

EU EMISSIONS TRADING SYSTEM (ETS) REFORM

INTERFERRY URGES EU CO-LEGISLATORS TO SAFEGUARD MODAL SHIFT OBJECTIVES

BY ENSURING TIMING CONSISTENCY IN THE ETS FOR SHORT SEA AND ROAD TRANSPORT

Ro-ro cargo and ro-ro passenger ships constitute a sustainable passenger transport mode that links Europe's cities and regions, as well as provide a green mode of urban transport. Regular ferry routes between key ports in the EU improve the efficiency, reliability and sustainability of freight transport, providing viable and greener alternatives for congested land routes on roads. It is against this background that two decades ago the EU introduced and promoted, also financially, the concept of the "Motorways of the Sea"¹ to shift freight from long-distance road transport to short-sea transport.

The shift of passenger and goods traffic towards the greenest modes, such as short-sea shipping, still constitutes a central pillar of the EU transport decarbonisation strategy. In fact, the EU's modal shift strategy² sets out that transport by short-sea should increase by 25% by 2030 and by 50% by 2050.

The proposed inclusion of maritime transport into the European Emission Trading Scheme (ETS) is set to lead to significant cost increases. Interferry believes that the original phase-in proposed for Maritime by the European Commission would facilitate a reasonably balanced inclusion of these new costs and it would correspond well with the Commission's proposal for road transport, thereby avoiding distortion:

Original proposal for road transport from the EU COM

A separate self-standing emissions trading system for fuel distribution for road transport and buildings (ETS II) would be established starting from 2025. The regulated entities (fuel distributors) would need to report the amount of the fuels placed on the market starting from 2024. From 2026, they would have to surrender a corresponding amount of allowances, based. The cap on emissions would be set in 2026 and would gradually decrease to amount to a 43 % reduction of emissions in 2030 compared to 2005 levels for these sectors. All allowances would be auctioned and none provided for free. Indirect social impacts from rising prices of road transport and heating fuels are addressed through a legislative proposal for a Social Climate Fund."

¹ The concept was introduced with the 2001 Transport White Paper- European transport policy for 2010: time to decide. The European Commission proposed the development of "Motorways of the Sea" as a "real competitive alternative to land transport.

² EU Strategy for Sustainable and Smart Mobility (COM/2020/789 final)

In this context, it is essential that the implementation of the *Fit for 55 Package* and, in particular the ETS, is consistent and does not lead to disproportionate costs, potentially putting (greener) transport modes at a disadvantage. Higher climate ambition needs to be achieved cost effectively and be accompanied by mechanisms aimed at preventing undesired *modal back shift* phenomena.

Therefore, in view of the ongoing trilogue negotiations on the ETS, we call on the national governments in the Council and the Members of the European Parliament to preserve the key role of short sea shipping in reaching the EU's modal shift targets. Interferry believes that to achieve this, the timing of the implementation of ETS for short sea shipping and road transportation should be done in a coordinated manner.

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