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## Joint Position Paper

Brussels, 14 September 2022

# Supply and Pricing of Energy Threaten Europe's Modal Shift Objectives

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**The ongoing crisis in European energy markets triggered by the Russia's war against Ukraine will have a significant impact on all sectors. Despite its energy-efficiency rail transportation is no exemption. As of today, actions taken by Member States have been disjointed and there is little, if any, clarity on how State support for rail transport will evolve over the coming months. It is essential that the European Commission and Member States develop a strategy which protects the European Union's modal shift objectives and ensures uninterrupted energy supply for rail transportation.**

**Maintaining and increasing the modal share of rail is imperative for the European Green Deal. Sustainability comes to mind first – where rail is 7 times more energy efficient than road and 15 times more than air transportation – but, in today's environment, systemic relevance for issues such as travel of refugees and grain transportation from Ukraine are at least as important. Nevertheless, rail freight and passenger modal share is at serious risk due to energy price developments. Energy amounts to approximately 10-20% of rail undertaking's cost base and with electricity prices increases at high multiples of those of diesel, it is only natural that shippers will revert to road transport wherever possible – especially since they are also margin-squeezed by the energy price increases.**

According to the CER energy survey, traction electricity price in rail freight and passenger doubled for the period 2021 and 2022. The survey also revealed that railway companies, in particular freight operators usually do not hedge their energy contracts thus continue to be exposed to the high volatility of the energy market. In some Member States, applying hedging mechanism is not even a possibility to railway undertakings due to access mechanisms to electricity. Such price developments over the past months vary greatly between Member States for rail freight. Some Member States (Belgium, Germany, Netherlands) have not interfered in the market, which in some cases has resulted in a 10-fold increase in prices<sup>1</sup>. In other Member States, the political decision has already been taken to support rail freight through a capping of energy prices to 2021 levels with State Aid being provided to the infrastructure manager to compensate for the difference between the cost charged to railway undertakings and the real electricity cost.

On top of this, there are situations where Member States have not interfered in supply of energy for rail freight but simultaneously introduced support measures for road transportation. This can be observed in Germany and Portugal which has introduced price reductions for diesel without any support for rail freight. Such policy measures create competition distortion between modes of transport and undermine the European Union's ability to meet the targets set out in the European Sustainable and Smart Mobility Strategy of a 50% growth of rail freight volumes by 2030.

A strategic vision is therefore required at a European level, joining up transportation needs with climate goals, which identifies how to keep railway operations uninterrupted the

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<sup>1</sup> In Germany, wholesale market prices have increased from 50 EUR MWh to 600 EUR MWh.

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coming months when energy shortages and further increases in prices will be genuine risks. The rapid recovery in air travel after the COVID-19 pandemic together with shortages in staffing at airports and airlines resulted in record number of flight cancellations, lost baggage and very high ticket prices this summer. In Europe, trains offer more reliable and climate-friendly alternative. Rail should be able to compete with aviation in equal terms when it comes to taxation of fuels, impacting energy prices. Given rail freight's important role in transporting agricultural products from Ukraine, alleviating supply chain bottlenecks in ports and fulfilling Europe's energy supply needs, it is critical that rail freight is identified as being of strategic importance and receives the necessary support.

Without such policies, not only will rail undertakings need to pass existing inflation impacts, but also the much higher energy costs to consumers - undermining the competitiveness of the European economy - but will be unable to expand operations and, in some cases, many undertakings will be faced with the real prospect of having to leave markets or even face bankruptcy.

The European rail sector therefore calls on the **European Commission** to:

- Introduce price caps for energy for rail transportation in emergency legislation aimed at tackling rising end-user energy costs – alternatively reducing rail undertaking's cost through emergency subsidy schemes (e.g. lowering of track access charges with full compensation to infrastructure managers by the Member States);
- Identify rail as a strategic service which should be prioritized in the supply of energy as a short-term measure;
- Where required, allow Member States to provide State Aid to infrastructure managers or energy suppliers/sellers to compensate for the difference in price between the price for 2023 by ensuring that energy prices valid for 2022 are maintained and further delivery periods if they are subject to price caps for energy.

The European rail sector also calls on **Member States** to:

- Take actions already now to ensure that energy prices do not become unsustainable over the coming weeks;
- Ensure that there is a multimodal approach adopted to support measures which avoids competition distortion between modes of transport;
- Support industry initiatives to deliver a price cap for energy for strategic services such as rail transport and ensure flexibility of implementation regarding differently structured competitive national energy markets.

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### About CER

The Community of European Railway and Infrastructure Companies (CER) brings together railway undertakings, their national associations as well as infrastructure managers and vehicle leasing companies. The membership is made up of long-established bodies, new entrants and both private and public enterprises, representing 79% of the rail network length, 77% of the rail freight business and about 90% of rail passenger operations in EU, EFTA and EU accession countries. CER represents the interests of its members towards EU policy makers and transport stakeholders, advocating rail as the backbone of a competitive and sustainable transport system in Europe. For more information, visit [www.cer.be/](http://www.cer.be/) or follow [@CER\\_railways](https://twitter.com/CER_railways) on Twitter or [LinkedIn](#).

### About ERFA

ERFA is the European Association representing European private and independent rail freight companies. ERFA members share a commitment to work towards a non-discriminatory, competitive and innovative Single European Railway area. For more information, visit [www.erfarail.eu](http://www.erfarail.eu) or follow on [@erfa\\_rail](https://twitter.com/erfa_rail) on Twitter or [LinkedIn](#)

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