FCE Position
Proposal to strengthen CO_2 emission standards for new HDVs
Regulation (EU) 2019/1242

March 2023

Introduction

Fleet Cards Europe ("FCE") welcomes the revision of the CO_2 emission standards for Heavy Duty Vehicles (HDV) – Regulation EU 2019/1242. Having reviewed the proposal, Fleet Cards Europe members would like the following considerations to be taken into account before changes are made to the existing legal framework.

In brief, FCE calls for an "open technology" approach, encompassing the full scope of technologies which can help to abate GHG emissions in the road transport sector.

Moreover, we need the guarantee that emissions targets will be set in keeping with flanking legislation, particularly the AFIR, to ensure there is sufficient provision of alternative fuels infrastructure for HDVs in all areas of the EU.

The specific needs of European hauliers - most of whom are family-owned SMEs - need to always be taken into consideration when establishing targets. New technologies must be affordable and there must be a viable long-term business (as well as environmental) case for making the switch from traditional fossil fuels to cleaner energy types.

Finally, ongoing flexibility is essential when it comes to agreed CO_2 emissions targets, so that they can be adapted to changing circumstances, as and when required. As such, it is vital that regular reviews are conducted on an ongoing basis.

What are fuel cards? And why do CO_2 emissions matter to fuel card companies?

As explained further in the "About FCE" section below, FCE represents the independent fuel card sector in Europe. But what exactly are fuel cards and why do CO_2 emissions matter to fuel card companies?

What are fuel cards? Whether physical or digital (in the form of a mobile app), fuel cards are identification instruments used for the purpose of obtaining specific vehicle-related goods and services, such as conventional and alternative energies, roadside assistance, toll charges, and ferry fees. Fuel cards have bespoke characteristics and special features that differentiate them from payment instruments, such as credit or debit cards. They specifically do not initiate any transfer of funds and are not consumer focused but rather predominantly used on a business-to-business basis.

Why are CO2 emissions of relevance? Whilst fuel card companies do not themselves consume the fuel purchased via a fuel card and emit emissions, the customers that they serve - including many hauliers with HDV fleets - do. It is thus incumbent on fuel card companies to support commercial road transporters in the energy transition, as they gradually shift from fossil to cleaner fuels and energy types which are less damaging to the environment. By offering service card solutions that provide access to an array of alternative fuels - *e.g.,* CNG, LNG, hydrogen, biofuels - and electric charging points, as well as digital tools that enable optimised route-planning and the tracking of CO_2 emissions, fuel card companies can make the energy transition in road transport faster, more efficient and more successful.

CO_2 emission targets

The proposal to amend Regulation EU 2019/1242 includes the newly added Article 3a ("CO_2 emission targets"), which reads:

"1. The average CO_2 emissions of the Union fleet of new heavy-duty motor vehicles, other than special purpose, off-road, off-road special purpose, and vocational vehicles shall be reduced by the following percentages compared to the average CO_2 emissions of the reporting period of the year 2019:

(a) for vehicle sub-groups 4-UD, 4-RD, 4-LH, 5-RD, 5-LH, 9-RD, 9-LH, 10-RD, 10-LH for the reporting periods of the years 2025 to 2029 by 15 %,

(b) for all vehicle sub-groups for the reporting periods of the years 2030 to 2034 by 45 %,

(c) for all vehicle sub-groups for the reporting periods of the years 2035 to 2039 by 65 %,

(d) for all vehicle sub-groups for the reporting periods of the years 2040 onwards by 90%."

The above-listed targets apply to certain sub-groups of category N vehicles, *i.e.,* HDVs. They do not apply to certain excluded categories of vehicles, which makes sense given the differing uses for which these vehicles are employed.

Overall, FCE deems the proposed phased targets to be reasonable, although this becomes harder to determine the further into the future these targets are, given the number of variables that can influence an outcome over an extended period. For that reason, the inclusion of Article 15 ("Review") which calls for a review of these targets by 2028 makes sense and should arguably even be extended, with further ongoing reviews to be conducted every few years.

Whether the 15% reduction target which applies to the first reporting period ending in 2029 shall be met, will to a large extent depend on if the infrastructure goals in the AFIR are realised by the end of 2030, as planned. The two pieces of legislation are inextricably linked given their interdependence. As already stated, HDV hauliers who typically travel over long distances can only reasonably be expected to reduce their carbon footprint provided there is a well-developed alternative fuels infrastructure - on which they are entirely reliant - in place throughout the EU. This will be a major undertaking and we will only be able to determine whether the infrastructure roll out heralded by the AFIR is "on track" in a few years' time. As already stated, the regulatory framework and CO_2 reduction targets stemming from it should be adapted if the goals of the AFIR are delayed or not met.

Although it is currently difficult to assess whether the targets set for 2035-2039 and from 2040 are sensible, FCE believe it is right that a maximum reduction target of 90% rather than 100% has been put forward. This target allows for a certain degree of flexibility and recognises that HDVs are fundamentally different to cars and vans, for which a 100% emissions reduction target will apply from 2035. The 2030s will likely be a crucial decade because by then the total cost of ownership parity between alternative and conventional diesel powertrains could be achieved. According to some estimates, this is likely to happen by around 2030 for fuel-cell vehicles based on a combination of cost reductions for fuel-cell stacks and hydrogen fuel[1]. By the 2030s we will also know more about the viability of synthetic fuels (e-fuels) for commercial transport; these fuels are compatible with existing distribution and fuel/gas infrastructure as well as the internal combustion engine. In keeping with FCE's call for an "open technology" approach, no potential solution should be discounted from the discussion.

Core principles

Furthermore, we would like to set out where FCE members stand on the decarbonisation of road transport in general and which core principles they support:

(1) "Open technology" approach: to achieve ambitious climate protection goals and successfully advance the clean energy transition, technological innovation is vital, and that can only be guaranteed by a genuine openness to different technologies. This should include the full scope of technologies, many of which are not yet mature, that can help to abate GHG emissions in the road transport sector. No single solution will provide the answer to all our energy needs, which vary in road transport depending on vehicle type and usage. There is no "silver bullet".

(2) Ensuring a "level playing field": if different solutions and technologies are to be developed and deployed to help reduce emissions in road transport, there must be a "level playing field". Policymakers should adopt an evidence-based approach led by the science, offering support only to the technologies which have a genuine GHG reduction advantage. Fair competition must also be ensured to allow B2C and B2B clients to benefit from a wide range of solutions, depending on their specific needs. Policymakers should recognise that over 80% of the over one million commercial road transport companies in the EU are family-owned small and

[1] Study Summary Fuel Cells Hydrogen Trucks - Heavy Duty's High Performance Green Solution (2020).

medium enterprises ("SMEs") with modest fleets and hence more limited financial means[2]. There is thus no "one size fits all" solution.

(3) Affordability: as stated above, many commercial road transporters are family-owned SMEs. If these firms are to invest significant sums in modernising their fleets so they are equipped with the latest technologies, it can only be on the basis that these new HDVs are not prohibitively expensive. This is vital if most European road transporters are to continue operating in the future. The rollout of low-carbon and zero-emission HDVs must not come at the expense of small and medium-sized hauliers, the backbone of European commercial road transport, and their ability to make a living.

(4) Ramping up infrastructure: whether climate targets are to be reached will be contingent on drivers having sufficient access to alternative fuels and energy sources. At present, alternative fuels infrastructure is severely lacking, which the Alternative Fuels Infrastructure Regulation ("AFIR") aims to tackle. This infrastructure must be scaled up as a matter of priority across Europe; the drive to reduce emissions must be in lockstep with flanking legislation aimed at enhancing infrastructure.

About FCE

Fleet Cards Europe represents the independent fuel card sector in Europe, which facilitates the purchase and supply of fuel and other related on-the-road goods and services for millions of commercial users across Europe. FCE members represent a major share of the B2B fuel cards market in Europe and our membership base includes key independent players in this market which are headquartered and operate across the continent. Most European logistics, transportation and other fleet businesses rely on the services (issuing, billing, fuel discounts, etc.) provided by FCE members, helping them to move goods and people efficiently and seamlessly across Europe on a daily basis.

For further information, please contact the FCE Secretariat at:
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[2] IRU press statement "Key European Parliament committee rejects extending Emissions Trading System to road" (2022).