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DECARBONISATION IN PUBLIC TRANSPORT : A CALL FOR COHERENT POLICY INITIATIVES

UITP (International Association of Public Transport) is a passionate champion of sustainable urban mobility and is the only worldwide network to bring together all public transport stakeholders and all sustainable transport modes. We have 1,400 member companies giving access to over 18,000 contacts from 96 countries. Our members are public transport authorities and operators, policy decision-makers, research institutes and the public transport supply and service industry. Visit our website: www.uitp.org/eu-policy

Key facts for public transport in the EU 28

Passenger journeys: 57 billion/year, more or less equally shared between road modes (mainly bus) and rail modes (urban, suburban and regional rail).

Economic value of public transport services: € 130 - 150 billion/year or 1 – 1.2% of GDP.

Employment: direct employment 1.2 million and indirect employment 2 - 2.5 indirect jobs for each direct job on average.



Public transport contributes to better air and quality of life in cities and to reduced greenhouse gas (GHG) emissions across the EU, as it uses fewer resources and emits less CO₂ per passenger than individual motorised transport. **Despite this great record of accomplishment, public transport companies are determined to contribute even further to the decarbonisation of transport** by replacing the oldest part of their fleet by modern, more efficient vehicles and by using alternative fuels and electric propulsion systems.

Today the propulsion technologies used in the bus sector are much diversified, and the extent to which alternative fuels can be used depends on the local context (topography, availability of funds for new vehicles, access to alternative fuels, etc.) but also on the regulatory environment, which may either encourage or discourage the use of e-mobility and alternative fuels.

Policy initiatives at European level need to be coherent and jointly aim at supporting the decarbonisation of (public) transport. This is not only required under the “better regulation” approach, but is also the only way to ensure that efforts taken in one policy area are not undermined by another.

Policy coherence is also necessary because the public transport authorities' and operators' investments into infrastructure, vehicles and equipment needs stable conditions regarding fuel taxation and subsidies. Otherwise investments may be made without ever getting the envisaged returns.

Energy taxation

The use of alternative fuels in public transport is largely influenced by the energy taxation regime in the EU Member States. Article 5 of the EU's Energy Taxation Directive (Council Directive 2003/96/EC) enables Member States to apply a reduced tax rate for the public transport sector. Certain energy products used for the carriage of passengers can even be completely exempted from taxes, according to article 15 point 1(e). Unfortunately the list of vehicles in this article remains incomplete as **electric buses** (which are not trolleybuses) are not included – hence do not have the possibility of falling under an advantageous tax regime. The definition of an electric bus should also include **hydrogen fuel cell buses**. This should be corrected at the earliest possible occasion in order to facilitate the use of electric buses.

In France, electric buses qualify for an exemption from energy taxes

In France, a modification of the financing law lead to a situation where electric buses and plug-in hybrids can now benefit from tax reductions. This encourages the use of such vehicles.

State aid

In 2014, the European Commission has adopted guidelines outlining a more **prohibitive approach to state aid in the area of renewable energy and alternative fuels**. Following discussion about indirect land use change (ILUC), the guidelines now include provisions stating that investments into food-based biofuel are not justified; that investment aid to biofuels can only be granted in favour of advanced (not conventional) biofuels; that operating aid to food-based biofuels can only be granted until 2020 maximum; and that biofuels under a blending obligation can no longer receive state aid.

State aid for biodiesel and biogas in Sweden

In Sweden there is an exemption from taxes for biodiesel (e.g. hydrotreated vegetable oil (HVO)) until 2018 and for biogas until 2020. This has effectively lead to an increase in the use of renewable fuels. Today, **nearly 80% of the buses in tendered public transport drive exclusively on renewable fuels**.

The revised European state aid rules are now prohibiting such exemptions, which risk to drastically reduce the use of biofuels in Sweden.

In certain Member States (see box), this is likely to **lead to a reduction in the use of alternative fuels** in the public transport sector – which is detrimental to the EU's transport policy and its aim of decarbonisation. Moreover, a change in the use of fuels will also entail the need for **new infrastructure** (both at the depots and across the city); investments already made into previous infrastructure may be lost.

Public procurement

Public transport services are expected to be run in a **cost-efficient** manner, especially as most of them require contributions from the public budget. Today, electric and alternatively fuelled buses are more expensive than conventional diesel buses, while they may need less energy/fuels during their lifetime.

The procurement regime and in particular the Clean Vehicles Directive (Directive 2009/33/EC) already oblige operators and authorities to take into account the lifetime energy consumption and environmental impact of vehicles in a purchasing decision. A revision of this Directive must **not lead to a situation where an authority or operator is forced to purchase certain – more expensive – vehicles**. This would be against the principle of making best use of public money. Moreover, public transport operators are already under financial constraints considering that when public transport services are tendered in line with EU Regulation 1370/2007, the award decision is based on the best price.

Rather than forcing it, the uptake of alternatively fuelled and electric buses depends on whether certain **enabling conditions** are fulfilled, such as the availability of infrastructure (charging/refueling points, depots, maintenance shops), the availability of grants and loans to bridge the price difference in the vehicles, and the training or availability of staff familiar with the new technology.

Considering the high initial investment necessary to purchase electric or alternatively-fuelled buses and the necessity to set up the according infrastructure (charging/refueling stations, depots, maintenance), **the way in which financial risks can be allocated should be adapted. Longer concessions, which help to ease the longer amortization period of the initial investment** could be helpful, too.

Recommendations

For the above-mentioned reasons, UITP suggests the following recommendations to policy-makers in the European Union and in the Member States.

To the European Union:

- Ensure the coherence between policy initiatives of various DGs of the European Commission
- Include electric buses in the list of vehicles mentioned in Article 15 point 1(e) of the Energy Taxation Directive (Council Directive 2003/96/EC)
- Ensure policy coherence between the EU's transport and state aid objectives, and ensure the continued production and availability of renewable energy and fuels at affordable prices for public transport companies
- Avoid creating a legal framework in which authorities or operators, which are required to provide a cost-efficient public transport service, are forced to purchase certain (more expensive) technologies

- Ensure that the length of concessions is sufficient to allow for the amortization of the purchasing investment for alternatively fuelled or electric buses.

To Member States:

- Request a temporary exception from the Energy Taxation Directive for public transport via article 19 of the Directive (Council Directive 2003/96/EC)
- Make use of the possibilities to promote sustainable public transport and grant reduced rates or full exceptions from energy taxes via articles 5 and 15 of the Energy Taxation Directive (Council Directive 2003/96/EC)
- Ensure the continued production and availability of renewable energy and fuels at affordable prices for public transport companies