6. Surface Transportation [116]

Commitment

“develop programs in our respective countries, consistent with national circumstances, to provide incentives for consumers to adopt efficient vehicles, including clean diesels and hybrids; and introduce on a large scale efficient public hybrid and/or clean diesel transportation systems, where appropriate;”

Global Energy Security

Background

At St. Petersburg, the G8 reaffirmed its commitment to addressing energy concerns in surface transportation by encouraging a transition to more efficient vehicles through consumer incentive programs, and support for cleaner public transportation initiatives. At the 2005 Gleneagles Summit, member states made a similar commitment, pledging to promote the sales and market development of more efficient vehicles. In June 2006, the G8 research Group reported a high level of compliance for all G8 members except Japan and Russia. The commitment made at St. Petersburg is considerably more focused than the commitment made at G34, as it does not include market development and emphasizes consumer incentive programs.

As a high level of aggregate compliance to the 2005 commitment would suggest, many member states had pre-existing consumer incentive programs and clean public transportation investments prior to the 2006 summit. In addition, several member states, including Japan, the United Kingdom and France, have continued to pursue initiatives other than consumer incentive programs that promote the sales and development of efficient vehicles, such as the introduction of biofuel floors in national fuel supplies for surface transportation. While these programs would have made these states compliant with the 2005 commitment, they are not compliant with the 2006 commitment. Therefore, while aggregate compliance with the 2006 commitment is low through the compliance period, pre-existing initiatives and the specific scope of the commitment should be considered when appraising the following compliance studies.

Team Leader: Jeff Claydon

Assessment

<table>
<thead>
<tr>
<th>Country</th>
<th>Lack of Compliance</th>
<th>Work in Progress</th>
<th>Full Compliance</th>
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<tr>
<td>Overall</td>
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</table>

Canada: +1

The Canadian government has registered a high level of compliance with the St. Petersburg surface transportation commitment. The Canadian government had a considerable platform of pre-existing
initiatives in promoting clean public transportation from which to build. This platform included the Urban Transportation Showcase Program (UTSP); part of Canada's Action Plan 2000 on Climate Change.\textsuperscript{270} On 24 November 2006, a Department of Transportation Press release announced the launch of the Winsmart Showcase in Winnipeg, Manitoba. As the sixth city in the UTSP, this showcase is intended to promote innovative approaches to urban transportation that increase energy efficiency and reduce greenhouse gas emissions. The federal government committed CAD3.5 million to help the city of Winnipeg buy hybrid diesel electric buses.\textsuperscript{271}

On 19 March 2007, the federal government tabled its 2007 Budget, which included multiple consumer incentives for purchasing hybrid and fuel efficient vehicles, before more rigorous fuel standards are implemented in 2011. Effective 20 March 2007, consumers were afforded rebates of up to CAD2000, based on the perceived fuel efficiency of new vehicles purchased. In addition, a ‘Green Tax’ was levied on purchased vehicles deemed to be fuel inefficient.\textsuperscript{272}

**Analyst:** Jeff Claydon

### France: 0

The French government had already implemented much of the commitment made at St. Petersburg, but failed to build on strong pre-existing programs and therefore only achieved partial compliance. In November 2005, French Prime Minister Dominique de Villepin announced a €2000 tax credit for consumers who purchase energy efficient vehicles. This rebate was a thirty percent increase on pre-existing rebates available in France, and remains in place as of 17 April 2007.\textsuperscript{273} In addition, On 8 February 2007 Dominique Perben, Minister of Transportation, stated a federal government intention to have cars that are 20% less heavy and emit less than 130 grams of carbon dioxide receive discounts on highway fares. The federal government hopes to introduce legislation to this effect in 2008.\textsuperscript{274}

On 14\textsuperscript{275} and 20\textsuperscript{276} December 2006, the Ministry of Transportation announced several new spending initiatives for 2007 that will further develop rail infrastructure in France. However, these spending initiatives do not specify that these initiatives are to promote clean energy surface transportation alternatives. With the notable exception of France’s ratification of the Transport Protocol of the Alpine Convention in December 2006, French commitments in surface transportation infrastructure have not been specifically aimed at promoting more efficient methods of transportation.\textsuperscript{277} Therefore, France cannot be considered in full compliance with the St. Petersburg commitment.

**Analyst:** Greg Beres

### Germany: +1

The German government registered full compliance with its commitment made at St. Petersburg by promoting cleaner public transportation initiatives and stating its intention to provide incentives for consumer purchases of fuel efficient vehicles. Germany scored a high level of compliance on the Gleneagles commitment by supporting the research and development in the alternative fuels automotive sector, and more efficient public transportation initiatives, such as the Cleaner Energy Partnership (CEP), a federally funded programme aimed at promoting alternative energy


transportation. The German government continued its support of the CEP throughout the compliance period, which announced the deployment of fourteen new hydrogen cell buses to be deployed in Berlin by the end of 2007. In addition, nine fuel cell buses were deployed in the city of Hamburg.

On 17 September 2006, the German Minister of Transportation, Wolfgang Tiefensee, stated in a press release that the German government understood the importance of an expanded and cleaner public transit system in the coming years. On 30 October 2006, Tiefensee reiterated the federal government’s commitment to research and development in the alternative energy transportation sector through the National Hydrogen and Fuel Cell Technology Innovation Programme, but did not specify tax incentives for consumers, emphasizing instead financial commitments to research. On 19 October 2006, Minister Tiefensee announced the German government’s intention to lobby the European Commission for permission to amend national Motor Vehicle Tax laws for heavy goods vehicles to encourage the purchase of environmentally friendly vehicles. However, this policy is expected to be implemented in 2007. On 16 December, Germany signed the Transport Protocol of the Alpine Convention, and thereby committed to promote and develop environmentally friendly public transportation infrastructure in the region. While German commitments to the research and development in alternative fuel transportation and fuel efficient public transportation projects are notable, Germany cannot be considered in full compliance because they have failed to successfully implement any consumer oriented incentives for the purchase of energy efficient vehicles.

In March 2007, the Bundesrat passed legislation changing the Law on Motor Vehicle Tax; diesel passenger cars backfitted with a soot particle filter will be given tax breaks of EUR330 (roughly half the cost of fitting the filter). The German government intended this initiative as an incentive to phase out older diesel models with modern filters. This tax exemption will be open to any cars fitted between 1 January 2006 and 31 December 2009. The German government has also successfully lobbied the German auto industry to help in this endeavour; large German auto manufacturers have responded to this request by pleding to fit all new diesel cars with a particle filter by the end of 2008.

Analyst: Augustine Kwok

**Italy: 0**

Italy has partially complied with its St. Petersburg commitment to developing clean surface transportation. While it has introduced a significant program of incentives for the purchase of cleaner, low-emission vehicles, there is no evidence to suggest that Italy has moved on its commitment to public hybrid and/or clean diesel transport.

On 30 November 2006, the Italian government introduced a series of measures to comply with this commitment in the 2007 Budget. Among a series of measures, the government re-introduced a


previously defunct scheme to provide incentives to consumers who send old automobiles to be recycled and purchase newer vehicles. The scheme provides only a modest incentive of EUR80 for those who replace old vehicles with ones that conform to Euro 0 or Euro 1 carbon emissions standards. Replacing old Euro 0 or Euro 1 vehicles with a vehicle that conforms to the newest Euro 4 or Euro 5 emissions standards (less than 140 g CO/km) will net the consumer a payment of between EUR800\(^{287}\) and EUR2,000\(^{288}\) and an exemption from certain vehicular taxes for a period of two years (or three years if the vehicle has an engine displacement of less than 1,300 cc). This scheme will be instituted as of 1 January 2007 but will apply to all purchases made between 3 October 2006 and will continue until at least 31 December 2009.\(^{289}\) The measures include similar incentives for scooters and trucks. Importantly, part of the new scheme also provides for incentives of EUR650 to support the conversion of cars to use hybrid electric, hydrogen or liquefied petroleum gas technology.\(^{290}\) The government is expected to spend EUR50 million on these programs in 2007, 2008 and 2009.\(^{291}\)

**Analyst: Brian Kolenda**

**Japan: 0**

Japan’s government has not yet shown evidence of full compliance with the St. Petersburg commitments to surface transportation, but Japan’s policies have warranted partial compliance. Despite the lack of success of the Voluntary Emissions Trading Scheme, there has been a rise in the development of environmentally-friendly fuel technology as well as stricter fuel efficiency regulations. On 15 December 2006, the Ministry of Economy, Trade and Industry (METI) proposed stricter regulations that would require Japanese automakers to increase the fuel efficiency of passenger cars by 23.5 percent by 2015. Making fuel efficient automobiles a priority for large automobile manufacturers should make such vehicles more affordable; a more competitive market for fuel efficient vehicles is one of the primary expectations of this initiative.\(^{292}\) These regulations would become the world’s strictest.\(^{293}\) In addition, the Ministry announced JPY2.4 billion to promote energy efficient vehicles for 2007, though they did not specify whether this funding would provide any consumer specific incentives.\(^{294}\) November 2006 was declared by METI as the “Eco-Drive Promotion Month,” during which the use of environmentally-friendly vehicles was promoted using advertising and seminars.\(^{295}\) These actions are not indicative of full compliance as they are not, strictly speaking, consumer incentives. However, they do reflect the spirit in which the commitment was made, and this should be considered when evaluating Japanese compliance.

**Analyst: Egor Ouzikov**

**Russia: 0**

Russia has not yet fulfilled its St. Petersburg surface transportation commitment, but has taken several measures aimed at improving its vehicle technical standards. In October 2006 the order banning the import of used vehicles that do not meet the Euro-2 efficiency standard came into force.\(^{296}\)

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It was also decided to ban production and import of automobiles which do not satisfy Euro-3 standard from January 2008. Moreover in April 2007 the Ministry of Industry and Energy passed to the Government the bill on technical standards which would ban use of fuel lower than Euro-2 standard from January 2009 and lower than Euro-3 standard from January 2010.297

On 16 October 2006, in a meeting with Executive Secretary of the Economic Commission for Europe (ECE) of the UN, Russian Deputy Minister of Industry and Energy Andrey Dementyev indicated that the federal government would continue to pursue an environmentally friendly energy policy. Dementyev stated that Russia was interested in expanding the collaboration with the ECE in the sphere of technical standards.298

In March 2007, the Russian representative of the Ministry of Industry and Energy noted that the Ministry expected the development of bill on using of alternative vehicle fuel.299 Minister of Agriculture Alexey Gordeev said that Russia is going to produce fuel from corn and rape, the first enterprises are being built and in future Russia could export the fuel.300

In October 2006, the state owned railway company, Russian Railways, signed a partnership with the Russian Academy of Science aimed at the development of energy saving technologies and alternative energy sources. Russian Railways CEO Vladimir Yakunin stated that development and eventual use of hydrogen powered locomotives was a priority for Russian Railways and a centerpiece of the agreement. 301 While Russia has demonstrated compliance with most dimensions of its St. Petersburg commitment, the federal government has implemented no programs to provide incentives for consumers to adopt efficient vehicles, thus Russia receives a score of 0.

Analyst: Natalia Churkina and Egor Ouzikov

United Kingdom: 0

The United Kingdom registered partial compliance to the commitments made at St. Petersburg, building on pre-existing programs to establish clean public transportation, while failing to provide substantial incentives to consumers for fuel efficient vehicle purchases. Prior to the compliance period, the British government had already implemented several initiatives that demonstrated British concern about surface transportation emissions. In March 1998 the British government introduced the Vehicle Excise Duty (VED), a duty partially based on emissions, providing incentives for consumers to purchase vehicles with lower emissions. Hybrid and fuel cell vehicles were exempt from paying any VED.302 On 6 April 2002, the British government linked taxation rates of company cars to carbon dioxide emissions, provide tax incentives for more efficient vehicles, including hybrids and clean diesels.303 On 22 March 2006, the Her Majesty’s Revenue and Customs Agency announced higher emission standards for company cars and a ten percent reduction for cars with emissions of 120g/km or below.304 On 29 November 2006, Transport Minister Dr. Stephen Ladyman reaffirmed the government’s commitment to these programs and reiterated their importance in promoting fuel efficient alternatives.305 The UK will introduce the Renewable Transport Fuel Obligation306 – which requires that 2.5% of all fuels sold on forecourts must be from renewable resources, eventually rising

49 to 5% in 2010/11. The United Kingdom cannot be considered in full compliance with the G8 commitment, as it failed to implement new incentives for consumer purchases of low emissions vehicles. However, its pre-existing programs must be considered.

The British government has announced no federal initiatives to promote hybrid and fuel cell specific public transportation initiatives during the compliance period. Instead, the government emphasized public transit development as an alternative to private vehicle usage. On 29 November 2006 Ladyman stated the government will provide up to £200 million per annum through the Transport Innovation Fund to support schemes which will tackle road congestion, and encourage the use and expansion of public transit systems. The British government has also pledged to spend approximately £1 billion to replace its fleet of government vehicles with environmentally friendly vehicles, a move projected to reduce emissions by 15%. This announcement, made by the Office of Government Council on 2 December 2006, was not noted in the previous interim report.

**Analyst: Augustine Kwok**

**United States: +1**

The United States has registered a high level of compliance with the commitments made at St. Petersburg, funding numerous public transportation initiatives and promoting the development of alternative fuel programs. The United States was well on its way to compliance before the 2006 summit; the Departments of Energy and Transportation had established consumer incentives and had invested considerably in cleaner public transportation. On 8 August 2005, the federal government passed Energy Policy Act (EPACT), which included a tax rebate of up to USD4,000 for the purchase of hybrid or clean diesel vehicles. Though the federal government failed to build on these initiatives in the compliance period, they remain amongst the most substantial consumer incentives in the G8. In October 2006, the Federal Transit Administrator James Simpson and Congresswoman Mary Bono announced that USD49 million in federal grants for researchers around the country to explore new ways to make commercially viable hydrogen fuel cell bases a reality. Three non-profit organizations were competitively selected by the FTA to receive a share of the USD49 million.

Once again, the commitment was made prior to the compliance period, but reflects a commitment to energy efficient public transportation initiatives.

**Analyst: Sarah Kim**

**European Union: +1**

The European Union achieved a high level of compliance with the St. Petersburg commitment on surface transportation, by committing considerable capital to cleaner public transportation systems across Europe. On 19 July 2006 the European Commission granted the Dutch province of Gelderland €4.6 million in aid for a local project designed to explore new ways to make the public transportation system more environmentally friendly and attractive to the public. On 5 October 2006, the European Commission announced it had brokered an agreement between six European and Canadian cities for...
the joint purchases of hydrogen fuel-cell powered buses, based on a similar pilot project completed in Europe in May 2006 (the CUTE project). In a similar spirit, the Commission announced an aid package on 7 December intended to help finance anti-pollution filters on older buses in Italian public transit fleets. The aid package will cover thirty percent of the costs incurred by local governments. Finally, 12 December 2006, the Commission announced the signing of the Transport Protocol of the Alpine Convention, an agreement which among other issues promises incentives for transitions in the Alp region to more efficient and environmentally friendly surface transportation methods. The agreement specifically suggests a commitment from signatories to transfer freight transport in the region from road to rail.

Furthermore, European Mobility Week was also established, where all European citizens enjoyed events from 16 September 2006 to 22 September 2006, dedicated to sustainable mobility. "The objective [was] to facilitate widespread debate on the necessity for changes in behaviour in relation to mobility and in particular the use of the private car." Another European Mobility Week is planned for 16 and 22 September 2007.

The Commission Vice-President responsible for transport has expressed that effort should be made to ensure that transportation is environmentally-friendly and that more measures are necessary to ensure sustainable mobility. The Commission will present a strategic technology plan for energy in 2007, and a programme on green-powered vehicles will be introduced in 2009.

To prepare for this plan, the Commission announced its intention to publish a Green Paper on urban transport, examining whether there exist any impediments to build environmentally-friendly urban transport systems. This Green Paper will constitute the basis for the upcoming legislation on the European transport policy, which will address all forms of transportation, including walking and cycling. Interested people wanting to voice their opinion can do so on the internet until 30 April 2007. The Commission has also tackled the fuel suppliers, indicating that between 2011 and 2021 fuel suppliers must reduce their fuels’ greenhouse gas emissions by 10% when they are refined, transported and used. In essence, this will allow consumers a variety of clean fuels to purchase at the pump. Finally, it is noteworthy to add that the European Union has not only been compliant in regards to the St. Petersburg commitments, it has also taken the lead in the G8 to fight climate change. During a summit meeting on 8 to 9 March 2007, European heads of state committed to slash carbon emissions by 20% by 2020 and increase biofuel use by 10%.

Analyst: Greg Beres


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