Adina Vălean
Commissioner for Transport
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

**By email**

BR1059207/SMR

Brussels, 5 April 2023

**Re: Call to support the purchase of zero-emission vehicles without breaching ownership rights and freedom to invest private capital**

Dear Commissioner Vălean,

The International Road Transport Union (IRU) and Taxi4Smart Mobility (T4SM) representing the entire commercial road transport sector, including taxi dispatch centres, confirm our commitment to further decarbonise and embrace cleaner technologies, such as zero-emission vehicles (ZEVs).

The European Commission's working programme for 2023 anticipates an initiative on the greening of corporate fleets. We cautiously welcome this new workstream as it could provide a non-binding framework for Member States to incentivise private operators to adopt clean technologies.

At the same time, we remain deeply concerned that the Commission's initiative could lead to the opposite and become, either directly or by encouraging Member States, a compulsion instrument to force private operators to purchase ZEVs.

*Our sectors call for your support to turn this new initiative into a tool to support businesses in embracing further decarbonisation and avoid using compulsion.*

**Promote support**

All clean technologies come with additional costs. Zero-emission technologies, in particular, have significant upfront costs. To illustrate the impact of the upfront investment, we provide below the rough estimate of the cost to replace the fleet of a typical road transport operator:

- For a taxi fleet of 10 vehicles, the cost of the fleet renewal with diesel vehicles would be between EUR 300,000 and EUR 560,000 depending on the segment, wheelchair accessibility, and the size of the vehicle. The cost of replacing the same fleet with electric vehicles ranges from EUR 380,000 to EUR 900,000. This estimate includes a mixture of cars and vans. For services with regulated prices, such as taxis, the higher prices associated with purchasing ZEVs cannot be easily passed on to customers. This means that the additional costs of purchasing these vehicles would be borne by the drivers or dispatchers themselves, potentially creating a financial barrier to the adoption of ZEVs.
- The cost of replacing a 40-tonne truck fleet of 10 vehicles with new diesel trucks ranges between EUR 10 million and EUR 20 million. To replace the same fleet with electric vehicles it would cost between EUR 25 million and EUR 40 million, while hydrogen vehicles would cost between EUR 30 million and EUR 40 million.

Ten-vehicle fleets are common in the road transport sector: 80% of the 900,000 players are small and medium-sized enterprises (SMEs). Not only do these businesses operate on thin margins, they often also face significant difficulties to obtain bank loans due to their limited bargaining power and the risky nature of highly competitive markets, in which small players are materially affected by crises, such as Covid-19 or skyrocketing fuel prices. Subsidies and public funds for fleet renewal are rarely made directly available to commercial transport operators.

The European Commission's work on the greening of corporate fleets *would truly benefit the sector if the outcome was a recommendation to Member States on the use of positive government incentives to encourage the uptake of vehicles based on carbon-neutral technologies*. The technologies should include hydrogen fuel cell, battery-electric, and combustion engine based on carbon-neutral fuels, and should cover the use of conversion systems of current fleets to carbon-neutral fleets.

To address this challenges, specific financial incentives should be considered to ensure that the benefits of clean transport are accessible to all. The measures could vary from loan facilitation to tax benefits and direct grants for fleet renewal.

**Avoid compulsion**

We remain deeply concerned that the Commission's initiative could turn into an instrument of compulsion, wherein private actors in a free market economy, bearing all investment and operational risks, would lose the freedom to decide how to dispose of their funds and choose from the options available on the market.

Legislating mandatory requirements which target the disposal of private capital falls outside of EU competence. *It would be detrimental to have an EU legislative initiative on the topic, either setting an obligation to fulfil targets or an obligation on Member States to report on national targets*. Either way, the Commission would step into a policy of deep interventionism, in total contradiction with the principles of a market economy.

It would be equally harmful if the Commission were to recommend Member States to apply compulsion.

As long as options are available on the market, the decision on how to use private capital to achieve decarbonisation goals should always remain with private companies. They are responsible for their profitability and fully bear the risk of losses and, ultimately, bankruptcy. Such basic freedom is also inherent to the ownership rights that the EU Charter of Fundamental Rights recognises for individuals and companies.

There is a fundamental distinction between circumstances involving state capital, be it via direct procurement of public institutions or public contracts, which is reflected in the Clean Vehicles Directive, and private capital. While Member States can agree at the EU level on how to invest their capital, they cannot replicate this for independent market players.

Private companies should be allowed to make investments that fit their business models, and it is up to the manufacturers to market vehicles that are clean, competitive and attractive. The experience of the Clean Vehicles Directive shows that the targets placed on entities relying on state funds to procure ZEV disincentivises manufacturers from providing vehicles at competitive prices. For example, the average price of buses in Germany increased as the deadline for the targets got closer.

Beyond legal arguments, a potential target for the uptake of ZEV placed on private operators is disproportionate and could materially distort the market, as follows:

- If the targets were set only for large companies, they would be placed at a competitive disadvantage compared to small operators, as the latter would not be bound by any obligation to make onerous investments.
- If the targets were set on all market players, it may lead to a massive bankruptcy wave among small and medium size operators, who make up the majority of companies in commercial road transport, and would reshape the market, with unpredictable consequences.

To conclude, we would like to emphasise that the sector is already making voluntary efforts to embrace clean technology. We call for your support with Member States to better assist our sectors' efforts and avoid the Commission's positioning on a compulsion line which would defy healthy market economy rules and harm markets.

Yours sincerely,

Raluca Marian
Director, EU Advocacy & General Delegate

Gregor Beiner
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