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From:	Presidency
To:	Permanent Representatives Committee/Council
No. Cion doc.:	15011/18
Subject:	A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy - Transport aspects – Policy debate

1. On 28 November 2018, the Commission adopted the communication 'A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy'.

2. At the meeting of the Council (Transport) on 20 September 2019, ministers will be invited to hold a policy debate on the communication. The Presidency has prepared a background paper (in Annex) and questions to help structure the discussion.

3. The Permanent Representatives Committee is invited to take note of the Presidency background paper, as set out in the Annex to this note, and to forward it to the Council for the above-mentioned exchange of views.

ANNEX

A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy – Transport aspects

Transport accounts for about a quarter of the EU's total greenhouse gas emissions (GHG) and is currently the only sector where emissions have increased.[1] The EU's dependency on imported petroleum and petroleum products is now at more than 85%.[2] Transport policy has become one of the core elements of EU climate policy in recent years. At the same time, climate and environmental objectives are shaping the future of transport in important ways. In order to achieve significant emission reductions and start the transformation of transport, concrete and ambitious measures and a holistic approach to all modes of transportation are required. Many enabling policy measures in other areas are needed, including, in particular, pricing, research, development and innovation, as well as soft measures that drive changes in consumer behaviour.

Parties to the Paris Agreement are invited to communicate their long-term, mid-21st century GHG emission development strategies to the United Nations Framework Convention on Climate Change (UNFCCC) by 2020. On 28 November 2018, the Commission adopted the communication 'A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy'.[3] The communication sets out the Commission's vision of the economic and societal transformations required to achieve the transition to net-zero GHG emissions by 2050.

At the informal meeting of environment and transport ministers on 30 October 2018 in Graz, ministers discussed clean, safe and affordable mobility. At the informal meeting of the transport ministers on 26 March 2019 in Bucharest, the strategic long-term vision was the subject of informal discussions.

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1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A European Strategy for Low-Emission Mobility [COM(2016) 501], https://ec.europa.eu/transport/sites/transport/files/themes/strategies/news/doc/2016-07-20-decarbonisation/com%282016%29501_en.pdf

2 EU Energy in figures, 2018

3 Commission communication released on the 28th of November 2018: https://ec.europa/clima/policies/strategies/2015_en

In June 2019, the European Council invited the Council and the Commission to advance work on the conditions, the incentives and the enabling framework to be put in place so as to ensure a transition to a climate neutral EU in line with the Paris Agreement. This transition should preserve European competitiveness, be just and socially balanced, take account of Member States' national circumstances and respect their right to decide on their own energy mix, while building on the measures already agreed to achieve the 2030 reduction target. In this context, it was noted that for a large majority of Member States, climate neutrality must be achieved by 2050.

Also in June 2019, the European Council agreed on an agenda for the EU for the next five years. Priority actions identified in 'A new strategic agenda 2019-2024' include ensuring that EU policies are consistent with the Paris Agreement, as well as improving the environment in our cities and countryside and enhancing the quality of our air and waters, in which transport has an important part to play.

Reducing emissions rapidly is necessary in order to ensure a transition to a climate neutral EU. Governments need to be able to support the ongoing technological transformation towards low and finally zero-emission powertrains, sustainable transport fuels, digitalisation and automation of transport. Multimodality could also enhance significantly the efficiency and environmental sustainability of transport. Greater integration and combined use of different transport modes can exploit the strengths of each mode and as a result reduce externalities such as emissions or congestion. In addition to the internalisation of external costs, specific measures concern investment in sufficient multimodal infrastructures and support for transshipment facilities to fill infrastructure gaps.

Climate-related policies in the area of transport are of great economic importance. The Commission published a study in June 2019 that estimates that the external costs of transport in the EU 28 amount to circa 1,000 billion euros annually and concludes that they are only partially internalised through taxes and charges. The external costs include climate change, air pollution and noise that total around 440 billion euros annually. The remaining external costs are divided between accidents and road congestion.

Pricing external costs is an effective method for combating climate change and other externalities. It is complementary to non-pricing measures such as regulation. Pricing may provide new sources of budgetary revenue. In addition, pricing of external costs rewards companies and citizens who invest in more sustainable technologies.[4]

TEN-T policy, which includes smart and innovative components, is strengthening its role as an enabler of an efficient, safe and sustainable transport system. This role will receive particular attention in the review of the TEN-T policy, which was launched this year. Along the same lines, the Connecting Europe Facility (CEF) programme has mainly supported sustainable modes of transport, with 72% of the total funding allocated to actions contributing to the EU's climate change objectives. Furthermore, under CEF Financial Instruments, the amended Delegation Agreement with the EIB has further targeted the offer of financial products on CEF priorities, in line with the objective of decarbonisation of transport and better interconnection.

It is particularly important that the transition to a climate neutral economy and society is fair and that the implications for our citizens, Member States and the European industry are clearly known. The path to a climate neutral economy and society will offer new global business opportunities and room for innovations. These possibilities should be fully utilised to ensure and further promote European competitiveness.

The role of the transport sector is crucial in ensuring a transition to a climate neutral EU. Noting the priority actions of the Strategic Agenda 2019-2024 and following the European Council's invitation to advance work on the conditions, the incentives and the enabling framework, ministers for transport are invited to discuss aspects that are relevant to their field.

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4 Study Sustainable Transport Infrastructure Charging and Internalisation of Transport Externalities (June 2019): https://ec.europa.eu/transport/themes/sustainable-transport/internalisation-transport-external-costs_en

Questions for all sessions

To stimulate discussion at the meeting, delegations are invited to consider the following questions during all three sessions.

1) *Is the current transport policy compatible with the long-term vision of achieving climate neutrality? Which measures would allow the transport sector to decisively contribute to climate neutrality by 2050?*

2) Do you agree that a long-term decarbonisation strategy for transport would allow for a holistic pathway that would enable the EU to achieve climate neutrality? Should the strategy include all modes of transport or should sector-specific strategies be created?

Reducing GHG emissions in land transport

Road transport provides wide-ranging benefits for society, such as territorial cohesion and connectivity, better access to markets and employment opportunities. At the same time, road transport accounts for approximately 70% of total EU-28 GHG emissions from transport.

The Commission's communication on the strategic long-term vision for a prosperous, modern, competitive and climate neutral economy recognises key elements of achieving clean transport: 1) increasing low-emission and zero-emission vehicles 2) a long-term transition to alternative fuels for transport, and 3) improving the efficiency of the transport system. Furthermore, increasing the market share of railway, in particular for freight, is essential for the EU strategy for a climate neutral Europe by 2050.[5]

[5] A Clean Planet for all – A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy, 28.11.2018, COM(2018) 773 final

These key elements include several measures that are essential for the transition. Most technologies are already available and new ones are being developed. Existing solutions include plug-in hybrid, battery or fuel-cell electric vehicles as well as fuel cells, other alternative fuels, digitalisation, recharging and refuelling infrastructure. New transport services based on advanced ticketing systems are also growing in importance. By means of land use, transport planning, and promotion of cycling, walking and public transport, we can enhance the efficiency of the urban transport system. A modal shift from road to rail and to waterborne transport contributes to sustainable logistics and transport. At the same time, connected, cooperative and automated driving can help improve the energy efficiency of road transportation.

The EU has agreed on several important legislative initiatives during the last years, such as CO_2 emission performance standards for light and heavy-duty vehicles, aerodynamic truck design and targets for clean vehicles in public procurement. The Eurovignette proposal is directly linked to climate policy and internalisation of external costs. The Council is currently debating the proposal and the Presidency's objective is to adopt a general approach in December. While Member States should have flexibility to design their road charging systems, the new EU scheme should reflect the 'user and polluter pays' principles.

However, it is clear that further initiatives are needed. A successful transition towards climate neutrality requires an integrated and systematic approach and a clear vision on the decarbonisation of land transport, including long-term certainty for needed investments.

Questions for session I

To stimulate discussion at the meeting, delegations are invited to consider the following questions and to limit their answers to three minutes.

1) *In your view, what are the most efficient and realistic measures that are needed to reduce GHG emissions in land transport? What should be addressed at an EU-level during the next five years?*

2) *How can emissions from road transport be reduced in a way that takes account of the social dimension and need for a just transition? What new policy measures will be needed to facilitate the transition to a climate neutral economy in a socially fair manner?*

Reducing GHG emissions in aviation

Aviation is an inherent part of any modern transport system. On the one hand, it enables global connectivity and supports economic growth in multiple ways. On the other hand, it represents a growing challenge in terms of reaching our climate goals. Aviation accounts for 2-3% of global GHG and 3,6% of EU emissions, representing 13,4% of CO_2 transport emissions. By 2040, global air traffic is expected to increase by up to 300%. Taking into account the recent IPCC report[6], it is vital for aviation to start stabilising emissions and initiate action to reduce emissions.

The global aviation community has taken an important step by agreeing on the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to achieve a carbon neutral growth from 2020 onwards. The final CORSIA negotiations are ongoing and the aim is to achieve a global system that is as environmentally robust as possible and to ensure effective and global implementation by 2021. At EU level, aviation is included in the EU's emission trading system (ETS) covering intra-EEA flights. Within one year of the completion of the CORSIA package and before the start of the scheme, the Commission should consider in a report to the co-legislators how to implement those instruments in Union law. Where appropriate, the Commission should also accompany its report with a proposal consistent with ensuring the contribution of aviation to the Union's 2030 economy-wide greenhouse gas reduction commitment.

Another important initiative is to improve air traffic management and in doing so reduce emissions caused by inefficient flying. The Commission established a "Wise Persons Group" on the future of the Single European Sky (SES) to produce recommendations in order to deliver better performance and better services while taking into account the continuous growth of air traffic. The aim should be to agree on common solutions and work together to update and upgrade the SES legislative framework.

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[6] Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global GHG emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. https://.ch/sr15

New technology and operational improvements of aircraft, electrification of ground-support equipment and improvements in air traffic management have already substantially increased energy efficiency in aviation. Ongoing and future EU research and innovation projects will lay the groundwork for tomorrow's operational and technological solutions. Still, much more needs to be done in order to reach the ICAO goal of carbon neutral growth from 2020 onwards and especially to contribute to the Paris agreement's objectives. While being conscious of limited availability of alternative fuels at the moment, sustainable aviation fuels (SAF) are, however, one of the most efficient measures to reduce emissions. EU and national measures to promote production and uptake of SAF should be considered. The electrification of aviation, in particular for short and medium distance destinations, and the development of hybrid airplanes are underway, but this will still take decades.

European climate ambitions have been reflected in the recent flight tax and aviation fuel tax discussions within the EU, aimed at providing a level playing field for all modes of transport.[7] For the time being, fossil aviation fuel is not under taxation on intra-EU or international flights, although some Member States apply per-passenger taxes. Aviation is a global industry, and therefore global solutions are important, for reasons of competitiveness but also taking into account the need to assess risks of carbon leakage. With the CORSIA pilot phase starting in 2021 and with the current status of aviation under the ETS, it is essential that new initiatives are carefully and coherently planned. Balanced and effective regional solutions should nevertheless be considered if the level of ambition required to meet our climate targets is not met globally.

[7] Aviation tax/carbon pricing has been on the agenda of the Transport Council on 6 June, the Economic and Financial Affairs Council on 12 February and the Environment Council on 5 March as AOB-items.

Questions for session II

To stimulate discussion at the meeting, delegations are invited to consider the following questions and to limit their answers to three minutes.

1) The final preparations of CORSIA are ongoing in ICAO. *In your view, what impact will CORSIA have in reducing aviation emissions and how should it be integrated with the ETS system that we already have in the EU?*

2) *In your view, which measures would be most efficient for reducing aviation emissions, while maintaining socially accessible connectivity and competitiveness of the aviation sector and other economic sectors that depend on it? What additional measures could the EU take to reduce GHG emissions in aviation within the next five years? (e.g. taxation, blending obligation for SAF, air navigation charges)?*

Reducing GHG emissions in shipping

With over 80% of the volume of global merchandise carried by sea, maritime transport remains the backbone supporting international trade. Maritime transport and all related shipping services are essential for European companies and enable them to compete globally. However, international shipping is a growing source of GHG. According to the IMO's third GHG study[8], maritime transport is responsible for about 2.5% of global GHG emissions. These emissions are projected to increase by between 50% and 250% by 2050, therefore significantly risking to undermine the objectives of the Paris agreement.

[8] Link to the Study: http://www.imo.org/en/OurWork/Environment/PollutionPrevention/AirPollution/Documents/Third%20Greenhouse%20Gas%20Study/GHG3%20Executive%20Summary%20and%20Report.pdf

In April 2018, the IMO adopted an initial strategy on the reduction of GHG emissions from shipping[9]. The aim is that GHG emissions from international shipping will stop growing and the total annual GHG emissions will be reduced by at least 50% by 2050 compared to 2008, with the additional aim to phase them out in this century. The IMO is currently working on short-term measures to reduce emissions already before 2023 as well as developing potential mid to long-term measures on which it aims to have an agreement by 2023.

Progress in the IMO has been slow despite efforts by many EU Member States and other members of the IMO to develop, implement and address GHG emissions from ships. The EU level system for monitoring, reporting and verification (MRV) of CO_2 emissions from shipping is currently under review[10], to take into account the global data collection system adopted by the IMO. The 2018 EU MRV data shows that ships performing maritime transport in EU waters account for more than 130 million tonnes of CO_2 emissions.

At international level, measures to reduce fuel consumption and consequently GHG emissions include mandatory technical and operational measures to increase energy efficiency by design (EEDI) and management (SEEMP). Possible options to deliver GHG emission reduction or increase efficiency include, for instance, route and speed optimisation, wind assistance technologies, better cargo space utilisation, main engine improvements, electrification, electrical hybrids and propulsion efficiency devices. In addition to measures on board, there are several ways to improve efficiency in ports and along the whole transport chain. These include better cargo handling, shore power, just-in-time arrival and other solutions based on digitalisation, automation and sharing of data (also highlighted in the MEPC Resolution MEPC.323(74)). Emissions reductions could be further improved by accelerating the introduction of alternative sources of power, such as battery technology in short-sea shipping (for example fully electric ferries and short haul container ships already in operation) and low/zero carbon fuels in all shipping, as well as by developing the distribution infrastructure accordingly.

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9 Initial IMO Strategy on reduction of GHG emissions from ships and existing IMO activity related to reducing GHG emissions in the shipping sector. https://unfccc.int/sites/default/files/resource/250_IMO%20submission_Talanoa%20Dialogue_April%202018.pdf

10 Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/757 in order to take appropriate account of the global data collection system for ship fuel oil consumption data, COM(2019) 38 final

Due to the global nature of shipping, global measures should be prioritised. However, if the global level of ambition does not match the level of ambition required to meet our commitment to the Paris agreement, and given the share of EU-related emissions, additional EU level measures would need to be considered.

Questions for session III

To stimulate discussion at the meeting, delegations are invited to consider the following questions and to limit their answers to three minutes.

1*) In your view, which measures would be most efficient for reducing emissions from international shipping?*

2) *The relatively slow progress in the IMO could make additional actions at EU level necessary. What additional measures could the EU take within the next five years to reduce GHG emissions from shipping (e.g. alternative fuel, making plug-in shore side electricity mandatory in EU ports, energy efficiency improvements, ETS)?*