

ER_s' CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY

Some regulatory tools deployed by the Italian Transport Regulation Authority, ART

Club des regulateurs, Paris, 19 November 2024



CONTEXT – TRANSPORT, THE ENVIRONMENT AND REGULATION

Overall, the transport sector remains a **major source of environmental pressure**. In Europe, relative to other economic sectors, it accounts for nearly one third EU overall GHG. The industry decarbonizes more slowly than in other sectors.



By far, the largest percentage of emissions is generated by road transport (< 90%), overall by private cars. If other externalities are considered too, **collective** land transport – overall **rail** – generates the lowest impact compared to all other modalities.



In Italy, while ecological transition constitutes a key axis of the national Recovery & resilience and of the 2030 Energy & climate plans, **no specific duties or mandates** are placed on the transport regulator concerning environmental sustainability.



A number of **regulatory tools** are available to promote more environmentally sustainable behaviour. ART mobilised these tools (to be incorporated in contractual agreements between third parties). Here follow some examples.



ART - A snapshot

The most recently established of the three public utilities regulators in Italy



A public body, autonomous and independent

Board (President and 2 members)

Designated by the Council of Ministers upon proposal of the competent Minister, voted in with the favourable opinion of the two thirds of the competent parliamentary commissions, and appointed by the President of the Republic; nominated for 7 years and non-dismissable, non-renewable mandate, 2 years cooling-off period, full-time

Secretary general

Nominated by the Board, 3 years, renewable, coordinates the offices

Permanent staff

Maximum 150

Yearly budget

€20 million, fully financed through fees paid by regulated companies as determined by ART on a yearly basis (max 1 per thousand of yearly turnover)

Mission

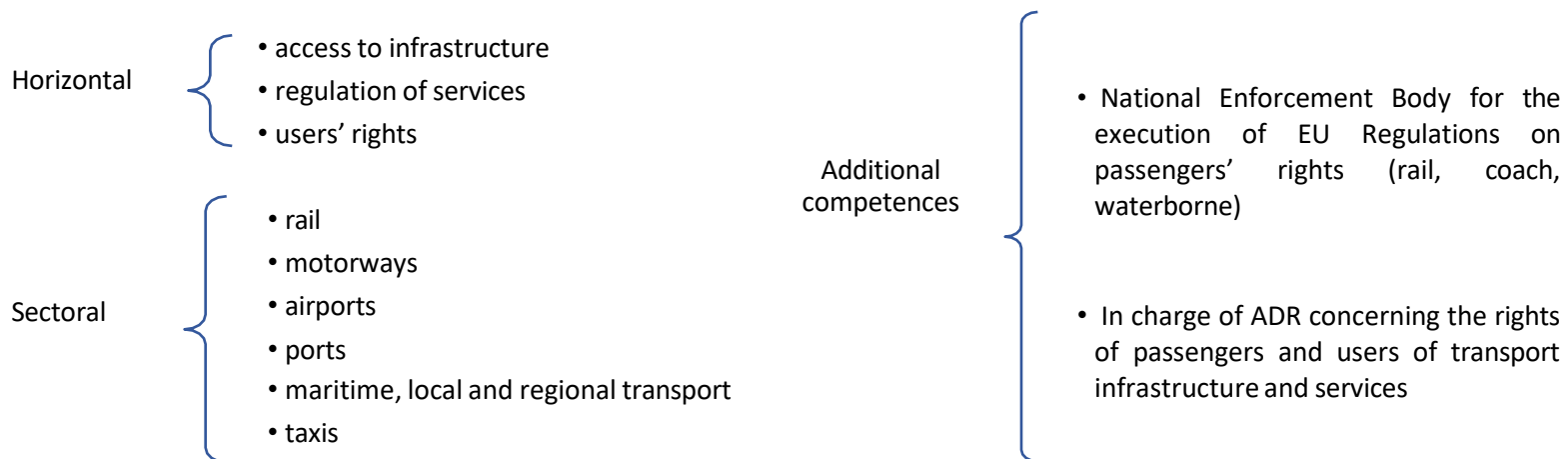


ART's key mission is the **ex-ante economic regulation** of the transport sector in Italy. In addition, it performs surveillance, ADR and other functions as provided for by law

Competences span across **all transport modes** and cover the regulation of **access to infrastructure** and **services** and **users' and passengers' rights**

The national **resilience and recovery plan (NRRP)** provides for the consolidation of ART's functions while preserving its structural and functional independence

ART is **not competent** for **health and safety, licensing** and **competition** matters



Access to infrastructure

- *regulation of equitable and non-discriminatory access*
- *design of charging systems*
- *benchmarking*
- *pursuit of competition, efficiency and cost containment for the benefit of users, companies and consumers*
- *definition of regulatory accounting systems and separation obligations*
- *monitoring compliance by regulated entities*
- *enforcement of regulation including sanctions for defaulting behaviour and orders to cease the conducts contrary to regulatory measures*

In force



- principles and criteria for the setting of charges (replacing earlier ministerial decrees)
- yearly prescriptions on network statements and control on the application thereof (main and local networks)
- regulation of access to service facilities
- decisions on appeals submitted by applicants in accordance with article 56 of Recast Directive



- regulation of access to ports



- a single charging system, and its application to both existing and new concessions (replacing earlier ministerial decrees)
- regulation of tender notices for the award of fuel and catering services by concessionaires as well as for electric charging services
- definition of the optimal management areas of toll motorway sections so as to promote the plural management thereof and foster competition by comparison



- regulation of airport charges and its application to all Italian airports (replacing earlier ministerial decrees)



- regulation of access to bus stations

Regulation of services

Scheduled services

- *regulation of tender notices and related contracts for the award of LPT services (including verification of conformity)*
- *definition of efficiency objectives (regional rail) and “proportionate” PSO*
- *minimum quality standards of services*



Non-scheduled services

- *expert opinions on taxi licensing*
- *recommendations*



In force

- methodology to identify “public service areas”
- tender notices and related contracts for the award of local public services by rail and road
- minimum quality standards of road PSO passenger services
- methodology, criteria and procedures for the pursuit of cost-effectiveness and efficiency objectives in the management of regional rail transport services
- minimum quality standards of rail PSO passenger services
- procedures for the award of maritime passenger transport services to, between and from the islands, both of national, regional and local interest
- minimum quality standards of maritime PSO passenger services
- guidelines on adaptation of taxi service licenses for regions and local authorities
- advisory activity
- power to take legal action before the regional administrative tribunals if regions and local authorities do not request ART’s prior opinion in their activity related to managing taxi service or if they do not comply with ART’s opinion

Passengers' and users' rights

Definition of the minimum content of the specific rights, including those of a compensatory nature, that users may demand from the operators of transport services and infrastructure

National Enforcement Body of EU Regulations on passengers' rights in the areas of rail, bus & coach and sea and inland waterways transport

regulation of ADR procedures

In force



- passengers holding transport pass on high-speed rail lines
- passengers of rail PSO services
- users of maritime, rail and bus services as well as air transport services (with regard to the processing of complaints)
- motorway users



- rail
- coaches
- sea and inland waterways



- implementation of ADR functions concerning the enactment of user's rights in all transport modes

ENVIRONMENTAL SUSTAINABILITY

REGULATORY TOOLS – SOME EXAMPLES



Regulation of access to infrastructure

- Costing
- Pricing



Regulation of PSO services

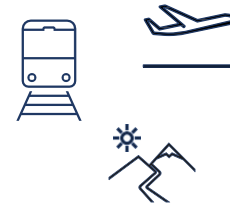
- Planning
- Tenders
- Public service contracts

REGULATION OF ACCESS TO INFRASTRUCTURE – SOME EXAMPLES

Cost of capital calculation

Tariff incentives/penalties

Tariff modulation



COST OF CAPITAL CALCULATION



Under certain conditions, an extra WACC may be granted for environment-related investments

Ensure balanced growth of the airport

Innovation, safety, quality of services

Temporary and exceptional

Maximum 50% of the investment duration

Not for works that are in progress

Investment must


- Entail a «true» risk element
- Be unrelated to the fulfilment of legal obligations
- Be additional to what is required to comply with CAA requirements on maintenance and security

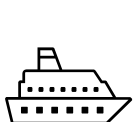
TARIFF MODULATION (PRICING)

Based on ART's regulation & in accordance with the relevant EU and domestic legal frameworks

 Airport managers may modulate tariffs for environmental purposes (reduce noise and gas emissions)

 Concessionaires modulate tariffs based on the environmental impact of individual types of vehicles in accordance with domestic law

 Under certain conditions, the infrastructure manager may modulate tariffs to account for the reduction of noise and other forms of pollution, including GHG emissions

 Concession fees for areas intended for port operations may entail modulation with a view to better energy and environmental management efficiency

TARIFF INCENTIVES/PENALTIES



Airport managing bodies may increase or decrease airport charges depending on the achievement or failure to achieve of targets set in the yearly environmental protection plan.

Targets must be made known during consultation



The average tariff may increase or decrease annually based on the monitoring of the investments made and of the quality of service rendered. Quality standards include consideration for environment-related issues.

REGULATION OF PSO SERVICES



Planning: the most sustainable multimodal solution should be preferred

Tenders: efficiency KPIs may include environmental standards

Public service contracts: minimum quality indicators include environmental standards



PLANNING: THE MOST SUSTAINABLE MULTIMODAL SOLUTION SHOULD BE PREFERRED

In the design of service supply, awarding authorities consider several methods and types of services, favouring their integration, including innovative and multimodal mobility services. They also explore alternative sources of financing to compensate for PSO (e.g. pollution charges, congestion charges), and promote the internalisation of external costs generated by the most impacting modes to support cleaner alternatives.

TENDERS: EFFICIENCY KPI_s MAY INCLUDE ENVIRONMENTAL STANDARDS



Among the criteria applied in the awarding procedure of PSO contracts, effectiveness targets are measured according to KPIs which include environmental sustainability and energy efficiency of vehicles as well as compliance with certain reporting obligations.

Once awarded, contracts may provide for rewards (in the form of compensation) in case these targets are achieved.

PUBLIC SERVICE CONTRACTS: QUALITY INDICATORS INCLUDE ENVIRONMENTAL STANDARDS



Efficient use of energy and fuels, including containment of pollutant emissions through rolling stock renewal, measurement of energy consumption and testing of alternative traction power (e.g. biofuels, hydrogen) constitutes a minimum quality requirement of rail public service contracts. Failure to achieve these targets entails penalties.



Descriptive KPI – Indicates how many vessels of the fleet have received certifications confirming action taken to reduce noise and gas emissions and sea pollution caused by waste. (ART's Regulation 96/2018 – meas. 12)



Autorità
di Regolazione
dei Trasporti

