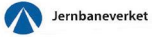


31 July 2007

# EIM Position Paper



## Market-based instruments for environment and related policy purposes



## Introduction

Market based instruments (MBIs), such as environmental taxes, tradable permit systems or targeted subsidies are a cost-effective way to protect and improve the environment. In order to further drive the development of MBIs, the European Commission (EC) on the 28th of March 2007 published a “Green Paper on market based instruments for environment and related policy purposes”, in which it explores options for a more intensive use of MBIs in various important areas of environmental and energy policy both at Community and national levels.

The association of European Rail Infrastructure Managers (EIM) wishes to react by giving its views on some of the specific issues that the Green Paper deals with.

## EIM views on main issues addressed in the Green Paper

### **Green Paper Chapter 3: Energy taxation and other market-based instruments, in particular the EU-ETS**

According to the EC the Energy Taxation Directive integrates environment and energy objectives. Rail remains the most environmentally friendly mode of transport for passengers<sup>1</sup> as well as for freight<sup>2</sup>. However it is taxed under the Directive, whilst aviation is still exempted from energy taxes. This unsustainable and unfair fiscal treatment should be discontinued.

The unfair treatment for rail in this respect is made even worse through its inclusion in the EU Emissions Trading Scheme (EU-ETS)<sup>3</sup>, which does not affect road and air transportation.

In order to provide rail with equal competitive conditions, it should be compensated by introducing a more effective system of emissions trading for pollution intensive transport modes. In addition, rail should be excluded from the scope of the Energy Taxation Directive.

### **Green Paper Chapter 4: Further use of MBIs for environmental policies**

Only in a situation where all costs are internalised in the system (the “polluter pays” principle) is the promise of a level playing field between modes credible. Internalisation of external costs would also lead to better use of the current infrastructure, and provide the economic incentives to use more environmental friendly means of transport. *EIM therefore strongly advocates the full internalisation scenario to the EC.*

In order to decrease the environmental damages from transport there is a general consensus in the railway community that the Eurovignette Directive as a basis for road charging should be developed further<sup>4</sup>. Revenues from road pricing should be earmarked for rail-related infrastructure, and the Eurovignette Directive already prescribes the environmentally sensible use of revenues including both “mark-ups” and road charges in

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<sup>1</sup> For instance, the British Association of Train Operating Companies (ATOC) in 2007 calculated that CO2 emissions for rail were 61 grams per passenger kilometer, compared to 106 grams for road and 231 for domestic air.

<sup>2</sup> The average external costs for rail freight transport were 1,8 Eurocent per ton km, compared to 8,8 for road (Report “External Costs of Transport” (INFRAS, 2004))

<sup>3</sup> For instance, Deutsche Bahn calculated that in 2006 it had an extra burden amounting to EUR 45 million from its inclusion in the emissions trading scheme.

<sup>4</sup> “Fighting Climate Change”, Railway Community Aspiration, CER/EIM/UNIFE/UIC/UITP, June 2007.

mountainous areas. These approaches should be extended in the revised Eurovignette Directive. In order to speed up its timetable the EC is requested to present its announced impact studies by the end of 2007 instead of June 2008.

Until full internalisation is achieved, the Commission should also promote the use of alternative measures. For instance, compensation schemes could be introduced for railways in order to ease a shift to more environmentally friendly transport modes. Application of article 10 of Directive 2001/14<sup>5</sup> allows for such schemes which are precisely based on railways environmental performances<sup>6</sup>. Member States that do not use such schemes at present should be requested to introduce them.

## Recommendations

Market based incentives that are used in the European transport sector, to reach increasingly ambitious environmental objectives, favour other modes over the railway sector, even though rail has the “cleanest” track record.

Therefore, if rail’s market share of both freight and people transport is increased, transport as a whole would deliver better environmental results. Consequently, the following actions must be urgently taken by the EC:

- Exclusion of rail from the scope of the Energy Taxation Directive, and inclusion of other transport modes in the Emissions Trading Scheme;
- Full internalisation of the external costs of transport, using full and extended application of the Eurovignette Directive as a starting point;
- Implementation of article 10 of Directive 2001/14 promoting the introduction of compensation schemes for the use of railway infrastructure. The Commission has an opportunity to do this in the announced recast of the First Railway package in 2008.

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<sup>5</sup> Article 10-1 of Directive 2001/14/EC: *Member States may put in place a time-limited compensation scheme for the use of railway infrastructure for the demonstrably unpaid environmental, accident and infrastructure costs of competing transport modes in so far as these costs exceed the equivalent costs of rail.*

<sup>6</sup> A good example of such a scheme is the U.K. Rail Environmental Benefit Procurement Scheme (REPS), which was approved by the European Commission for a period of three years, from 1st April 2007 to 31st March 2010.