

Transdev's contribution to the public consultation on the revision of the guidelines on state aid for climate, energy and environmental protection

As a public transport operator, Transdev is present in 17 countries around the world, including 10 in Europe. Operating a fleet of more than 42,000 vehicles worldwide, Transdev transported 6.2 million people daily in 2020 (compared to 11 million in 2019) due to the drop in ridership and public transport supply during the health crisis.

Transdev is fully committed to working alongside transit authorities in the energy transition of fleets for urban and interurban public transport. Today, we are one of the leading operators of electric buses in Europe. **With a global fleet made up of 40% low emission vehicles, including 1,200 zero emission buses by the end of 2020,** Transdev is now a recognized expert in the energy transition of public transport, its cost and its impact on the operation of a network. Transdev operates electric buses using all existing storage and charging technologies. Thanks to the very wide range of networks and territories in which we operate, we can deliver the most efficient solutions adapted to the specific climatic and geographical conditions of each territory. Transdev is also strongly committed to the development of other alternative fuels (hydrogen, biogas, biofuels etc.).

For example, our group recently won a contract to operate and maintain the largest fleet of electric buses (406 buses) on the South American continent in Bogota, Colombia, starting in November 2021. In December 2020, we also launched the largest electric bus fleet in the Nordic region with 157 electric buses in Gothenburg, Sweden. In the Netherlands, we operate a total fleet of 375 zero emission buses. Transdev is also a pioneer in the development of hydrogen-powered daily mobility services: since 2019 we have been operating 6 hydrogen buses in Lens in the Hauts de France region and we have just launched a project to retrofit a bus in the Normandy region for interurban services.

Transdev welcomes the revision of these guidelines and more broadly the European Commission's approach to adapting competition policy to the achievement of the Green Deal objectives. The Transdev group's contribution will mainly address aid category 4.3 concerning clean mobility (aid for the purchase and rental of clean vehicles and aid for the deployment of recharging infrastructures), and more particularly vehicles for urban and interurban transport (M3 category, buses and coaches).

1) The role of public transport in achieving the Green Pact objectives

The transport sector is the only sector in Europe that has not reduced its emissions since 1990, with an increase of 18%. Of the total emissions from transport, 40% come from urban areas. The large majority of these emissions come from the private use of cars. However, it is not in the city centers that car use is highest but, in the suburbs particularly in their links and connections with the city centers. It is therefore in these areas that the main challenges linked to the decarbonization of mobility in Europe are polarized. It is by acting on this daily mobility of citizens in urban areas that we will succeed in reversing the curve of CO2 emissions from transport in Europe.

The most frequent average journey of a European citizen is 17 km. More than 80% of this mobility is by car. **Achieving the target of a 55% reduction in CO2 emissions by 2030 will require a drastic increase in the modal shift from cars to shared mobility and public transport.** This cannot be done by focusing solely on the shift to electric cars.

Increasing the modal shift implies a major supply shock of public transport services. This is a crucial issue for decarbonization. Local authorities and public transport operators must be encouraged and supported in their investments to increase the offer, frequency and quality of services. This will be essential to make public transport a credible alternative to the private car. **Public transport operators and authorities need to develop alternative energy solutions that can absorb increasing passenger flows while reducing the carbon footprint.** A framework needs to be developed that allows local authorities and public transport operators to choose the energy mix best suited to their territory and the types of services developed, with both low and zero emission solutions.

This supply shock must involve a drastic increase in funding for public transport, in particular to ensure that this increase in supply is made with clean vehicles in order to strengthen the sustainability of public transport.

Today, although local authorities and public transport operators are subject to binding obligations and targets for fleet renewal (Clean Vehicles Directive), there is insufficient funding to support this transition to costly vehicles and infrastructure. At the European level, the end of the blending facility mechanism within the CEF for the financing of clean rolling stock is a bad signal sent to the sector. On the other hand, the support measures for the energy transition of the sector's fleets are rather unequal between the different national recovery plans of the Member States. **The revision of the guidelines is a real opportunity to recognize the specificity and the role of the public transport sector in achieving our climate objectives and to encourage more massive investment in clean vehicles in order to speed up the energy transition.**

2) The guidelines and the development of clean public transport: what opportunities?

- **Aid for the purchase of clean vehicles in urban and interurban public transport**

1° Definition of the total cost of ownership as an eligible cost for a State aid scheme

Transdev welcomes the change in the definition of eligible costs in the new version of the guidelines. Consideration of the total cost of ownership rather than the cost of acquisition will make it possible to take better account of all the major costs over the life of zero-emission vehicles.

The definition proposed in the new version of the guidelines seems to include the main expenditure items for the life of a vehicle. However, it seems important to us that the European Commission ensures that the definition of all relevant expenditure items for the calculation of the TCO is defined within each Member State in consultation with all relevant stakeholders (fuel suppliers, manufacturers, operators etc.). This should allow Member States to notify and justify the inclusion of additional costs in the calculation of the total cost of ownership, also according to the type of vehicle concerned and the evolution of technologies, without forgetting the impacts linked to taxation.

2° Increasing the maximum aid intensity allowed for the purchase of public transport vehicles

Today, the purchase cost of an electric bus is on average €500,000 and €700,000 for a hydrogen bus, compared to only €200,000 for a diesel bus. For these zero-emission vehicles, there are various other expenses that are more expensive than for a thermal vehicle:

- The replacement of the battery or fuel cell (on average every 6 to 8 years)

- The cost of energy: 0.085€/kWh or 0.11/km for a standard electric bus with a slow charge, between 7 and 10 €/kg of hydrogen
- The cost of maintenance (more expensive for hydrogen).

In addition to these costs, there is the risk of a significant residual value taken by a public transport operator for the purchase of zero-emission vehicles for the purposes of the public service contract it holds, due to very rapid technological developments and depreciation that is often longer than the duration of the public service contracts concerned.

The ceiling indicated in the guidelines of 40% of the eligible cost seems to us insufficient to create a real incentive effect. While public transport actors will have to accelerate their investments in zero-emission vehicles (to comply with European and national objectives and obligations), **the additional cost of these vehicles will remain very high, which will considerably reduce the investment capacity of both public transport authorities and private operators. The possibility for Member States to notify state aid schemes of up to 80% of eligible costs for zero-emission vehicles (without a competitive award process) seems to us to be essential to accelerate the transition of the sector and to contribute to increasing the supply of public transport with clean vehicles for more modal shift.**

This increase in the aid intensity ceiling would be consistent with the recent approvals by the European Commission of State aid schemes dedicated to the energy transition of public transport fleets in various Member States (State Aid SA.55977 (2019/N) - Germany; State Aid SA. 50760 (2018/N) - Portugal; State Aid SA.50868 (2018/N) - United Kingdom). Indeed, for these different schemes (granted through a competitive award process), the Commission has each time recognized their essential character to increase the level of environmental protection. **The Commission also concluded that in view of the prices of clean vehicles, State intervention was necessary in order to massify investment in these vehicles,** indicating that in the absence of aid, operators would have had very little incentive to invest in clean vehicles.

This increase is all the more necessary given the specificities of the public transport market. When local authorities ask public transport operators to finance the purchase of rolling stock to meet the requirements of the public service contract, operators are sometimes not sufficiently encouraged to upgrade their fleets to zero-emission vehicles, given the principle of selection by local authorities of the "most economically advantageous offer" (where price is the most important criterion) to the detriment of criteria related to the environmental quality of offers. However, if local authorities wish to "help" their operators more significantly through investment subsidies to supplement the public service compensation paid in accordance with the PSO Regulation, the 40% ceiling remains largely insufficient to encourage operators to finance a maximum number of zero-emission vehicle acquisitions. In this case, the aid is not granted through a competitive process, since it is granted directly to the operator that runs the local authority's public transport network (which has been chosen through a competitive process). **The disadvantage of the 40% or 50% limit is that it considerably limits the incentive effect of the aid, systematically forcing the Member State to justify exceeding this limit of public aid by costly economic calculations. The 80% ceiling thus seems to us to be more virtuous.**

Transdev also questions the definition given to the "incentive effect" in the draft guidelines. The text suggests that aid granted mainly to cover the costs of adapting to European standards does not have an incentive effect. This definition seems to indicate that public aid enabling public transport operators to comply with the obligations of the clean vehicles directive in particular would not be accepted.

3) Aid for the deployment of recharging or refueling infrastructure

Transdev welcomes the inclusion of aid for the deployment of recharging infrastructures in the guidelines. These infrastructures are essential for the operation of zero-emission bus fleets. Here again, **the cost differential between infrastructure for diesel vehicles and for zero-emission vehicles is very significant.**

For example, an investment in recharging infrastructure (excluding land) represents a cost of approximately €32,000 for a fleet of 9 diesel buses and €70,000 for a fleet of 50 diesel buses. These amounts rise to about €350,000 for a fleet of 9 electric buses (€5 million for 50 buses) and between €5 and 10 million for hydrogen buses. In addition, there are the costs of insurance, security, compliance of maintenance facilities, storage and land use, which are particularly high for zero-emission vehicle infrastructures.

Achieving the ambitious targets for the renewal of public transport fleets contained in the Clean Vehicles Directive will require very significant investment in recharging infrastructure. Raising the 40% cap for infrastructure supplying renewable electricity or renewable hydrogen to 80% will accelerate the deployment of such facilities, and thus the deployment of larger vehicle fleets.