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Flash Insight: European Green Deal

How EU climate policy and spending could impact automotive logistics

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European Green Deal:
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1. Overview: A good or bad deal for logistics?

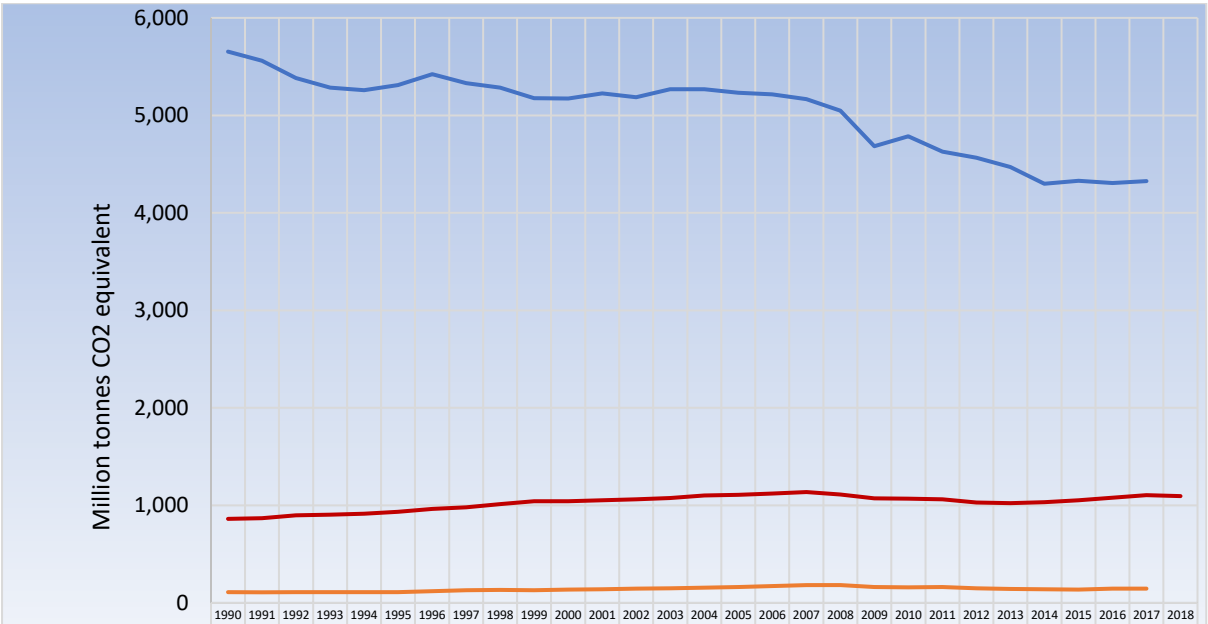
1.1 Tackling rising transport emissions

The European Commission's 'European Green Deal' strategy, outlined in December 2019 as the signature platform of new Commission president Ursula von der Leyen, seeks to combine previously separate European environmental initiatives into the overarching policy goal of making the EU carbon neutral by 2050. The Commission is seeking to align many complicated facets of EU law and spending with this common target, including legislation, policy reviews, as well as enhanced industrial and digitalisation strategies.

The Green Deal has also set out €1 trillion in investment and financing over the next decade to promote the transition to decarbonisation. The specifics of funding streams are still to be determined, however the new €1.074 trillion seven-year EU budget agreed in July, together with the €750 billion Next Generation EU rescue package in the wake of the coronavirus crisis, have secured and even increased some of the headline figures for green projects.

Transport and logistics are focal points of the Green Deal. Transport emissions, including maritime and aviation, are around 30% of EU emissions, and are among the few sectors where they have grown in the past three decades (coronavirus lockdowns in 2020 aside). Whereas overall European CO_2 emissions have fallen since 1990, thanks in large part to improvements in electric power generation, transport emissions have increased by 27%, to around 1.1 billion tonnes in 2018, driven by rises across road, aviation and maritime.

Figure 1 European carbon emissions by industry sector 1990-2018



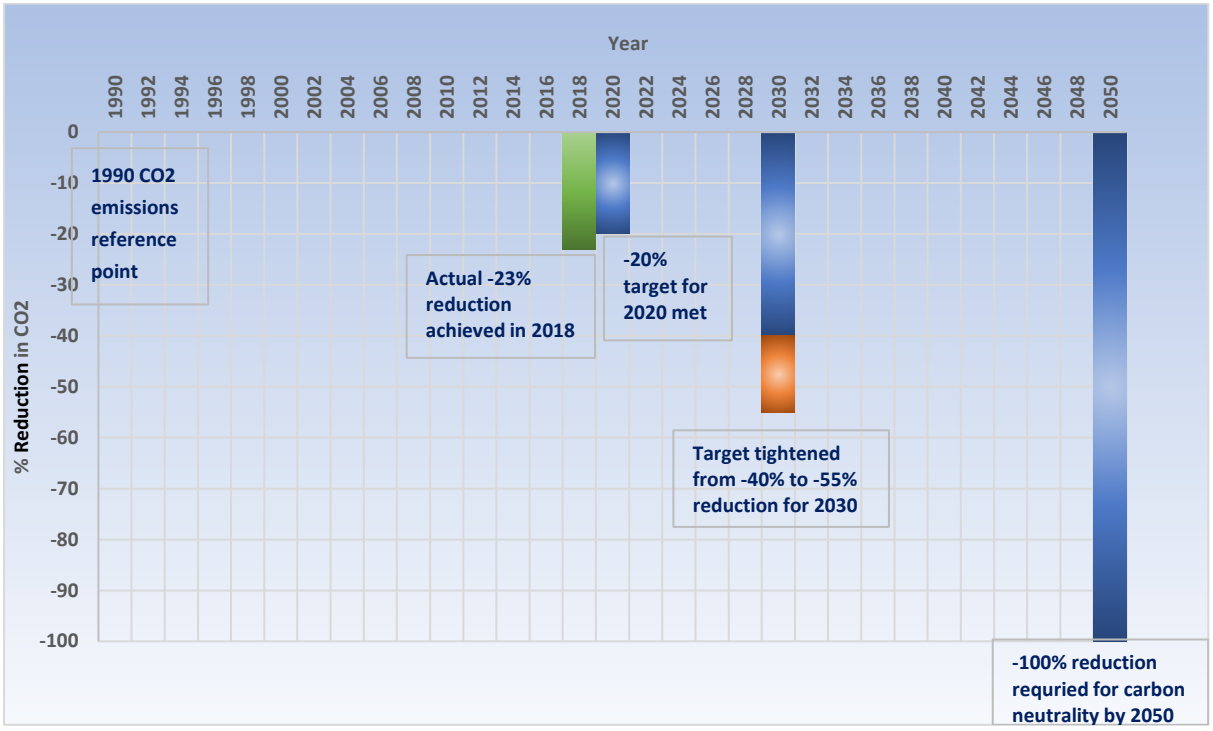
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
All sectors	5,654	5,559	5,384	5,285	5,259	5,312	5,422	5,330	5,285	5,176	5,172	5,226	5,186	5,268	5,268	5,231	5,217	5,165	5,049	4,684	4,786	4,628	4,565	4,471	4,299	4,329	4,305	4,325	
Maritime	111	109	111	112	111	111	119	129	135	129	136	141	146	149	158	162	174	182	183	164	161	163	151	142	139	138	145	146	
Transport (Incl. avi)	862	868	897	906	916	933	964	979	1,015	1,042	1,042	1,054	1,062	1,075	1,103	1,110	1,123	1,137	1,112	1,074	1,069	1,061	1,030	1,023	1,033	1,054	1,080	1,104	1,097

Source: European Environment Agency (EEA)

A key plank of the Green deal is the new European Climate Law, which the Commission proposed in March. The law would make the 2050 carbon neutral target legally binding, including a 90% reduction in emissions for transport (with the rest presumably met through carbon offsetting).

The law would also significantly increase the power and oversight of the Commission when it comes to both EU and Member State policies for reducing emissions. It includes a comprehensive review of legal instruments, spending and measures to ensure the 2050 target. That includes an immediate review into whether the current objective of reducing carbon emissions by 40% in 2030 (compared to 1990 levels) should be tightened to a 50-55% cut, along with increased targets in alternative fuels and energy efficiency. The 2020 target of 20% is largely expected to have been met early (see figure 2).

Figure 2 European Green Deal carbon emission targets 1990-2050



Source: European Commission

The Climate Law is key in both establishing and enforcing policies related to reducing emissions. It would also be essential to unlocking the green investment outlined in the Green Deal strategy and allocating EU budget funds to carbon-reducing initiatives.

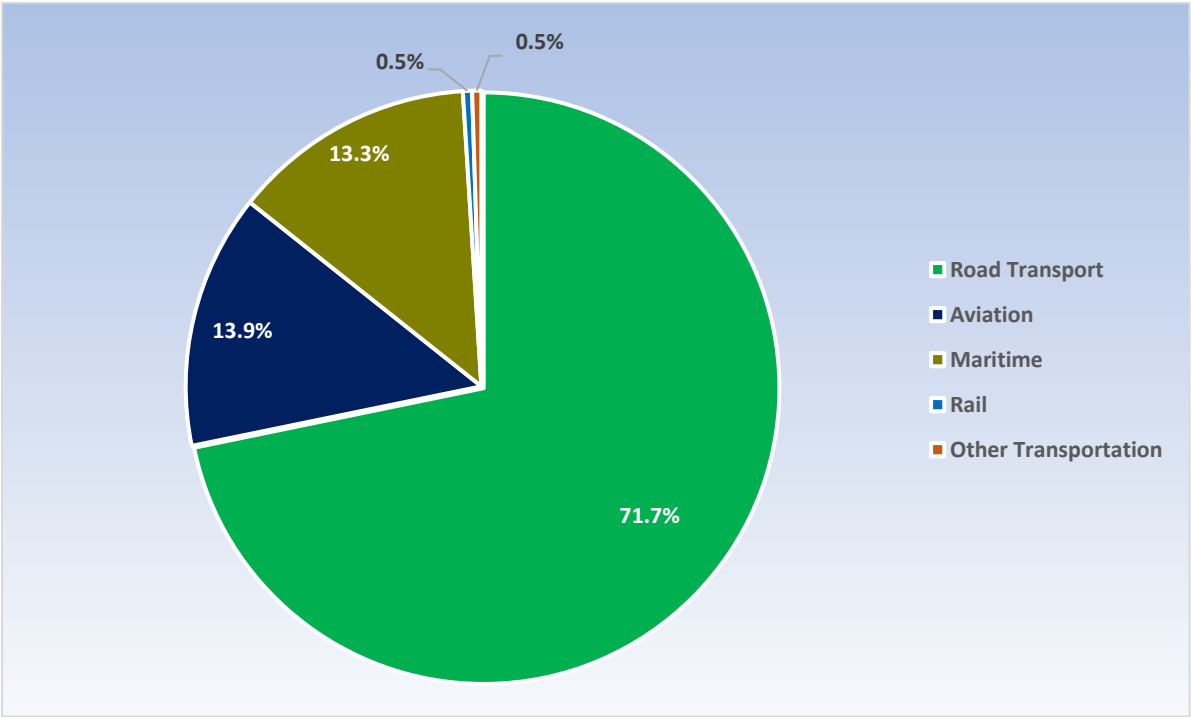
Following the Commission proposal, the Climate Law is under discussion in the European Parliament's environmental committee. It is due for a plenary vote in the parliament this autumn, after which point it will need to be ratified by the heads of Member State governments in the European Council. The law is largely expected to be passed this year – but negotiations could lead to delays.

1.2 Stricter targets for transport and logistics

As part of the European Green Deal, the Commission has outlined a number of strategies for reducing emissions in transport. As 72% of transport emissions comes from road, there is an emphasis on shifting more freight to rail and water, for example.

Of course, the logistics sector is not responsible for all of transport emissions, but they are considerable. For road transport, heavy and light trucks make up more than a quarter of emissions. And while maritime emissions are lower, they are at a level similar to those of aviation. Rail represents just 0.5% of transport emissions (but also a far lower share of passenger and commercial traffic).

Figure 3 European transport carbon emissions by mode 2017



Source: EEA

The automotive logistics and especially the vehicle logistics sectors are not a like-for-like replica of these modal splits and thus emission levels. Vehicle logistics is already highly diversified across transport mode, with countries such as Germany transporting 60% or more of vehicles by rail. Maritime transport represents up to a third of vehicles shipped across Europe.

Nonetheless, all transport and logistics sectors will be squarely in focus for European Green Deal objectives, and especially so in meeting emission targets.

A further tightening of 2030 targets could mean stricter transport emission regulations as early as 2021, potentially mandating further cuts to vehicle fleet average CO_2 emissions

even as OEMs already face fines for missing current targets. Truck emissions will also be in focus. It was agreed in 2019 that overall truck emissions in the EU will have to be cut by 30% by 2030, with a 15% 'stepping stone' in 2025. However, this could be tightened further under tougher targets for 2030.

The Commission has indicated that it would introduce a range of measures, including road charges and new low-emission zones. It has also suggested including parts of the transport sector, such as trucking and shipping, in the EU Emissions Trading System (ETS), Europe's market for carbon trading.

The Green Deal strategy also goes beyond climate change mitigation and proposes stricter rules on vehicle particulates to align with the WHO's air quality standards, which could impact the forthcoming Euro 7 vehicle particulate regulations likely to be implemented in 2026. Stricter targets for commercial vehicles would also point towards an increasing electrification of trucks and even hydrogen fuel cells, and further transition away from petrol and especially diesel – and likely only a limited or transitional role for alternatives such as natural gas.

The role of alternatives such as biofuels, some of which have been considered carbon neutral, could play a bigger role, at least in helping sectors like maritime shipping to reduce dependency on fossil fuels. However, their carbon credentials will likely be more closely scrutinised, and the Commission has already acknowledged that they are not always efficient ways to reduce CO_2.

For European logistics providers, there will be worries about what these regulations mean for businesses already struggling. In a new industrial strategy published in March 2020 to align with Green Deal objectives, the Commission asserted its aim of maintaining industrial competitiveness, and the role that sustainable mobility would play in that.

However, there is a risk that Europe's transport and logistics sector could be put at a cost disadvantage without a level playing field among other major markets including the US, China and India. It also remains to be seen the degree to which even the UK's own climate policy might diverge from the EU and lead to competition in key industries after the Brexit transition period ends in January 2021. The UK has a target of net zero by 2050 in law, but there is no plan or specific funding mechanisms in place to meet the objective (including from the EU, as the UK is no longer part of the bloc's budget).

1.3 Opportunities for funding and support

But as well as a risk, Green Deal programmes are set to introduce substantial investment and financing at both the EU and national level that could benefit transport services and infrastructure, including support for logistics providers in renewing fleets, building new

facilities, investing in digital technology, adapting to alternative fuels and powertrains, or combining more multimodal freight services.

In light of the coronavirus crisis, the Green Deal and the wider environmental agenda have become more closely linked to EU government strategy for economic recovery. While details of budget allocation and funding are still being confirmed, at least 30% of the funding in the Next Generation EU rescue package will be allocated to low carbon projects (a definition and allocation likely to be debated). Already, the stimulus has added more than €30 billion to the 'Just Transition Mechanism', a mix of loans, investment and funding to support regions and employees who might lose jobs as a result of the transition to low carbon industries.

For example, EU support in fleet renewal could be critical for logistics providers that would otherwise struggle to invest in expensive technology such as electric trucks. Notably, the automotive stimulus packages in individual EU Member States are primarily aimed at boosting electric passenger vehicles, with few provisions for incentivising the sales of low or zero-emission commercial vehicles.

Of course, the European Green Deal may also fail to be as strong a legislative and funding agenda as the Commission intends. Passing laws and changes through the European Council and Parliament will require many compromises. Budget negotiations will remain difficult, while new money could well end up in agriculture, less productive sectors or largely fail to reach niche industries like vehicle logistics.

But logistics providers should nevertheless understand the overall context and objectives of the European Green Deal, including the funding opportunities, cost and regulatory challenges that it may bring them – as there are likely to be many.

2. What the €1 trillion could mean for transport

2.1 Funding increases

Along with more regulatory oversight and powers, the Green Deal aims to drive green investment into the European economy. The European Green Deal Investment Plan (EGDIP), also referred to as the Sustainable Europe Investment Plan (SEIP), calls for investments to be focused in four keys areas: decarbonisation and pricing; low carbon innovations; circular economy and sustainable finance. Each of these areas would have high relevance to the automotive and logistics sectors.

Table 1 European Green Deal investment pillars

EGDIP Goal	Relevance to Automotive Industry
Decarbonisation and carbon pricing	Potential inclusion of transport in Emissions Trading System (ETS) for carbon for the first time.
Low carbon and zero emission innovations	Investment in hybrid, electric, biofuel and hydrogen fuel cell technologies and infrastructure for passenger and commercial vehicles.
Circular economy	Impacts for how OEMs and suppliers across the value chain source, transport, manufacture and recycle raw materials and components.
Sustainable finance	Sets framework for public and private investment in transitioning to carbon-free economy, for example in transport and logistics infrastructure or in manufacturing.

Source: European Commission, ECG Business Intelligence

The headline €1 trillion figure is significant – especially since the EU total annual budget in 2020 is €168.7 billion. Is the EU about to put nearly two-thirds of its budget towards Green Deal related spending? Not quite.

Around half of the total amount – €503 billion over ten years – is set to come directly from the EU budget. The other €500 billion will be through a variety of funding streams, including individual member states, private investment as well as specific funding and grants to help workers who could lose their jobs in the transition to low-carbon industries (the so-called 'Just Transition Mechanism').

The new budget and recovery package agreed by the EU looks set to include more funding for initiatives in line with the Green Deal. Around 30% – €225 billion – of the Next Generation EU financing will target climate friendly projects (a number that some critics already suggests means that more support will go towards higher polluting industries).

Critics argue that much of the funding coming directly from the EU budget will not be spent on new green projects but would already be part of existing programmes. The money could

also end up going towards existing agricultural subsidies for green investment and farmers, much of which would have occurred anyway. Others also highlight that the actual amount required to transition the European economy away from carbon is likely to require support of €3 trillion.

Nonetheless, there will be new money and increases that should benefit the transport sector. For niche sectors like vehicle logistics, grants and loans could ultimately be available in a number of projects related to fleet renewal, alternative fuels and shipping, as well as to enhancements to existing programmes such as the Connecting Europe Facility (CEF) for Transport related to infrastructure investment.

Other funding is also likely to be available through individual Member States to support the transition to zero-emission mobility – although vehicle logistics providers will be vying with many other sectors as well.

2.2 Existing EU transport funding

To understand how the funding could work, it is worth first considering existing streams of EU grants and financing relevant for the transport and logistics sectors. This comes in the form of loans and financing through the European Investment Bank (EIB), but also through grants, notably through the Connecting Europe Facility, which totalled more than €23 billion for transport infrastructure over the 2014-2020 budget period.

For logistics, CEF funding is dedicated to the implementation of the Trans-European Transport Network (TEN-T), a Europe-wide multimodal transport network connecting major hubs. As such, CEF helps co-fund the improvement of railways, cross-border links, port and airport connections, as well as digitalisation projects such as the European Rail Traffic Management System (ERTMS). The CEF has also put emphasis on inland waterways as well as multimodal connections. For shipping, it has prioritised short-sea-shipping projects that use alternative fuels, for example, and ongoing 'Motorways of the Sea' links, which include a number of ferry and ro-ro services used heavily by the automotive industry.

A range of other funding exists too, including technology and research programmes through the Horizon 2020 programme, key areas of which have focused on transport and mobility.

Table 2 Existing EU logistics funding programmes 2014-2020

Fund	Overview
Annual Grants Programme DG Mobility And Transport (DG MOVE)	Grants for projects promoting the objectives of the common energy and transport policy.
European Investment Bank (EIB) – Structured Finance Facility	Equity financing and guarantee operations in favour of trans-European transport and energy networks and other infrastructure, the knowledge economy, energy and SMEs.
Connecting Europe Facility for Transport	Programme that aims to invest in EU infrastructure that addresses cross-border links and bottlenecks.
Cohesion Fund	Grants contributing to projects in the fields of environment and trans-European networks in transport infrastructure.
Horizon 2020 – Societal Challenges – Smart, Green And Integrated Transport	Programme that aims to achieve a European transport system that is resource-efficient, climate- and environmentally friendly, safe and seamless.
Horizon 2020 – Societal Challenges – Secure, Clean And Efficient Energy – Smart Cities And Communities	Grants that contribute to an integrated and sustainable urban approach which requires new, efficient, and user-friendly technologies and services, in particular in areas of energy, transport, and ICT.
Horizon 2020 – Societal Challenges – Smart, Green And Integrated Transport – Mobility For Growth	Grants to support research and innovation activities in the field of transport means and infrastructure.
Horizon 2020 – Societal Challenges – Smart, Green And Integrated Transport – Automated Road Transport	Grants to support research and innovation actions in the field of automated road transport.
The Marguerite Fund (2020 European Fund For Energy, Climate Change And Infrastructure)	Pan-European infrastructure funds to finance projects aimed at achieving major objectives and strategic projects of the European Union in the areas of transport, energy and climate, as well as renewable energy.

Source: European Commission

2.3 New potential funding streams for transport

Specific budget allocations for transport programmes are still being determined. The Commission had already proposed to renew and increase the budget in some areas, like the Connecting Europe Facility. Other areas, such as Horizon research grants, look set to face cuts. An extra €30 billion has already been allocated to the Just Transition Mechanism from the recovery fund.

The European Green Deal strategy nonetheless still points to a number of key areas for funding streams (see Table 3).

Table 3 Potential logistics funding sources under the European Green Deal

• **€503 billion** will come directly from the **EU budget** for specific projects and programmes to reach the objective of carbon neutrality by 2050. This budget would be applied to all sectors including agriculture, aviation, buildings, manufacturing, shipping, energy and transport.
• **€114 billion** will come from **Member States**. The European Commission has indicated that the planned national investment plans of EU national governments will have funds available to support migration to zero emission mobility, and so transport and logistics providers are advised to apply for this financial support.
• **€279 billion** will come through the **InvestEU Fund**, and mostly from the private sector, with risk supported by loan guarantees from the EIB. The InvestEU Fund will simplify the EU's complex funding framework and enable decarbonisation projects and investments in transport, energy and sustainable infrastructure, research, innovation and digitalisation – particular in areas identified by the EU as improving connectivity of regions eligible for 'Just Transition Mechanism' funding.
• **€150 billion** – up from an original €100 billion – is set to be provided through the **Just Transition Mechanism** for support and training for workers who lose their jobs in more carbon-intensive regions and sectors. The EU has increased the Just Transition Fund element of this facility from €7.5 billion to **€40 billion** over the seven-year budget, including €30 billion from the Next Generation EU.
• **€25 billion** will come from the **Innovation and Modernisation Funds**. Although not part of the EU budget, they do receive revenues from the **EU Emissions Trading Scheme (ETS).** Assuming the price of carbon rises, this becomes another potential source of funding. There are discussions to include parts of transport in the ETS, including shipping and road transport.
• The EU also aims to renew and increase funding for the **Connecting Europe Facility Transport Programme** over 2021-2027, a programme that aims to invest in and rebuild cross-border related infrastructure.

Source: European Commission, ECG Business Intelligence

2.4 Funding framework for transport and logistics

While funding streams have yet to be precisely mapped out, the Commission has indicated a broad funding framework that is complex and multi-faceted. These include objectives that focus on building resilience, setting individual emission targets and mandating more tracking and reporting of emissions.

These strategies align further with policy frameworks and objectives across transport modes, whether in fleet renewal, developing multimodal transport, integrating infrastructure and finding efficiency through digitalisation.

These approaches are generally not new for European transport legislators but could lead to additional funding and investment under the Green Deal to promote new innovations and technologies in the transport sector, from battery swapping to hydrogen fuel cells.

Table 4 European Commission strategies for logistics within the European Green Deal

• **Resilience.** The European Commission has stated that the transport sector more broadly, and logistics more specifically, needs to improve its resilience to crisis scenarios such as the Covid-19 pandemic.
• **Individual carbon reduction plans.** Logistics companies across all transport modes will need to develop their own individual carbon reduction strategies, which will typically target 50% reduction by 2030 and zero emission (or carbon-neutral with some carbon off-setting) by 2050.
• **Emissions reporting/carbon calculators** are likely to become necessary, or even mandatory for different transport modes.
• **Modal shift.** The Commission has stated the objective to shift more of the 75% of freight currently carried by road onto rail, sea and inland waterways to reduce emissions and improve logistics resilience. However, it is acknowledged that these alternative modes do not currently have the capacity, with multimodal options an important focus. The Commission is expected to make further proposals in 2021 to address this transition.
• **Multimodal.** The Commission states it will consider revising the Combined Transport Directive18 and develop it to support multimodal freight operations involving rail and sea, including short-sea shipping.
• **Zero carbon transport.** Regulation for the TEN-T is likely to be revised to promote the deployment of zero- and low-emission vehicles, and the Commission will propose more stringent air pollutant emissions standards, especially in urban areas.
• **Digitalisation.** The Commission has emphasised that digital tools will be key to improving logistics operational efficiency to reduce overall emissions.

Source: European Commission, ECG Business Intelligence

3. Impacts across transport modes

3.1 Setting a path for each transport mode

European Green Deal objectives and policies will have many regulatory, cost and investment implications for each major transport mode in automotive logistics. For freight, the Commission has set out a path that is almost certain to lead to higher costs in areas of trucking, aviation and shipping, whether in usage charges, carbon trading or new fuel requirements. But it also points to more investment in innovation and new technology, for example in trucking electrification and charging infrastructure.

While the Commission has emphasised moving more freight from road to maritime and rail, the objective of integrated multimodal transport is also strong.

3.2 Implications for road transport

Road pricing. Road usage for trucks is likely to be introduced based upon CO_2 emissions (in a similar way as Euro VI standards and NOx), for example with low emissions zones in cities.

Charging infrastructure. The European Commission will review the Alternative Fuels Infrastructure Directive20 and TEN-T Regulation to accelerate the installation of 1m charging points across the EU for plug-in hybrid and electric vehicles. For example, Endesa has already secured €35m from the EIB for installing up to 8,500 charging points in Spain. For commercial fleets charging infrastructure, installed at company distribution depots and logistics hubs, there will be grants and subsidies available at the national government level.

Road Transport and the EU Emissions Trading System (ETS). There will also be an impact assessment on whether to include road transport (and therefore heavy-duty vehicles) in the ETS. That would clearly impact the cost and viability of this primary logistics mode.

Fleet renewal. With a 50-55% reduction in emissions set to be just ten years away, fleet operators will need to invest in low emissions vehicles very soon. The European Commission is encouraging companies to migrate to using renewable energy across the whole logistics and supply chain by upgrading their logistics fleets. That could encourage purchase of electric trucks, although there are limited products currently on the market.

Battery swapping. One of the challenges of electric trucks is going to be charging time. The Commission has suggested that solutions to this would be to develop vehicles with the capability for battery swapping and the corresponding swapping infrastructure.

Hydrogen and fuel cell vehicles. The Commission has also stated its support for investing in sustainable alternative fuels such as biofuel and hydrogen. For example, the EU has set a target for 40GW of hydrogen capacity by 2030. While electrification of heavier vehicles is difficult because of the large batteries required, fuel cells powered by hydrogen is a more

realistic option for those larger heavier vehicles – but will require significant investment in fuelling infrastructure.

Smart mobility. The Commission's strategy on Sustainable and Smart Mobility would include investments in zero emission smart urban logistics, connectivity, intelligent transport systems and increasing levels of autonomous driving.

Tightening CO_2 targets for commercial vehicles. Existing CO_2 fleet targets for passenger vehicles and vans in the EU are under review and may well be accelerated under the European Green Deal. The onus for these targets will not be on fleet operators but on truck OEMs who will receive 'emissions premium' penalties. Nonetheless, the emission reductions technologies will increase the cost of new trucks.

3.3 Implications for maritime transport

Maritime emissions and ETS. The European Commission includes a proposal to extend the EU European emissions trading system to the maritime sector. This is strongly opposed by the industry as it makes it mandatory for shipping to monitor, verify, and report emissions. Many shipping lines prefer the current IMO's mandatory Data Collection System on global fuel consumption, which began on January 1st 2020.

Fuel taxes. Within the Energy Taxation Directive, the European Commission has stated it will review the current tax exemptions for maritime fuels and is likely to phase out the exemption.

Liquefied Natural Gas (LNG). LNG could play a complicated role in the path towards carbon neutrality. It is growing in European shipping as a means to reduce particulates and to meet European and IMO standards on low sulphur fuel. However, the Commission has acknowledged that its CO_2 credentials are not good, as methane is 30 times more potent a greenhouse gas than carbon. It could mean a shift away from LNG and support for related infrastructure investments in the medium term.

Biofuels. Biofuels, including Bio-LNG, can also be an attractive option and alternative to fossil fuels, with further investment in refuelling stations. Some biofuel crops can be carbon neutral (absorbing as much CO_2 during growth as is generated during processing and use). However, the Commission has acknowledged that the overall impacts of such fuels are unclear, and they may not be a long-term option for carbon neutrality, especially for the shipping industry.

Motorways of the Sea. Although not a new concept, these short-sea corridors will be developed further as part of TEN-T to encourage intermodal freight and to migrate existing road freight to shipping as much as possible.

3.4 Implications for rail transport

Increasing the share of rail freight. In an effort to shift more freight to rail and inland waterways, the European Commission has said it would bring further proposals in 2021 to better manage and increase rail and waterway capacity alongside proposals to revise the Combined Transport Directive.

Network investment. The Connecting Europe Facility Transport programme will gain further funds to help fill gaps in Europe's cross-border rail network that need investment.

Digitalisation. A key priority remains the European Rail Traffic Management System (ERTMS), an interoperable control system that includes signalling, automatic braking, speed control and satellite communication. The target is to rollout ERTMS on 56,000km of track by 2030, from 5,800km in 2014.

Rail liberalisation. The EU's Fourth Railway Package is being implemented, albeit pushed back to October 2020 due to the crisis, liberalising the market and increasing competition.

4. Conclusion: No Green deal without compromise

4.1 Political compromise and reality

Despite these ambitions, and the considerable money agreed through the recovery fund, there are reasons to be sceptical about how much will ultimately flow to green projects. The EU does not have a particularly good track record on implementing such high-level strategic objectives.

There are likely to be fiscal challenges, too, with the crisis putting more pressure on Member States' budgets. While the EU did agree a long-term budget in July – the first without the UK as a member – the details of negotiating exactly how money will be spent will still be difficult. The coronavirus crisis may have prompted unprecedented levels of government spending and stimulus, but not all Member States agree that investing in decarbonisation and green industries is the right way to help the economy. To some degree, the €503 billion is still an abstract figure.

What happens to the European Climate Law as it moves through the European Parliament and European Council will be a key test. Both branches have already endorsed the commitment to climate neutrality by 2050, however the details of the law, targets and the role of the Commission could be contested, especially among Member States.

The Parliament is broadly expected to pass the law when it is due to reach a vote this autumn. The leader of the environment committee has even called for tougher 2030 emission cuts of 65%. However, a majority of MEPs are expected to back the law on the basis of a 50-55% cut.

If the law passes as expected in autumn, it will then move to the European Council, to face scrutiny from the leaders of all 27 EU countries. Here it is expected to face more resistance, with some Member States likely to oppose stricter climate legislation. Countries such as the Czech Republic, Hungary and Poland, which are still heavily reliant upon coal, are going to take a lot of convincing to support more radical policy objectives. Andrej Babiš, the prime minister of the Czech Republic, has been quoted as saying that Europe "should forget about the Green Deal now and focus on the coronavirus instead".

It is hoped that such Member States could be won over with promises of further funds and support, including through the Just Transition Mechanism, which the recent rescue package has expanded. Still, there is a risk that negotiations could stretch into 2021, which would delay the release of some funds.

More broadly, there is also a risk of further divides between the objectives and policies of the European Commission, Member States and the wider population and business community. The willingness of citizens to support policies that increase the costs for

transport and services still appears to be weak. The *gilets jaunes* movement in France, for example, began as a protest over fuel price increases.

This divide could be complicated further as stricter targets are made and Member States and industries penalised for not hitting them. The European Climate Law would, for example, give the Commission the power to closely oversee, measure and make recommendations to Member States about their own climate policies. From 2023, it could carry out reviews every five years – changes from which could make long-term fleet and investment planning even more difficult for logistics providers.

As is often the case in Brussels, we expect there to be considerable compromises and horse trading among Member States that will water the measures down before they are passed into law. But they are nonetheless likely to have major impacts for logistics providers.

4.2 Collaborating on technology and modes

Representatives of European logistics companies have welcomed many of the European Green Deal proposals but have stated that they need further clarity on accessing the funding available and aligning this across all parts of the transport ecosystem.

Nonetheless, in aligning the goals of carbon neutrality and economic recovery from the coronavirus crisis, the strategy should present many opportunities for transport and logistics operators to tap into funding streams and other non-financial support (including business advice and technical guidance) to drive investment, innovation, and fleet renewal.

To benefit, however, stakeholders from across the sector, including manufacturers and logistics providers, have emphasised the need for flexibility, and the importance of integrating a variety of technologies and transport modes in reducing emissions in freight transport.

For example, logistics providers have called for 'technology neutrality' in the alternative fuel and powertrain options that are selected by companies to achieve the overall goals of reducing emissions and also particulate matter across differing transport modes. Many companies don't want the EU to penalise potential options in the mix.

Transport modal neutrality is also important. While shifting to more sustainable transport modes is a stated aim of the Green Deal, logistic providers stress the need for a better integration of transport systems to improve resilience, efficiency and reduce emissions. A more holistic approach to the overall transport system is required, which takes account of the inherent limitations of each transport mode in favour of a multimodal approach. This is especially important for automotive and finished vehicle logistics.

Achieving carbon reduction is not all about individual transport mode, powertrain or technology choice. That is part of multi-faceted approach that needs to be taken. Achieving the overarching objectives of the European Green Deal will also require collaboration amongst industry players, transparency of information, and different ways of doing business including transitioning from a rigid unimodal road transport model to a much more fluid and efficient multimodal logistics model.

To that end, vehicle logistics is ahead of the game – but will still need considerable support to hit stricter targets on reducing carbon emissions. Hopefully, the Climate Law will be passed by the end of 2020 and more direct funding can be accessed as soon as possible.

5. Appendix

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