CARBON PRICING IN ROAD TRANSPORT

ACEA PERSPECTIVE

ACEA – PIK – MCC Webinar

Online

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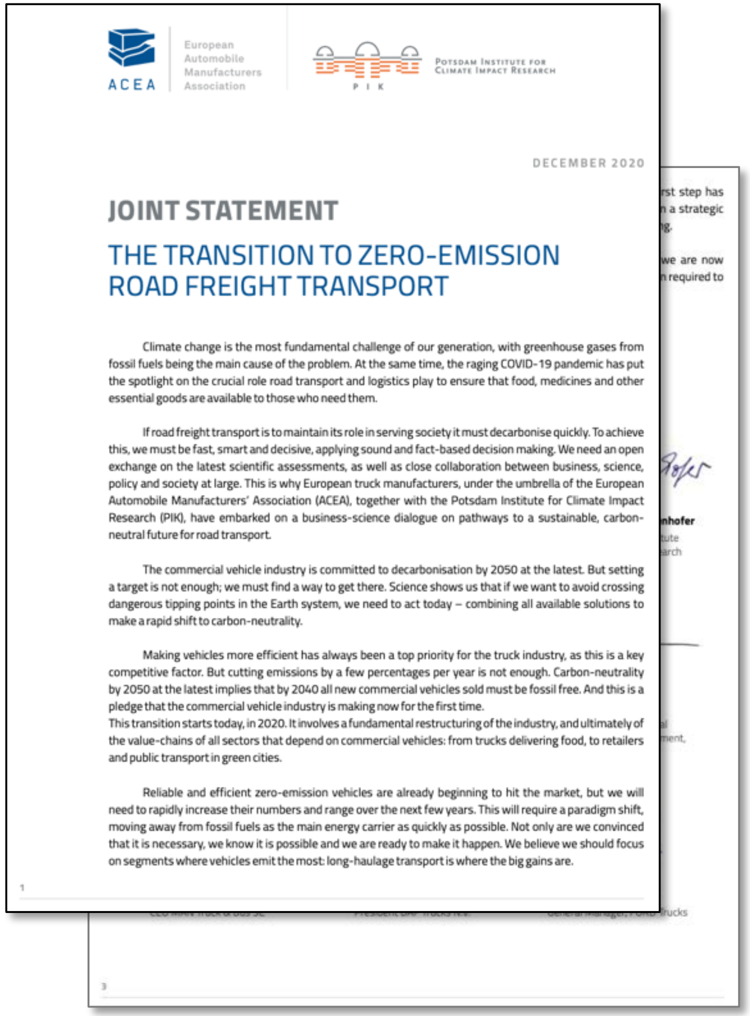
ROADMAP TO CLIMATE-NEUTRALITY

- Commercial vehicle industry is committed to
  - Climate-neutrality by 2050 at the latest
  - By 2040 all new HDVs sold will have to be fossil-free
  - ACEA Policy Paper and Joint Statement ACEA - PIK
- Three interdependent building blocks
  - To define roles and leadership in establishing a carbon-neutral road freight transport system
    1. Functional, reliable and efficient vehicles
    2. Charging/ refueling infrastructure suitable for trucks
    3. Coherent policy framework which enables and drives the transition



ACEA European Automobile Manufacturers Association

PIK Potsdam Institute for Climate Impact Research

DECEMBER 2020

JOINT STATEMENT

THE TRANSITION TO ZERO-EMISSION ROAD FREIGHT TRANSPORT

Climate change is the most fundamental challenge of our generation, with greenhouse gases from fossil fuels being the main cause of the problem. At the same time, the raging COVID-19 pandemic has put the spotlight on the crucial role road transport and logistics play to ensure that food, medicines and other essential goods are available to those who need them.

If road freight transport is to maintain its role in serving society it must decarbonise quickly. To achieve this, we must be fast, smart and decisive, applying sound and fact-based decision making. We need an open exchange on the latest scientific assessments, as well as close collaboration between business, science, policy and society at large. This is why European truck manufacturers, under the umbrella of the European Automobile Manufacturers' Association (ACEA), together with the Potsdam Institute for Climate Impact Research (PIK), have embarked on a business-science dialogue on pathways to a sustainable, carbon-neutral future for road transport.

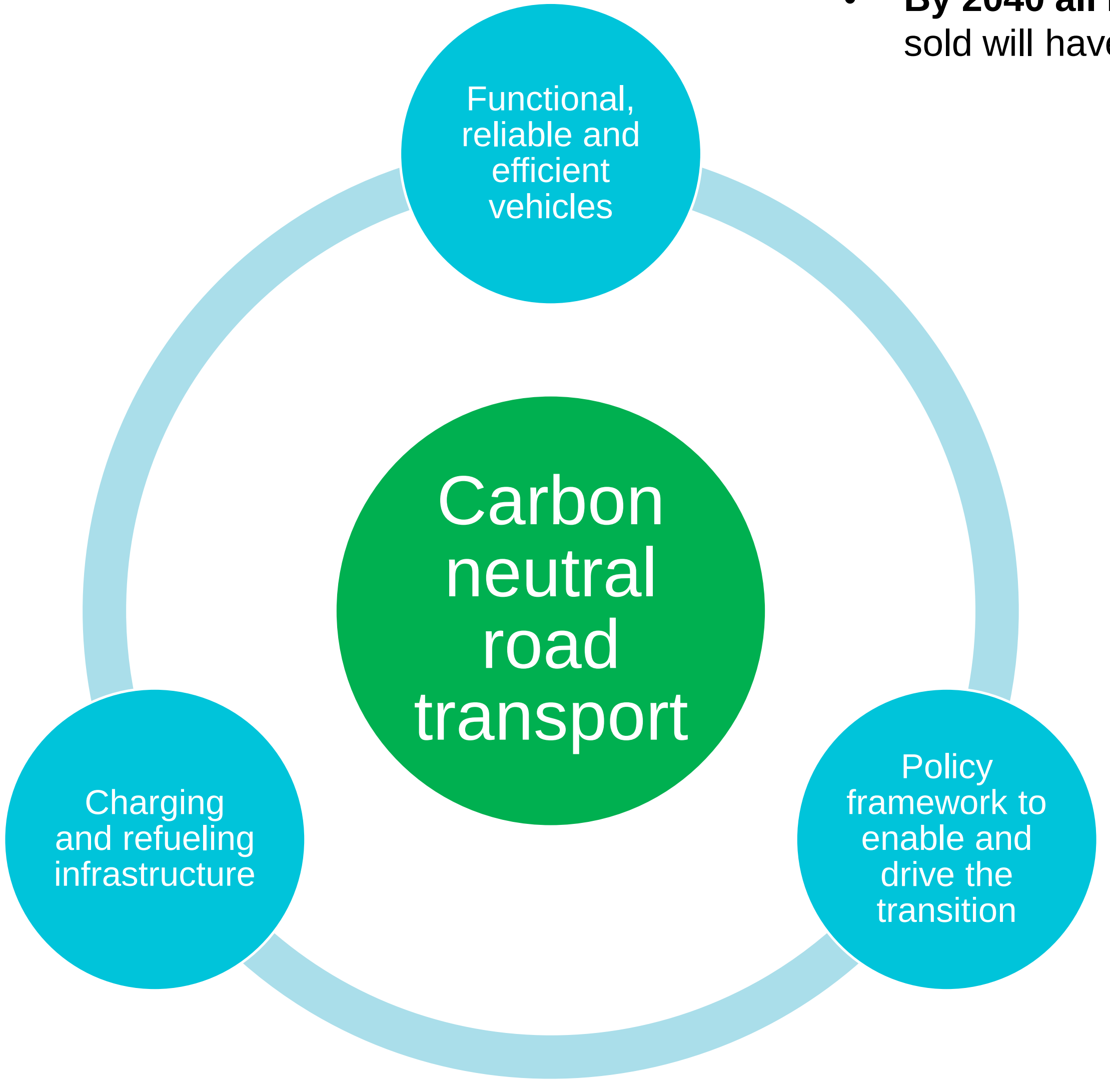
The commercial vehicle industry is committed to decarbonisation by 2050 at the latest. But setting a target is not enough; we must find a way to get there. Science shows us that if we want to avoid crossing dangerous tipping points in the Earth system, we need to act today – combining all available solutions to make a rapid shift to carbon-neutrality.

Making vehicles more efficient has always been a top priority for the truck industry, as this is a key competitive factor. But cutting emissions by a few percentages per year is not enough. Carbon-neutrality by 2050 at the latest implies that by 2040 all new commercial vehicles sold must be fossil free. And this is a pledge that the commercial vehicle industry is making now for the first time.
This transition starts today, in 2020. It involves a fundamental restructuring of the industry, and ultimately of the value-chains of all sectors that depend on commercial vehicles: from trucks delivering food, to retailers and public transport in green cities.

Reliable and efficient zero-emission vehicles are already beginning to hit the market, but we will need to rapidly increase their numbers and range over the next few years. This will require a paradigm shift, moving away from fossil fuels as the main energy carrier as quickly as possible. Not only are we convinced that it is necessary, we know it is possible and we are ready to make it happen. We believe we should focus on segments where vehicles emit the most: long-haulage transport is where the big gains are.

THREE KEY FACTORS

- Commitment to **climate-neutrality by 2050 at the latest**.
- **By 2040 all new commercial vehicles** sold will have to be **fossil-free**.



- **Clean electricity**, **hydrogen and low-/ zero-carbon fuels** are crucial for the transition
- Vehicle deployment will only be successful if **infrastructure** is rolled out rapidly
- Commitment of **all stakeholders/ policy makers must match ambition** level set for vehicle industry
- OEMs ready to support roll-out by collaborating with public and private stakeholders

- Zero-emission vehicles will have to become **best option and preferred choice of transport users and operators.**
- Enabling **policy framework** is indispensable **to shift key cost factors**
- 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.
- Decarbonisation requires **clear focus** and **all resources to be devoted exclusively** to reaching target as soon as possible.

CARBON PRICING

ETS FOR ROAD TRANSPORT

- ETS is a ‘means to an end’ for the decarbonisation of road transport
- One, yet crucial element of a wider policy framework
  - Not a “silver bullet” but alongside other instruments
- Important to carefully balance ETS impact on road users and ensure sectors can absorb and adjust
- Share unavoidable economic costs of the transition to climate neutrality
- Zero-emission vehicles will <u>not</u> be the bottleneck… if enabling framework is in place, ie coherent, effective and setting the right (price) signals (to phase out fossil fuels)

ETS FOR ROAD TRANSPORT

RECOMMENDATIONS

- Revenues should be ring-fenced and re-invested in road sector
- National ETS ("early movers") welcome, but important to avoid fragmentation and market distortions between member states
- Medium-term: convergence and merger of the current ETS with ETS-2 should be considered
- Timely and simultaneous implementation as an integral part of a well-balanced "Fit for 55" package is crucial

KEY ENABLING FACTORS

1. VEHICLE TECHNOLOGY

- Major investments in zero-emission vehicles being made right now

2. CHARGING AND RE-FUELLING INFRASTRUCTURE

- Close to zero for HDV today, AFIR must set binding targets and governments must provide support

3. COST PARITY

- CO_2-neutral trucks are significantly more expensive
- Truck makers will do everything they can to close the TCO-gap, but this will not be enough without proper carbon pricing scheme in place
- Ambitious carbon price gradually increasing to significantly higher levels to drive deployment of zero-emission trucks
- Renewable energy in fuels to help old and new fleet in transition to climate neutrality

COHERENT POLICY FRAMEWORK

- Synchronize and match ambitions EU – Member States - Industry

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