



European Federation for
TRANSPORT and ENVIRONMENT

BACKGROUND BRIEFING

European Commission proposal on the 'Greening Transport' Package

July 2008

Transport should pay for their environmental damage

A key element of the European Commission's 'greening transport' package is a proposal to amend the 'Eurovignette Directive'¹, that establishes a set of rules Member States need to comply with when applying road charges for heavy goods vehicles on trans-european transport network (TEN-T) motorways.

It is important to note that neither the current nor proposed revision to the Eurovignette directive force any Member State to introduce road charging schemes, they merely set rules for those that choose to do so.

The main objective of this revision is to remove the current prohibition of 'external cost charging'. Under current rules, Member States are explicitly prohibited from charging road users in the freight sector for the 'external' costs of their operations (such as environment, noise, congestion and health costs) on TEN-T roads. The existing rules, in that sense, directly contradict the 'polluter pays' principle, a critical pillar of EU environmental policy as laid down in the European Treaty.

Summary of T&E's views

External cost charging in road tolls is an important step forward for European transport policy, and long overdue;

- It should be up to Member States if they choose to include climate and accident costs, there is no reason to prohibit them from doing so;
- There should be no 'cap' on charges. Member States should be free to decide the level of charges required to cover all negative impacts of road transport within the established guidelines;
- Member States should be able to decide for themselves what charges to apply on national and local roads;
- Time-based vignettes are inefficient and can be discriminatory, they should be replaced by distance-based charges.

External cost charging in Switzerland

Switzerland is the only country with a km-based charging scheme applied to lorries using the entire national road network which include external costs since 2001. The charges include the costs associated with air and noise pollution, climate change and road accident costs. Because Switzerland is not a member of the EU it is not

subject to the existing Eurovignette rules which prohibit external cost charging.

The Swiss experience is particularly valuable since it gives an important indication of the impacts one can expect from external cost internalisation through road charging. The main results are as follows:

- Efficiency gains in the road transport sector (more tonnes transported with fewer vehicle kilometres);
- There was a negligible impact on consumer prices;
- There are built-in incentives to buy cleaner vehicles, resulting in higher sales of cleaner trucks;
- As a consequence of cleaner vehicles and reduced mileage there was a reduction in the environmental impacts of transport;
- The number of people employed in the road transport sector remained stable.

Why do external costs need to be included in road charges ?

There is abundant evidence that when external costs are included in road user charges, negative environmental and health impacts are reduced and the transport system operates more efficiently. The benefits of the Swiss road charging scheme are highlighted above.

Since the publication of the 1995 green paper, "Towards fair and efficient pricing in transport" the internalisation of external costs of transport has been an important stated EU policy objective. More than a decade after that publication, a report from the European Environment Agency (EEA) concluded that this policy objective is still far from being achieved and "internalising external costs should remain a main focus of transport pricing policy" (EEA TERM report 2007).

The revised Eurovignette directive

Please note that this briefing is a summary of T&E's analysis of a **draft** version of the proposal.

Under the current 'Eurovignette Directive' Member States are prohibited from internalising external costs of transport through road charging.

With the Proposal to revise the Eurovignette Directive to be adopted in July, the Commission says its aim is to change this framework and to '*unlock more efficient and greener charging*'. A new legislative framework is expected

¹ Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, amended by Directive 2006/38/EC.

to be proposed, **allowing** Member States to apply an 'external cost charge' that 'shall be related to the cost of traffic-based air pollution, the cost of traffic-based noise pollution, or both' and 'on road sections subject to congestion the external cost charge may also include the cost of congestion during the periods when these road sections are usually congested'.

Member States will not be obliged to charge for external costs, but again the Eurovignette directive will set the rules that apply if they choose to do so.

Climate and road accident costs: let Member States decide

The Commission's proposal only enables Member States to charge for **some** external costs, namely air pollution, noise and congestion. This means that European law will continue to prohibit Member States from internalising the costs of road accidents, climate change, land-use and biodiversity impacts and others. If this approach is confirmed it is a missed opportunity to align the Directive fully with the 'polluter-pays principle'. And as a result, road charges will be less effective overall.

This is particularly important for accident costs and climate change costs. The IMPACT study for the European Commission provided a methodology to estimate their level in a precise way. So the lack of scientific understanding is not a problem. Regarding accidents, the IMPACT study clearly showed that there is an external component to accident costs that is not internalised through insurance premiums and for which distance-based road charging is a *first best* option to internalise.

As the contribution of transport to climate change is continually growing, with road freight transport being one of the fastest growing sources of CO₂ emissions in the EU, it makes no sense for the EU to restrict Member States from internalising climate change costs if they want to.

Scrap the cap

The Commission will also propose a '*maximum chargeable external costs*' limit which in practice will limit the extent to which Member States can charge for external costs.

We recognise the need for the Commission to ensure that transit countries are not allowed to introduce disproportionately high charges. The Commission will propose a transparent methodology that Member States should strictly follow, along the lines of the IMPACT study. Member States will also be required to submit their cost calculations to justify the charge level to the Commission. This will provide built-in guarantees against excessive charges. Restricting the ability of Member States to apply optimal charges is neither an efficient nor a fair approach.

The proposal as it currently stands caps charges at the *average* costs identified by the 'IMPACT' study for the European Commission. That is a blunt approach, and not scientifically robust, making it impossible to internalise at

least half of the external costs generated by road transport and undermining the objectives of this review.

The efficiency and fairness problems are particularly visible in the case of sensitive regions (e.g. mountainous areas). The IMPACT study recognised the existence of regions for which external costs have to be determined in a different way. For example it estimated that for the Alpine region, the damage imposed by road traffic might be on average a factor of 2.0 higher than for a flat 'normal' area. Mountain passes may more sparsely populated than, for example, the Netherlands, but in the valleys, density is high. And importantly, natural phenomena can seriously exacerbate environmental problems in these areas; echos cause greater noise pollution and inversion of air layers causes air pollution to rest at lower levels, causing greater environmental and health impacts.

By establishing a '**cap**' on external costs based on an EU-wide average values these communities will be strongly prejudiced and forbidden from being fully compensated for the damage road transport does to their health and environment.

Time to replace time-based charges

Although the stated objective of this review is to promote '*smart*' charging, the Commission decided to leave untouched the provisions that allow Member States to have time-based charges (ie. Vignettes that allow vehicles to circulate for a given time).

Time-based vignettes should have no place in a 'smart charging' framework. In contrast to distance-based charges, they do not encourage transport efficiency or help to meet environmental targets. They are also prone to discrimination against foreign vehicles.

With the falling technical implementation costs of distance-based charging systems, the time has come to consider a mandatory transition from time-based vignettes to distance-based tolls.

Further information:

T&E Website:

www.transportenvironment.org/Pages/lorry-charging/

'A Price Worth Paying': guide to the existing Eurovignette directive with an overview of road charging in all EU Member States.

www.transportenvironment.org/Publications/prep_hand_ou_t/lid:458

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