of 2020;
 - To put in place a framework which will support an increased production and uptake of sustainable aviation fuels.

Greening Maritime transport

- The Commission will carefully assess the options and impacts of extending ETS to maritime sector. We will pay particular attention to the risks of carbon leakage and unintended modal shift – keeping in mind the interface with international regulation. The preparatory work is starting as we speak and the consultation process will follow suit [NB: the proposal by CLIMA is scheduled for June 2021].
- In parallel, we have to boost the production, deployment and uptake of new fuels and propulsion technologies. Existing alternatives must be fully deployed as soon as possible – to clean ports and coastal cities and to accelerate the transition of the sector to sustainable marine fuels. By the end of this year, the Commission will therefore propose an initiative to support the uptake of alternative fuels for maritime – to accelerate the use of electrification of short distance shipping and to pave the way for decarbonisation of marine fuels.

Road transport: Eurovignette/ETS

- To promote clean transport we must put the right price to encourage different vehicles and different behaviour. Unfortunately, Germany did not support a General Approach on the revision of the Eurovignette Directive. This is a missed opportunity also for Germany, as it wants to make use of CO2-differentiated charging.
- In the light of the European Green Deal, the Commission wants an ambitious text. The latest Council Presidency compromise, while leaving a lot of flexibility for Member States, could have been a basis to start talks with the European Parliament. This will now be delayed but the file remains on the table and we do hope that Germany will be able to support a General Approach in June. This could allow the German Presidency reaching a much-needed agreement with the European Parliament.
- ETS for road could be a longer-term solution, and could be considered alongside; not replacing, already existing measures: CO2 standards, fuel taxation, and road charging. We need to assess options carefully in order to avoid duplication ('double taxation').

Boosting (international) rail freight transport

- The EU freight transport is dominated by road transport which accommodates 75% of land transport volumes. The European Green

Deal defines the objective to shift a “significant share” of this to rail and inland waterways.

- So far, the rail sector struggles to meet the needs of shippers from just-in-time industry and commerce, in particular as regards the reliability and flexibility.
- We encourage German industry as a major user of transport and logistics services to seriously consider rail freight transport as an element of its efforts to make transport and logistics greener, safer and more resilient.
- We invite you to contribute to the evaluation of the rail freight corridors which are a major tool to boost the competitiveness and customer-orientation of international rail freight transport.

Combined Transport

- The EU has until now only one legal instrument that directly supports shift from long distance road transport to more sustainable modes of transport, the Combined Transport Directive. Commission adopted a proposal for updating it in 2017, but the amendments proposed by the co-legislators threaten to actually reduce the support to combined transport instead of increasing it.
- Therefore, the Commission has decided that a new and more ambitious approach is needed and this is what the EU Green Deal promises. We will be working on a new combined transport and other proposals to come up with a holistic approach to greening the cargo transport in Europe. This will be presented to the co-legislators next year.

Connecting Europe Facility

- The MFF 25% climate target can only be delivered if the share of the most climate-oriented programmes is maintained or increased. The Connecting Europe Facility 2021-2027 is the investment programme with the highest climate target: 60% (except for ITER at 100% and LIFE at 61%).
- CEF supported investments have a catalytic effect on private investment in favour of the decarbonisation of transport: providing the infrastructure for low-carbon mobility (including alternative fuels) through CEF is an enabler for private sector investments in low-carbon fleets and services.

- CEF transport could easily spend larger budgets, both under its general envelope, as well as under the cohesion envelope. The requirements of the Green Deal will put many Member States under strong pressure to deliver and the centrally managed CEF can target such investments efficiently. Given the ongoing portfolio, it is a highly appreciated budget in the net-contributor countries notably.

Research and Innovation

- We need a major push in research and innovation to achieve the European Green Deal.
- The Commission is preparing for a specific European Green Deal call still under Horizon 2020 (expected for July). We want to link transport research to other sectors, in particular energy (clean fuels, electricity, hydrogen).
- Horizon Europe will further intensify cross-sector research & innovation. We will link transport with energy, ICT, industry (and especially industrial competitiveness).

Future of EU Transport Policy

- To set the framework for this, we will adopt next year a Sustainable and Smart Mobility Strategy which will cover all transport areas (safety, security, internal market etc.) and will focus on sustainability and digitalisation.
 - We will adopt this year a Strategy on Sustainable and Smart Mobility.
 - Main focus will be the contribution of transport to European Green Deal. 4 principles that will guide transport's contribution:
 - Making the transport system as whole more sustainable;
 - Making sustainable alternative solutions available to EU citizens and businesses;
 - Respecting the polluter-pays principle in all transport modes;
 - Fostering connectivity and access to transport for all.
 - In the upcoming strategy, we plan measures in the following four areas of action:

- Boost the uptake of clean vehicles and alternative fuels for road, maritime and aviation;
 - Improving efficiency across the whole transport system and increasing share of more sustainable transport modes;
 - Incentivising the right consumer choices and low-emission practices;
 - Investing in low- and zero-emissions solutions, including infrastructure.
- Strategy will be comprehensive and address other areas to equip EU with a mobility that is sustainable, modern, accessible, safe, secure and competitive for the decades to come.

Defensive Points

Industries are concerned that decarbonisation efforts mainly focus on e-mobility

- MOVE is currently assessing how to ensure that every transport mode has a clear pathway towards a sustainable alternative fuels basis that achieves significant GHG emission reductions from a life-cycle perspective compared to current conventional fuel use. A crucial area of action is to accelerate the use of sustainable alternative fuels across all modes of transport. Different sustainable alternative fuels will be needed to decarbonise all modes. In this regard, MOVE is having a technological neutral position.
- Upcoming policy measures will likely change significantly the fuel mix of the modes with limited alternatives towards use of fuels that can provide a large share of each mode's fuels in a carbon-neutral way. Progress will also depend largely on sufficient increase in the production of electricity and hydrogen from renewable resources as well as the availability of sufficient quantities of sustainable biofuels/biogas.

BDI is against mandatory external cost charging and congestion charging, it considers the latter as double charging.¹

- The new rules would still allow Member States to choose when, where and how much to charge – but they would have to justify if they wanted to charge above certain reference values. There would be no minimum charges.

¹ https://e.issuu.com/embed.html?d=20190924_bdi_position_englisch_zukunft-eu-verkehrs&hideIssuuLogo=true&u=bdi-berlin

- Congestion charging would in any case be optional and adjusted to local circumstances. It could only be applied if cars were also covered, not just commercial transport.

Will the Commission incentivise the uptake of net zero-carbon fuels, such as bio-fuels/gases or e-fuels/gases?

- Bio-fuels/gases and e-fuels/gases are an important component of any strategy for the decarbonisation of maritime transport, since they can reduce emissions with, and offer a longer-term perspective to, the use of current and transition technologies like LNG. While a wider choice of zero-carbon technologies may become available in the future, it is important to allow the sector to start reducing GHG emissions immediately, and bio-fuels/gases and e-fuels/gases can allow that.

What is envisaged by the DG MOVE for the initiative announced in the 2020 Commission Work Programme on “FuelEU Maritime – Green European Maritime Space”?

- The Green Deal Communication has once again emphasized the importance of alternative fuels for ensuring the transition to sustainable mobility. This is particularly true for the shipping sector, which heavily relies on conventional fuels, mainly heavy fuel oil, gas oil and diesel oil.
- It is too early to provide details on what will be specifically covered in this initiative. However, it is clear that its aim will be to accelerate the provision of sustainable alternative fuels in European ports as well as to enhance the transition of ports to low emission energy use. This should also include in principle the provision and use of on-shore power supply for ships at berth.

The EU is investing heavily in rail freight for years now, but there are no results. Why should we continue wasting taxpayers' money on a non-competitive mode of transport, rather than focus on greening road transport?

- It is true that EU actively supports rail via the Connecting Europe Facility where roughly 70 % of the funding is dedicated to rail infrastructure.
- However, other EU funding for transport (e.g. regional development support) and national investments mostly go to road infrastructure and in many Member States rail infrastructure is chronically underfinanced.
- Greening other modes of transport is important, but the advantages of rail go beyond the use of electricity, with its high energy efficiency and the potential to alleviate road congestion by reducing the number of lorries on our roads.

The Commission is not doing enough to support rail freight. Do you intend to change this?

- We have started evaluation of EU legislation on the rail freight corridors.
- Rail freight has long been an important part of our transport policy.

- However, rail requires big investments, which the EU budget cannot satisfy. Member States have their responsibility to develop national transport policy as well, as do rail freight stakeholders in improving the quality of their services.
- Therefore, the Commission focuses its efforts in building a legal framework that allows for a level playing field, more competition, better operational conditions and improved interoperability.

What are Commission actions to ensure a level playing field with Chinese state owned companies?

- The Commission is committed to ensuring balanced and reciprocal conditions in the Union's economic relationships with third countries, including in public procurement.
- As set out in the Joint Communication 'EU-China - A Strategic Outlook' of 12 March 2019, the Commission has been working on a series of initiatives to enhance the level playing field in relation to public procurement. The objective is to ensure that bidders - European and third country alike - play by the same rules and respect the same standards and requirements.
- **Access to EU market for 3rd country bidders:** A first deliverable is the guidance on the participation of third country bidders in the Union's procurement market. This guidance addresses how to deal best with the participation of third country bidders and goods in our procurement market.
- The guidance recalls that that only companies from third countries with which the EU has signed binding international or bilateral free trade agreements covering public procurement have guaranteed access to the EU procurement market. Other third country companies do not have secured access to EU procurement markets and may be excluded.
- The Commission services are also currently working on an overview of the implementation of the current framework to identify shortcomings, in particular as regards the distortive effects of foreign state ownership and state financing in the internal market.
- **MEAT:** Various measures have also been put in place to address the misconception that Union's legislation requires the lowest price to be the determining factor in public procurement procedures. We continue to promote and encourage public authorities to put quality-based considerations and societal objectives at the heart of their procurement (so called MEAT, most economically advantageous tender). A package of measures to assist Member States in this context was adopted in 2017.
- **Access to Chinese rail market:** The EU-China Connectivity Platform was established in 2015 between the European Commission (DG MOVE) and the National Development and Reform Commission of China (NDRC) – right after the Chinese came out with their Belt and Road Initiative. An essential objective of the Platform for us is to push forward on transparency, reciprocity in market access and a level playing field for our businesses.

Background

Decarbonisation

The Green Deal announced that transport needs to reduce its emissions by 90% by 2050. Road, rail, aviation, and waterborne transport all have to make a significant effort to decarbonise in order to contribute to this transition. Accelerated use of sustainable alternative fuels guarantees the reduction of GHG emissions. However, some modes have limited alternatives to decarbonise. While technological neutrality is a key principle, policies also shape choices.

To achieve that, a widespread, dense network of infrastructure with interoperable use services across borders is required. In this regard, the revision of the Alternative Fuels Infrastructure Directive and of the TEN-T regulation are key initiatives, set for 2021. MOVE is also working on other legislative options to **boost the production and use of alternative fuels**, for example in aviation and maritime.

Another priority area with important benefits for decarbonisation of transport is **increasing efficiency** in the overall system through the use of more automated and connected **multimodal transport and mobility**. One pillar of this is about better management and increase of the capacity of railways, inland waterways, short sea shipping. Finally, innovation and smart traffic management systems enabled by digitalisation will play also a key role during this process.

Rail freight

The 2011 White Paper on Transport identified rail freight as a tool to achieve a competitive and resource efficient transport system. The Paper set a target for modal shift of 30 % of road freight over 300 km to rail or waterborne transport by 2030, and more than 50 % by 2050. The Green Deal re-affirms the objective to shift a significant share of road freight transport to rail.

The competitiveness of rail freight increase proportionally to the distance. Consequently, the rail freight market has a prominent international (hence EU) dimension, given that around 50 % of volumes are moved across borders (compared to 6 % of passenger traffic). EU has adopted legislation to open competition between rail freight service providers since 1 January 2007. In parallel, the EU developed legislation on railway safety and interoperability with a view to reduce the technical and operational barriers to cross-border traffic.

Nevertheless, rail freight is stagnating since years. Due to structural economic change, notably the declining importance of heavy industry in the EU, the goods being transported have undergone profound change, reducing the importance of competitive advantages of rail freight transport.

Furthermore, rail freight suffers from lack of punctuality, reliability, and predictability. In the first quarter of 2018, the percentage of freight trains delayed more than 3 hours reached 50 % along the Alpine corridor. Many domestic rules and barriers at border crossings still hinder its performance.

Freight has usually a low priority both in capacity planning (where preparing rail timetables) and capacity utilisation (during operations) in case of delays, both for

domestic and cross-border services. Cross-border freight connections can remain “trapped” between different priorities set at national level, reducing their speed and impacting resource productivity and service reliability. Passenger traffic is often considered the ‘core business’ by many infrastructure managers. Negative effects for freight are exacerbated by a lack of uptake of digital tools and automation of infrastructure managers business processes. This lack of wider EU focus has a negative impact on capacity management and on the performance of international rail services.

Investments into infrastructure (at EU and national level) have not always been accompanied by operational improvements. Infrastructure maintenance works are not duly coordinated internationally and freight traffic suffers the most. Furthermore, in the event of incidents or works, it has been difficult to make available diversionary routes with equivalent characteristics (train length, gauge, axle load, ...) even along the Rail Freight Corridors (RFCs). This can deeply affect both rail competitiveness and EU businesses. As an example, the total losses from the Rastatt incident in August 2017, where major freight line was closed for 8 weeks, have been estimated to approximately EUR 2 billion.

Exchange of information (e.g., on expected time of arrival, type of cargo, etc.) is scarce. Digital systems to monitor and plan rail services have a purely national scope and the European layer is not yet fully in place and use.

Contact:

[REDACTED]

Annex

Meeting report

Subject: Meeting of Henrik Hololei with [REDACTED] from BDI, German Federation of Industries on 4th of July 2017 10:30 – 11:15

Participants: Henrik Hololei, DG MOVE
[REDACTED], DDG of BDI
[REDACTED], BDI Brussels
[REDACTED], MOVE C1
[REDACTED], MOVE A3, note-taker

Summary: BDI had asked for the meeting with DG Hololei to get an overview of current developments in EU transport policy notably on progress on ETS in the maritime and aviation sector and on the recent mobility package.

Regarding the inclusion of **maritime transport** in emission trading the DG explained that DG MOVE is currently not pursuing an own initiative on this topic and would prefer that an agreement at the level of the IMO is reached but that things are moving slower than expected. The DG further stressed that industry support for such an agreement including clear targets are needed. BDI said it would try to engage with DE ship yard owners on the issue to promote a move ahead in emission reduction from the sector.

With respect to **aviation** the DG referred to the ICAO agreement of last October and explained that the ICAO council is currently working out the details. He further explained that DG MOVE is supporting developing countries to join the scheme on a voluntary basis. Further the EC decision to stop the clock on a regional emission trading system was explained. The idea is to wait for the details of the global scheme which if robust, efficient, multilateral and ambitious on the emission reductions would make the regional system superfluous.

BDI inquired on DG MOVE's position regarding synthetic fuels in aviation. The DG explained that this is in the portfolio of DG ENER but that in MOVE point of view it can only be part of the solution.

Regarding the recently adopted **Mobility package** the DG explained that cars are now included in the scope of the EUS policy proposals. The EC is promoting the polluter/user pays principle to keep up the investment levels in infrastructure and to achieve emission and other external cost reduction targets. The EC clearly favors distance based tolling systems but the final choice will be up to the MS. In view of urban Mobility it was explained that the EC expects congestion charging to be more widely used in the future but that it can only set the framework and promote best practices. The final choice lies at the local/MS level. MOVE C1 explained the scope of the mobility package which includes an internal market and a social pillar. Negotiations in the council are expected to start in July and the EE presidency has a very ambitious agenda on this.

As a final point BDI voiced the industries concern that decarbonisation efforts mainly focus on **Electromobility**. The DG assured that DG MOVE is having a technology neutral including all types of propulsion systems and fuels. BDI mentioned that it is currently undertaking a study looking into pathways to climate protection and offered to present it in Brussels once finalized.

As a follow up BDI re-invited the DG to join a meeting of its mobility committee and will look into the possibility to hold it in Brussels.