



MEETING

Report from the Secretariat of the Intergroup “Climate Change, Biodiversity and Sustainable Development”

“Greening Logistics”

European Parliament, Brussels
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Chairman: MEP Dieter-Lebrecht Koch, Chair of the subgroup “Transport and Tourism” of the Intergroup “Climate Change, Biodiversity and Sustainable Development”

1. Introduction

MEP Dieter-Lebrecht Koch

“Transport and mobility are not the natural enemies of human beings. They are a basis for human life and a human right. Without transport and tourism we would not eat fresh bread tomorrow morning. It would be also difficult to discover new cultures”.

Mr Koch insisted on the fact that transport is likely to become more efficient and sustainable in the near future. Mr. Koch explained that this meeting will contribute to the discussion on how to make transport greener.

2. Presentations

- **Greening logistics in the context of the White Paper on the Common Transport Policy (2010-2020)**

Pawel Stelmaszczyk, Head of Unit “Logistics, co-modality, motorways of the sea and Marco Polo”, DG Mobility and Transport, European Commission

Decarbonising transport is a challenge identified by Mr. Barroso in his political guidelines in 2009. Besides infrastructures development and their efficient use, decarbonisation is one of the issues addressed by the EU 2020 Strategy. As reducing mobility is not an option to be considered, other possibilities such as technology improvements have to be explored in order to reduce by 2050 the level of CO2 emissions by 80% compared to 1990.

The White Paper on European transport policy for 2010, published in 2001, proposed several specific measures:

- Improving quality in the road transport
- Striking a balance between growth in air transport and the environment
- Turning intermodality into reality
- Building the trans-European transport network
- Putting research and technology at the service of clean and efficient transport

According to Mr. Stelmaszczyk the decoupling of transport from economic growth was the main focus. This has not been achieved. The demand for transport has followed closely economic growth. Aware of the limits of this approach, the European Commission has decided to focus more on the sustainability of transport. The three pillars: economic, social and environmental deserve similar attention.

In this regard, Mr. Stelmaszczyk explained that information and communication technologies should be integrant parts of the solution. Likely important is research, an issue which comes under DG MOVE's remit when it comes to transport. DG MOVE is carrying out research activities on eFreight. Covering all modes of transport, it aims to establish a standard framework for freight information exchange. It should enable to set up a Single Window for administrative procedures. Achieving simple and harmonised border crossing procedures for all modes of transport in all EU Member States could be another achievement of this promising system. The Roadmap is being developed and will be included in the European Commission's Work Program for the next five years. In his view, technological research and policy developments should go hand in hand. He also underlined the potential of simplifying administrative procedures.

The integration of transport modes is another area of great importance. What is the real essence of co-modality and what is understood by co-modality? Mr. Stelmaszczyk reaffirmed that the European Commission does not say which modes of transport are more competitive and environmentally friendly. They should be used with a view to offering the best solutions for the operators and

users. One of the critical elements is the funding of cross-border connections. “Member States are not spending enough”, he claimed. Progress remains therefore to be made.

Moreover, Mr. Stelmaszczyk recalled that the Logistics Action Plan is based on six main areas, namely E-Freight and Intelligent Transport Systems, sustainable quality and efficiency, simplification of transport chains, “green” freight transport corridors, urban freight logistics, vehicle dimensions and loading standards. As the Plan is due to be revised this year, he invited the participants to share views and make suggestions.

The European Commission is also reflecting on how to improve the Trans-European Transport Networks. The 2009 Green Paper, setting its long-term vision for a sustainable transport system with a horizon to 2050, launched the debate on how to integrate different modes of transport and develop further the connections between them, notably through technologies at terminals and more efficient use of the existing infrastructures.

The White Paper, due to December 2010, should be based on three pillars, namely the internal market, infrastructures and innovation. Moreover particular importance should be given to competitiveness, citizens and climate change.

“All this work seeks to help us work towards making freight transport more environmentally friendly and more efficient. If we are successful it will definitely contribute to greening the transport sector”, Mr. Stelmaszczyk concluded.

Mr Koch welcomed the various initiatives taken by the European Commission. He expressed his support for the one aiming to reduce bureaucracy.

- **Michelin, well known user of European Logistics**

Patrick Ozoux, EU Office Director, Michelin

Michelin is manufacturing 194 millions of tyres from 200 grams up to 4 tons each as well as 19 millions of maps and guides. These figures show how complex logistics is for this company. To underpin his idea, Mr Ozoux gave the example of tyres manufacturing. This requires first bringing raw materials to the factory. Then semi finished products have to be produced. This task is not necessarily performed in all the factories, which mean that some semi finished goods go from one factory to another. Finished goods are deployed and finally delivered.

Michelin is a well known user of logistics, since it transports 2 millions tons of products per year, corresponding to 14 000 different references. It owns 39

factories, 35 warehouses, 60.000 delivery points, and manufactures 2.000-2.500 trucks and 600 containers a day. More than 360 000 trips are organised and more than 500 carriers are registered. Transport is done by trucks, train, vessels and planes. In summary, Michelin has four types of goods:

- Raw materials. Owing to their characteristics, constraints are quite limited. Ports of Northern Europe are the most used. They are also transported with sea feeders or rail.
- Semi finished goods. High reactivity is necessary because they have to be used within one week due to their proper chemical characteristics. High frequency, short transport time and reliability on the transport system are therefore prerequisites for an efficient transport. The solution is the road.
- Pre positioning for goods. To reply to the short transport time, the high frequency and concentration of flux, the modes of transport used are road or rail or sea.
- Final distribution to the customers. Meeting consumers' expectations require notably high reactivity, frequency, short transport time and high level of network. The only solution is the road.

Mr Ozoux insisted on the fact that road and rail are complementary and not competitors. Each mode of transport has its own strengths and should be able to make progress towards meeting the objective of CO2 emissions reduction. It was noted that the absence of real and fair competition, notably in the rail freight, prevents from making progress, notably in innovation.

With regard to the intermodal transport, it represents only 3,5% for Michelin. The share of rail and barge in the import of raw materials is respectively 1,6 and 3,6% whereas the export of finished products uses largely the combination road-rail and road-feeder. From these figures it makes clear that intermodal transport is only attractive in case of pushed fluxes, few delivery time constraints and subsidies. This little attractivity is due to the costs, long delivery time, the lack of reliability and standardization.

Mr Ozoux explained the combined transport structure. There is a loading place, generally a factory. A pre-carriage until the handling operations is done to transfer the goods from the road to the sea for example. Further to the main traction sea, rail or river, there are the handling operations to go to the post carriage and the unloading place. The more obstacles there are in the transport chain the more you waste time.

The main problems intermodal transport suffers are high costs and long delivery time. As an example, from Poland to the Netherlands, road transport enables to transport the goods in 2 days and costs 970 Euros, whereas the combined sea-

road takes 6 days and is more expensive: 1183 Euros. Another example is given by the combined transport rail-road from Spain and Poland. The non harmonised infrastructures together with national operating rules and documentary constraints lead to a long journey - more than double compared to the road – and high costs. National operating rules are getting improved but not sufficiently to reverse the trend. Mr Ozoux regretted the lack of uniformity between trains and road.

This is therefore not surprising to see that expectations of shippers are: competitive costs, continuity of the offer, adapted delivery time, regular frequencies, liability of the service, and low environmental footprint. Meeting these expectations requires removing several brakes such as high costs for combined transport, too many different documents, and national operating rules (signals, social rules etc).

Michelin requires some initiatives to optimize logistics in view of reducing CO2 emissions. As an example, the EMS authorization on motorways would result in a reduction of 15% of CO2 emissions per tone per km.

Mr. Ozoux underlined the importance of having in mind the results without imposing the means to reach them. “All the efforts should be put in order to improve CO2 emissions”.

According to Mr Koch, the economic and environmental interests have to go hand in hand. There is a clear economic interest to reduce the carbon footprint.

- **Optimising and Greening Logistics: The Virtual Arrival Project**

Erik Ranheim, Manager Research and Project Section, Intertanko

INTERTANKO is the International Association of Independent Tanker Owners. INTERTANKO has been the voice of independent tanker owners since 1970, ensuring that the oil that keeps the world turning is shipped safely, responsibly and competitively. Membership is open to independent tanker owners and operators of oil and chemical tankers, i.e. non-oil companies and non-state controlled tanker owners, who fulfill the Association's membership criteria. Independent owners operate some 80% of the world's tanker fleet and the vast majority is INTERTANKO members. As of January 2010, the organisation had 250 members, whose combined fleet comprises some 3,050 tankers totaling 260 million dwt. INTERTANKO's associate membership stands at some 330 companies with an interest in shipping of oil and chemicals.

Mr Ranheim explained that the maritime sector has made significant efforts over the last years in order to become even more sustainable. As regards CO2 emissions the following three main measures are currently being applied or under consideration:

- Technical measures relate firstly to the ship's engine and hull. In particular the concept of an energy efficiency design index (EEDI) is being applied, which rates new vessels according to their energy efficiency. Better energy efficiency can also be attained through other technical means, including the use of more long term and marginal measures such as alternative fuels, kites and sails.
- Operational measures, such as adjustment to a vessel's speed, the drawing up of a Ship Energy Efficiency Management Plan, and the concept put forward by the Virtual Arrival Project.
- Market based instruments, aiming to stimulate technical improvements or operational measures. Currently under considerations are the introduction of a global (or regional) cap-and-trade mechanism and a bunker levy (i.e. a tax on bunker fuel). However, an agreement at the level of the International Maritime Organisation has so far not been possible due to the opposition of non Annex I countries under the UNFCCC.

Subsequently, Mr. Ranheim turned to the Virtual Arrival Project, the main theme of his presentation. This industry initiative involves several stakeholders and aims to improve the efficiency of high seas oil and gas transportation through a better coordination of ship arrivals in ports, when the terminal is not ready to receive the cargo. Currently, tankers often arrive in ports after having sailed there at full speed and have to wait for days before they can off-load their cargo. An agreement between the charterer and ship operator could enable the vessels to sail at the optimal speed and to arrive in port just on time to off-load its cargo. INTERTANKO estimates that "virtual arrival" has the potential to reduce CO2 emissions for the voyage in question by 15% or even more, because vessels could sail at the optimal (in most cases lower and more energy efficient) speed. The economic interest is also high, as fuel costs represent 60-80% of operation/running costs for owners. This project has multi-benefits: in addition to reducing fuel consumption, CO2 emissions, nitrogen and sulphur, it enables to improve safety, decrease congestion in ports and potentially increase the use of weather reading.

This system has important prerequisites:

- The safety of the vessel remains the first priority;
- The authority of the vessel's Master is unchanged; and
- The basic terms of trade remain similar.

In practical terms, when there is a known delay in the ship arrival time, an agreement between two or more parties is concluded, thus taking advantage of this delay. Another element to be agreed on is how to calculate the performance of the vessel, the savings and report the virtual arrival. This is a “win – win situation for all, based on trust and transparency”, Mr Ranheim said. He gave a concrete example: A terminal is not ready to discharge the cargo. To cope with this situation, an agreement is concluded to decrease the speed of the ship in order to arrive at the estimated time. The reduction of the speed results in a substantial decrease in fuel consumption. In contrast, without an agreement the ship-owner would have to pay for the three days waiting time in port.

The project is simple but a firm agreement is needed for the parties involved. This is because a reduction in speed can substantially change the economics of the voyage as the ship operator will normally be entitled to compensation payments for the waiting time that would have been incurred if the ships had continued at full speed.

There are often several commercial obstacles and long term practices that must be overcome to change the trading practices in shipping. Virtual Arrival is a project that aims to remove some of these obstacles.

Virtual Arrival is already a reality and has yielded concrete results.

- **Internalisation of External Costs of Transport**

Jeremy Drew, Community of European Railway

Mr Drew highlighted how transport has changed over the last 100 years. The traffic both for passengers and goods has constantly grown, following the Gross Domestic Product (GDP). Another tendency has to be stressed: since 1995, the transport of passengers has, to some extent, decoupled from the GDP. Interestingly, goods freight has increased more quickly than the GDP. In Mr Drew's view, the focus should be therefore on this freight, which leads to congestion problems, thus undermining the environment.

It was noted that transport is the only sector where CO2 emissions have risen over the last twenty years. Despite their growth, the other sectors have managed to decrease their carbon footprint. As a result, external costs of transport such as air pollution, climate change, congestion and noise, have increased. Given that road is the biggest emitter of greenhouse gas emissions, efforts should be concentrated on this mode of transport.

He identified low prices as one of the major problems. Road is perceived as the cheapest transport mode. He argued that “if prices are not adjusted, traffic volumes will continue to grow uncontrollably”. One of the solutions advocated is

the internationalisation of external costs of transport. Users of transport would therefore pay for the external costs they cause. The “polluter pays” principle should be applied. Mr Drew held that internalizing external costs would enable to get a massive increase in rail for the long distance freight. It is interesting to see the parallel between the policy of internalisation of external costs carried out by some countries and the share of rail in the freight traffic. For instance, rail takes a prominent place in Switzerland, which has decided to internalize external costs.

It is worth mentioning that the European Commission is doing a lot of work on this. More precisely, it produced two years ago a handbook on how to estimate external costs in the transport sector. The document concluded that “There is a consensus at scientific level that external costs of transport can be measured using best practice approaches and that general figures are ready for policy use”. In the wake of this handbook, the European Commission proposed a revised version for Eurovignette. This would enable the Member States to impose a differentiated kilometre based on the charges for external costs. It would apply to heavy good vehicles and would also be limited to congestion, air pollution and noise, excluding CO2 emissions and accidents. Mr Drew regretted that the proposed version sets caps for charges. This would reduce the impact of the Commission’s proposal. Last but not least, it requires that revenue from charges is earmarked to improve sustainability of transport. He stated that the EP Rapporteur is supportive and has proposed minor changes, strengthening the proposal.

The railway sector strongly hopes that the proposal will be adopted.

Mr Koch emphasized the necessity to implement the existing legislation. However, this does not prevent us from encouraging additional initiatives in order to make progress in the technical harmonisation and improve further the quality of the freight. However, he warns that making transport more expensive does not necessarily mean improving its quality.

- **The Potential for Sustainable Transport to Make Logistics Greener**
Nina Renshaw, Policy Officer, Transport and Environment

Transport and Environment is a European Federation of around 50 environmental NGOs across Europe. Ms Renshaw regretted that the decoupling between GDP and freight transport has gone in the wrong direction. The same quantity of freight costs more in terms of GDP. It means that we have become less efficient, generally due to the increasing distances.

She added that unlike other sectors, transport is increasing emissions and undermining progress towards the Kyoto targets. In this regard, road together with aviation and shipping are the subsectors with fastest emissions growth.

Mr Renshaw identified some key drivers of freight growth and CO2 emissions:

- EU and national investments to build infrastructures, thus making transport cheaper and faster.
- Longer and heavier lorries.
- Opening borders. Although it represents a positive achievement, this has led to change the costs, the speed and the way we use transport in the society. The EU enlargement has stepped up this movement.

The various decisions, consciously or unconsciously have made transport considerably cheaper. This especially holds true for road transport. Policies put in place, notably in motorways have detrimental consequences on congestion, noise, and pollution etc. Aware of these constraints, some countries such as the Netherlands have started slowing down the investments. The economic crisis is another critical element, which prompted the Member States to spend less resource than before.

To face all these challenges, Mr Barroso stated in his political guidelines last year that “The next Commission needs to maintain the momentum towards decarbonising the transport sector”. Ms Renshaw regretted the lack of ambition with only one reference to the transport sector. Given the strong connections between transport and energy, both sectors need to work together in order to find ways of decarbonizing the society and minimizing the impact on climate change. The objective is to reduce CO2 emissions by 80-95% from 1990 levels by 2050. This requires turning around the trends and a complete change in the behaviours. Time being valuable, the sooner we act the cheaper is going to be.

Ms Renshaw is quite sceptical about the potential of some existing tools to deliver expected results. Eurovignette is not a binding tool and forbids internalization of the external costs. As far as the railway liberalization package is concerned, we have to recognize its potential but Transport and Environment would like to see more efforts from this sector. With regard to Marco Polo, it represents a tiny fraction of other funding programmes, which prevents it from being fully efficient.

Ms Renshaw presented the three policy actions, which in her view, have been the most important ones for green freight:

- the harmonization of the minimum diesel tax level across the EU. The European Commission has announced its intention to look at this issue in

2010 and explore the potential of an energy tax regime. We are all aware how cheap fuel in the United States is. They are actually less efficient than Europe because energy prices are cheap.

- speed limiters for trucks over three and a half tons. This has been beneficial both to the environment and the safety.
- energy, safety and noise labelling for tyres.

It is important to question current forecasts for future road freight growth because:

- the breakthrough policy measures, such as opening borders, which have stimulated growth rates in the past are exhausted.
- negative impacts are unacceptable: congestion, fuel import dependence, accidents, air and noise pollution and greenhouse gas emissions.
- economic crisis and empty coffers.

Transport and Environment's policy recommendations for green freight transport are:

- transport efficiency: for which fair pricing is key, including internationalisation of external costs, in particular for congestion, which represents just a fraction of the charge but half of the economic benefits of the current Eurovignette proposal.
- energy-efficiency: the EU should set strict CO2 standards and introduce CO2 labelling for both vans and trucks. Trucks must become smarter, safer and cleaner, more fuel efficient, but not bigger and heavier.
- energy quality: investigate policy options to bind renewable energy sources to transport including CO2 standards, energy taxes and binding targets for carbon intensity of energy, develop electrification scenarios beyond 2020.

3. Conclusions by the Chair

MEP Dieter-Lebrecht Koch

- Mobility and transport are essential for social life. Economy, ecology and traffic are not incompatible. Traffic will increase, especially because of opening borders.
- All the traffic modes have to become safer, cleaner and save resources. They have a huge potential which can be exploited with the help of the EU. Good examples can be found with the common carriers and intelligent traffic systems, including driving assistance systems.
- The reduction of CO2 emissions can be achieved, mainly with drive technologies, innovative logistic as well as the cross-linking of the separate traffic modes and the creation of corridors.
- Putting pressure only on prices is not a good solution. A social and ecological legal framework is necessary. Regulations have to be controlled and sanctions applied.
- Saving fuel and therefore money is of interest to the actors of the transport industry.
- Being more environmentally friendly results in a higher transparency of prices.
- Consumers should have the possibility to decide for or against a certain product or service through transparent information. Labelling is important in this respect.
- There is no need for new European laws to reduce CO2 emissions. The Virtual Arrival Project shows that concrete initiatives can be carried out.
- Liberalisation and realisation of the train package can be beneficial.