



## MBI as a Part of Instrument Mix for Sustainable Transport

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### Why transport is an important sector?

- growing source of CO<sub>2</sub> emissions,
- air pollution,
- noise and congestion.

Discussions about **various options for using MBI** (environmental impact of land transport and internalise environmental, social and economic externalities).



## Instrument Mix

- co-ordination among related policies
- co-ordination among member states
- to decide which administrative instrument and which MBI

(example of administrative instr. - proposals for a new EU tyre efficiency and noise label, a ban on mobile air conditioning systems using refrigerants with a global warming potential)

- to assess the environmental effectiveness and economic efficiency of a given instrument mix (LCA, monetary valuation of externalities)



## Market-Based Instruments

MBI are used for many years

- **to achieve more efficient use** of infrastructure, moderate demand and deal with externalities
- **examples of MBI:** road-pricing, congestion charging, charges or taxes on environmental externalities (such as air pollution), road taxation, car registration fee, entrance fee, charging of traffic ways...



## Advantage of MBI

- **ability to equalise the marginal costs of abatement** measures across different market segments
- **dynamic efficiency** – they can encourage innovation and provide incentives for the development of low-cost abatement measures to cut pollution



- Many external impact from transport could be reduced by **implementing the correct pricing signal**,
- charges for road systems are not structured this way
- governments have used often **fuel taxes for revenue-raising purposes** than to achieve specific environmental outcomes
- **fuel use is directly correlated to CO<sub>2</sub> emissions** and so is well-suited to internalising climate change impact
- fuel taxes are important but should not be the sole, they **reflect average**, rather than location-specific costs imposed by different users, and involve cross-subsidies.



## Green Paper on Market-Based Instruments for Environment and Related Policy Purposes

### Transport:

- **the growing level of emissions stemming from maritime transport** (differentiated port taxes based on tonne-kilometres and emissions, as the geographical effect of non-CO<sub>2</sub> emission varies, taxation of bunker fuel, subsidies for the adoption of more efficient technology)
- **Infrastructure charging** and the Eurovignette Directive
- Tackling **urban transport**: experiences with congestion charging
- Inclusion of transport under the EU ETS?



## The Impact of MBI on Competitiveness

- benefit from MBI - for example those developing green products or those that might perform better than their competitors (for example, **railway transport might suffer less from emission charges than road transport**)
- risk if other countries did not apply similar policies (opposition)
- to take social equity into account to be more beneficial in the longer term



## Green Paper – Discussion about Use of Taxation

- **general opinion in favour** of making more use of market-based instruments and taxation
- the Commission need a very good justification for expanding taxation at EU level for non-fiscal reasons
- to show that taxation is the right instrument for the purpose
- the main objective of taxation is to generate revenue
- the environment should not be used as pretext for raising taxes (industry respondents)



## EU Taxes

- Revision of the **Energy Taxation Directive**, CO<sub>2</sub> tax is proposed
- carbon tax (a part of energy or consumption taxes) accelerates the transition to a low carbon economy
- **carbon tax on fossil fuels in France** (problem is how to use revenues – one way is on infrastructure different opinions between minister of environment and finance)



## Subsidies

- **infrastructure** – EU grants €59m for Mediterranean green projects (The European Commission has committed €79m to the Union for the Mediterranean, €59m of which will go to water management and de-pollution, renewable energy and **sustainable transportation infrastructure projects** to be set up during 2009-2010.)
- EU issues €140m **hydrogen research** project call (The European Commission launched a bidding process on Thursday for €140m of project funding for research into hydrogen technology, as part of the EU's Fuel Cells and Hydrogen Joint Technology Initiative (JTI))
- car scrapping scheme
- noise barriers



## Reform of environmentally harmful subsidies

- Transport is one of the sectors which proposed for the review of environmentally harmful subsidies
- lower fuel tax on diesel
  - exemptions for aviation fuel and maritime transport fuels ...



## Green Public Procurement

- **exemplary behavior of public administration** in case of environmental friendly cars purchase monitoring of indicators of the supported activities was changed
- **incentive to car industry** (to produce low-emission cars and to develop eco-innovations)
- to use **more environmentally friendly cars**



**Thank you for your attention!**