European Barge Union

EBU POSITION ON THE FIT FOR 55 PACKAGE AND THE ENERGY TAXATION DIRECTIVE PROPOSAL

On 14th of July the EU Commission released its "Fit for 55" communication which can be viewed with all accompanying documents under https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en#documents.

The "Fit for 55" package aims to deliver the EU's increased emission reductions target and consists of a set of inter-connected proposals, which all drive towards the same goal of ensuring a fair, competitive and green transition by 2030 and beyond. Where possible existing legislation is made more ambitious and where needed new proposals are put on the table. Overall, the package strengthens eight existing pieces of legislation and presents five new initiatives, across a range policy areas and economic sectors: climate, energy and fuels, transport, buildings, land use and forestry.

The legislative proposals are backed by impact assessment analysis, which takes into account the interconnection of the overall package. The analysis shows that an over-reliance on strengthened regulatory policies would lead to unnecessarily high economic burdens, while carbon pricing alone would not overcome persistent market failures and non-market barriers.

Rationale and impact on the IWT sector

The rationale behind the proposal thus being to price pollution, in particular CO2, and at the same time incentivise cleaner products, such as cleaner mobility and transport fuels (2.2.2.). The Fit for 55 package therefore includes four proposals promoting cleaner vehicles and fuels in a technologically neutral way.

As far as waterborne transport – maritime and IWT - is concerned the package proposes

- Emission Trading Scheme Directive – extension to maritime
- **Energy Taxation Directive** – no exemptions for fuels in maritime and inland shipping; tax; exemption possibility for shore side electricity; zero minimum rates for sustainable fuels for 10 year.
- Regulation on alternative fuels infrastructure – on-shore power supply for TEN-T maritime and inland ports and provisioning of appropriate LNG refuelling points in TEN-T core maritime ports.
- Energy Efficiency Directive – counts energy consumption in maritime (excluding international maritime bunkers)
- Renewable Energy Directive – counts energy used in international shipping towards the target
- FuelEU Maritime

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Where EBU supports the objectives of the EU Green Deal (EGD) and the Sustainable and Smart Mobility Strategy (SSMS) it observes a lack of alignment of the "fit for 55" package with these policies. On the 24th of June the Commission published its NAIADES III program by putting forward an ambitious 'Inland Waterway Transport Action Plan 2021-2027' in line with its Sustainable and Smart Mobility Strategy. It focusses on two core objectives: shifting more freight transport to inland waterways, and setting the sector on an irreversible path to zero-emissions accompanied by a paradigm shift towards further digitalisation, as well as accompanying measures to support the current and future workforce. EBU supports the proposed focus as well as the notion that the IWT sector needs to be reinforced, to meet the Green Deal objectives in terms of modal shift and lower pollutants and Greenhouse Gas emissions. Keeping already a very positive environmental record today the intended increase of the modal share of IWT will substantially contribute to an overall decrease of GHG emissions of transport. The IWT sector is prepared to take the necessary steps towards zero emission and to take over much higher volumes of freight and passengers on the waterways if the right framework conditions are met.

The EGD, SSMS and NAIADES III are focusing on a modal shift towards IWT and rail. The fit for 55 package however is not linked to this objective and even through certain measures in particular those laid down in the proposed revision of the Energy Taxation Directive might clearly undermine this objective.

Energy Taxation Directive (ETD)

ETD foresees in a tax system for energy products which must both preserve the internal market and support the green transition by setting the right incentives. Therefore, a revision of the Energy Taxation Directive proposes to align the minimum tax rates for heating and transport fuels with EU climate and environmental objectives, while mitigating the social impact. The new rules intend to remove outdated exemptions and other incentives for the use of fossil fuels, while promoting the uptake of clean fuels.

According to **Article 15** a minimum level of taxation as set out in Tables B and D of Annex I to energy products supplied for use as fuel to vessels, and to electricity used directly for charging electric vessels, **for the purposes of intra-EU waterborne regular service navigation, fishing and freight transport.** For the purposes of the first subparagraph, electricity shall be ranked among motor fuels indicated in Table B of Annex I. Over a transitional period of ten years, minimum rates of zero shall apply to sustainable biofuels and biogas, low-carbon-fuels, renewable fuels of non-biological origin, advanced sustainable biofuels and biogas and electricity. For the purposes of this Article, 'intra-EU waterborne navigation' shall mean navigation between two ports located in the Union, including domestic navigation.

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Impact on the IWT sector

In practise the proposal would introduce a minimum taxation on fuel of 0,04 € per liter after its entering info force where currently this is exempted.

To support the sector in increasing its modal share the Commission must strike the right balance between the ambitions and the energy transition measures. In the attempt to boost the uptake of more sustainable transport modes the Commission introduces a system of energy taxation on a very short term to ensure that the "polluter pays" principles are implemented across all transport modes. In our view the proposal would undermine the intended policy objectives as laid down in the EUGD, SSMS and NAIADES III for the following reasons:

1. The Commission aims to encourage the take-up of renewable alternative and sustainable fuels through tax incentives and penalising the use of fossil fuels as of 2023 by imposing taxes. This would imply the availability of sufficient sustainable alternative fuels which however is not the case yet. Therefore the timeframe to phase out fossil fuels must be a realistic one and going hand in hand with the availability of sufficient alternative solutions to meet the transport demand as there are **no alternative (near) zero emission energy sources are yet available for wide roll-out as they are not mature enough. T**axation of gasoil
    a. will not make those alternative energies more attractive,
    b. **would only consist in an additional financial burden for vessel owners who will have no widely available alternative energy to invest in,**
    c. as confirmed in the CCNR studies regarding the financing of the energy transition many technological solutions are available to realise the energy transition of the IWT sector, such technologies reach different levels of maturity, the more innovative one coming with important extra costs (investment and operational)
    d. the increase of the attractiveness of alternative fuels should by no means be established by a bonus-malus system under tax law. Instead, targeted subsidies for alternative fuels could substantially contribute to a market take up.

2. Taking the very low externalities of IWT, taxation of fossil fuels as of 2023 would impose high additional costs on the sector[1] and might lead to a reverse modal shift. We consider this an inappropriate measure where
    a. modal shift to cleaner modes of transport, such as inland navigation, is already a considerable advantage in terms of cutting emissions, in particular greenhouse gas emissions.

[1] Accordig to the CCNR study on a financial instrument for greening the IWT sector (deliverable G+H) with a tax of 4 eurocent per liter gasoil imposed on the IWT sector a European wide basis would amount €53mln on an annual basis which is an equivalent of a total cost increase between 0.6% and 2.1%.

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b. removal of the tax exemption might entail a modal shift to road transport, thereby increasing emissions.

3. The introduction of a fuel taxation would be in breach of the Mannheim Act and its additional Strasbourg agreement of 1952 on the regime of taxation and customs for gasoil consumed as board supply in the navigation on the Rhine.

The IWT sector is clearly committed to move towards 0 zero by 2050 and to take up much higher volumes to be carried on the inland waterways. To realize the greening objective realistic pathways are necessary while in light of the above, the efforts to encourage modal shift should continue. Therefore maintaining an exemption on gasoil for inland navigation remains justified until alternative (near) zero emission energy sources are widely available. This is not the case yet, reason why we plea for incentivizing alternative fuels.

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