

INCEPTION IMPACT ASSESSMENT			
TITLE OF THE INITIATIVE	Legislative initiative on Fair and Efficient road pricing (review of the Eurovignette Directive)		
LEAD DG – RESPONSIBLE UNIT – AP NUMBER	MOVE D3 – 2016/MOVE/004	DATE OF ROADMAP	17/11/2016
LIKELY TYPE OF INITIATIVE	Directive		
INDICATIVE PLANNING	2 nd quarter 2017		
ADDITIONAL INFORMATION	A specific website for the initiative will be created.		
<p>This Inception Impact Assessment aims to inform stakeholders about the Commission's work in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options. The Inception Impact Assessment is provided for information purposes only and its content may change. This Inception Impact Assessment does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content.</p>			

A. Context, Problem definition and Subsidiarity Check

Context
<p>Directive 1999/62/EC (the "Eurovignette Directive") provides a detailed legal framework for charging heavy-goods vehicles for the use of roads. Following ex-post evaluations of the current legislative framework, which revealed persisting problems in the area of road infrastructure charging, the Commission intends to revise the Directive in order to promote fair and efficient road charging.</p> <p>The 2011 Transport White Paper calls for moving towards full application of the 'polluter-pays' and 'user-pays' principle in order to ensure more sustainable transport and infrastructure financing. As part of a wider strategy to get transport prices right in all transport modes, the White Paper suggests further actions to promote and harmonise road charging in order to allow a more efficient use and funding of infrastructure.</p> <p>The new initiative is part of the Commission's effort to create a <i>Resilient Energy Union with a Forward-Looking Climate Change Policy</i> and contribute to achieving a <i>Deeper and Fairer Internal Market</i> as indicated in the Commission Work Programme 2016.</p>
Problem the initiative aims to tackle
<p>With transport at large being responsible for 1/5 of greenhouse gas and 23% of CO₂-emissions in the EU, road transport accounts for 72% of these. Although GHG emissions from road transport started to decrease in 2007, emissions from trucks have increased by about 20% between 1990 and 2013¹, and they are set to increase further if no action is taken.</p> <p>The increase in heavy goods vehicle traffic has also had an impact on the road infrastructure of Member States. This traffic contributes to congestion as well as to air pollution and noise, which represent economic waste and significant costs to society², thus a burden to national budgets in many Member States.</p> <p>Road charging has contributed to the financing of infrastructure construction and maintenance; this however, together with all other budgetary resources (e.g. fuel and vehicle taxes) has not been sufficient to sustain the quality of road infrastructure in a number of countries. While the latest revision of the Eurovignette Directive allows the differentiation of tolls in order to fight congestion, this possibility has only been used by Member States in a very limited way, notably because of the restrictive conditions of the provision.</p> <p>Similarly, the possibility to charge for the external costs of air pollution and noise induced by road freight traffic has hardly been used, while addressing CO₂-emissions has not been in the focus of the Directive so far. At the same time, gradually tightened NO_x and PM emissions regulations have not always impacted fuel consumption in a positive way. In effect, a truck complying with the Euro VI standard may not have improved fuel consumption and CO₂-emissions compared with a Euro I truck³.</p> <p>While distance-based charging is widely recognised as the most efficient and fairest means to recover such costs and to provide the right incentives to transport users, time-based (vignette) systems are still being used and</p>

¹ Source: GHG Inventory, http://ec.europa.eu/clima/policies/strategies/progress/monitoring/documentation_en.htm

² External costs of road transport altogether may be above 3% of GDP with heavy trucks being responsible for about 15%

³ <http://www.theicct.org/blogs/staff/europes-global-leadership-vehicle-emission-standards-at-risk-truck-sector>

planned to be introduced by some Member States. The prices of vignettes are only vaguely related to actual use. Because of their inherent rigidities, they may **favour the heaviest road users and largest polluters**.

Subsidiarity check (and legal basis)

Directive 1999/62/EC has a double legal base, notably Article 71(1) and Article 93 of the Treaty establishing the European Community. It is to be noted that the amendments to the Directive as discussed here pertain to tolls and user charges alone (Chapter III of the Directive), an area to which Article 71 (Article 91 TFEU) applies.

In the single European transport area, problems of emissions, degrading infrastructure and congestion call for common answers. Otherwise, due to the sheer size of the issues indicated in the previous section, efforts and positive developments in one member state will be nullified by persisting problems in the rest of the Union.

The problem of lack of coherence in national road pricing policies is by definition of a cross-border nature, and can only be solved by co-ordinated action at a supra-national level. Similarly, matters pertaining to fairness and level playing field at a European level can only be addressed by European legislation binding member states in their policies. Amendments to existing EU legislation can only be solved by the EU itself.

B. Objectives and Policy options

The general objective of the initiative is to promote financially and environmentally sustainable and socially equitable (road) transport through wider application of the 'user pays' and 'polluter pays' principles.

The specific objectives for the revision of Directive 1999/62/EC are the following:

1. Make use of road charging as an effective tool in reducing CO₂-emissions and congestion
2. Ensure that road pricing better reflects the cost of use and that it treats fairly occasional / non-resident motorists, who must not be discriminated against
3. Ensure adequate quality of roads in exchange of the user charge

As already described above, CO₂-emissions from trucks are forecasted to increase. Similarly, the problem of degrading road infrastructure and congestion will not go away by themselves. On the contrary, with decreasing revenues from transport taxes, the financing of road maintenance is becoming a major challenge in many Member States. In addition, the roads built with the use of EU funds will also have to be kept up in the future. The problem of congestion is only projected to worsen if related costs are ignored.⁴

A number of different measures and their variants aiming at correcting price signals in freight and passenger transport can be considered in order to address the issues identified. An initial set of possible policy options ranges from minimum adjustments to the Directive required for improving its coherence and addressing all policy objectives, through the promotion of low carbon (fuel efficient) vehicles and the phasing out of time-based charging schemes (vignettes) for trucks to the optimisation of tolls for all vehicles.

Any of the policy options can be complemented with measures addressing the issue of road quality, e.g. through monitoring and reporting or planning requirements.

The revision should make it easier for Member States to apply certain provisions through simplifying conditions, e.g. of cost calculations and conditionality through a possible recast of the Directive.

C. Preliminary Assessment of Expected Impacts

Note: An impact assessment on a possible revision of Directive 1999/62/EC was carried out in 2013. The options considered at that time were packaged differently, but individual measures were largely similar. The results of that impact assessment can help estimate the range of possible expected impacts.

Likely economic impacts

The initiative may increase transport costs due to an expected wider application of distance-based road tolls better reflecting the real costs of use. Due to already very small profit margins in the field, freight forwarders will have to pass on the costs to their customers. Nevertheless, this will not represent a significant increase in the price of products and services, but transport operators will face more competition. At the same time these costs will be compensated to some extent by indirect benefits, such as time and fuel savings or possible savings from reduced transport-related taxes.

These impacts on transport costs are unlikely to result in a notable increase in the prices of final products. The Commission's Joint Research Centre estimated that even if 100% of cost increases were passed onto the transport clients, final product price increases resulting from tolls reflecting all external costs of transport would be negligible for all analysed types of products and routes.⁵

The initiatives could lead to an increase in toll revenues. If the additional toll revenues were reinvested into

⁴ http://inrix.com/wp-content/uploads/2015/08/Whitepaper_Cebr-Cost-of-Congestion.pdf

⁵ Joint Research Centre, *Impacts of the proposal for amending Directive 1999/62/EC on road infrastructure charging. An analysis on selected corridors and main impacts*, 2010.

<p>transport infrastructure, this would stimulate additional economic activity and employment. Literature suggests that impact on the wider economy is more than double the investment because of a documented multiplier effect.</p> <p>Wider deployment of congestion pricing will have a positive impact on mobility in the European Union, but which is difficult to be modelled for the EU as a whole. However, the potential of congestion charging for reducing overall delays is estimated in many studies at up to 50%, which could well outweigh the increase in transport costs at least in some cases.</p>
<p>Likely social impacts</p> <p>Assuming that additional revenues collected through road charges are reinvested in the maintenance and construction transport infrastructure, the main social impact of the considered initiatives will be the creation of new jobs in the construction sector. The maximum jobs creation potential estimated in the 2012 Impact Assessment was 1,670,000.</p> <p>This figure represents the maximum job creation potential. In reality, the increase in tolls will take a share of the disposable income of households and companies (maximum change in the tolls/disposable income ratio of +0.8 pp in the 2012 IA), and might therefore contribute to reducing private spending. Still, the impact on jobs should certainly be positive for all the options.</p> <p>Last but not least, expected reductions in emissions due to optimised road transport and modal shift (see below) will have a limited, though positive impact on public health. The impact will be most important in densely relatively populated congested areas. In addition, better road quality will also improve road safety throughout the EU.</p>
<p>Likely environmental impacts</p> <p>Tolls would send more coherent price signals to road users who would thus better organise transport (e.g. avoiding single occupancy in passenger cars, consolidation of freight shipments during rush hours).</p> <p>Better organisation of transport and reduction in transport demand, induced by the price signals from tolls, will have for effect a reduction in the consumption of fuel and therefore of emissions of CO₂ and pollutants. The maximum modelled reduction in gasoline consumption in the 2012 IA was of -2.3% compared to the baseline, while for diesel it was -1.6%, representing clear positive impacts regarding climate change and air quality.</p>
<p>Likely impacts on fundamental rights</p> <p>No particular impact on fundamental rights is expected from the changes to be proposed.</p> <p>Though with the wider application of distance-based tolls will come wider use of electronic tolls too, which involve the processing of personal data and possibly the location of the vehicle. The impacts of these will be analysed within the preparation of a separate initiative on the European Electronic Toll Service (EETS).</p>
<p>Likely impacts on simplification and/or administrative burden</p> <p>The relaxing of revenue neutrality requirements for differentiation of charges by time/type of day or abolishing the requirement to differentiate tolls according to Euro classes (which will become obsolete in any case) can simplify the legal framework for road charging, which would then be easier to apply by Member States and thus become more effective.</p>
<p style="text-align: center;">D. Data Collection and Better Regulation Instruments</p>
<p>Impact assessment</p> <p>An impact assessment is being prepared to support the preparation of this initiative and to inform the Commission's decision.</p> <p>The inter-service steering group was set up in May 2016. Invitations were sent to the following Commission Directorates-General: Secretariat-General; Legal Service; Economic and Financial Affairs; Internal Market, Industry, Entrepreneurship and SMEs; Competition; Employment, Social Affairs and Inclusion; Energy; Environment; Climate Action; Communications Networks, Content and technology; Joint Research Centre; Regional and Urban Policy; Taxation and Customs Union; Justice and Consumers; Neighbourhood and Enlargement Negotiations.</p> <p>At the end of May 2016 a first meeting of the inter-service steering group took place where the inception impact assessment, the terms of reference for the external study, as well as the questionnaire for the public consultation was discussed. The public tender was launched in June 2016 and the contract with the consultant could be signed at the end of August 2016. The consultant will start working on the impact assessment study in September 2016.</p>
<p>Data collection</p> <p>Substantial materials already exist:</p> <ul style="list-style-type: none"> • a study prepared in 2012-2013 for the possible revision of Directive 1999/62/EC; • the external ex post evaluation of Directive 1999/62/EC 'Evaluation of the implementation and effects of EU infrastructure charging policy since 1995', Ricardo-AEA, January 2014.⁶

⁶ <http://ec.europa.eu/smart-regulation/evaluation/search/download.do?documentId=10296156>.

- Commission's evaluation of Directive 1999/62/EC: 'Ex-post evaluation of Directive 1999/62/EC, as amended, on the charging of heavy goods vehicles for the use of certain infrastructures', SWD(2013) 1 final
- Additional data will be collected from publicly available statistics, research papers and reports.
Finally, the Commission will launch in summer 2016 a study to support the impact assessment.

Consultation strategy

The following consultation activities are foreseen:

- An open public consultation in the form of an on-line questionnaire
- A call for written contributions publicly addressed to all stakeholders (next to the on-line questionnaire)
- An analysis of the reactions to this inception impact assessment
- Any other ad hoc consultation activities (workshops, conferences, bilateral meetings) which will prove necessary in the course of the impact assessment

The results of the consultation activities will be presented in a synopsis report, which will be published online.

Will an Implementation plan be established?

Yes, an implementation plan will be prepared.