A binding policy framework to decarbonise transport is crucial to meeting EU climate ambitions

A recent study by E4Tech\(^4\) has found that in the absence of an EU framework fostering their uptake beyond what is currently expected from some Member States, biofuels’ share in transport would decrease from an expected 8.7% in 2020 to 5.5% of the energy use in road and rail transport by 2030. This would render the 12-14% RES-T and 12-20% emissions reduction for the transport sector anticipated in the Commission’s impact assessment unachievable as other options are either not fully available or will not ramp up fast enough. Without such a framework:

- There would be an increased use of fossil fuels in transport – such a scenario would render the 2030 strategy dysfunctional to its stated aims.
- A considerable part of the GHG savings triggered by biofuels would be lost.
- With the transport sector accounting for 25% of the EU’s emissions, substantial additional savings would be required from the other non-ETS sector to achieve the targeted 30% emissions reduction compared to 2005.

### EU biofuels supply in the absence of an EU policy framework for transport (Mtoe/Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Conventional biofuels</th>
<th>Advanced biofuels</th>
<th>Biogas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>17.5</td>
<td>1.5</td>
<td>0.5</td>
</tr>
<tr>
<td>2030</td>
<td>12.5</td>
<td>1.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Rebalancing the diesel-petrol market is vital – preferential support for diesel must end

- In 2014, 17 EU Member States were found to be in breach of the EU air quality legislation. Poor air quality is a major cause of increased respiratory disease and therefore has a major negative impact on human health for many thousands of people across Europe, particularly in urban areas. Over reliance on diesel as a transport fuel in cities is a key source for this worsening air pollution in urban areas.

- In many ways Europe’s diesel emissions problem is a self-inflicted one, because in all EU Member States, except the UK, diesel fuel is taxed less than petrol because of national tax policies guided by Europe’s Energy Taxation Directive. In 33 out of 34 OECD countries diesel is taxed lower than petrol and biodiesel is taxed lower than ethanol. This preferential tax treatment is also true for diesel vehicles, where in many EU Member States road and car taxes are linked to CO2 emissions. An OECD report concluded that the high environmental and human costs of diesel emissions mean that “there is no public policy case for applying preferential tax treatment to diesel” 6, a call supported by the WHO7.

- Rebalancing the diesel-petrol market is imperative if the EU is to achieve its objective of improving urban air quality and climate change mitigation (c.f. soot, NOx). In light of the COP21, the Commission and Member States must align energy and taxation policy with decarbonisation and air quality goals. It would also fit with the ambitions to remove environmental harmful subsidies.

- Going forward, transport fuels should be taxed on their energy content and carbon footprint and all preferences for diesel cars and fuel should be removed.

“There is no environmental justification for taxing diesel less than petrol. Air pollution is destroying our health and the planet. Phasing out tax incentives on diesel would be a step towards reducing the costs to both and in fighting climate change”.

Angel Gurría, Secretary-General, OECD

EU taxation policy has made diesel the dominant liquid fuel and biodiesel the dominant biofuel in European transport

5. The Diesel Differential: Differences in the Tax Treatment of Gasoline and Diesel for Road Use, OECD (2014)

Source: Eurostat (2016)
A fairer energy taxation system is needed because, based on volume, ethanol is the most taxed transport fuel in Europe despite its GHG saving benefits.

With Europe’s dependence on imported diesel increasing – in particular from Russia – a fairer taxation regime would enable Europe to readress its fuel balance, allowing for further petrol-ethanol penetration and to properly address issues such as air quality, energy security and long term cost.

- Ethanol is the most heavily taxed transport fuel

Taxation must support climate friendly fuels, not hinder them

Multiple counting rules work against the overall ambition to decrease the use of oil and reduce GHG emissions in transport

Multiple counting as a methodology for incentivising the market take up and growth of renewable sources in transport, be it for electricity or advanced biofuels, has worked against the overall ambition to decrease the use of oil and reduce GHG emissions.