

Guest Commentary Including road transport in EU ETS is easy and much better than any technical standard

By Jürgen Hacker, Chairman of the German Emissions Trading Association (bvek).

Announcing the proposed new rules to cut carbon dioxide emissions from new cars two days ago, European Commission President Barroso claimed: "This strategy is the most ambitious approach ever and the most ambitious approach worldwide towards the development of a low-carbon economy. It is the concrete proof of EU leadership in the field." Great words - but are they justified? What is the sensational development he was announcing?

If you take a closer look, you will find nothing but hot air. He began by admitting that the current EU strategy had failed. With the voluntary commitments of the European, Japanese, and Korean car manufacturers, the EU will not reach its ten-year-old target of average emissions of 120 g CO₂/km from their new cars sold by 2012. That result is not surprising, and had already been forecast when the voluntary commitments were signed. Now Barroso has proposed putting in place a legislative framework with some binding technical standards for car manufacturers which should go some way towards reaching this target. Yes, the ten-year-old target has not been upgraded, but has actually been diluted a little bit. So much for "the most ambitious approach worldwide"!

Even if we assume that the proposals are adopted by the European Council and the technical standards are met by 2012, would this ensure that the EU meets its greenhouse

gas emissions targets under the Kyoto Protocol and beyond? The answer is no! The specific emissions of new cars, while important, are not the only factor determining the total amount of CO₂ emitted by the road transport sector. The absolute emissions also depend on the number of cars in operation, their age structure, and the intensity of use. So, even with a reduction in specific emissions the actual emissions could remain unchanged or increase. This is not inevitable, but it could well happen.

The fact is that technical standards can never ensure that absolute targets are met. The only approach that can really do so is a system of tradable emission allowances. This is the very instrument which the same Mr. Barroso praised three weeks ago as the best and the main instrument of the EU strategy to fulfil the EU target under the Kyoto Protocol and beyond. Are there any essential barriers to using this instrument for the road transport sector? To be sure, the sector has a very large number of small, mobile emitters, making a measurement of the individual emissions virtually impossible. But this is not necessary. Even in the existing EU ETS system, hardly anybody measures the emissions of the installations covered by the scheme. We measure the consumption of fossil fuel. The resulting emissions are then calculated using specific emission factors. And we do not even need to measure the individual consumption by the large number of cars. The total volumes of petrol and diesel being sold by the oil companies

are already measured and controlled by national authorities for taxation purposes – for example, in Germany by the customs authorities.

A measuring and supervising system is therefore already in place. Nor would new bureaucracy or any new personnel be needed. The only additional task is to multiply the fuel sales figures by the emission factors for the fuel and then to pass on the results to the national emission registries of the EU ETS. The only necessary new legislation would require the sellers at the first level of trade to keep accounts in these registries as a precondition for bringing fuel onto the market together with the obligation to hold sufficient EU emission allowances.

The budget of allowances for the road transport sector is already determined as part of the calculations in the national allocation plans for the second compliance period of the EU ETS. The allowances should be fully auctioned and the costs could be incorporated into fuel prices. If the transport sector requires more allowances, it can buy additional ones from the existing EU ETS or Kyoto credits. If car manufacturers produce more efficient cars, reductions in fuel consumption could at least in part buffer the impact of auction costs on fuel prices.

Including road transport in the EU ETS would be very easy, and would really be worthy of being praised with great words!