

# EU ETS reform - remove competitive distortion amongst transport modes

## The Emission Trading System (ETS) in a nutshell

Carbon pricing imposes a cost on pollution, incentivising firms to cut emissions in order to reduce their costs.



### ETS sectors:



Energy-intensive industry



Power and heat



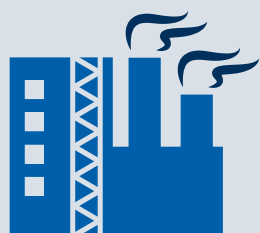
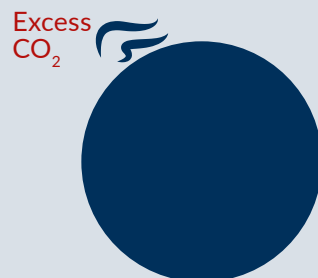
Commercial aviation within the EEA, but airlines receive 85% of allowances free

### Reform:

The world's first and largest GHG trading system is **currently being revised** with the aim of delivering a **GHG reduction of at least 40% by 2030** compared to 1990 levels.

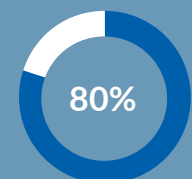
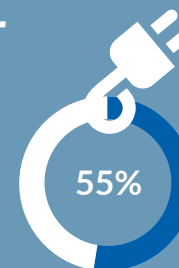


### How does it work?



### Rail is an indirect ETS sector

Approximately 55% of railway lines in Europe are electrified.



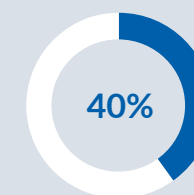
These lines carry 80% of rail transport across Europe.



EU railway companies are amongst the **major users** of electricity.

Annual electricity consumption for railway traction services corresponds to €3.1 billion.

According to the International Energy Agency (IEA), **40% of the electricity mix** used by railways in Europe is **low-carbon**.





# Message to the policymakers

## CER recommendations

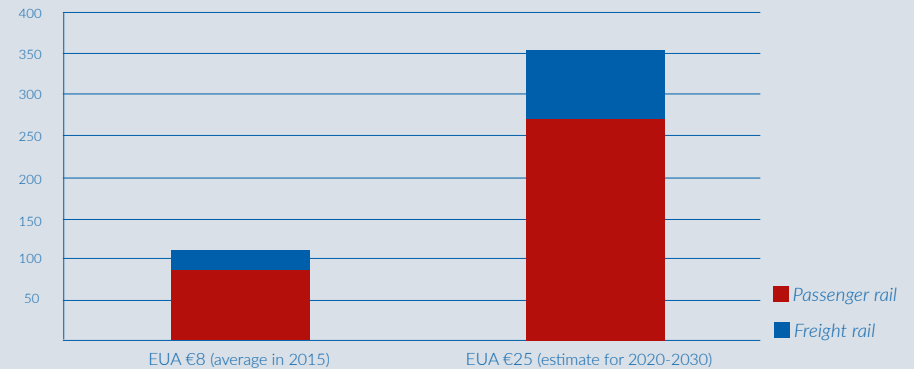
- Unlike more CO<sub>2</sub> intensive modes rail is **penalised** by environment-related charges.
- This has a **negative effect** on rail's competitiveness and is therefore inconsistent with EU policy goals.
- The **current competitive distortion** amongst transport modes caused by carbon pricing must therefore be removed.
- A **balanced** carbon pricing policy **across all transport modes** must be achieved.
- Until then, a **level playing field** amongst transport modes can only be reached if railways are **fully compensated** for their indirect ETS charges.



## The ETS generates huge costs for electrified rail

The EU rail sector **today pays over €110 million/year** for its CO<sub>2</sub> emissions generated by electric traction. According to **the new ETS proposal**, railway companies might reach a level of **€370 million/year**.

Annual European Emission Allowance (EUA) costs for railways in million €



## Electric rail is fully included in the ETS

Road and aviation are not.

