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Geneva, 5 October 2005

IRU POSITION ON ROAD TRANSPORT AND OIL (FOR DECISION)

Item V on the provisional agenda of the next IRU Commission on Economic Affairs (CAE) meeting to be held in Budapest on 12 October 2005

IRU position on road transport and oil

I ANALYSIS

In an increasingly competitive and globalised economy, road transport has become a vital production tool and thus the engine of economic development. While providing this irreplaceable service it must be recognised that commercial road transport is, on a short as well as on a long term basis, 100% dependent on oil. No other economically viable fuel is at its disposal. The comparison of weight versus volume coefficient of various fuels (see Annex 1) shows that all of the alternative fuels (such as hydrogen, propane and ethanol) require a much heavier and larger tank than the diesel tank presently used on commercial vehicles. This additional weight would then have to be carried by the commercial vehicles, reducing significantly the remaining load capacity and, as a consequence, reducing the overall efficiency of the commercial vehicle.

Despite the fact that oil is a limited resource and road transport is and will remain 100% dependent on oil, a large proportion of oil supplies is allocated to fixed installations like oil fired power stations. It is there misused for the production of electricity. This electricity could be just as economically generated by making use of other sources of energy far more abundant than oil.

In addition, fixed installations like power plants do not have the same technical limitations as it is the case for mobile applications. In order to use other energy sources than oil, the required technical changes at fixed installations could be easily implemented.

In Switzerland, for example:

- 5 mio tonnes of oil are used for heating (stationary use)
- 1.5 mio tonnes of oil are used for diesel fuel (mobile use) and
- only 8% of this diesel fuel is used for trucking.

The road transport industry has taken up its responsibility in sustainable development and invested heavily into vehicles representing the latest technology. As a result the fuel consumption was considerably reduced from 50 litres/100km in 1970 to 32 litres/100km today, aiming at an even further decrease of the above mentioned 8%. Irrespective of this positive development, the road transport industry is financially penalised by paying annually EUR15'000 to EUR 20'000 in industrialised countries per truck on diesel fuel taxation.

This fuel taxation consists of excise duties and VAT, which constitute up to 70% of the fuel price and which is allocated to general budgetary purposes and cross subsidisation of less efficient transport modes.

By taking a closer look at the international oil market it becomes evident that the:

- high spot price is not established by oil producing countries but a result of speculation by brokers and multinational oil companies.
- spot price covers less than 10% of the oil purchase on the oil market.
- spot price does not correspond with long-term contracts with oil producing countries.

All the three components lead to a severe increase in fuel price as well as a considerable oil shortage on the market: This shortage encourages even further speculation which again results in increased storage.

This results finally in higher government revenues. The above proves that the road transport industry is penalised twice because:

- it has no storage capacity and
- it has no economically viable alternative energy source to fossil fuel.

II IRU POSITION

A sustainable energy policy must ensure that our children's children can still benefit from oil. Since road transport has no economically viable alternative to diesel fuel, oil should be reserved for road transport

To ensure that best use is made of oil, governments should:

- diversify use of energy sources where alternatives to oil exist by increasing taxes on oil for heating, electricity, steel, cement and paper production.
- reduce taxes on oil and diesel fuel where there are no viable alternatives as to use oil as it is the case in road transport.
- harmonise taxes on professional fuel in countries that belong to the same economic region.
- increase taxes on profit made by oil speculations.
- stabilise the fuel price fluctuation through variable taxation, depending on the price of oil.

In addition multinational oil companies should not systematically apply the high spot price at all their petrol stations in a coordinated way.

III ACTION

Members of the Commission on Economic Affairs are requested to adopt this position during the Commission meeting in Budapest on 12 October 2005.

Commission Members are asked to use the above mentioned arguments to communicate to the media, transport and finance ministers, road transport's dependence on oil and the appeal for a reservation of oil for road transport.

Commission Members are asked to meet with finance ministers to influence a tax driven diversification on energy sources where alternatives to fossil fuel exist.

In addition Commission Members should inform their national cartel authorities, so that these authorities ask the multinational oil companies not to apply the high spot price at all their petrol stations in a coordinated manner.

Energy Characteristics of Various Fuels

Weight & volume of fuel tank for same amount of energy	Weight coefficient	Volume coefficient
Petrol	1	1
Diesel Fuel	1	1
Propane (C ₃ H ₈)	8	1.9
Butane (C ₄ H ₁₀)	8	1.4
Hydrogen (H ₂) - Gas at 200 BAR	25	22
Hydrogen (H ₂) - Liquid at -253°C	4	5.8
Metal Hydride - Magnesium	5	3.2
Metal Hydride - Vanadium	10	1.7
Metal Hydride - Iron-Titanium	20	3.2
Methanol (CH ₃ OH)	2.2	2.1
Ethanol (C ₂ H ₅ OH)	1.62	1.53
Lead Battery	70	12