

# 12<sup>th</sup> UIC Sustainability Conference



## **External costs, taxes and pricing**

### **Introduction and EU policy overview**

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# Charging for external costs – recent history



Overall theme: slow change!

Documents supporting charging of external costs:

- **1995 Green Paper** 'Towards fair and efficient pricing'
- **1998 White Paper** 'Fair payment for infrastructure use'
- **2001 White Paper** updating the Common Transport Policy 'European transport policy for 2010: time to decide'.
- **2002** Demands from heads of government at the **Barcelona summit** in March that transport costs must be reflected in transport prices by 2004
- **2008 'Communication on a strategy for the internalization of external costs'** published, including the IMPACT handbook on charging - a common methodology to charge all external costs across the whole transport sector.
- **2011 Revision of the Eurovignette Directive** finally allows member states to charge trucks for some external costs, if they wish

# Road and rail: the current situation



## Rail transport:

- EU legislation requires charges at least at the level of the direct costs, (the infrastructure wear and tear), on the entire network for both freight and passenger transport
- Fuel of rail transport (diesel or electricity) subject to VAT and excise duty at least in some Member States
- Electricity generation is included in the EU Emissions Trading System (ETS).

## Road transport:

- Charging voluntary according to EU legislation.
- Some TEN-T roads and motorways subject to distance-based tolls; others subject to time-based vignettes; yet others exempt from tolls and vignettes.
- No legislative framework for cars, vans and motorbikes
- Fuel of transport (diesel and petrol) subject to VAT and excise duty

# 2011 Transport White Paper - 1



- Transport White Paper recommended the **internalization of external costs for all modes** and proposes moving towards the full application of the ‘user pays’ and ‘polluter pays’ principles
- The **attractiveness of “additional revenue streams”** was specifically acknowledged!
- *“Transport charges and taxes must be restructured in the direction of wider application of the ‘polluter-pays’ and ‘user-pays’ principle ... the overall burden for the sector should reflect the total costs of transport including infrastructure and external costs... in the future, transport users are likely to pay for a higher proportion of the costs than today. It is important that correct and consistent monetary incentives are given to users, operators and investors.”*
- *“The internalisation of externalities, the elimination of tax distortions and unjustified subsidies and free and undistorted competition are therefore part of the effort to align market choices with sustainability needs ... They are also necessary to establish a level playing field between modes which are in direct competition.”*

# 2011 Transport White Paper - 2



## Next steps:

### Phase I (up to 2016)

- Transport charges and taxes should be restructured... Proceed with the internalisation of external costs for all modes of transport applying common principles while taking into account the specificity of each mode.

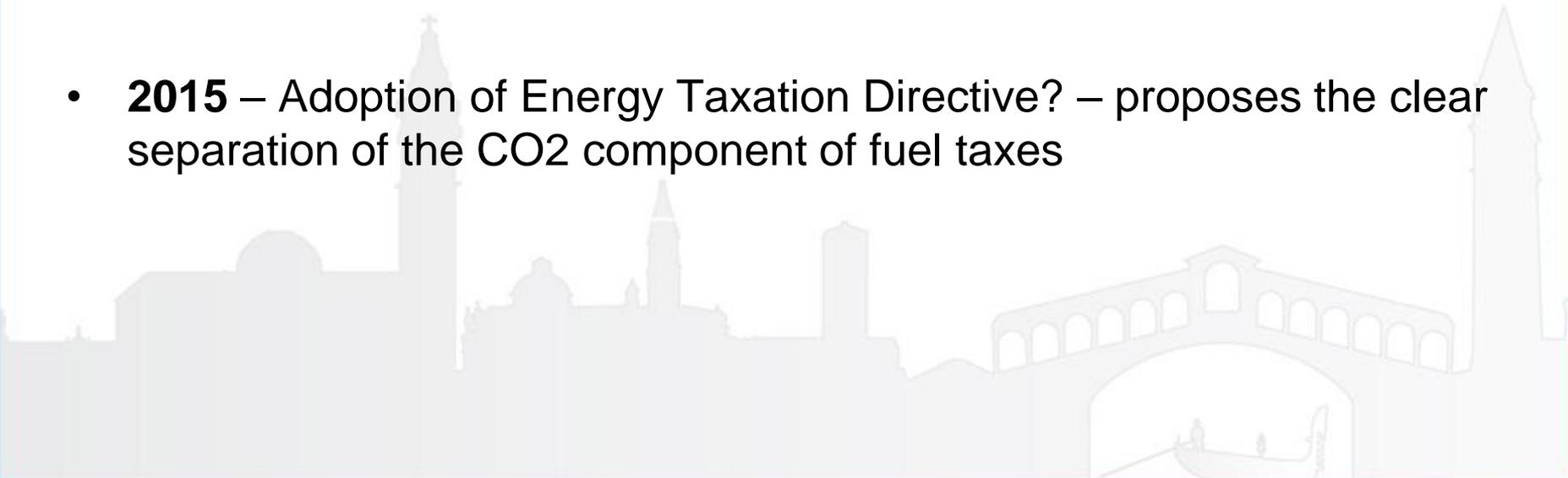
### Phase II (2016 to 2020)

- Building on Phase I, proceed to the full and mandatory internalisation of external costs (including noise, local pollution and congestion on top of the mandatory recovery of wear and tear costs) for road and rail transport.

# Forthcoming initiatives

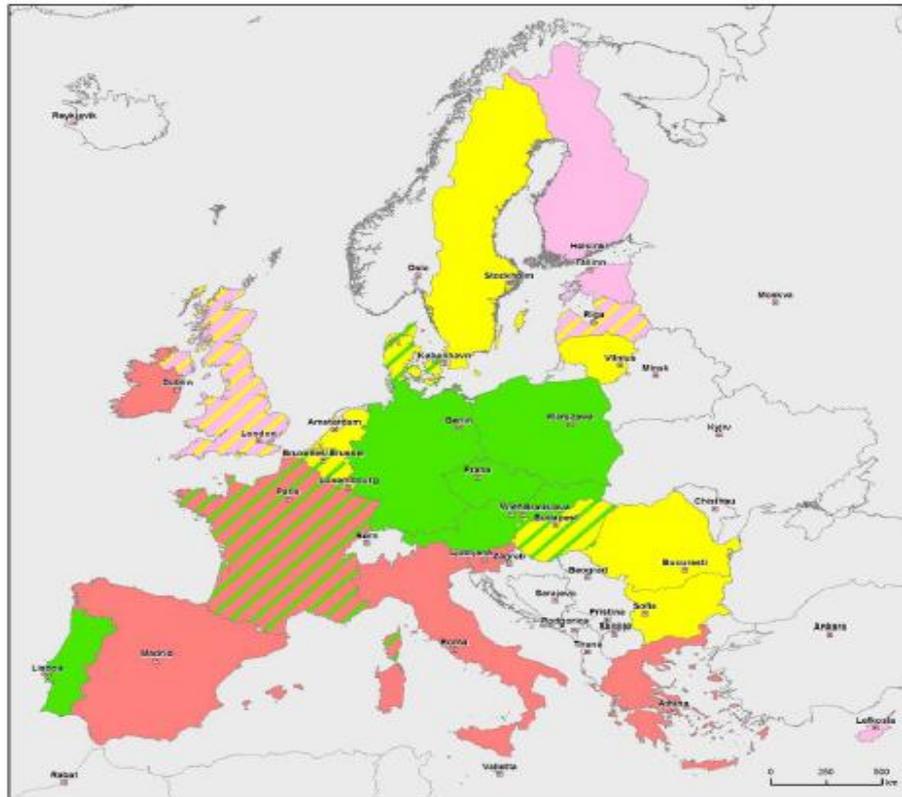


- **November 2012** – Commission report / CE Delft study on how external costs can be fully internalised in all modes of transport to be published
- **2013** – European Commission to put forward Proposal on charging for the use of road infrastructure
- **2015** – Adoption of Energy Taxation Directive? – proposes the clear separation of the CO<sub>2</sub> component of fuel taxes



# Charging of heavy goods vehicles in the EU


**European Commission** | **CHARGING OF HEAVY GOODS VEHICLES IN THE EU**  
 Directive 1999/62/EC as amended by Directive 2006/38/EC and Directive 2011/76/EU



**Legend**

	Vignette (time-based charge)		Vignette (time-based charge) under preparation
	Electronic network-wide toll (distance-based charge)		Electronic network-wide toll (distance-based charge) under preparation
	Toll with physical barriers (distance-based charge)		
	Neither vignettes nor tolls		

Source: European Commission, Directorate-General for Economic and Financial Affairs, 2012

