UITP EUROPE

EU POSITION PAPER

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MAKING TRANSPORT FIT FOR 55

UITP position on the 'Fit for 55' package

UITP welcomes the Commission's 'Fit for 55' package as a key set of measures for achieving the goals of the European Green Deal and reaching the 2030 climate target. Cities will be at the forefront of delivering on the EU increased ambition to achieve net neutrality, and public transport is a crucial enabler of economic prosperity and sustainability. To enable the transition to zero emission land transport in a fast, affordable, and fair way, the priority must be to provide people with more and better public transport.

As International Association of Public Transport, UITP represents more than 600 public transport companies and authorities across Europe. Our sector's main messages on the initiatives of the Fit for 55 Package are:

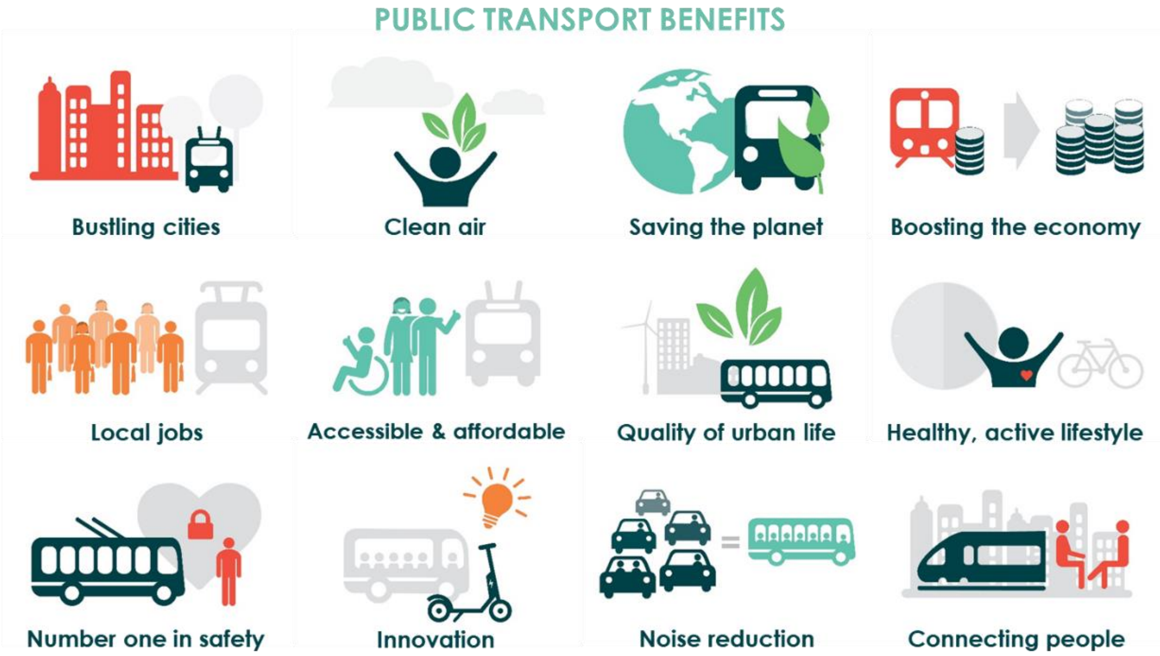
- **AFI Regulation**: We welcome that Member States shall support the deployment of public transport infrastructure. The link to the Clean Vehicles Directive through the definition of alternative fuels is highly relevant for bus procurement, which is why the list of fuels should remain unchanged to ensure regulatory stability.
- **Energy Taxation Directive**: UITP welcomes that the current option for Member States to apply reduced tax rates for all types of public transport and rail is maintained. We question why Member States that grant full exemptions for public transport or rail should no longer have this option.
- **EU Emissions Trading Scheme:** An effective carbon price will help to achieve the substantial emission reductions needed. We welcome that revenues can be used to support investments in public transport and suggest earmarking part of these revenues to ensure the provision of affordable mobility for all.
- **Social Climate Fund**: To provide vulnerable citizens with mobility options, the fund should guarantee additional investments in public transport.
- **Renewable Energy Directive**: UITP supports measures that increase access to renewable energy in the transport sector. To incentivise the use of renewables in public transport, the new credit mechanism for charging infrastructure should also include private infrastructure, e.g. at bus depots.
- **Energy Efficiency Directive**: While the public sector can fulfil an exemplary role, a distinction should be made between office buildings and openly designed buildings such as depots or metro stations. Basing the energy audit requirement on energy consumption lowers the burden on smaller companies.

GENERAL REMARKS

PUBLIC TRANSPORT WITHIN THE 'FIT FOR 55' PACKAGE

The public transport sector relates to the 'Fit for 55' package in two ways: As a mobility provider, it will be affected by future **energy and fuel prices**, while specific **requirements for the public sector** will also impact most public transport companies. At the same time, **public transport is an important part of the solution** when it comes to climate protection and providing a clean mobility alternative.

While many of the dossiers within the 'Fit for 55' package will affect the public transport sector, few of them actively account for their impact on bus, tram, metro and rail transport. The **Alternative Fuels Infrastructure Regulation** is closely linked with the Clean Vehicles Directive, which governs the procurement of clean urban buses. While the focus of AFI is on private mobility and freight, infrastructure for buses and rail also needs to be considered in the new Regulation. With a **new Emission Trading System** that includes transport fuels and a more stringent **Energy Taxation Directive**, fuel prices are likely to rise, resulting in higher operating costs. Compensation must be introduced through new financial contributions to public transport, tax reductions or exemptions, to enable affordable public transport in the long term. Finally, since many public service providers are considered public bodies, they will have to contribute to the energy consumption reduction and the renovation targets within the **Energy Efficiency Directive**.



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Public transport is essential to reduce congestion, improve urban mobility, and its climate benefits are profound. In 2018, buses, trams and metros in EU cities carried some 50 billion passengers, replacing 36 billion annual car trips, or 100 million daily car trips. **Investments in public transport and getting more people to use it can cut emissions from the transport sector by over 50% in the next decade**. The 'Fit for 55' package presents a unique opportunity to combine energy and transport objectives. **We must change the way people travel to tackle climate change, rather than focusing only on electromobility. Public transport benefits the climate and positively impacts road safety, congestion, air pollution, and quality of urban life.**

A COHERENT ROAD TO REACHING THE GREEN DEAL OBJECTIVES?

While the 'Fit for 55' package is intended as one comprehensive and coherent push to attain the objectives of the Green Deal, there are inconsistencies within the package. While the proposals are **ambitious in certain areas, e.g., encouraging the uptake of electric vehicles, they lack ambition in other aspects**, such as the Renewable Energy Directive target for reducing greenhouse gas intensity in the transport sector and providing enough alternative fuels. Instead of promoting social cohesion, transport-related measures focus on individual mobility.

The proposals were published as one legislative package of interconnected files, which brings its challenges. Some dossiers risk overlapping with others, which may be the case with the effects of the Energy Taxation Directive and the new ETS on the price of fuels. **Since the individual files will be treated independently in the legislative process, more overlaps and contradictions may arise during negotiations**.

The legislative proposals of the 'Fit for 55' package should create synergies to accelerate investments for a clean and just energy transition, ensuring that no one is left behind. This transition towards a fully decarbonised economy, with public transport at the centre of daily mobility, is a unique opportunity to achieve more prosperity, sustainability, and more resilient communities.

FINANCING THE TRANSITION

A strong 'Fit for 55' package has to combine a clear and stable policy and regulatory framework that creates a **pricing system** that facilitates the uptake of more and better public transport with direct access to funding.

The **implementation of this package will require mobilising investments**. In this regard, UITP urges policymakers to ensure there is synergy between the 'Fit for 55' package and national, local and regional EU funding opportunities. A clear framework will provide market clarity and help both cities and financial players make informed investment decisions on a wide range of sustainable economic activities. In the case of public transport, this should not just focus on the decarbonisation of fleets but one that scales up in more and better public transport.

It is also critical that the EU and Member States make sure that public funds support the EU's enhanced climate objectives and that no public funding is given to support unsustainable transport or travel activities that would harm the purposes of the package.

REGULATION ON THE DEPLOYMENT OF INFRASTRUCTURE FOR ALTERNATIVE FUELS (AFIR)

The new Regulation on the Deployment of Alternative Fuels Infrastructure (AFIR) aims at improving the uptake of alternatively fuelled vehicles by **requiring Member States to create national plans for setting up the charging and refuelling infrastructure**. The Regulation mentions public transport infrastructure but does not place it at the centre of the proposal.

UITP POSITION

- The new Regulation must **support the transition to low and zero-emission buses** and the use of alternative fuels in the rail sector by requiring Member States to include the deployment of **infrastructure for public transport** within their national policy frameworks. UITP welcomes the new recital 42, which affirms this necessity. Bus charging points are not always in the public sphere but also established at private areas, e.g. depots, which must be considered. In addition, we support the inclusion of a rail infrastructure deployment plan for lines that will not be electrified, as part of the national policy frameworks in Article 13 (p).
- We welcome that the establishment of infrastructure for public transport buses remains flexible **according to local needs** and is not accompanied by rigid quotas. Likewise, it makes sense that the Regulation foresees an active involvement of local and regional authorities in the decision-making process, especially when it concerns infrastructure for public transport.
- Legislators should be mindful of the **close link with the recently revised Clean Vehicles Directive (CVD)**, which defines clean heavy-duty vehicles by referring to the AFI Directive. Half of the national procurement quotas for clean buses can be fulfilled with vehicles using any of the alternative fuels listed in Article 2 of the current AFI Directive. Since the public transport sector is already planning and investing according to these quotas, which became binding in August 2021, **the list of fuels should remain unchanged to ensure regulatory stability.**
- Among the new sub-categories for 'alternative fuels' in Article 2, point (3), the Commission's proposal mentions a non-specified transitional period during which 'alternative fossil fuels' count as 'alternative fuels'. This period should last **at least until 2030** to ensure regulatory stability for meeting the CVD targets.
- UITP suggests giving more importance to **multimodal hubs** (e.g., charging stations near train stations) to support multimodal travelling further. The national policy frameworks should include measures to this end.
- Public transport companies already dispose of electric infrastructure and could easily contribute to the task of setting up more charging stations next to tram, metro and railway stations; yet, barriers remain, such as rules preventing them to re-sell energy to third parties. **Member States should be required to evaluate existing national rules for setting-up charging infrastructure and re-selling energy to private end customers**.

ENERGY TAXATION DIRECTIVE (ETD)

The Energy Taxation Directive is an important policy tool that encourages consumers to choose more environmentally sustainable energy products and transport options. The Commission proposal introduces a new structure of minimum tax rates based on the energy content and environmental performance of fuels and electricity. Member States are free to set their own rates as long as those minimum rates are respected. In an essential step towards the consistent application of the **polluter pays principle**, the proposal also removes outdated exemptions, notably for aviation and maritime transport.

UITP POSITION

- UITP welcomes the Commission's decision to keep the **option for Member States to apply reduced tax rates for all types of public transport and rail** *(article 17)*. This provision can help keep public transport an affordable mode of transport that benefits all citizens. Covering all types of public transport helps simplify the Directive and takes a more **technology-neutral approach** to support the uptake of cleaner public transport vehicles and services.

- UITP also welcomes that the proposal incentivises the use of the most sustainable fuels by **allowing Member States to grant exemptions for the most sustainable energy products** like renewable hydrogen, electricity from renewable sources or advanced sustainable biofuels *(article 16)*. However, we question the decision to apply the same minimum tax rates to sustainable crop-based biofuels as to fossil fuels from 2033 onwards.

- **UITP questions the decision to remove the possibility of granting total or partial exceptions for trams, metros, trolleybuses and rail** *(previous article 15)*. While only a few member states made use of this option, they should have the option of continuing this practice to incentivise the use of sustainable modes of transport (especially if the package as a whole only places additional costs for the sector). To reflect technological developments since the publication of the previous Directive, the list of modes for which exemptions are possible should be updated to include electric buses.

EU EMISSIONS TRADING SCHEME (EU ETS)

The Commission proposes to **extend the current system** (Directive 2003/87/EC) **to include road transport and buildings** in a new, separate emissions trading system. The inclusion of fuels for road transport will **regulate fuel suppliers rather than public transport undertakings** or car drivers. The new system will become operational as of 2025, with a cap on emissions from 2026.

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- Putting a price on carbon, generally, is an important step. However, the extension will lead to increased fuel prices also in the public transport sector. As public transport is part of the solution, it must also benefit from **revenues collected through the new ETS**. The possible effects are hard to predict, and policymakers shall ensure that the ETS does **not become a too substantial burden on the public transport sector**. The sector must be able to continue providing affordable mobility for all.
- The new ETS reform should **avoid overlap with the Energy Taxation Directive.** There is already an overlap with the Effort Sharing Regulation; an additional burden should be avoided.
- UITP appreciates that part of the revenues can be used for measures promoting public transport *(article 30d)*. Still, as the list of investment options is very long, it risks having hardly any impact on the sector in practice. Therefore, a **minimum of 25 per cent of revenues** from the new ETS for transport and buildings should be **earmarked for public transport and rail**.

SOCIAL CLIMATE FUND

To help those most exposed to fossil fuel price increases as a result of extending the ETS to transport, the Commission will establish a Climate Social Fund (circa. €72.2 billion[1]) from 2025 to 2032. The measures and investments it supports **will benefit households, microenterprises and transport users, notably those without public transport alternatives to individual cars.**

UITP POSITION

- The fund should support citizens who are most in need and those mobility services that **ensure equitable access so that the current inequalities in mobility and accessibility do not become more pronounced.** The fund should guarantee additional direct investments in public transport infrastructure and services while also encouraging more people to use it, e. g. via a mobility budget.

RENEWABLE ENERGY DIRECTIVE (RED III)

The recast Directive will set a **target to increase the share of energy** from renewable sources in the EU's gross final consumption to at least 40 % by 2030. The proposal also increases the ambition level of **renewables in transport by setting a 13% greenhouse gas intensity reduction target** for the sector. The Directive does not prescribe which technologies should be used to achieve the target.

RED III is an essential tool in designing and supporting decision-making in favour of renewables and complements the ETD and EU ETS revisions which will send a clear price signal. The Directive also gives an additional push to advanced biofuels and hydrogen: it increases the sub-target for advanced biofuels to 2.2% of the transport sector's energy consumption by 2030 and introduces a 2.6% target for renewable fuels on non-biological origins.

The proposal also introduces new incentives for the deployment of the infrastructure needed for electric vehicles as it requires the Member States to introduce a credit mechanism that allows charging point operators to contribute towards the target.

UITP POSITION

- The public transport sector is advancing very fast in its decarbonisation, using increasingly and sometimes exclusively renewable energy and alternative fuels, not last in the bus sector. We, therefore, support measures that **increase the access to such energy and fuels sources** for public transport companies.
- As RED III will impact emissions accounting rules, these **rules should not be overly prescriptive**. It should enable public transport operators and authorities to make well-informed choices through the establishment of a supportive policy and enabling framework, with clear and consistent calculation rules, to enable the decarbonisation of the sector.

[1] One-fourth of revenues from the ETS will feed the Fund, along with money from the EU budget.

- The **availability of renewables is crucial for the decarbonisation of transport**. The ramp-up of hydrogen production must not be slowed down by too narrow specifications for the eligibility of renewable fuels of non-biological origin (RFNBOs).
- We welcome the introduction of a new credit mechanism that supports the provision of renewable energy for the transport sector. However, **private charging infrastructure, such as bus depots or opportunity charging along bus routes, should be included in the new credit mechanism** (*article 25)*.

ENERGY EFFICIENCY DIRECTIVE (EED)

The proposal includes higher energy savings targets to achieve an overall EU reduction of 36% of final energy consumption by 2030 and promotes 'energy efficiency first' as a general principle of EU energy policy. EU countries must achieve new savings each year of 1.5% of final energy consumption from 2024 to 2030[2]. Sales of energy, by volume, used in transport may be excluded, in whole or in part, from that calculation. At the same time, Member States may include transport to fulfil their obligations to achieve the overall efficiency target.

The proposals include a new obligation for the **public sector to reduce annual energy consumption by 1.7% every year, an enhanced renovation target of 3% of public building floor area, and a requirement to include energy efficiency requirements more systematically in public procurement procedures.** The energy audit requirement applies to companies with an annual energy consumption of 10 TJ and above.

UITP POSITION

- The Energy Efficiency First principle should take a systems approach. Public transport is energy efficient by design and therefore already contributes substantially to this principle. The revision should **encourage increasing the load factor of public transport through modal shift** as this would dramatically improve the energy efficiency of transport as a whole while enhancing mobility.
- Both the **target for reducing the total energy consumption of the public sector *(article 5)* and the extension of the renovation target to public bodies *(article 6)* pose major challenges for public transport operators**. The additional requirements are a burden in intermodal competition and cause additional costs. Member States should not impose a mandatory approach but be required to accompany the new targets not only by guidelines and competence building, but also with additional financial resources.
- While public transport companies and authorities are willing to lead by example, some public transport operational buildings and infrastructure have unique characteristics. **The Directive should avoid imposing a disproportionate burden on the sector.** There needs to be a clear distinction between main office buildings and open areas such as depots or metro stations.
- Energy efficiency certification is a highly complex process that requires time and efforts. It seems feasible for main office buildings, but not for each station or depot, which often don't have separate energy bills. Therefore, we are concerned that this Directive might create

[2] Energy efficiency gains across the economy will count towards the headline EED target of 9%, including those achieved as a result of faster deployment of renewables, more ambitious CO_2 standards for cars and ETS application to new sectors.

unreasonable administrative and financial burdens on the transport companies and authorities and ask legislators to consider the real-life feasibility of new requirements.

- UITP welcomes the proposal to base the **energy audit requirement** *(article 11)* on the total annual energy consumption. This allows exemptions for companies with low energy consumption, instead of referring to the European definition of SMEs.

About UITP EUROPE

UITP is the international association representing public transport stakeholders. In the European Union, UITP brings together more than 450 urban, suburban and regional public transport operators and authorities from all Member States. We represent the perspective of short distance passenger transport services by all sustainable modes: bus, regional and suburban rail, metro, light rail, tram and waterborne.