

## **European Commission**

Directorate-General Climate Action

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## **Swedish Aviation Industry Group (SFB) Position on the European Commission consultation on the “Policy options for market-based measures to reduce the climate change impact from international aviation”**

### **Introduction**

This paper summarises the views of the **(SFB) Swedish Aviation Industry Group** on the European Commission’s (EC) consultation aimed at collecting experiences, suggestions and opinions related to international and EU policies tackling climate change impacts from international aviation emissions through market-based measures.

### **About SFB**

The Swedish Aviation Industry Group, SFB, is a trade and employers' association whose members are airlines and other companies associated with the aviation industry.

The vision of the Association is to create a competitive environment for its members and contribute to sustainable development. SFB is associated with the Confederation of Swedish Enterprise. The Association is divided into two business areas, i.e., employer and trade issues. The number of member companies is approximately 100, with around 10,000 employees. Some 20 associated companies are also tied to SFB. SFB is also associated to other aviation organisations in Europe.

### **SFB’s responses to the consultation questionnaire**

#### **F.1. ICAO Framework for Market-Based Measures and Global MBM scheme**

##### **1) What should be the major considerations to assess the four different geographical scope options for the ICAO Framework listed above?**

Any decision and resolution on CO<sub>2</sub> emissions from international aviation should be based on a global agreement, avoiding any patchworks of different regulations at national or regional level. Aviation is an international cross border industry and requires an international solution. A “framework” scheme may be considered as a gap-filler and temporary option between the existing fragmented situation and the urgent adoption of a full Global Market-Based Mechanism (MBM). A Framework, by definition, should have a limited scope in time (interim solution) and in scope as it should limit its function to the definition of widely agreed principles applicable to regional and national schemes, pending the adoption of a Global MBM. The bulk of these principles have already been agreed in the Annex to ICAO Assembly

Resolution A37-19. The geographical scope of a Framework should ensure the highest coverage of CO<sub>2</sub> emissions from international aviation, preventing any discriminatory outcomes and any distortive implementation of the national/regional schemes while securing its environmental credibility and integrity. Administrative requirements and costs for Monitoring, Reporting and Verification (MRV) should be simplified and reduced to the lowest level possible as they represent an unfair and heavy burden to smaller aviation operators, as showed by the practical experience of the EU ETS for many SFB members.

Another key requirement for a Global Framework is to avoid any further international disputes similar to those currently affecting the EU ETS. Therefore States representing all instances, levels of economic development and aviation market maturity should base the Framework on a broad and global consensus.

**2) Which elements of the "Roadmap for a Global MBM" do you consider a priority, and what would be the optimal timeline for implementation?**

The key element of a single and Global MBM is its non-discriminatory and non-distortionary nature that should be clearly reflected in the Roadmap. Assessing the most cost-effective means of allocating emissions/limits/responsibilities is the main priority, but the other suggested elements, such as the agreement on a harmonised MRV standard to measure CO<sub>2</sub> emissions and on the most cost-effective administrative requirements also play a crucial role for the smooth functioning of the Global MBM. A Global MBM must apply the same regime and set of rules to all operators worldwide, superseding any existing regional or national schemes. The consequences of an intra-EU scope for the Emissions Trading System are likely to result in competitive distortions to the detriment of some operators and business models. Any implementation of a Roadmap should start as soon as possible and before the 2016 ICAO Assembly.

**3) What essential requirements should be taken into account for the development of a common set of monitoring, reporting, and verification standards for measuring greenhouse gas emissions from international aviation?**

Due to the fragmentation of national air spaces, carriers need to have a single point of accountability and smaller operators would face overwhelming administrative challenges and red-tape costs in complying with a multiplicity of different schemes. To promote transparency and keep administration costs under control, the MRV requirements related to a MBM should be kept as simple as possible and should be scalable to accommodate both large and small operators, while ensuring data integrity.

**F.2. Simplifications for small aircraft operators**

Certain flights are exempt from the Community system. According to paragraph (j) of Annex I to the EU ETS Directive, certain flights operated by a commercial air transport operator are exempt from the provisions of the EU ETS (de minimis exemption). The conditions are the following:

- the operator is a commercial air transport operator; AND

- the operator either operated less than 243 flights per three consecutive period of four months (Jan-Apr, May-Aug, Sep-Dec) or emitted less than 10,000 tonnes of CO<sub>2</sub> annually.

This exemption applies to commercial air transport operators. Non-commercial aircraft operators below the threshold are covered by the EU ETS. Small emitters can take advantage of simplified procedures to monitor their emissions. Recently, the threshold to make use of the simplified procedures has been increased to 25000 tonnes of emissions per year.

The administrative cost of compliance for small aircraft operators versus the overall environmental benefit of including them in a global scheme must be assessed. Any exemption threshold must be as high as possible.

**1) What could further decrease the compliance cost (cost for monitoring, reporting, verification, and registry) significantly for small aircraft operators?** [Please rank the options below. Rank 1 - greatest cost decrease, 4 - no cost decrease]  Management companies could be attributed to Member States for administration (Rank 4);

No additional verification would be required in case of using the Eurocontrol Support Facility (Rank 1);

All Member States would provide IT-tools for reporting (Rank 3);

Simplified requirements to open an aircraft operator holding account in the Union Registry for small emitters (only for receiving and surrendering allowances) (Rank 2).

**2) Would you be in favour of exempting non-commercial aircraft operators altogether from the scope of EU ETS similar to the de minimis exemption of commercial operators?** [Possible answers: "Yes"/"No"/"Cannot decide"] **YES**

**3) Which consideration is the most important when choosing a de minimis threshold for small aircraft operators?**

The costs involved in the collection, reporting and verification processes are disproportionately high for smaller operators, involving the recruitment of additional non-revenue-earning staff: this is an unwanted and unnecessary burden for any operator.

Proportionality of administrative burden to the operators' traffic volume and emissions is therefore the key consideration when setting a de minimis threshold. Flexibility in selecting the most suitable MRV system is also another fundamental element ideally any MRV system should align with industry established procedures for monitoring fuel burn/CO<sub>2</sub> emissions.

The option to use the simplified procedure would result in a single verification process and would thus obviate the need for expensive (and little 'added value') verification by external verifiers. Furthermore, it is in the monetary interests of verifiers to find fault rather than to approve and thereby demand additional and more expensive procedures.

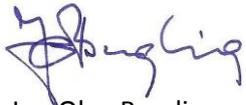
If the European Commission accepts the simplified procedure for those that meet the current "small emitter threshold" then it should be offered to all operators that fall within the ETS. The fact that this procedure is deemed as sufficiently accurate to calculate the "cap" implies

that it is good enough to use the same methodology to meet the requirements of emissions data reporting required under Emissions Trading.

The more flexible but equally statistically valid simplified procedure should be made available to all operators with the choice of opting to use the simplified procedure. The simplified procedure would not be adopted by all operators that fall within ETS, as there will be some operators who will prefer to monitor and collect their actual own data.

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Sincerely

A handwritten signature in blue ink, appearing to read 'J. Bergling', with a stylized flourish at the end.

Jan-Olov Bergling  
Director Industry Affairs