

IV. Impact of the Regulation

The overall impact of the Regulation

The purpose of the support is to reduce the pollution load of transport and increase the use of renewable energy in transport by introducing vehicles (cars and small vans).

According to Regulation (EU) 2018/842 of the European Parliament and of the Council, or the so-called Effort Sharing Regulation, Estonia will have to reduce greenhouse gas emissions from transport, small-scale power industry, agriculture, waste management and industrial processes by at least 13 % by 2030 compared to 2005. Supporting the use of zero-emission vehicles will contribute to reducing emissions from the transport sector, which is crucial in the context of both existing and changing climate objectives. In 2020, greenhouse gas emissions from Estonia's transport sector amounted to 2 232.54 kt CO₂ equivalent, which accounted for around 17 % of Estonia's total emissions. Road transport is the largest source of emissions in the transport sector, accounting for 97.4 % of the sector's emissions in 2020. In 2019, new passenger cars in the European Union emitted, on average, 123 grams of CO₂ per kilometre, while in Estonia the average passenger car emissions in the same year were 130.1 grams of CO₂ per kilometre. Gasoline cars dominate but the share of diesel cars has increased significantly over time.

The significantly lower energy consumption of electric cars compared to ICE vehicles makes a positive contribution to reducing the emission of CO₂ and air pollutants (particularly fine particulate PM_{2,5} and nitrogen oxides). Support for the introduction of electric vehicles has also been identified as a measure with a positive impact in the 2020–2030 National Programme for the Reduction of Emissions of Certain Air Pollutants, approved in 2019.

By adopting zero-emission vehicles and thus avoiding the consumption of fossil fuels, businesses and individuals for whom such an investment can be cost effective and affordable will contribute to the performance of the national transport sector. The higher price of electric cars combined with the lower financial cost of electricity compared to fossil fuels can be expected to encourage people with higher mileage needs to use electric vehicles. According to the Finnish Climate Change Panel's calculator <https://www.ilmastopaneeli.fi/autokalkulaattori/>, an electric car today is a greener option than a conventional ICE vehicle (by up to 70 %), with an investment payback period of 5–8 years (at current prices).

The development of the Climate Law sets out three fundamental objectives for the transport sector:

1. In major cities, public transport will be transitioned to zero emissions by 2040, including taxis in major cities by 2035;
2. Domestic ferrying and state-owned vessels, except for warships, will be zero-emission by 2040;

3. The administrative fleet of the public sector will be free of greenhouse gas emissions by 2035.

Emissions reduction target compared to 2022:

for the year 2030, -24 %;

for the year 2035, -37 %;

for the year 2040, -55 %;

Target group: Legal persons registered in Estonia and natural persons with an Estonian personal identification code.

Impact on the administrative burden

The Regulation does not impose any new obligations on businesses or citizens vis-à-vis the State. The payment of support will be tied to an obligation to report on the use of the support.

Impact on the economy and the business environment

The direct objective of the support is to increase the share of vehicles running on electricity produced from renewable energy sources in Estonia and to contribute to making environmentally conscious choices on a wider scale, both by private persons and in the business sector.

The funding is expected to result in the acquisition of at least 1930 electric vehicles. The subsidy is about 8 % of the cost of a new car and up to 25 % in the case of a second-hand vehicle. The remaining part must be paid from the beneficiary's own funds or through leasing. Granting the support will have an impact on the development of the charging infrastructure. The support will be granted according to the pace of the receipt of applications and consequently the entire batch will not come to the market at once. It is estimated that the purchase of an average electric vehicle will pay itself back after about 100 000 km compared to a fossil fuel car, which is why a reduction in the transport costs of the beneficiary businesses and individuals can also be considered as a co-effect.

Used electric cars have the advantage of a cheaper purchase price, which makes them more accessible to a wider audience. Their wider spread would allow more people to switch to more environmentally friendly transport, helping to reduce transport emissions, air pollution and noise, especially in urban areas. Secondly, electric car batteries are expensive and resource-intensive to produce, so the acquisition of second-hand electric cars supports the circular economy, where existing resources are reused, reducing the need for new production, the environmental impact of the production process, and energy consumption. The growth of the second-hand electric car market could extend the lifespan of batteries, as they will remain in use for a longer period. Their wider deployment will create new jobs, for example, in battery repair and recycling. Demand for recharging infrastructure and maintenance services is also increasing. In addition, the general increase in the popularity of electric vehicles will lead

to wider investments in charging infrastructure and related services, which will create new business opportunities.

Expected direct impact of approximately 1 709 vehicles of categories M1 and N1, 239 box bikes, and cars dismantled with the aid on CO₂ emissions reduction is approximately 26 thousand tonnes over four years, taking into account the indicative amount of gasoline and diesel fuel that will not be consumed. At the same time, owners of electric vehicles acquired with the support must also obtain renewable energy certificates for the energy used for driving. Renewable energy certificates attest to the use of renewable energy in different sectors in the energy system balance.