

# The SNCF Group's proposals for the next term of the European Commission and the European Parliament

January 2024





## Making modal shift a fundamental objective of European policies



**The situation is urgent.** Forest fires, floods, record temperatures... No part of the globe has been spared the effects of climate change, which will get worse if our efforts are not equal to the task. Now, more than ever, **is the time to act.**

**The transport sector is one of the main sources of CO<sub>2</sub> emissions in the European Union (25% of total emissions<sup>1</sup>). What's more, it's the only source that isn't shrinking.** In order to meet Europe's commitment to be carbon neutral by 2050, the EU needs to get down to decarbonising transport without delay.

**As the most virtuous mode in terms of greenhouse gas emissions and energy consumption, rail must become a central lever in transport decarbonisation policies, and must be one of the top priorities of the next European Commission. Without modal shift, the emissions reduction targets will not be met.**

In 2020, the EU set sectoral targets for itself, which are a step in the right direction: doubling rail freight and tripling high-speed traffic by 2050. This is also what the people of Europe want, with more and more of them wanting to take the train. **But the resources to achieve this ambition are lacking.**

There is an urgent need for actions to level the playing field between modes of transport: the most polluting of which must pay for their external costs, which are currently borne by society. Furthermore, the financial resources allocated to rail by the EU must be in line with the challenges of the ecological transition, to enable Europe's railways to accommodate modal shift, become even more efficient and better connected across national borders.

**An essential part of the solution lies at the EU level,** which this manifesto sets out to demonstrate, through practical proposals that can be implemented collectively.

**Jean-Pierre Farandou,** Chairman and CEO of the SNCF Group



<sup>1</sup> [Transport and mobility](#), EEA, October

The transport sector is still dominated by carbon-intensive modes. It is the only sector where greenhouse gas (GHG) emissions have increased over the last three decades (+33% between 1990 and 2019<sup>2</sup>).

Rail transport accounts for just 0.4% of greenhouse gas emissions, whereas it accounts for 8% of passenger transport and 19% of freight transport in Europe.

**Decarbonising road transport and aviation is a long way off, with no immediate prospect of reducing emissions.** Technological solutions are not yet mature, either for heavy goods vehicles or for aviation. Furthermore, the massive electrification of road transport would not solve the problem of GHG emissions, since the manufacture of electric vehicles and the extraction of the raw materials used in batteries is a major source of emissions. Similarly, the production of sustainable aviation fuels requires a large amount of energy and produces GHG emissions.

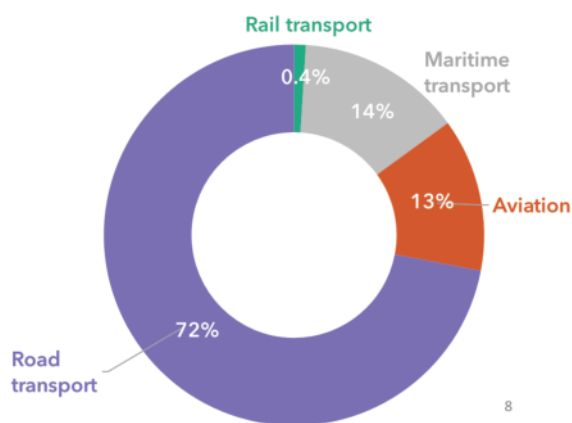
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### Modal shift to rail: the only clean mode of transport, with low-carbon technologies that already exist

- To meet the target of reducing greenhouse gas emissions from the transport sector by 90% by 2050, much greater use will have to be made of modal shift than is currently the case.
- Rail is the most energy-efficient mode<sup>3</sup>. In the current context of energy scarcity, this is an undeniable, long-term comparative advantage for rail.
- Its land use requirements are limited.
- Rail is therefore essential for decarbonising, reducing congestion in cities and on the roads, and consuming less energy.

### Rail as the backbone of low-carbon mobility

- Rail contributes to social and territorial cohesion by linking metropolises and regions, connecting remote areas to city centres, promoting mobility in metropolitan areas, and being accessible to all.
- The development of high-speed rail between the European capitals is helping to bring people closer together, boosting international trade in goods and services, and making transport in the EU even smoother.
- Rail is therefore the mode of choice for medium and long distances in the EU, both for passengers and freight.



<sup>2</sup> European Environment Agency, Transport and environment report 2021, Decarbonising road transport – the role of vehicles, fuels and transport demand, EEA Report No 2/2022

<sup>3</sup> One tonne transported by rail consumes 6 times less energy than by road.

The SNCF Group is therefore proposing a series of practical actions to **put rail at the heart of an ambitious policy to decarbonise transport and double the modal share of rail in passenger and freight transport by 2040**

These proposals have been drawn up with all the SNCF Group's business lines and with the Group's stakeholders.



### **1st lever**

Making competition between modes of transport more equitable



### **2nd lever**

Securing EU funding and new resources for railways to meet the challenges of the ecological transition



### **3rd lever**

Generating a supply shock for passenger transport



### **4th lever**

Stimulating demand from shippers



### **5th lever**

Creating a regulatory environment conducive to modal shift

# 1.

## First lever : making competition between modes of transport more equitable

### Why?

Transport generates externalities (negative or positive effects), the cost of which is usually not included in the price of transport, but borne by other players or, more broadly, by society. In addition to climate change, transport has environmental impacts (noise, air, water, and soil pollution, impact on biodiversity, landscapes), social impacts (health, safety, quality of life) and economic impacts (congestion, infrastructure deterioration). Most of these externalities can be monetised.

Internalising the external costs of transport operations means incorporating such costs into the price of transport.

**This internalisation has several positive effects: it enables customers to make informed choices about the impact of their journeys or the transport of their products; it encourages the various modes of transport to reduce their negative externalities; and the most sustainable modes of transport become the most competitive and attractive.**

### How do we do this?

**Internalising all the external costs of transport operations in the price of transport:** while progress has been made on climate-related external costs, there is still a long way to go on other external **costs**. The means to achieve this are: taxation, dedicated markets (such as the carbon market), and infrastructure user charges.





## Actions for the next legislature

Action	Legislative text	Additional steps
<b>Making it compulsory for shippers and passengers to be informed of the external costs of their journeys, starting with greenhouse gas emissions, with a comparison of emissions from transport operations between modes</b>	CountEmissionsEU Regulation (currently being examined by Parliament and the Council) <sup>4</sup>	Making it compulsory to report emissions Including upstream vehicle emissions Imposing an obligation on distributors to publish comparisons
<b>Making fuel taxation equitable (putting an end to the tax exemption for jet fuel and the tax reduction for heavy goods vehicles)<sup>5</sup></b>	Energy Taxation Directive (currently being examined by Parliament and the Council) <sup>6</sup>	To be adopted as soon as possible
<b>Making road infrastructure charges fairer and including external costs</b>	Eurovignette Directive <sup>7</sup>	To be revised in order to strengthen it
<b>Making taxation of transport consumption more equitable (exempting international rail passenger transport from VAT - like air transport - uniformly throughout the EU)</b>	VAT Directive <sup>8</sup>	To be revised
<b>Better internalisation of external costs other than climate change</b>	Handbook on the external costs of transport (2019)	Launching a large-scale study on the subject, updating the handbook

<sup>4</sup> COM(2023) 441

<sup>5</sup> In France: this involves the partial reimbursement of the TICPE tax on road transport.

<sup>6</sup> COM(2021) 563

<sup>7</sup> Directive 1999/62/EC

<sup>8</sup> Directive 2006/112/EC

## 2.

### Second lever: obtaining EU funding and new resources for railways to meet the challenges of the ecological transition

#### Why?

**SNCF wants to double the modal share of rail in passenger and freight transport by 2040.** To achieve this, it is essential to undertake major works **to renew, modernise, and develop the French rail network** so that it can increase capacity and improve reliability.

The French rail network needs **€100 billion between now and 2040** to achieve this objective<sup>9</sup>.

Better funding for infrastructure managers and a renewed, modernised infrastructure is the essential foundation for **developing the offer and improving the performance of the rail mode** in the medium term.

Finally, it is important to **adapt rail infrastructure to climate change** in order to improve its resilience, at a time when climate change is having an increasingly direct impact on the network.

In addition to the funding requirements for infrastructure, it is also necessary to:

- Continue efforts to equip rolling stock with ERTMS<sup>10</sup> and prepare for the roll-out of digital automatic coupling (DAC) on freight rolling stock. To this end, EU funds are an essential lever for stimulating the deployment of such equipment;
- Better finance R&D&I needs and the industrialisation of innovation in the sector (e.g., battery-powered trains), so that the sector becomes increasingly efficient, sustainable, and offers new solutions tailored to the needs of its customers. It is also a question of sovereignty for the European continent;
- Help modernise and develop stations, which play a central role in passenger exchanges and transfers between different modes of transport. In particular, multimodal interchanges should be given greater support in the future, as well as any development that improves the capacity and management of station flows;
- Contribute to the expansion or construction of rolling stock maintenance facilities. Their increasing saturation is an obstacle to the development of rail services and therefore to modal shift. Access to additional capacity for train maintenance will benefit all railway undertakings (regulated access).

#### How do we do this?

Three additional measures need to be activated:

- **Increasing the amount of EU funding allocated to rail infrastructure.** However, while EU funding can have a significant leverage effect, particularly on projects with a strong European/cross-border component, it cannot replace a commitment from the Member States.
- **Making the most polluting modes of transport contribute, by allocating a significant proportion of the levies on such modes,** in particular the external costs paid, to financing rail infrastructure and the decarbonisation of transport.
- **Considering a better allocation of European funds,** in particular to speed up network renewal.

<sup>9</sup> This figure corresponds to the investment amounts set out in the *Future Transport Plan*. However, this amount does not include funding for all the requirements of the Trans-European Transport Network regulation (average speed of 160 km/h for passenger trains and 100 km/h for freight trains, upgrading of tunnels to the P400 loading gauge, electrification, etc.).

<sup>10</sup> ERTMS (European Rail Traffic Management System) is the single European signalling and speed control system that guarantees the interoperability of national rail systems, and makes it possible to improve infrastructure capacity and the level of safety in rail transport.

## Actions for the next legislature

Action	Legislative text	Additional steps
<b>Increasing the amount of European funds allocated to rail infrastructure (by a fivefold increase in the current amount of the Connecting Europe Facility - CEF)<sup>11</sup> and adapting their allocation according to needs by enabling diversification within the same programme.</b>	<p>Future multi-annual financial framework, 2028-2034</p> <p>Future Regulation on the Connecting Europe Facility (CEF) 2028-2034</p>	<p>Ensure that the allocation of the CEF is better adapted to requirements, and:</p> <ul style="list-style-type: none"> <li>- Allocating a share of each budget to fund network renewal</li> <li>- Including a specific budget for climate change resilience projects</li> <li>- Including stations as key players in multimodality</li> <li>- Increasing funding for on-board ERTMS equipment</li> <li>- Preparing for the roll-out of DAC</li> <li>- Making rolling stock maintenance facilities eligible</li> </ul>
<b>Increasing EU funding for rail innovation and industrialisation</b>	<p>10<sup>th</sup> Framework Programme for Research and Innovation (successor to Horizon Europe)</p> <p>New regulation establishing the joint undertakings of the 10<sup>th</sup> Framework Programme</p>	<p>Keeping rail as one of the EU's priorities for research and innovation funding, and increasing the funds dedicated to this priority</p> <p>Fully integrating the industrialisation of innovation into funding priorities</p> <p>Ensuring the creation of a new joint undertaking to succeed Europe's Rail<sup>12</sup></p>
<b>Earmarking a substantial portion of carbon market revenues (ETS 1 &amp; 2) to rail infrastructure</b>	ETS Directive <sup>13</sup>	<p>Revising the directive to include the principle of compulsory earmarking:</p> <ul style="list-style-type: none"> <li>- Directing a portion of the revenues to the CEF at the European level</li> <li>- Asking Member States to earmark a substantial proportion of revenues for railways</li> </ul>
<b>Earmarking a substantial portion of revenues from road infrastructure charges to railways</b>	Eurovignette Directive <sup>14</sup>	Revising the directive to include the principle of compulsory earmarking
<b>Earmarking a substantial portion of the tax gains resulting from the revision of the Energy Taxation Directive to rail infrastructure<sup>15</sup></b>	Directive on energy taxation (currently being examined by Parliament and the Council) <sup>16</sup>	Including this principle in the directive or in its transposition at the national level
<b>Encouraging private capital to focus on the rail sector</b>	<p>Taxonomy regulation<sup>17</sup></p> <p>ESRS for the transport sector<sup>18</sup> – to be published</p>	<p>Revising the regulation</p> <p>Adopting appropriate ESRS reporting standards</p>

<sup>11</sup> The CEF Transport amounts to €25.8 billion over the 2021-2027 programme. To roll out ERTMS in France alone, €20 billion would be needed for the core network and a further €20 billion for the comprehensive network.

<sup>12</sup> Europe's Rail is the European partnership for rail research and innovation under the Horizon Europe framework programme.

<sup>13</sup> Directive (EU) 2023/959

<sup>14</sup> Directive 1999/62/EC

<sup>15</sup> Tax gains resulting from the end of the jet fuel tax exemption for the aviation sector and the tax reduction for heavy goods vehicles.

<sup>16</sup> COM(2021) 563

<sup>17</sup> Regulation (EU) 2020/852

<sup>18</sup> ESRS (European Sustainability Reporting Standards) are reporting standards introduced by the CSRD (Corporate Sustainability Reporting Directive).





### 3.

## Third lever: generating a supply shock for passenger transport

### Why?

Modal shift in passenger transport means **convincing a large number of people to change their mode of transport, and in particular to give up using their private car for certain journeys.**

Attracting new passengers is a complex issue, involving many parameters.

### How do we do this?

**We are convinced that increasing supply is one of the main ways of achieving this.** In the post-Covid context, demand is very dynamic and has already reached unprecedented levels, creating saturation in certain segments.

First and foremost, such a **supply shock** would require **infrastructure upgrades** (see 2<sup>nd</sup> lever).

The second aspect of "supply shock" is **to rethink the rail offer and define a rail service that is even more in tune with passenger expectations**, in particular **by increasing the number of seats on board trains and the frequency of existing connections, new connections** (including in sparsely populated areas thanks to new trains with capacities adapted to demand), **the acquisition of new trains<sup>19</sup>, new technologies, fluid connections, and multimodality in stations for the last few kilometres.**

To attract more passengers, we are constantly seeking to **improve the quality of our service** and are investing heavily in all aspects of customer satisfaction. We have also made a joint commitment with our European partners to **improve international ticketing.**

Many of these points are the direct responsibility of operators, rail infrastructure managers, and organising authorities. However, a suitable regulatory framework can help to activate some of these levers.

<sup>19</sup> One of the main difficulties is the acquisition of rolling stock: very large orders have been placed in France, but manufacturers are slow to honour them.



## Actions for the next legislature

Action	Legislative text	Additional steps
<b>Achieving prices that truly reflect the external costs that transport imposes on society</b>	Texts indicated in the first lever	Measures indicated in the first lever
<b>Developing night trains</b>	New text	Creating European PSOs on international routes identified by the Commission, funded at the EU level (rolling stock and operations)
<b>Encouraging the emergence of sector-specific solutions to improve international ticketing</b>	Telematics TSI <sup>20</sup> CER ticketing roadmap <sup>21</sup>	Integration of the OSDM standard <sup>22</sup> into the Telematics TSI Implementation of the industry roadmap to improve international ticketing

<sup>20</sup> A TSI is a Technical Specification for Interoperability, a European standard designed to harmonise the European rail system. The Telematics TSI, which is currently being revised, regulates applications for passenger and freight transport services, including systems providing information to passengers, booking and payment systems, management of connections between trains and with other modes of transport, real-time tracking of freight trains, etc.

<sup>21</sup> [CER Ticketing Roadmap](#), 2021

<sup>22</sup> OSDM (Open Sales and Distribution Model) is a new standard for rail ticket distribution, which aims to simplify and improve the booking process for customers, and reduce the complexity and costs of distribution for retailers, distributors, and carriers.



## 4.

### Fourth lever: stimulating demand from shippers

#### Why?

Modal shift in freight transport means **convincing a growing number of shippers to switch their main mode of transport from road to rail**. More and more companies are looking to make their transport greener, and rail freight is of major interest in this context.

#### How do we do this?

Among the possible levers that could be mobilised to stimulate demand for rail freight transport, our stakeholders have identified the following: **reliability, traceability, intermodal terminals, price, punctuality, and load capacity**.

Many of these points are the direct responsibility of rail operators and infrastructure managers. However, an appropriate regulatory framework can help to activate some of these levers and **substantially increase the competitiveness of rail freight**. Such actions should be based on three pillars: (1) **equitable competition between modes of transport**, (2) **improved capacity and infrastructure**, (3) **regulatory incentives and targeted aid**.

## Actions for the next legislature

Action	Legislative text	Additional steps
<b>Achieving prices that truly reflect the external costs that transport imposes on society</b>	Texts indicated in the first lever	Measures indicated in the first lever
<b>Improving international rail freight capacity</b>	Capacity regulation (currently being examined by Parliament and the Council) <sup>23</sup>	
<b>Developing investment to boost rail freight, in particular by increasing line capacity and intermodal terminal capacity</b>	Future Regulation on the Connecting Europe Facility (CEF) 2028-2034	
<b>Massively developing combined transport by strengthening incentives (tax incentives, regulatory relief) and preventing the rise of mega-trucks</b>	<p>Directive on Combined Transport (currently being examined by Parliament and the Council)<sup>24</sup></p> <p>Weights and Dimensions Directive (currently being examined by Parliament and the Council)<sup>25</sup></p>	
<p><b>Creating a public service obligation for freight</b></p> <p><b>Preserving the possibility of State aid for rail freight, in particular for single wagon loads</b></p>	New community guidelines on State aid for railway undertakings (to be published in 2024)	

<sup>23</sup> COM(2023) 443

<sup>24</sup> COM(2023) 702

<sup>25</sup> COM(2023) 445

# 5.

## Fifth lever: Creating a regulatory environment conducive to modal shift

### Why?

The rules governing the rail sector are subject to regular and often demanding changes (revision of the Trans-European Transport Network (TEN-T) regulation imposing new technical parameters, revision of the technical specifications for interoperability, revision of the directive on train drivers, etc.), **leading to increased compliance costs and a heavier administrative burden for infrastructure managers and rail operators.** This phenomenon has increased under the current Commission, which has produced 30% more regulations in the transport sector than the previous Commission.

Over the next few years, the rail sector will have to carry out a large number of projects to improve interoperability at the European level, and innovate to become the most competitive mode of transport. It is these projects that must mobilise the sector's limited human and financial resources as a priority.

### How do we do this?

**We believe that the future Commission must refrain from legislative and regulatory proposals that are not necessary to achieve the modal shift objectives and which create new costs and add new constraints,** so as not to divert efforts from priorities.

*For example, English should not be required as a second operational language for drivers and ground staff. The financial, safety, and human resource costs of such a measure are far too high compared with the hypothetical gains from an increase in cross-border journeys. Lowering the level required for the written skills, on the other hand, would speed up the recruitment process, particularly for train drivers, without compromising rail safety.*

In terms of interoperability and technical harmonisation, the European Commission should **focus the revision of the Technical Specifications for Interoperability (TSIs) on what is really necessary.** The Commission's mandate to the European Railway Agency (ERA) must reflect this prioritisation focusing in particular on the deployment of the FRMCS<sup>26</sup> ground and on-board communications equipment. As far as rolling stock is concerned, progress needs to be made on **simplifying train approval** particularly when upgrading fleets. This would help reduce the overall cost of rolling stock. We also need to **continue to equip the entire fleet with ERTMS**, which could also stimulate equipping the ground.

Finally, we are convinced that the European Commission **should rely more on the skills and experience of historic railways** like SNCF to develop the rail sector as a whole.

*Examples:*

- *In the area of distribution: encouraging the emergence of European platforms based on operators' platforms rather than encouraging the development of distribution platforms that are often non-European (MDMS);*
- *Encouraging the development of international services around the incumbent operators (cooperative ventures, new rail undertakings);*
- *In the technical field: using SNCF's skills to develop standardisation and harmonisation projects, etc.*

<sup>26</sup> FRMCS (Future Railway Mobile Communication System) is the new railway telecommunications system, based on 5G, which is due to replace the GSM-R system as it becomes obsolete by 2035.

# About the SNCF Group

The SNCF Group is a world leader in passenger and freight transport services. Its corporate purpose is "to work for a dynamic, caring, sustainable society". The group employs 270,000 people in 120 countries and has a turnover of €41.4 billion in 2022, a third of which is generated outside France. The SNCF group is organised around a single parent company and comprises SNCF Réseau (management and operation of the French rail network), SNCF Gares & Connexions (station management and development), Rail Logistics Europe (rail freight transport and logistics), SNCF Voyageurs (regional and inter-city public transport, high-speed rail in France and Europe), Geodis (logistics in France and 120 countries) and Keolis (public transport in Europe and worldwide).

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