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The role of road transport in emissions trading – the perspective of an environmental NGO

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The scale of the problem

- UK and EU committed to keeping global temperature rise below 2°C above pre-industrial levels
- The UK target – a 60% cut in CO_2 emissions by 2050
- The 60% target is good but not good enough:
  - the science is getting ever more alarming
  - an 80% target is needed
  - current Climate Change Bill excludes UK's share of international aviation and shipping

All sectors of the economy must pull their weight

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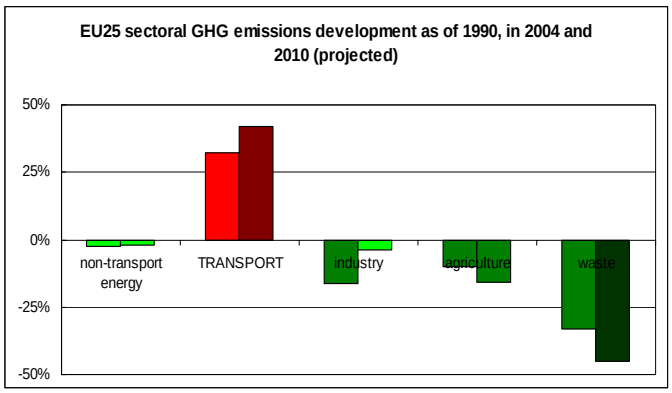
Transport emissions on the rise



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…..in the UK

	MtC, 2004	increase since 1990
Total UK transport (inc. international aviation)	53.9	18%
Aviation	9.7	110%
Road transport	33	10%

DTI forecasts road transport emissions rising to 36.2MtC by 2020

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How best to tackle emissions from surface transport?

- Include the sector in the existing EU Emissions Trading scheme?
- Implementation of a combination of specific policies for transport?

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Economic theory of trading

- All sectors under one trading scheme
- All sectors face the same cost of carbon
- Ratchet down the cap
- Emissions reduced in most cost effective way

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But the EU ETS is a regional scheme and..

- Transport can cope with high carbon prices
- Sector will therefore be a net buyer of allowances in the ETS
- Lock in of high carbon investments and soaring emissions

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Impact on the wider ETS

- Upward pressure on the carbon price which could……
- Fuel pressure from manufacturing industry for weaker caps which could…..
- Destabilise the scheme and mean that very little emissions abatement takes place overall.

The priority is to ensure that the ETS works more effectively for major point sources

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Also issues over who wears the cap?

- The motorist – 200 million vehicles in EU. Doesn't look like a workable option at present.
- The car manufacturers – allocation tricky. Uncertainty over actual emissions and future prices.
- The fuel suppliers – administratively simple. The favoured option?

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A cap on fuel suppliers

- Suppliers have little control over emissions - vehicle purchasing decisions, travel patterns, driver behaviour etc.
- Main lever could be biofuels – but overlap with RTFO/biofuels Directive?
- Carbon price would probably be passed through to consumers. Impact looks like a (very?) modest fuel tax

If including road transport in the ETS does not drive change in the sector, what is the added value?

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A combination of policy options for transport?

- a separate ETS for road transport?
- Tighter mandatory fuel efficiency targets, with trading between car companies
- Tax incentives – greater VED differentials, fuel duty
- National road user (and lorry road user) charging to prioritise CO_2
- Low carbon fuel standard – in which clean and certified biofuels could play a prominent role
- Enforcement (and reduction) of speed limits
- Investment in alternative transport modes
- Investment in new technologies

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In summary

- Including road transport in the EU ETS will not lead to emissions reductions in the road transport sector and and could destabilise the scheme.
- A focus on the ETS could also reduce the political space and appetite for other measures
- It is imperative that a combination of targeted policies and measures to directly address the rising emissions from road transport is implemented as soon as possible.

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"Tinkering around the edge of the business as usual policy thrust will not deliver our ambitious CO_2 reduction target. We need major change."

A 60% cut in transport emissions "can be achieved through a variety of policy packages that are well known now" – but with a strong focus on both behavioural change and technological innovation."

UCL/Halcrow VIBAT study for DfT, January 2006

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Thank you!

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