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European Fit for 55 Package

Key elements to accelerate the transition to a Sustainable Single European Transport Area

Introduction

With the EU Green Deal, the European Union is committed to paving the way to a more sustainable world. The express sector is reaffirming our commitment to this goal. EEA member companies use different modes of transport depending on the needs and requirements of their customers. The transportation of goods by air and road is therefore of key importance for our supply chain and a crucial instrument for EU economic growth and competitiveness.

In the context of the ongoing Covid-19 pandemic, the essential role of our industry has been recognized, as express delivery services ensured that time-critical shipments such as medical supplies, personal protective equipment, and vaccines, but also pieces for urgent repairs or inputs into global supply chains, reached their destinations in a safe and timely fashion. As EU Member States recommended or required their citizens to stay home to prevent the spread of the virus, the critical contribution of our sector to e-commerce, manufacturers and consumers was further emphasized.

The EEA supports the European Union's ambition to reduce carbon emissions by 55% by 2030. We hence welcome the Fit for 55 Package proposals although we see areas where increased efficiency can be achieved. It is of the utmost importance that a coherence is seen across the various proposals in the package and the cumulative financial impacts assessed. We would like to share our thoughts on specific proposals below.

Renewable Energy Directive (RED III)

In relation to the availability of feedstock/bio stock, a sufficiently high level of availability and eligibility while respecting high sustainability criteria is crucial to enable the transition towards cleaner transport; this includes fuels from waste and residue feedstocks (apart from forest waste). We encourage the credit system for renewable electricity to also include commercial charging. We support the inclusion of RFNBOs in the RED framework; we suggest book and claim to be used for sustainable fuels in all transport modes.

The EEA would also welcome an increase of the multiplier for aviation in the recast Renewable Energy Directive (RED) since we believe that a multiplier of 1.2 is insufficient to encourage SAF producers to move into the expensive and challenging SAF field. A multiplier above that level is necessary to create an investable business case for SAF production units, based on current commercially available technology, and to show investors certainty of product offtake. Whatever the final level, it is essential that individual States are urged to apply that multiplier, otherwise the desired potential incentives will be lost.

1. Aviation

Aviation is a vital part of the operations of the EEA members. Operating their own all-cargo fleet, express carriers play a critical role for the international supply chain of the European industry and manufacturers base, and heavily contribute to their ability to compete at international level.

ReFuelEU Aviation

Aside of airlines' investment in more fuel-efficient aircraft and the implementation of fuel efficiency management approaches both in the air and on the ground, the short-term key element for reducing emissions in the aviation sector is Sustainable Aviation Fuel (SAF), in the absence of clean aviation technology at the present stage. EEA therefore highly welcomes the Commission's ReFuelEU Aviation proposal.

SAF indeed offer significant potential to immediately reduce greenhouse gas (GHG) emissions in aviation while alternative propulsion options such as hybrid electric or hydrogen engines are not available in the short or medium term.

The uptake of SAF by airlines however remains very limited particularly due to its lack of adequate capacity supply and high-cost relative to conventional aviation fuel. We therefore support policy measures that set the conditions to quickly scale up both SAF production and market uptake in the EU (as well as globally) and that create a marketplace that will allow airlines to have access to commercially viable sustainable alternative fuels.

It is also imperative that the EU policy focus on boosting the SAF supply will follow the highest sustainability standards, Competition with food supply both in terms of land use and the fuel base used must indeed be avoided, together with other negative impacts such as deforestation.

To achieve these goals, the, EEA is calling for:

- **The possibility to go beyond the SAF mandate levels from an operator perspective through the introduction of a book & claim system coexisting with the SAF mandate** that:
  - Avoids complex fuel transport
  - Optimizes the sustainability of SAF by minimizing its supply chain GHG emissions (i.e., SAF is not physically transported and entered into the specific aircraft of the aircraft operator that purchased it but left for use at airports close to the production facility)
  - Sets market impulses for SAF
  - Boosts the use and scales up supply of SAF while by allowing suppliers, carriers, and forwarders to directly invest in SAF and to benefit from the corresponding emissions reduction in their carbon accounting
- **The recognition of SAF under the EU Taxonomy as well as under EU ETS**
- Public funding for production sites as well as incentives to reduce OPEX costs for operators
- A market driven force to ensure that the SAF system is efficient

Revision of the EU Emission Trading System for Aviation (ETS Directive)

The revision of EU ETS for aviation as proposed by the Commission will heavily increase the cost of operating as a result of the progressive phasing out of free allowances and the drastic reduction of the tradeable allowances. This financial impact will be aggravated by further increase of ETS carbon price. We continue to believe that, in the absence of clean aviation technology alternatives in the short and mid-term, these measures will only have a limited effect on reducing CO2 emissions unless the revenues of EU ETS arethoroughly and specifically earmarked for the decarbonisation of aviation. EEA is hence calling for **the revenues from EU ETS for aviation to be directly invested to support aviation's sustainability, particularly towards the scaling up and fast deployment of sustainable aviation fuels (SAF)** as mentioned above, and also from a user perspective.

As the EU would maintain the ETS for intra-EEA flights along with CORSIA, there is also **a risk of double accounting of CO2 emissions** under both schemes which would conflict with ICAO's principle that market based measures should not be duplicative and that emissions should be accounted for only once.

In light of the European Parliament Plenary vote on 8 June which supported the extension of the scope of the EU ETS to include all flight departures from the European Economic Area (EEA) from 2024, the EEA is calling for:

- **The ETS scope to be maintained for intra-EEA flights only**, in order to avoid sovereignty issues and potential retaliation measures from non-EU countries, and not to undermine the ICAO CORSIA implementation and other key aviation environmental discussions such as the adoption of a long-term aspirational goal (LTAG) for the decarbonization of aviation at the 41st ICAO Assembly later this year
- Support for the Parliament's suggestions to introduce SAF allowances as well as earmarking of ETS revenues as a tool to stimulate the market uptake of SAF in the EU. Both measures should be aligned with the future regulatory framework under "ReFuelEU Aviation"
- An approach on non-CO2 emissions based on EASA's 2020 report[1] and robust scientific evidence before any related obligation is imposed

2. Road

Road is also a vital part of express delivery operations. Our members use both Heavy Goods Vehicles (HGVs) for long distance linehaul as well as Light Commercial Vehicles (LCVs) predominantly for last mile delivery. The express delivery sector uses international HGV networks to connect our hubs and local depots, supporting the just in-time delivery model.

Revision of the EU Emission Trading System for Road (ETS Directive)

EEA believes that extending ETS to road transport will increase the price for fossil fuels but at the same time the business case for low- and zero emission fuels will look more positive. EEA is for a harmonized EU framework for ETS for road to avoid a patchwork of national legislative schemes. A patchwork of ETS related legislation would significantly hamper the ability to introduce effective solutions. However, the EEA calls on policy makers ensure that the following principles are embraced:

- Include all road users: ETS road should simultaneously apply to all road users, ranging from individual car users to commercial freight transport. There should not be any discrimination between road users
- Boost uptake of low and zero carbon fuels: Earmarking the ETS for road income and investing these revenues in the uptake of low and zero emission carbon fuels and the deployment of interoperable refueling/recharging infrastructure is a key for the transition to be made in the coming years. Without sufficient funding the road transport sector will be deprived from a unique opportunity to accelerate sustainable turnaround
- Avoid multiple CO2 taxes, charges and duties and use only one single instrument as this is the most effective: ETS for road will provide for an EU-harmonized framework to effectively reduce the CO2 footprint of the road transport sector. Any national ETS schemes for road transport or other CO2-related taxes charges or duties should be phased out

If the above conditions are met, the inclusion of road transport in the ETS would support the decarbonization ambitions of the road transport sector within the Single Market. A comprehensive

[1] Updated analysis of the non-CO2 climate impacts of aviation and potential policy measures pursuant to EU Emissions Trading System Directive Article 30(4) - Report from the Commission to the European Parliament and the Council | EASA (europa.eu)

ETS will be an important tool in reducing the EU's dependence on fossil fuels and enhancing energy security, which has become even more important in light of the crisis in Ukraine.

We are of the opinion that incorporating provisions along these lines into the ETS Road text will have road transport contribute its fair share in achieving the EU climate goals.

Revision of the Directive on Deployment of Alternative Fuels Infrastructure

The express industry aims to capitalize on the growth of alternative fuels to achieve its greenhouse gas reduction goals. The needs of the transportation industry and the future viability of new technologies must be considered. On the ground, electric vehicles will comprise an increasing share of express delivery fleets. However, electrification for HGV fleets will take longer than it will for LCVs.

Similarly, the future European charging and refueling infrastructure is a critical component in getting battery-electric and/or hydrogen trucks onto the roads whereas a practical and demand-oriented expansion is still needed for that to happen Hence, there is critical need for short and medium-term bridging technologies such as biofuels (e.g. bio-CNG and bio-LNG), and the provision of charging points that are operationally practicable. It is paramount that operational locations provide sufficient charging points as well as a sufficient grid connection.

It is also essential that policy makers provide sufficient clarity, certainty and ambition for the future European alternative fuel infrastructure so that road operators are able to direct their investments in zero-emission technology and establish long-term planning of the deployment of their alternative vehicles' fleets with a high level of confidence.

In light of the foregoing, the EEA strongly supports the objectives of the Alternative Fuel Infrastructure Regulation proposal (AFIR proposal), as it will provide an EU-wide direct application of mandatory targets for the deployment of alternative fuels infrastructure. However, we are calling for careful harmonization amongst the Member States to ensure consistent cross-border infrastructure coverage, as well as the inclusion of binding targets for 2025 and 2030 for the deployment of zero-emission truck infrastructure along the TEN-T core and comprehensive network, as well as at urban nodes and in Safe and Secure Truck Parking Areas. We would also stress the importance of maintaining or indeed elevating the level of ambition contained in the Commission proposal with respect to key targets and ensuring a comprehensive scope, including for HDV charging coverage and the development of hydrogen refueling infrastructure on both the core and comprehensive networks.

To avoid risks of congestion and to ensure the effective use of the future European alternative infrastructure, it is essential that adequate power output is secured at all public recharging pools, whether in urban nodes or along the TEN-T networks. In the express industry, time is of the essence, which means that our ability to have access to fast-charging will be critical so that the time needed for the recharging of the alternative vehicles we will operate – whether LCVs or HGVs – is comparable with the time currently needed for the refueling of fossil fuel trucks. Failing such conditions, the numerous European SMEs that rely on express services to stay competitive across the domestic, EU and global markets, will be severely impacted in terms of their "time to market". By now, the power output levels for recharging pools and stations as provided for in the AFIR proposal appear way too low. We are hopeful that policymakers will show more ambition on this key issue, in the interest of a decarbonization path for road transport that ensures that the public infrastructure is fit for purpose and that public and private investments are efficiently directed, in a way that preserves the competitiveness of the Single Market.

In the same vein, other questions remain. The proposal does not include national fleet-specific targets for heavy-duty truck chargers. This means that sufficient infrastructure would not be built in line with

market developments for zero-emission trucks and the expected demand from companies to decarbonize their fleets. EEA is also calling for a streamlining of the administration process – including the process by which permits for charging infrastructure are obtained. EEA is also calling for targets to be considered together with other proposals in the Package, such as the proposal setting new CO2 emission standards for cars and vans, where a coherence across the proposals is critical.

The EU and Member States must also ensure proper financial incentives are introduced to achieve those infrastructure goals. These incentives include but are not limited to fueling, destination charging, depot charging, and public charging. It is important that EU and national funding instruments prioritise support towards projects developing alternative fuels infrastructure to meet the ambitious targets of this proposal.

Regulation setting CO2 emission standards for cars and vans

EEA supports the proposal to strengthen CO2 emission standards for new passenger cars and for new light commercial vehicles. However, vehicles in the M1 (passenger car) and N1 (LCV) classes are used in large numbers in the fleet of national express operators today and will continue to do so for the foreseeable future. Tightening of CO2 limits will affect road users in a positive way.

Ambitious EU limits will help accelerate the shift from combustion engines to Zero Emission Vehicles (ZEVs) such as battery-electric drives. Economies of scale will not only reduce the unit costs per vehicle for operators like the EEA members, but also develop the infrastructure (electric charging stations, possibly hydrogen charging stations). Early target definition helps manufacturers and users to adjust their business planning and gives investment certainty, resulting in better availability of zero-emission vehicles and faster conversion to e-vehicles.

3. Conclusion

The express delivery industry constitutes an integral role in the function of the European economy. The sector welcomes the opportunity provided by the Fit for 55 Package to design a clear and efficient path for the European transport sector towards carbon-neutrality in 2050, while safeguarding the competitiveness of the Single Market. In this context, the EEA continues to advocate for policies that directly and efficiently serve the decarbonization of the air and road transport modes, that set adequate market conditions for the scaling up and use of existing alternative technologies, and that secure proper infrastructure and capacity for future alternative technologies and innovation.

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The European Express Association (EEA) is the representative organisation for the express industry in Europe. The industry specialises in time-definite, reliable transportation services for documents, parcels, and freight. It allows European business to rely on predictable, expeditious delivery of supplies, thereby enabling them to attain and maintain global competitiveness.

The express industry employs over 330,000 people across the EU and supports a further 410,000 indirect jobs in Europe through the supply-chain. The express industry's employees are widely spread across EU member states.

The express industry is a truly intermodal sector. Air-road and air-rail operations form an integral part of the industry's hub and spoke system. Our members use the most efficient transport mode to ensure the timely delivery of our customers' goods. This includes the use of aircraft, but also road vehicles and rail where possible.