Towards a holistic compass for a resilient and sustainable freight sector in Europe

Aligned with the European Green Deal's ambitious objectives, Europe is committed to becoming climate neutral by 2050, with a focus on reducing greenhouse gas emissions by at least 55% by 2030. Transport, accounting for a significant share of emissions, emerges as a key area for action, particularly freight operations, which are crucial for Europe's competitiveness and connectivity across the world.

Recognising the need to address transport emissions, the European Union is committed to decarbonisation. The Sustainable and Smart Mobility Strategy (2020) and the Fit for 55 Package (2021) provide guidance for this transition while ensuring the freight sector's economic competitiveness. The Greening Freight Transport Package will improve the environmental performance of the sector. Nonetheless, complementary policies in energy, industry and digital sectors play an essential role in optimizing supply chain efficiencies and reducing (freight) emissions. When reflecting on a holistic approach to decarbonization, the Revision of the Renewable Energy Directive, the Net-Zero Industry Act, the Critical Raw Materials Act, the European Green Industrial Strategy, the Chips Acts and Data Act are indispensable. Moreover, EU funding instruments such as Innovation Fund, Connecting Europe Facility and the Alternative Fuels Infrastructure Facility are crucial for boosting investments and providing incentives to support sustainable freight transport, alongside the Research and Innovation activities supported by Clean Hydrogen Joint Undertaking, 2zero and BATT4EU Partnership. Additionally, a strong EU regulatory framework for sustainable finance enables investment shifts towards sustainable activities.

In the context of the Belgian Presidency of the Council of the EU, the Flemish Ministry of Mobility and Public Works organized a Senior Policy Meeting on Sustainable Freight Transport – Fit for 55 and beyond in Antwerp on 23 and 24 April 2024. The outcomes of this meeting, in which 15 Member States participated, underscore the commitment to decarbonize freight transport. Low-carbon freight operations can be achieved by introducing an integrated system-approach to ensure resilience and sustainability for Europe's freight transport sector.

In pursuit of these objectives, the Belgian Presidency identified the following thematic areas that will require special attention during the next Commission's legislative term:

1. Policy coordination and harmonization: Enhance partnerships and coordination mechanisms among various policy domains and stakeholders at European and Member State levels to streamline and align policies and foster synergies across sectors and supply/value chains.

   Ways forward:

   - *Avoid 'freight blindness' to put freight higher on the political agenda.*
   - *Work together towards an integrated system approach connecting freight transport to various sectors and stakeholders. Consider entire supply/value chains and related flows of materials, data and goods*
   - *Adapt to the changing geopolitical and strategic context, which cannot be an excuse to slow down the shift towards decarbonizing transport.*
   - *EU needs to step up its game to become more self-sufficient on energy supply and raw materials, which are crucial to decarbonize freight transport.*
   - *Establish cooperative discussion platforms to take the decarbonization of freight transport to the next level (on different policy levels; private players involvement).*
   - *Pay attention to geographical and regional characteristics and understanding of freight demand patterns.*

2. Regulatory framework and standards: The existing EU legislative framework provides a solid basis but requires monitoring and flexibility. Where needed, certain elements should be amended, replaced or dropped in order to continue creating a favourable environment for decarbonization.

   Ways forward:

   - *Make efficient use of (existing) state aid frameworks, taxation instruments and fiscal incentives.*
   - *Introduce carbon pricing in line with Emission Trading System (ETS).*
   - *Explore the possibilities of internalizing external costs to create a genuine level playing field.*

3. Infrastructure and capacity: Keep investing in resilient infrastructure and low carbon multimodal transport, to enhance geopolitical capacity and climate resilience.

   Ways forward:

   - *Continue to work on green shipping corridors and the implementation of the TEN-T network, while managing them in a smart way to overcome infrastructure bottlenecks.*

- *Use modal shift as a means to decarbonize, not as an objective. Nevertheless, particularly in the rail sector capacity, increase and efficient use is needed.*
- *Maximize the use of (existing) capacity (infrastructure, resources, assets) and space by using digital solutions, aiming at increasing interconnectivity (between modes) and possibly the development and roll-out of physical internet, which will also help avoid empty runs and ensure reliability of road transport alternatives.*
- *Establish a knowledge-sharing platform to inform logistic actors on the available data solutions and make them easily available for every player in the value chain (open-source). Create a reference framework and governance structure for data sharing between stakeholders, avoiding fragmentation.*

4. Financial support and investment: Establish clear funding mechanisms and incentives to boost investment in sustainable freight initiatives and leverage public-private partnerships.

   Ways forward:

   - *Enable a strategic funding shift and involve private and industry players in order to find the right financing balance, while ensuring EU competitiveness with respect for just transition (with special attention for SMEs & vulnerable groups of citizens).*
   - *Provide sufficient financial means via the Social Climate Fund, Innovation Fund, Connecting Europe Facility and Alternative Fuel Infrastructure Facility and support small medium companies in the purchase of zero emission freight transport solutions, and the decrease the CO2 footprint of their activities.*
   - *Stimulate using direct revenues of decarbonization measures in freight transport (e.g. road charging).*

5. Innovation and technology adoption: Support innovation projects and technology transfer to accelerate the implementation of sustainable transport solutions and digitalization.

   Ways forward:

   - *Continue supporting European demonstration projects to enable harmonization and cross-fertilization (e.g. TEN-T corridors or cross-border ecosystems) while creating a governance structure to share insights from these projects on a broader scale.*
   - *Continue to consider electrification as the most competitive and most energy efficient technology for decarbonization of a majority of the road sector freight transport, while taking into consideration challenges related to heavy and long distance road transport and particular weather conditions which may require other solutions. Hydrogen and other technologies need to be further researched and developed, especially for the decarbonization of the hard-to-abate sectors.*

- *Take into account and further investigate the implications of innovative solutions for the transport companies, business models, use cases and adoption tools in research projects.*
- *Foster knowledge and data exchange in order to facilitate the deployment of new technologies and digital solutions.*
- *Embrace failure and nescience, both in project development and assessment. In the search of solutions,*

6. Social acceptance and skills development related to (solutions for) decarbonizing freight transport: Promote sustainable practices and integrate sustainability education into formal and informal learning programs to foster environmental consciousness among stakeholders.

   Ways forward:

   - *Raise awareness on climate change and decarbonizing freight transport along the value chain, also in the financial sector.*
   - *Develop social acceptance by sharing results of freight decarbonization measures.*
   - *Cultivate a skilled workforce, in tune with the changing society and innovations (e.g. digitalization) .*

The Belgian Presidency underscores the importance of coordinated efforts and integrated approaches in decarbonizing freight transport. The next European Commission should prioritize these thematic areas to pave the way for a low-carbon freight transport sector and to foster economic growth, while enabling continued investments in necessary infrastructure and increasing transport resilience. This should be done in parallel with climate change mitigation.