ALICE POSITION PAPER ON THE "FIT FOR 55" CLIMATE PACKAGE

ALICE (**Alliance for Logistics Innovation through Collaboration in Europe**) supports the European Union ambition of reducing 55% emissions by 2030 and reach climate neutrality by 2050. Although all initiatives envisioned in the **'Fit for 55' climate package** published on 14th of July 2021 are relevant and necessary to achieve long term objectives, our impression is that they are not sufficient to deliver the 2030 ambition in an affordable way. This position paper addresses the freight and logistics aspects of the 'FIT for 55' package with a focus on the intra-European flows transition. The current focus on infrastructures, energies and vehicles is necessary but not enough. To ensure a fair and an affordable transition, more focus should be given to support the demand of those companies investing in new technologies (transportation companies) and their customers asking for those services (cargo owners). Additional focus should be given to innovations aimed at (1) increasing the utilization of vehicles and infrastructures, (2) supporting fleet owners and logistics users to cope with the gap between what is technologically possible and economically feasible and (3) enabling transportation modes are smartly used and combined with a focus of end users requirements.

About ALICE

*ALICE, the **Alliance for Logistics Innovation through Collaboration in Europe**[1] is a non-for-profit industry led association based in Brussels with 160+ members reaching the full stakeholders' groups within freight transport, logistics and supply chain. ALICE is the Alliance of European leading companies and experts in implementing logistics and supply chain innovation.*

*ALICE's vision is to achieve an affordable **transition towards zero emissions logistics** contributing to climate change objectives. To that end, logistics, from global to urban, need to evolve. Assets and resources, including transportation means, need to be better utilized. By creating seamlessly interconnected logistics networks through the **Physical Internet (PI)** better conditions for affordability of zero emissions solutions will be created through improved asset sharing and efficiency, contributing also to improved agility and resilience of supply chains.*

ALICE supports, assists, and advises the European Commission[2] in the definition and implementation of the EU Program for research: Horizon 2020 and Horizon Europe in Logistics.

Achieving the transition for assets, energy sources, infrastructures, vehicles, and vessels is possible by 2040-2050 but we need short term success for 2030 ambitions

The aim of Fit for 55 is to reach its effects by 2030. Therefore, the focus should now be on measures that maximize short-term effects primarily and supporting clear long-term options. Planned investments that on the short term (1) do not reduce carbon emissions, (2) delay implementation of efficiency measures or (3) have uncertain impacts should not be prioritized. As uncertainty will decrease over time, investments can be steered and scaled up in the right direction more productively.

Improving the utilization of existing assets like infrastructures and transportation means is underestimated as part of the solution and it is also critical to make the substitution affordable and deliver fast. Especially in a framework in which taxation (i.e. increasing costs) is the only way to make low emissions technologies competitive, it is critical to support and revisit how assets and vehicles are used to deliver on the short term.

The current focus is mostly on the development of the current infrastructure and vehicles and assuming that the transportation system needs to work in future the same as it does today. However, the distribution network will not be the same as operational and cost parameters will vary over time due to the transition of assets and energies. Therefore, developing innovative solutions considering the transport scenario development is needed to accelerate transition and to make it affordable.

Physical Internet concept and running applications needs to be further supported and developed as it provides more efficient and agile transport solutions. This will contribute to efficiency of transport and reduce the volume of assets required to serve the demand. Support of research and innovation in this direction is key.

[1] Transparency Register number 006901422654-34

[2] Recognized by the European Commission as a European Technology Platform (ETP) in 2013. SWD (2013)272/F1 COMMISSION STAFF WORKING DOCUMENT STRATEGY FOR EUROPEAN TECHNOLOGY PLATFORMS: ETP 2020

Prioritize success by 2030 over preparing for 2040, particularly supporting innovations to increase transport usage efficiency.

There is a need to increase focus and support innovation on new operational models to maximize the potential of zero emission vehicles and how to integrate them in fleets and services effectively.

For urban logistics and city delivery, emissions free delivery by 2030 is not only possible but feasible in line with the Urban Mobility Framework and Cities Mission. Harmonisation of city access measures across Europe on a *'freedom within a framework basis'* so that operators can plan fleet investments efficiently can deeply accelerate this segment.

Support the reform and upgrade of local electric grids (reaching depots, warehouses or logistics hubs) so that the end user does not need to bear the entire upstream cost of the upgrade regardless of the owner of the upgraded asset.

A holistic and integrated innovation approach is needed for the transition acceleration, addressing the vehicles, the energy, the infrastructure and operations.

For long haul and heavy-duty vehicles (HDVs) close to the maximum payload, there is a high risk that competitive solutions are not widely available until the end of the decade, with slow adoption until 2035. This would put in risk to achieve 2030 objectives.

It is critical to act fast and develop easy access to zero emissions vehicles, renewable energy, charging and refuelling infrastructure and a framework for freight companies to test and develop innovative logistics concepts fostering operational innovation in parallel to vehicle technology advances.

Complementary actions to support business cases development to close the gap between technologies capabilities and economically feasible adoption models are needed to accelerate the transition.

A clear roadmap on vehicle technologies and energies is also a must. This is a priority, not because they should come first, but rather because the direction is unclear and big investment mistakes are possible. Industry would rather avoid these mistakes hence uncertainty prevents investments.

Achieving vehicle sales quotas and infrastructure investments will not happen even if requirements are defined in the regulations unless there is enough demand supported by strong business cases.

Address the economical gap to run transport and logistics operations with zero tailpipe emissions solutions compared to conventional vehicles by 2030 is a must.

Extend the Innovation Fund[3] or similar instruments to holistic lighthouse projects (beyond the current sectors under Emission Trading Systems, ETS) that can deliver innovations for systemic GHG emission reductions involving the energy, the infrastructure, the vehicles and importantly the operational side and end users of transportation system (e.g. design and implement a "net zero" network today).

Support and boost logistics service providers and transport carriers to coordinate adoption of new technologies at scale and address barriers collaboratively[4] through supported lighthouse industry led innovative projects.

Affordable alternatives to fossil fuel are required and enabled using taxation revenues for market incentives

It seems that the short-term focus is making fossil fuel more expensive instead of making alternatives widely available for realistic operational usage. A strong expectation is put on binding targets on vehicles OEMs and fuel providers to make the required alternatives available within the timeframe. However, more focus on the creation of appropriate market conditions to allow rolling out solutions quickly is critical.

Investments in new sustainable transport technologies and systems should receive specific tax related incentives either to offset the risks associated with their long-term acceptance as standards or to support innovation and digitalization aimed at increasing efficiency (e.g. Industry roadmaps implementation).

To be effective, revenues of emission taxation should be used to redirect and motivate investments to

[3] https://ec.europa.eu/clima/eu-action/funding-climate-action/innovation-fund_en

[4] An open working group composed/representing all service providers, carriers and operators should be established and the members should be allowed to coordinate their approach to modifying and implementing the new technologies so that no single firm would gain an unfair competitive advantage by failing to adopt the new sustainable technologies. This will require a re-examination of current competition law and ensuring technology neutrality to facilitate this industry wide coordination. It will also require strict monitoring so that unintended outcomes can be avoided.

transition assets to zero emission vehicles, shift to other transportation modes and increase operational efficiency.

Current aimed prices of around 20 Euro/tonne for Road ETS will not be sufficient to drive the required push for transition in the HDV, long distance, high payloads segment. It is critical to manage the effect of taxes on EU competitiveness.

Develop realistic timeline for zero emissions competitive solutions and push demand for market penetration beyond setting CO2 emission standards for heavy-duty vehicles[5].

Support investment strategies at European and country level to allow carriers supported by their clients to buy low/zero GHG emissions trucks (Battery or Fuel Cell electric, bio or synthetic fuels) with a real chance to achieve impact by 2030.

Explore and implement "*Carbon Contracts for Difference*" schemes for a wider and faster adoption of new, zero-emission technologies.

Define models to properly recycle tax revenues fitting the purpose. We strongly advise to dedicate the "income" generated in taxation (increased cost) to reduce the cost of the alternative vehicles and energies to accelerate adoption in line with the recent position paper published by ACEA, CLECAT and ESC[6]. For ALICE members, supporting companies' actual emission reductions is the preferred option followed by investing in infrastructure.

Rail and inland waterways need to truly become part of the solution

Current go-to-market strategies of railway operators and IWT services are inadequate as they do not consider sufficiently the actual needs of freight users. Most relevant segments of freight users (e.g. retail, FMCGs) do not have a proper intermodal market offering.

It is of critical importance that logistics nodes and intermodal transport services across corridors are fully integrated and interoperable developing a European intermodal network with sufficient intermodal services with easy access[7].

Logistics nodes such as train terminals, logistics platforms and ports need to be supported to act as the first renewable energy hubs exploiting synergies and effectiveness of infrastructure investments. European standards for charging and slot booking should be encouraged to reduce potential logistics losses (e.g. lack of interoperability, waiting times for charging).

Designing and realising a carbon free multimodal cross-border network linking main logistics and manufacturing nodes should be a priority. It could extend the current TEN-T infrastructure supported by standardized charging, increased visibility, advanced and flexible booking systems of standard logistics units transport in regular train services.

Carbon measurement and reporting

It is critical to advance on carbon measurement and reporting, building upon existing international industry methodologies such as the GLEC Framework. A full life cycle, taking the perspective from well-to-wheel emissions is required, ensuring that true emission reductions are achieved. This requires understanding, availability and certification of the source and feedstock of fuels, whilst considering the efficiency of the fuel processing to minimize overall energy consumption.

A transparent, clear, honest, and spelled out energy strategy for fuel/energy carrier production and usage is a must.

The EU framework for harmonised measurement of transport and logistics emissions as part of the European Commission 2022 Work Programme is of critical importance. (TFEU, Q4 2022)

Disclaimer

This feedback document aims to bring together the views of a wide range of ALICE members regarding this subject. The views expressed in this report are a collection of those of the different stakeholders and experts consulted through different activities carried out such as workshops, surveys, direct contacts, etc. The individual organizations as part of the ALICE membership may not necessarily fully support all the views expressed in the document. All the stakeholders involved do share a common interest however: Accelerate the transition towards climate neutrality in an affordable way. The baseline of this interest is laid down in the ALICE roadmap towards zero-emission logistics.

[5] https://ec.europa.eu/clima/eu-action/transport-emissions/road-transport-reducing-co2-emissions-vehicles/reducing-co2-emissions-heavy-duty-vehicles_en

[6] ACEA, CLECAT, ESC (2022). *Creation of a new EU Emission Trading Scheme for road transport*

[7] Nov. 2021. ETP-ALICE feedback on the draft Masterplan Europe's Rail Joint Undertaking. (Link)