

## **Reply to public consultation**

Brussels, 29 January 2021

# **Updating the EU Emission Trading System**

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# Accompanying statement in reply to the public consultation on updating the EU Emissions Trading System (ETS)

ETS by definition delivers emissions reductions with minimum total costs to society (businesses and consumers) and this is why the EU Mobility Strategy (point 48) names it as the most important instrument of carbon pricing in internalising the cost of CO<sub>2</sub> emissions. CER supports a robust carbon pricing for transport and proposes the following recommendations for the reform of the EU ETS:

- CER with conditions support extension of the ETS to road transport. Inclusion of the road transport in the ETS and the full compliance of aviation to the ETS (100% auctioning) will facilitate a level playing field for all transport modes. The European [Court of Auditors Report](#) in 2020 found that free allocation of allowances indeed favoured air travel over rail travel, potentially contributing to an increase in total emissions. See CER views on the ETS aviation rules [here](#).
- The Commission in its impact assessment should look in to the upstream approach to incorporating road sector into the EU ETS.
- The Commission should consider only hybrid solution of the ETS and taxation to complement not substitute the EU emission standards for cars and vans. The Effort Sharing Regulation (ESR) should remain the main legislation to address road emissions. In this exercise double taxation should be avoided.
- Inclusion of transport in the ETS should be complemented by further climate regulations in the transport sector. This way in addition to the climate protection, local pollutants (air pollution and noise) will also be effectively addressed. In particular internalisation of external costs through rapid implementation of the Eurovignette Directive is required.

Inclusion of the transport, a non-elastic sector of the economy in the ETS is a difficult task. Without a careful analysis unlike the extension of the ETS to the maritime and aviation sectors, extension of the ETS to road might indeed harm the functioning of the current EU ETS but if done according to the principles proposed in this statement it will deliver various benefits:

- An EU wide ETS for transport fuels could be effective to address emissions without spending time in political negotiations on effort sharing between Member States and bring an additional benefit of revenues that could be invested in low-carbon infrastructure.
- The distributional effects of the ETS is very important and if governed on solidarity considerations (leaving no one behind) green transition can happen in lower income Member States as well. As for the revenue recycling, not only infrastructure but low-income households who depend on cars should also be targeted through mobility budgets by incentivising sustainable transport.
- According to the European Commission, inclusion of road transport in the EU ETS could give the sector a clear signal and capture fleet emissions under a cap. Increased coverage of the ETS together with a binding cap consistent with a net zero trajectory could be a powerful dynamic incentive to efficient emissions reduction also according to the academicians (CERRE, 2020).

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The Community of European Railway and Infrastructure Companies (CER) brings together railway undertakings, their national associations as well as infrastructure managers and vehicle leasing companies. The membership is made up of long-established bodies, new entrants and both private and public enterprises, representing 71% of the rail network length, 76% of the rail freight business and about 92% of rail passenger operations in EU, EFTA and EU accession countries. CER represents the interests of its members towards EU policy makers and transport stakeholders, advocating rail as the backbone of a competitive and sustainable transport system in Europe. For more information, visit [www.cer.be](http://www.cer.be) or follow [@CER\\_railways](https://twitter.com/CER_railways) on Twitter.

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