

High-level webinar

Shifting into higher gear: How to decarbonise road transport in line with climate neutrality and Europe's recovery?

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Summary note

Road transport will need to significantly accelerate its decarbonisation for the EU to achieve its climate objectives and, if managed correctly, could have a key role in Europe's economic recovery. The European Commission estimates that transport-related greenhouse gas emissions need to be reduced by 90% by 2050 for the EU to reach climate neutrality by 2050 and is preparing several measures to address this challenge. This high-level Green Growth Partnership (GGP) webinar chaired by **Martin Porter**, Executive Chair of CISL Brussels, explored how to decarbonise the road transport sector in line with climate neutrality and a higher 2030 target, and the associated benefits of achieving this objective in the context of greening the EU's economic recovery. Panellists included representatives from the Green Growth Group, the European Commission and businesses. Over 100 participants from a wide range of organisations attended the event, including representatives from Member States (eg: Estonia, Finland, Croatia, Finland, Sweden, Latvia), businesses from the automotive, energy and heavy industry sectors, academia and NGOs.

REFLECTIONS FROM THE GREEN GROWTH GROUP

Terhi Lehtonen, State Secretary, Ministry of the Environment, Finland

State Secretary Lehtonen started by welcoming the European Commission's proposal to increase the EU's 2030 target to at least 55%, which Finland is both feasible and beneficial. Finland expects the European Council to support this target. The EU must continue to lead and it would be very important to announce its enhanced NDC on 12 December to the UNFCCC. In addition, Finland has taken good note of the relevant inception impact assessment and believes now is a good moment to start the in-depth discussions on implementation. Key pieces of legislation to come include the Effort Sharing regulation, CO₂ standards for vans and cars and the revision of the ETS. On the latter pieces of legislation, the Ministry is of the view that the price signal should be high, and that ambitious CO₂ standards for cars and vans and heavy-duty vehicles should be prioritised, in line with climate neutrality.

Pilvi Torsti, State Secretary, Ministry of Transport and Communications, Finland

State Secretary Torsti pointed out that this webinar on decarbonising road transport is very timely, and that Finland's Ministry of Transport is looking forward to the European Commission's proposals to reduce emissions from this sector. Overall, Finland's plan is to become climate neutral by 2035. According to Ms. Torsti, three issues should be taken into account in the policy discussion:

1. The development of alternative fuels infrastructure
2. A separate ETS for road transport. Finland has no position on this yet.
3. The EU's role in developing new tools to decarbonise and secure a competitive edge should be explored, as there is huge potential in this area.

The Finnish government is preparing a national roadmap, supported by almost all the parliamentary groups, whose goal is to halve transport emissions by 2030.

Blaž Košorok, State Secretary, Ministry of Infrastructure, Slovenia

State Secretary Košorok stressed that the transformation required by the Paris Agreement can only be implemented if societies are ready for cleaner and smarter solutions. The State Secretary highlighted that Slovenia fully supports the climate neutrality by 2050 goal as well as the 2030 target of at least 55% for the EU, as long as national circumstances are appropriately taken into account. In Slovenia the transport sector represents more than 50% of greenhouse gas emissions. Slovenia's climate goals can only be met if emissions in this sector fall by 90% by 2050. As part of this effort, measures on road transport will need to be further developed, as road passenger transport represents 70% of greenhouse gas emissions in the country. High incentives for the purchase of electric vehicles and a business model for electric car sharing are some of the measures that are already in place. Slovenia's climate change fund also finances various measures in the transport sector including the promotion of sustainable mobility. The Slovenian environmental public fund has been allocating funds for electric vehicles since 2011. Slovenia launched the Battery 2030+ initiative through which the Slovenian national institute for chemistry is researching sustainable alternatives to lithium batteries. Slovenia also greatly exceeded the criteria set out in the Directive on the deployment of alternative fuels infrastructure. By the end of 2019 Slovenia had over 3,000 electric and plug-in hybrid vehicles registered and 1,300 charging stations. Changes in this sector are interconnected and therefore must be addressed comprehensively. State Secretary Košorok also emphasized that the European Recovery and Resilience Facility represents an opportunity to invest in this sector.

Q&A*Is there a phase-out date in Finland and Slovenia for the sales of ICE light and medium duty vehicles?*

Finland doesn't yet have such target or a phase-out plan. State Secretary Torsti noted that the country has some potential for sustainable biogas. In addition, given long distances and remote places in Finland, people are still hesitating to purchase electric cars. Electric cars currently represent 1/5th of new registrations. Finland is moving ahead slowly but surely. State Secretary Košorok explained that he favoured economic incentives and smart taxation e.g. lowering the registration tax, giving VAT exemptions, lowering the parking rates for electric vehicles etc., as well as calibrated subsidies.

What would be the priority for road transport in your country with respect to how recovery funds are allocated?

State Secretary Lehtonen explained that the Finnish Ministry of Environment's advisory group for sustainable recovery is working on this and using recovery funds to reduce emissions from transportation will be one aspect. Charging infrastructure for electric vehicles would be one of the priorities, but also cycling and walking infrastructure, and public transport but this hasn't been decided yet. State Secretary Torsti also stressed that Finland has this dual acute emergency because of the pandemic and climate change. Over the past twelve months, a lot of analysis and academic research has gone into the government's plan to halve transport emissions by 2030. According to State Secretary Košorok, for Slovenia, recovery funds are available now to modernise Slovenia's public urban transport and to promote it more, which is a historical chance.

REFLECTIONS FROM THE EUROPEAN COMMISSION**Clara De La Torre, Deputy Director-General, DG CLIMA, European Commission**

Ms De La Torre stressed that the European Green Deal is now even more relevant than before in order to get back into action in a different way after the pandemic. All sectors will have to contribute to the EU's climate ambition, and currently the transport sector is not contributing enough - in particular the road transport sector which represents the bulk of emissions in the sector. Meanwhile there is increasing demand for mobility and a need to

maintain competitiveness, which adds to the fact that transport is one of the sectors most affected by the crisis. In summary, economic and health advantages of a more sustainable transport sector are clear. In a couple of weeks, the Commission will propose its Strategy for Sustainable and Smart Mobility. EVs grew more than expected during the pandemic but the EU now needs to work on batteries – through the Battery Alliance – to create a full value chain so it can be technology sovereign. Clean hydrogen should be further developed – through a European clean hydrogen alliance - to decarbonise transport, including aviation and maritime to an extent. Hydrogen and electric vehicles also need further infrastructure. Plans are for the EU to have 1 million new public charging and refuelling stations by 2025. As part of its upcoming Fit for 55 Package the Commission will propose to amend the ETS, the Effort Sharing Regulation, CO₂ standards for cars and vans and LULUCF among others. while also addressing infrastructure directly. Ms De La Torre emphasized the role of skilled workers in this transition – the EU will need new skills and to reskill workers. She concluded by highlighting the upcoming Climate Pact launched next month to facilitate further initiatives in the sector, and the growing international momentum towards climate neutrality that the EU should seek to harness and continue to lead. The EU needs to build alliances and common understanding with its international partners.

BUSINESS REFLECTIONS

Angela Hultberg, Head of Sustainable Mobility, Ingka Group/ IKEA

Ingka Group/IKEA's ambition is to be climate-positive by 2030 which entails a significant shift in investment; as part of this target the company has been investing a lot in renewable energy but the mobility agenda is also a big part of their decarbonisation efforts. The company relies on transport service providers for their deliveries which comes with issues associated with CO₂ emissions, but also air and noise pollution and congestion in cities. Ingka Group/IKEA has set the target to have 100 percent zero-emissions deliveries by 2025. Engaging directly with consumers and co-workers to support them to move in a more sustainable way and help them lower their transport costs is another focus. The company has deployed electric vehicles in 19 markets, and for 5 cities (Shanghai, New York, Los Angeles, Paris, Amsterdam) its plan is to have all deliveries sustainable by 2020. There is no one size fits all approach possible. In China they have reached cost-neutrality thanks to a very clear direction of travel from government for companies. Ms Hultberg emphasized that the company lacks this in Europe and North America, where there is a gap between the need for EVs and what original equipment manufacturers (OEMs) are producing, and infrastructure needs. According to Ms Hultberg this is where policy can come in to set a clear direction to reach scale and a critical mass, and send a strong signal to the industry and buyers of transport services. IKEA are a founding member of the [EV100 initiative](#) which they see as a way to amplify the message that there is corporate demand for more sustainable transport, and to build the support for the collaborations that need to happen between the various parts of the industry.

Manfred Schuckert, Head of Emissions and Safety Commercial Vehicles, Daimler AG

Dr Shuckert began by highlighting Daimler's role as that of a reliable technology partner, taking responsibility for early customer trials. The company's core goal is to turn around the company to be fully sustainable in both its strategy and vehicles. Beyond technology, Dr Shuckert emphasized that economic efficiency and infrastructure are also required as core elements of the transition. Daimler are aiming to become carbon neutral (tank to wheel) from 2039 onwards in Europe, US and Japan. The biggest challenge here will be for the company to reorient diesel to electric and hydrogen. In that area Daimler's vehicle portfolio is dominated by trials, but by the end of next year they will produce delivery trucks in Europe with the latest CO₂ neutral technology. By 2024 the company will also start serious production of long distance range trucks. The new generation of 'trucks' is using liquid hydrogen which gives more opportunity in terms of range and refuelling speed. As part of their 2039 ambition Daimler is also attentive to cleaning its supply chain in other countries. Dr Shuckert stressed that even though batteries are

mainly bought from China, there is in-house knowledge on fuel cells production in Europe, developed for two decades, and that the technology is close to market. The real need today is to get this technology to scale to reduce costs, which is why Daimler is partnering with Volvo Group in fuel cell development. Part of the success also depends on building support for green hydrogen and adapt the infrastructure. CO₂ based toll systems and integrating CO₂ tax into diesel systems are also part of the change needed. Dr Schuckert concluded that in this transition, original equipment manufacturers, infrastructure partners and governments all have a role to play.

REFLECTIONS FROM CIVIL SOCIETY

Julia Poliscanova, Senior Director, Vehicles & Emobility, Transport & Environment

Ms Poliscanova pointed out that it is a timely moment for this discussion as EU member states are discussing the climate architecture for the decades to come. Road transport today sits with the Climate Action Regulation (Effort Sharing). Ms Poliscanova defended the view that it is an important tool and that we should not weaken that law. To the question as to whether road transport should be integrated into the ETS, she answered that, while important, carbon pricing on its own will not allow us to deliver targets in the sector for several reasons, including the low elasticity of demand in the transport sector, the fact that low income families will be most affected, and that structurally, carbon pricing will not drive the technology switch that we need. According to her, the tool that would deliver timely reductions is CO₂ standards for cars and vans. Last year 60 billion euros were invested in the EU to meet these standards. This year the EU has experienced a silent EV sales revolution, and the growth is predicted to be at least 15 percent next year. For this reason, Ms Poliscanova stressed that the current 2020 standards are not enough and should be reformed until at least 2029 to avoid a risk of stagnation and competition from other manufacturers e.g. from Asia who will fill the gap to respond to the demand. Higher CO₂ standards are needed for 2025 and from then the EU should have annual CO₂ reduction targets and aim for zero in 2035. Another important aspect of the conversation is the lifecycle analysis of materials used in EVs – this analysis shows that today EVs are already three times better than a conventional car, taking into account the country where they are produced. With the European Battery Alliance, a whole segment of the supply chain will be brought to Europe, and from 2023 onwards estimates are that the EU will be producing enough battery cells to fulfil its needs.

OPEN DISCUSSION

We are dealing with a new international context including with China's net zero commitment. What conclusions should be drawn on how we attract investments to Europe as a result?

Ms De La Torre highlighted that companies need to have a sense of where we are going and that it will be key for industry to have the right investment signals. Converging trends like the one we are witnessing will help with this. State Secretary **Blaž Košorok** stressed the need to have a constructive dialogue with China and the US, as investment from the private sector should be encouraged to find the new business models required to develop hydrogen in aviation, maritime, public transport and trucks. With trade and technologies discussions becoming more intertwined recently, State Secretary **Pilvi Torsti** underlined that it is all the more important for the EU to find common grounds on key files such as data and digitalisation (5G etc.). For Finland, investing in a battery cluster is strategic as well as education, research and development, which are areas that governments can influence, including to answer companies' needs in terms of upskilling and re-skilling and to foster acceptance of public policies. There are huge opportunities to digitalise and use data in transport. State Secretary **Terhi Lehtonen** emphasized the industrial strategy possibilities for the EU of looking into batteries and hydrogen and the importance of being frontrunners in these areas as a continent.

*What impact do you think Covid has had on the acceptance of public transport in the EU?
Infrastructure for heavy goods vehicles: do we have as much planned as for lighter vehicles?*

For **Ms De La Torre**, public transport is a key aspect of mobility and part of the Commission's policy mix, and it should remain affordable and accessible. In the short term, with the pandemic, people are scared to use public transportation but Ms De La Torre is confident that this is temporary. State Secretary **Pilvi Torsti** agreed, saying that Finland has also seen a leap in cycling, however she stressed that behaviours have a huge impact on investment decisions by municipalities and that the longer it takes for the situation to come back to normal, the harder it will be for citizens to revert to using public transport which will be a challenge for local authorities. State Secretary **Blaž Košorok** agreed but also raised the opportunity of digitalisation for public transportation and of increasing investment in EVs as part of the recovery efforts.

How do you evaluate the need for upskilling and digital opportunities?

For **Ms Hultberg**, mobility is a pre-requisite for how we build society and transition in the sector will definitely come with new jobs, new needs and new ideas, including some that we don't yet know about.

What would be one thing you wish to see happen in this particular area?

Ms De La Torre expressed the wish of seeing the whole value chain come together to agree and share a vision on what would be the optimal way forward to decarbonise road transport (legislation, behaviours etc.). State Secretary **Blaž Košorok** would like to see the full potential of hydrogen recognised and that the EU invests accordingly in research and development.

CONCLUDING REMARKS

State Secretary **Pilvi Torsti** concluded the event by stressing the role of political decision makers to bring stakeholders together and highlighting the need for predictable policies for business as a key takeaway of today's discussions. For State Secretary **Terhi Lehtonen**, the EU should be confident in its climate ambitions and back cast from 2050 where the road transport sector needs to be to make the right decisions. Carbon pricing and standards together can drive the change, as well as policy consistency. Demand and technology are there, but need to be made the new normal and ultimately political decisions need to be consistent with the Paris Agreement.

Martin Porter concluded by highlighting that the Green Growth Partnership has such goals in mind when convening conversations like this one. Today's discussion showed examples of leadership among policy makers and business. In other outputs, CISL explores in more detail the concept of *competitive sustainability* that the EU is looking to be at the forefront of. Find out more [here](#).