

Terms of Reference

Impact Assessment of the Public Expenditures for “Support for combined transport and electric public transport”

1. Background

In January 2017, when France issued its first sovereign Green Bond, it has committed to provide a thorough *ex post* environmental impact evaluation of green eligible expenditures under the guidance of the Green OATs Evaluation Council.

For 2024, the French State's support for combined transport and transport by rail, cable or electric and hybrid buses, will be assessed.

The assessment concerns expenditure incurred between 2016 and 2022 on specific budget lines under programme 203 (Transport infrastructure and services) managed by the Ministry of Transport, whose departments, as regards intervention expenditure, appraise and determine the amount of aid to be paid to beneficiaries.

The budget expenditure to be evaluated represented a total of approximately €350m of appropriations budgeted in 2022, namely, within programme 203:

- 1) Tax expenditure (820204) of €230m: Reduced Tax on electricity consumption (TIFCE) rate for electricity used for rail, cable, electric and hybrid bus transport
- 2) Intervention expenditure (sub-action 45-02) of €120m: Support for combined rail, river and maritime transport.

This expenditure finances various aid schemes for economic operators - transport companies and combined transport operators - involved in the passenger and freight transport market, of which there are a relatively small number (a few dozen, a few hundred at most for public transport and cable operators).

In practice, under the heading "Support for combined transport", the intervention expenditure covers two aid schemes intended for rail and river-sea combined transport, and, since 2021, a new aid scheme for the operation of single wagonload services, a new scheme but one which now accounts for the major part.

2. The Evaluation Team

The environmental impact evaluation was entrusted to the *General Inspectorate for the Environment and Sustainable Development (IGEDD)*. The IGEDD works in the fields of "the environment, climate, sustainable development, ecological transition, housing, town planning, urban policy, regional planning, landscape, construction, energy, transport, natural and technological risks and the sea".

The IGEDD is a joint control and advisory service for the French ministries in charge of environment, transport, territorial cohesion. In particular, the IGEDD carries out work involved in "*monitoring the implementation and evaluation, at all geographical levels*" of the public policies for which these ministries are responsible.

3. Purpose and content of the report

3.1. General purpose of the evaluation

The purpose of the evaluation report on the impact of public subsidies for combined transport and electric public transport is to report on the results of the aid scheme financed in this way in terms of its ex-post impact on the environmental performance of the transport sector.

It should be stressed that the objectives of the impact study should be defined pragmatically and should take account of the data and tools available, as these will determine the results that can be obtained.

Its main objective is to measure the relevance and environmental effectiveness of the subsidies granted, using a quantitative approach rather than a purely qualitative one.

The report will assess the effectiveness of the scheme against three of the four environmental objectives targeted in the Green OATs framework document adopted in January 2017: two main objectives: mitigation of climate change, adaptation to climate change and a complementary objective: reduction of air pollution.

The indicators to focus on for the evaluation are the following:

- the volume of transport services concerned: passenger-kilometres or tonne-kilometres and, more specifically, the volume of services transferred (or retained) on a clean transport mode as a result of the measure financed by the Green OATs;
- the annual GHG emissions reduced (or avoided) as a result of these measures (in teqCO₂);
- similarly, the reduction in atmospheric pollutants - particularly particulate matter (PM₁₀) - resulting from these measures;
- in terms of expenditure efficiency: the average cost, in €, of the teqCO₂ thus avoided, taking into account the total volume contributed to eligible expenditure.

In addition, the report will examine the expenditures in accordance with the European Taxonomy as set out in the delegated acts enacted under Regulation (EU) 2020/852 by the European Parliament and Council on 18th June 2020, which establishes a structure to promote sustainable investment. The most recent publication of these acts, on the Official Journal of the European Union was on 27th November 2023.

3.2. Specific evaluation issues

With the exception of the latter, all the aid schemes to be assessed are old and pre-existed the launch by France of the Green OATs programme. They were not subject to a prior environmental impact assessment, but as they concern economic activities carried out on a market open to competition, the aid provided is State aid subject to approval by the European Commission.

It is important to note that the "Community guidelines on State aid to railway undertakings", which apply to the majority of measures (approximately 80% of expenditure in 2002 related to rail transport), allow for the approval of such aid as long as it remains lower than the conventional discrepancies in external costs (such as accidents, atmospheric pollution, climate change, noise pollution, etc.) between road and rail transport. These external costs consider environmental issues to a large extent.

However, the help being evaluated only makes up a small amount of the overall government funding given to the railway industry (in 2022: €0.3 billion out of a total of €20 billion, with a

significant portion allocated to regional spending). As a result, it basically has a subordinate impact on this industry. However, since the turnover of rail freight in France is around €1.1 billion and the focus of spending is on freight transport, one can expect more significant effects on this particular sub-sector.

The difficulty of the assessment will lie in identifying and quantifying the specific effect of the aid measures.

The granting of aid has an impact on greenhouse gas emissions (and on polluting emissions) in the transport sector through modal shift, which consists of replacing the means of road transport in this case by another one that emits less (electric transport) or no more (central link in the combined transport chain, terminal link in wagonload transport).

Aid is therefore granted to "clean" transport services, but basically the aim is to answer three questions:

- Which of these "clean" transport services receiving aid would have been carried out without aid and which, having been carried out in addition (additionality), can be considered to have been carried out thanks to the aid?
- What impact in terms of emissions and what changes in the indicators selected will result from the provision of these new clean transport services thanks to the aid?
- When the transfer to a 'clean' mode is accompanied by another public aid measure, which then overlaps with the expenditure to be assessed, what proportion of the environmental impact can be attributed to the latter?

In most cases, therefore, it will be advisable to construct a counterfactual scenario.

3.3. Form of the report

The evaluation report will consist of a non-technical summary and an exhaustive study, including a detailed description of the methods used and the detailed results, so that the Council can assess the relevance of the analysis.

The study will be carried out by separating each of the four aid schemes:

- exemption from TIFCE for electric transport ;
- aid for the operation of combined rail transport services;
- aid for the operation of river-sea combined transport services;
- aid for the operation of wagonload services.

In this context, the report will systematically present, for each of these schemes:

- a description of the scheme over the period 2016-2022: mechanism, nature of the transport services targeted, place among any other existing aid schemes
- its origin (motivation and expected objectives) and changes since its creation
- its financial volume and the number of beneficiaries;
- an analysis of its compliance with the European taxonomy, and an assessment of its alignment rate (proportion of compliant expenditure);

before carrying out the desired quantitative evaluations.



The Secretariat of the Evaluation Council and the French administrations concerned should facilitate the access of the evaluation team to any information as well as the organization of required meetings with third parties.

4. Timeline

The evaluation team must regularly report on the progress of the report to the Council. The evaluation team will present its methodological approach and main preliminary results to the Council in the first half of 2024 and will present the final report, to be validated by the Council, by mid-2024.