

European railways support 'user pays' and 'polluter pays'

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Stakeholder conference on internalising external costs
in transport - Brussels, 17 December 2018





Each transport mode should cover its marginal costs, both for infrastructure wear and tear ('user pays') and for external costs, e.g. for air pollution and noise pollution ('polluter pays') ... Applying those two principles EU-wide will help address the current charging discrepancy between transport modes.

European Parliament

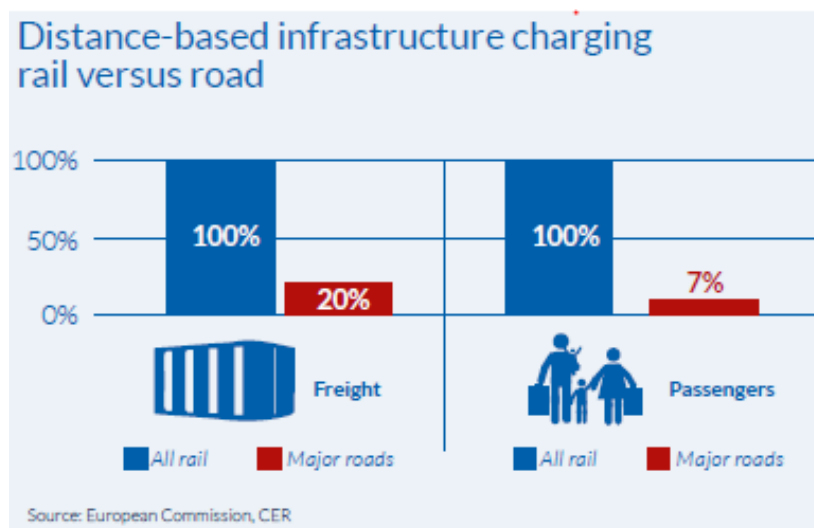
Item 18 of resolution of 14 December 2017 on a European Strategy for Low-Emission Mobility

Getting the price right for **efficient** transport (1)

- Efficient transport requires charging *direct or 'marginal' cost* of infrastructure use:
 - For rail, this rule already exists in EU law (SERA directive art. 31.3)
 - For other modes, no such rule currently exists
 - Road charging: 'Eurovignette' revision is welcome, but should add direct-cost coverage as a rule
- Direct-cost charging achieves '**user pays**' (as pointed out in EP resolution)

Getting the price right for **efficient** transport (2)

- Direct-cost charging is *distance-based* – but we don't always have this in the EU:

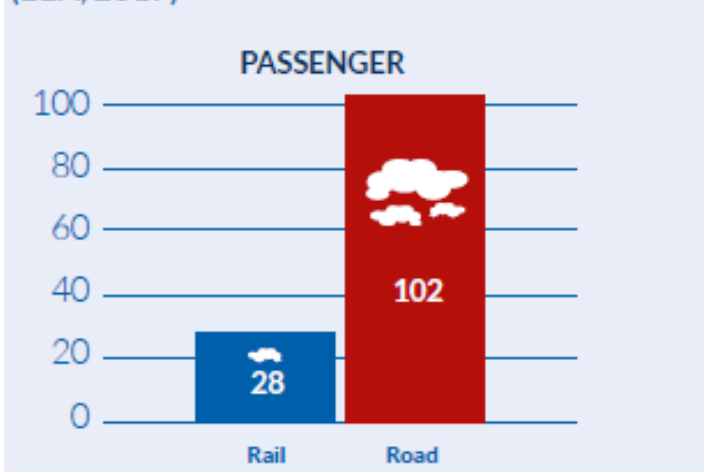


- So let's go for distance-based charging for infrastructure use in *all* modes

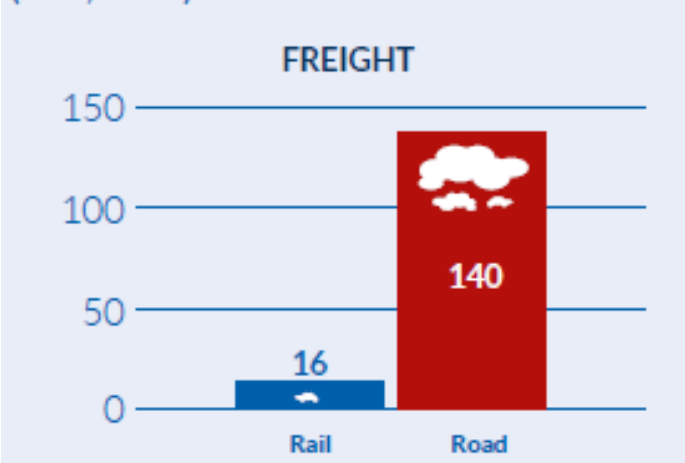
Getting the price right for sustainable transport (1)

- Sustainable transport requires a fair chance for clean modes to compete
- Rail is a relatively clean mode of transport, with especially low climate externalities:

Specific CO₂ emissions, g per passenger-km
(EEA, 2017)



Specific CO₂ emissions, g per tonne-km
(EEA, 2017)

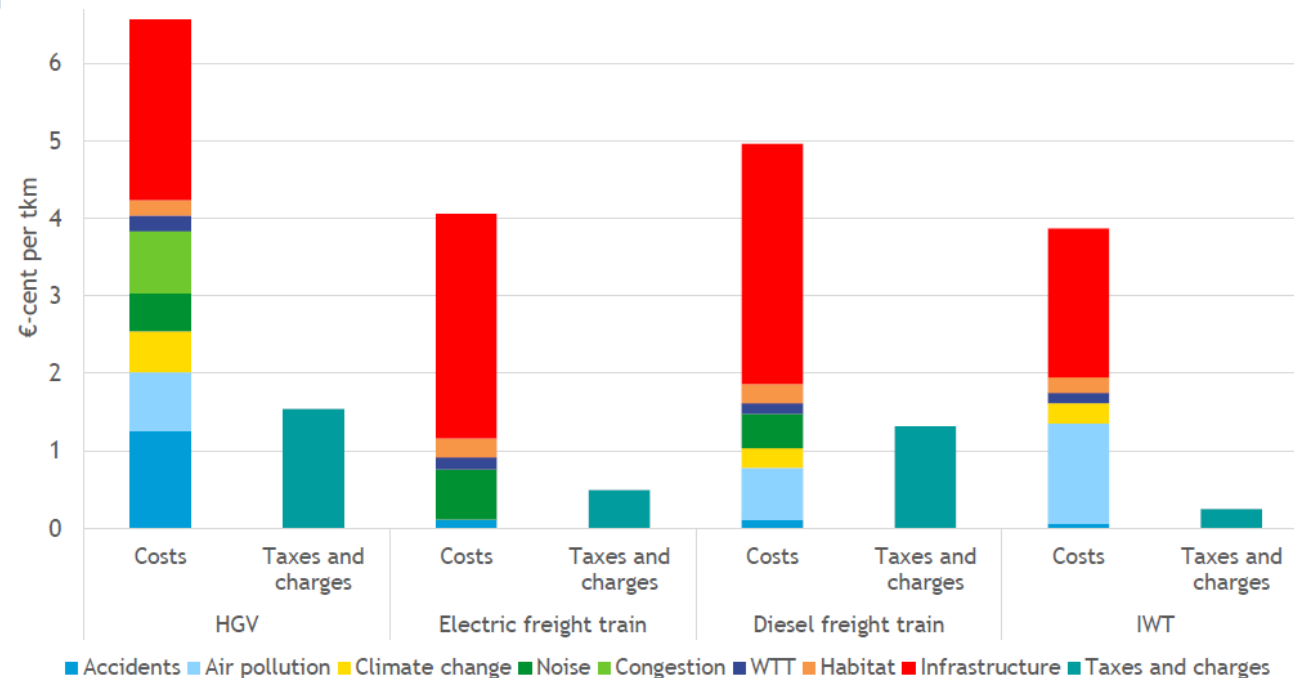


Getting the price right for sustainable transport (2)

- Approach 1: *internalise externalities* by charging for CO2 etc. ('polluter pays')
- Approach 2: limit infrastructure charging for clean modes
 - 2a) by compensating them for unpaid externalities of competing modes (see SERA directive art. 34)
 - 2b) by limiting recovery of infrastructure *fixed* costs (consistent with 'user pays', which requires recovery of *direct* costs)
- Go for approaches 1 and 2b asap, but during the transition also apply 2a

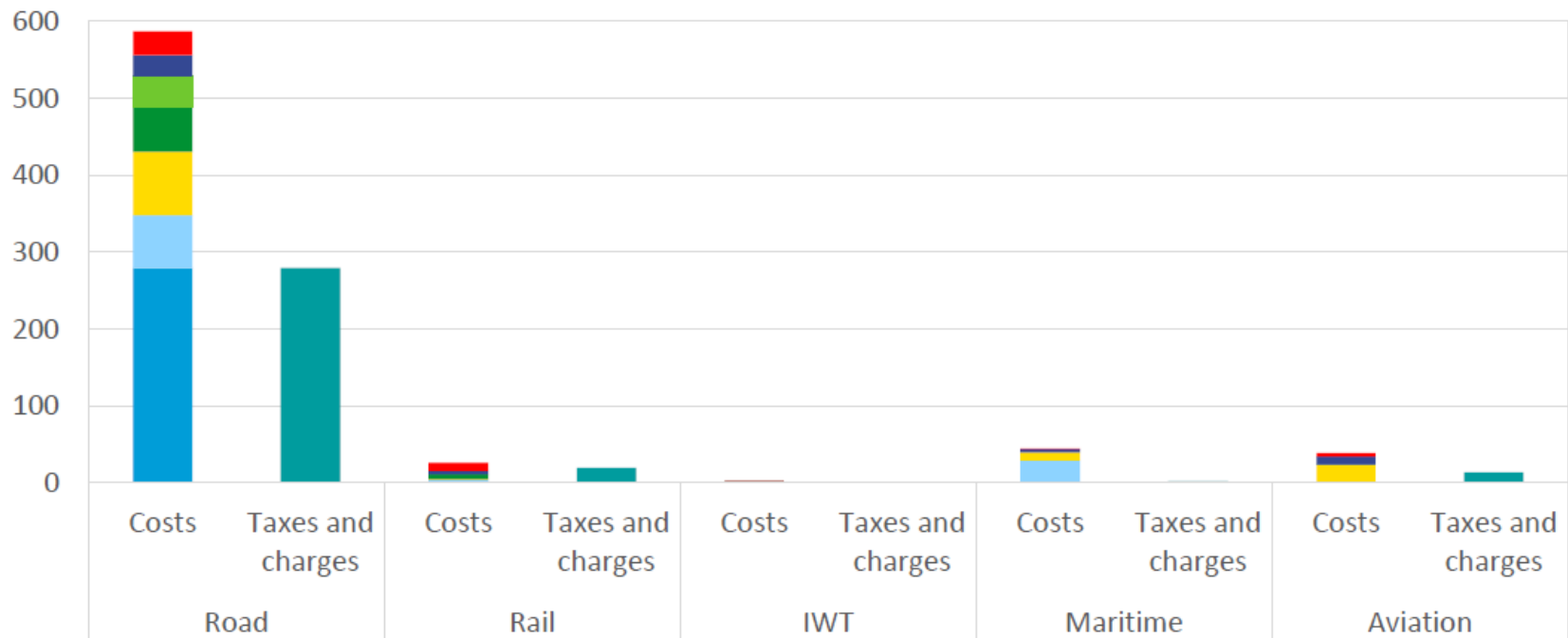
Study: total costs per tonne-km

- Freight markets are highly competitive and much less affected by political meddling than passenger railways
- Rail freight's cost coverage gap is just ~3.5 €-cent/tkm – on par with IWT, but well below road's ~5 €-cent/tkm.
(Thus, applying SERA directive art. 34 makes sense!)



Study: variable costs = proxy for marginal costs

- Rail is a leader in minimising the gap in marginal costs. These matter most – both to the EP and to economists.



Conclusions

- European railways support 'user pays' and 'polluter pays' – for fair competition between transport modes
- User pays: marginal costs matter most
- Preliminary results show that rail
 - performs well even in covering freight *total* costs
 - is leader in covering *marginal* costs
- Polluter pays: study should highlight potential for improved external-cost charging in member states

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