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INLAND WATERWAY TRANSPORT (IWT) POSITION ON THE FIT FOR 55 PACKAGE AND THE ENERGY TAXATION DIRECTIVE PROPOSAL

The IWT sector warns that the ‘Fit for 55 package’ might undermine the objectives of the EU Green Deal as further elaborated in the Sustainable and Smart Mobility Strategy and in NAIADES III. Whereas these policies and action plan are focusing on a modal shift towards IWT and rail, the ‘Fit for 55 package’ is not linked to these objectives and through certain measures - in particular those laid down in the proposed revision of the Energy Taxation Directive - might lead to a reverse modal shift.

FIT FOR 55 PACKAGE

On 14th of July 2021, the European Commission released ‘Fit for 55’ communication. The ‘Fit for 55’ package aims to deliver the EU’s increased emission reductions target, and consists of a set of interconnected proposals, which all drive towards the same goal of ensuring a fair, competitive and green transition by 2030 and beyond. Where possible, the existing legislation is made more ambitious and where needed, the new proposals are put on the table. Overall, the package strengthens eight existing pieces of legislation and presents five new initiatives, across a range policy areas and economic sectors: climate, energy and fuels, transport, buildings, land use and forestry.

The legislative proposals are backed by impact assessment analysis, which takes into account the interconnection of the overall package. The analysis shows that an over-reliance on strengthened regulatory policies would lead to unnecessarily high economic burdens, while carbon pricing alone would not overcome persistent market failures and non-market barriers.

Rationale and impact on the IWT sector

The rationale behind the proposal is to price pollution, in particular CO₂, and at the same time incentivise cleaner products, such as cleaner mobility and transport fuels (2.2.2.). The Fit for 55 package therefore includes four proposals promoting cleaner vehicles and fuels in a technologically neutral way.

Whereas the IWT sector supports the objectives of *the EU Green Deal (EGD)* and *the Sustainable and Smart Mobility Strategy (SSMS)*, it observes a lack of alignment of the ‘Fit for 55’ package with these policies. On the 24th of June 2021, the Commission published its *NAIADES III program* by putting forward an ambitious ‘Inland Waterway Transport Action Plan 2021-2027’ in line with its Sustainable and Smart Mobility Strategy. It focuses on two core objectives: shifting more freight transport to inland waterways, and setting the sector on an irreversible path to zero-emissions accompanied by a paradigm shift towards further digitalisation, as well as accompanying measures to support the current and future workforce.

The IWT sector supports the proposed focus as well as the notion that the IWT sector needs to be reinforced, to meet the Green Deal objectives in terms of modal shift and lower pollutants and Greenhouse Gas emissions. Keeping already a very positive environmental record today, the intended increase of the modal share of IWT will substantially contribute to an overall decrease of the GHG emissions of transport. The IWT sector is prepared to take the necessary steps towards zero emission and to take over much higher volumes of freight and passengers on the waterways if the right framework conditions are met.

The EGD, SSMS and NAIADES III are focusing on a modal shift towards IWT and rail. The Fit for 55 package, however, is not linked to this objective and besides through certain measures - in particular those laid down in the proposed revision of the Energy Taxation Directive - might clearly undermine this objective.

ENERGY TAXATION DIRECTIVE (ETD)

The ETD foresees a tax system for energy products which must both preserve the internal market and support the green transition by setting the right incentives. Therefore, a revision of the Energy Taxation Directive proposes to align the minimum tax rates for heating and transport fuels with EU climate and environmental objectives, while mitigating the social impact. The new rules intend to remove outdated exemptions and other incentives for the use of fossil fuels, while promoting the uptake of clean fuels.

According to **Article 15**, a minimum level of taxation as set out in Tables B and D of Annex I to energy products supplied for use as fuel to vessels, and to electricity used directly for charging electric vessels, **for the purposes of intra-EU waterborne regular service navigation, fishing and freight transport.** For the purposes of the first subparagraph, electricity shall be ranked among motor fuels indicated in Table B of Annex I. Over a transitional period of ten years, minimum rates of zero shall apply to sustainable biofuels and biogas, low-carbon-fuels, renewable fuels of non-biological origin, advanced sustainable biofuels and biogas and electricity. For the purposes of this Article, 'intra-EU waterborne navigation' shall mean navigation between two ports located in the Union, including domestic navigation.

Impact on the IWT sector

In practise, the proposal would introduce a minimum taxation on fuel of approx. 0,036 € per litre after its entering into force where currently this is exempted. To support the sector in increasing its modal share, the Commission must strike the right balance between its ambitions and the energy transition measures. In the attempt to boost the uptake of more sustainable transport modes, the Commission introduces a system of energy taxation on a very short term to ensure that the "polluter pays" principles are implemented across all transport modes.

In our view, the proposal would undermine the intended policy objectives as laid down in the EUGD, SSMS and NAIADES III for the following reasons:

1. The Commission aims to encourage the take-up of renewable alternative and sustainable fuels through tax incentives and penalising the use of fossil fuels as of 2023 by imposing taxes. This would imply the availability of sufficient sustainable alternative fuels, which however is not the case yet. Therefore, the timeframe to phase out fossil fuels must be a realistic one and must go hand in hand with the availability of sufficient alternative renewable solutions to meet the transport demand and their **wide roll-out**. Taxation of gasoil:
 - a. will not make those alternative energies neither easier available nor more attractive at this stage,
 - b. **would only consist in an additional financial burden for vessel owners who will have no access to widely available alternative energy sources** while targeted subsidies for such alternatives could substantially contribute to a market take up.
2. Taking the very low externalities of IWT, taxation of fossil fuels as of 2023 would impose high additional costs on the sector¹ and might lead to a reverse modal shift. We consider this an inappropriate measure where:
 - a. modal shift to cleaner modes of transport, such as inland navigation, is already a considerable advantage in terms of cutting emissions, in particular greenhouse gas emissions,
 - b. removal of the tax exemption might entail a modal shift to road transport, thereby increasing emissions.
3. The introduction of a fuel taxation would be in breach of the Mannheim Act and its additional Strasbourg agreement of 1952 on the regime of taxation and customs for gasoil consumed as board supply in the navigation on the Rhine.

CONCLUSION & PROPOSED AMENDMENTS OF THE ETD

1. **The IWT sector is clearly committed to move towards zero emission by 2050, and to take up much higher volumes to be carried on the inland waterways.**
2. **To realize the greening objective, realistic pathways are necessary while in light of the above, the efforts to encourage modal shift should continue.**
3. **Therefore, maintaining an exemption on gasoil for inland navigation remains justified until alternative (near) zero emission energy resources are widely available. This is not the case yet, reason why we plea for incentivising alternative fuels.**
4. **In case the new tax cannot be avoided all revenue resulting from the taxation of gasoil for inland navigation should be employed to support the sector in making the transition.**

¹ According to the CCNR study on a financial instrument for greening the IWT sector (deliverable G+H) with a tax of 4 eurocent per litre gasoil imposed on the IWT sector a European wide basis would amount €53mIn on an annual basis which is an equivalent of a total cost increase between 0.6% and 2.1%.

Therefore, we propose the following amendments:

Recital (23)

Fuel used for **waterborne sea going** navigation, including fishing, should also be taxed, and the Member States party to international agreements providing for the exemption of that fuel, have to, by the date of the application of this Directive, ensure they eliminate the incompatibilities. It is necessary to allow for a different level of taxation to be applied to the use of energy products and electricity for intra-EU **waterborne sea going** regular service navigation, fishing and freight transport and their respective at berth activities.

Considering the specificity of those uses, the minimum levels of taxation should be lower than the ones applicable to general motor fuel use. In order to provide an incentive to the use of sustainable alternative fuels and electricity, such fuels and electricity should be exempted from taxation for ten years. Energy products and electricity used for the remaining intra-EU **waterborne sea going** navigation should be subject to the standard levels of taxation applicable to motor fuels and electricity in the Member States.

Article 3

1. This Directive shall not apply to the following:
 - (a)....
 - (b)....

New (c) Inland Waterway Transport

Article 15

1. Without prejudice to Article 5, Member states shall apply, as a single use, under fiscal control not less than minimum levels of taxation as set out in Tables B and D of Annex I to energy products supplied for use as fuel to maritime vessels, and to electricity used directly for charging electric maritime vessels, for the purposes of intra-EU **waterborne sea going** regular service navigation, fishing and freight transport.

For the purposes of the first subparagraph, electricity shall be ranked among motor fuels indicated in Table B of Annex I.

Over a transitional period of ten years, minimum rates of zero shall apply to sustainable biofuels and biogas, low-carbon-fuels, renewable fuels of non-biological origin, advanced sustainable biofuels and biogas and electricity.

For the purposes of this Article, 'intra-EU **waterborne sea going** navigation' shall mean navigation between two ports located in the Union, including domestic navigation.

For the purposes of this Article, 'regular service' shall mean a series of ro-ro passenger ship or high-speed passenger craft crossings operated so as to serve traffic between the same two or more ports, or a series of voyages from and to the same port without intermediate calls,

either: according to a published timetable or with crossings so regular or frequent that they constitute a recognisable systematic series.

For the purposes of this Article, 'freight transport' shall mean a scheduled or non-scheduled service performed by vessel carrying revenue loads other than revenue passengers, excluding voyages carrying one or more revenue passengers and voyages listed in published timetables as open to passengers.

2. Member states may exempt or apply the same levels of taxation applied for intra-EU **waterborne sea going** navigation to extra-EU **waterborne sea going** navigation according to the type of activity.
3. Member States shall subject to taxation laid down in the first paragraph motor fuels and electricity used in the field of the manufacture, development, testing and maintenance of vessels, and motor fuels and electricity used for dredging operations in navigable waterways and in ports.
4. Electricity produced on board a vessel shall be exempted from taxation.
5. Member States ~~may~~ **shall** apply under fiscal control total or partial exemptions to electricity directly supplied to vessels berthed in ports.

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EBU

The European Barge Union (EBU) represents the inland navigation industry in Europe. Its members are the national associations of barge owners and barge operators of 9 European inland navigation countries (Austria, Belgium, Czech Republic, France, Germany, Luxemburg, Netherlands, Romania and Switzerland).

www.ebu-uenf.org

ESO

The European Skippers Organisation is the voice of the independent Inland Waterway Transport entrepreneurs. ESO looks after the interests of the barge owners at European level with representatives from six European countries (Belgium, France, Germany, Netherlands, UK and Poland).

www.eso-oeb.org

IWT Platform

As an executive body of EBU and ESO, the European IWT platform aims at a stronger positioning of Inland Navigation in European and national transport policies by an intensified contribution to various governing bodies, working parties and standard setting committees like CESNI and ADN.

www.inlandwaterwaytransport.eu