



**Consultation on the policy options for
market-based measures to reduce the
climate change impact from
international aviation
Feedback from VerifAvia**

F.2. Simplifications for small aircraft operators

Question 1) What could further decrease the compliance cost (cost for monitoring, reporting, verification, and registry) significantly for small aircraft operators?

☐ Management companies could be attributed to Member States for administration;

Answer:

If this simplification option means that aircraft operators can use a management company to outsource the MRV + registry processes, this is already happening and it is working well. We estimate that more than 500 small emitters worldwide use a management company for the MRV, and sometimes the registry opening / carbon trading / surrendering tasks. There are numerous management companies that provide these services cost-effectively which relieve aircraft operators from most of the administrative burden.

If this simplification option means that management companies would be listed in the European Commission's list of operators and assigned to Member States for administration like any other aircraft operator (with the submission of one single annual emissions report for all the aircraft operators it represents, and the opening of one single Registry account), this raises many issues:

- an aircraft operator could be individually administered by Member State A according to the list, but then if it chooses to report under the umbrella of a management company that reports to Member State B, this situation would create confusion and competition between Member States A and B
- the submission of one single annual emissions report on behalf of several operators could lead to the total emissions exceeding the 25,000 tCO₂ threshold and consequently the requirement to use Method A or B instead of the simplified procedure
- it would be much more difficult for the EC and the Member States to track the individual compliance of operators since operators would be allowed to report collectively through a management company
- the use of the ETS SF data for verification purposes by the verifiers, the EC and the Member States would be difficult because the identity of the operators included under the umbrella of one specific management company would change constantly, so it would be difficult to track the ETS SF data for a management company since the data can only be tracked on a 'per operator' basis.

Furthermore, allowing operators to report collectively might reduce their awareness of the emissions. The main objective of the EU ETS is to incentivize operators to reduce their emissions and this simplification option doesn't seem to be consistent with this objective.

This option also raises the issue of the selection of the Member State that would administer a management company since the standard methodology described in the Directive could not be applicable. For example, if a management company was allowed to decide which Member State it prefers to be administered by, this would create competition across member states

since the administrative burden and the fees vary by member state, and some member states are preferable than others.

In conclusion, what could further decrease the compliance cost significantly for small aircraft operators would be to inform small emitters of the existence of management companies as they are often not aware of the possibility to outsource ETS relevant tasks and to make life easier for management companies in particularly with regards to the opening and management of registry accounts.

□ No additional verification would be required in case of using the Eurocontrol Support Facility;

Answer:

By experience, we estimate that around 50% of the annual emissions reports generated by the Eurocontrol Support Facility are incorrect and must be corrected by the operator. Here is the list of the most common mistakes:

1. Flights between Iceland / Overseas territories / Estonia and the rest of the World currently not tracked by Eurocontrol
2. Last minute flight changes (e.g. diversions) not taken into consideration by Eurocontrol when the ATC flight plan is not updated
3. Wrong aircraft assignment

Consequently, this option carries the risk that some operators would under-report and some operators would over-report, which would be unfair.

Furthermore, we would like to remind that the role of the verifier far exceeds the mere verification activities. The verifier acts as a buffer between the Member States and the operators. The verifier answers questions, provides guidance and compliance support in all steps of the EU ETS administrative process¹. By experience, we believe that the verification process is seen as a positive / helpful step by most of the operators. Furthermore, the role of the verification process is key to the overall credibility of the EU ETS as the verification process ensures the compliance with the monitoring and reporting principles: accuracy, completeness, consistency, transparency, and comparability over time of the reported data.

Finally, PwC study shows that the cost of verification represents only 10% of the overall cost burden for small aircraft operators, which is low.

In conclusion, verification is a highly cost-effective and positive / helpful process that adds value for operators and that ensures credibility of the EU ETS. This step should not be shortcut under any circumstances.

Ideas to improve this process:

1. Allow verifiers to access the ETS SF for all operators under verification contract. This would increase significantly the level of use of the ETS SF and would increase the robustness of the verification process and the accuracy of the data.

¹ The verifier does NOT provide technical assistance or consultancy services to aircraft operators.

2. For Member States that use an IT tool for reporting (ETSWAP, FMS), allow seamless import of ETS SF output into IT tool.
3. Make sure the ETS SF includes all flights to / from Iceland, Estonia and overseas territories, in order to increase its robustness and accuracy.

Another simplification option relates to the **GD III Aviation verification guidance** as well as the **Quick guide to verification of small emitters**. These two guidance documents make it mandatory in all cases for small emitters to purchase the ETS SF report, which adds a major and useless administrative burden for them. Operators who complete the annual emissions report themselves using the Small emitters tool do not need to purchase the ETS SF report as the requirement to cross-check with the EUROCONTROL data can be fulfilled by the verifier thanks to the EUROCONTROL CRCO invoices which are available free of charge to the operators. Purchasing the ETS SF report is an administrative burden which adds a new and unnecessary process.

This suggestion is to add to all sentences in the two Guidance documents "*cross check with the EUROCONTROL data from the ETS SF*" the sentence "[...] *or with the EUROCONTROL CRCO invoices provided by the AO*". An alternative is to replace "ETS SF" with "*EUROCONTROL data*" in all relevant sentences (e.g. see Page 3, Option III and Page 4, Option III of the **Quick guide to verification of small emitters**).

□ All Member States would provide IT-tools for reporting;

Answer:

The Excel template is already an easy option for most operators. IT tools such as the ETSWAP are also an easy option for operators but most importantly it is an easy option for Member States because it makes the administration of monitoring plans and annual emissions reports easier for them. **Extending the ETSWAP to other Member States would indeed be a positive step forward.**

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

Answer:

Yes, this is the main thing to do to decrease the administrative burden for small emitters. The most complex / difficult administrative burden for small emitters is the opening and operations of the registry account. Mainly because of confidentiality issues and because of the very high workload associated with the collection / translation / certification / legalization of the required company and personal documents, small emitters are reluctant to open a registry account. The opening of registry accounts is also very expensive in some Member States. The simplification of the registry process is key.

However, the 3rd paragraph of article 3 of the COMMISSION REGULATION (EU) No 389/2013 of 2 May 2013 already makes it much easier for small emitters to open and operate a registry account as this process can now be outsourced to third-party providers.

The opening of a registry account is also a one-in-a-lifetime exercise, so aircraft operators that have already opened an account would not benefit from any simplification in this area.

It is important that the EC makes sure that all national registry administrators understand and implement article 3 in the most flexible way (like in the UK where a simple letter of authority needs to be completed by the operator). Also the fee paid by an operator to the registry administrator to open and operate its registry account is sometimes disproportionate and could be capped by the EC.

Ideas to further simplify this process:

1. Significantly decrease the requirements (minimum documentation, no certification or at least no legalization, no financial documents, one authorized representative only) in order to allow operators below a certain threshold to open a registry account themselves more easily and without disclosing confidential information while maintaining the required level of security.
2. Allow carbon trading companies or management companies to surrender carbon allowances on behalf of operators directly to the Member States through their own registry account without the need for operators to hold their own registry account OR
3. In every Member State, set up a special registry account for small emitters below a certain threshold. This special registry account would be managed by the national registry administrator. Small emitters who want to opt-in would simply need to inform the registry administrator, and pay a given price for each carbon allowance that the registry administrator would surrender on their behalf via the special registry account.
4. Ensure that all national registry administrators understand and implement article 3 of the COMMISSION REGULATION (EU) No 389/2013 of 2 May 2013 in the most flexible way (like in the UK where a simple letter of authority needs to be completed by the operator). Also the fee paid by an operator to the registry administrator to open and operate its registry account is sometimes disproportionate and should be capped by the EC.
5. Inform small emitters of the existence of management companies as they are often not aware of the possibility to outsource ETS relevant tasks and make life easier for management companies in particularly with regards to the opening and management of registry accounts. This would further decrease the compliance cost significantly for small aircraft operators.

Question 2) Would you be in favor of exempting non-commercial aircraft operators altogether from the scope of EU ETS similar to the de minimis exemption of commercial operators?

Answer:

No, for the following reasons (in the following bullet points, 'small emitters' refer to 'non-commercial small emitters below 10,000 tCO₂ / year'):

1. Exempting small emitters would not be relevant at this stage as most of the administrative burden for small emitters has already occurred with the initial learning curve during the past three years of EU ETS for aviation:
 - a. The opening of registry accounts is a one-in-a-lifetime exercise.
 - b. The Phase III monitoring plan is valid until 2020.
 - c. The preparation of the annual emissions report and the verification process is now a routine task.
2. Loss of revenue for European governments: removing small emitters below 10,000 tCO₂ / year from the EU ETS would decrease the number of EUAAs to be auctioned by the Member States
Loss of European jobs: removing small emitters below 10,000 tCO₂ from the EU ETS would penalize third-party providers (management companies, consultancies, verification bodies, registry providers, carbon traders, etc.) and competent authorities. Jobs are at risk.
3. Exclusion of small emitters would penalize early movers (all small emitters which are in compliance) and reward those small emitters which have never submitted any monitoring plan or report (unfair and wrong incentives for future policy measures).
4. PwC study shows that the main reason of complaint is the time spent with MRV/carbon trading, it is not the overall ETS cost burden. Options minimizing administrative time and hassle already exist: small emitters can appoint a management company to decrease the time spent for monitoring, reporting, verification, registry account procedures and carbon trading. The market for ETS services is already very competitive. EC and Member States are recommended to inform small emitters of the existence of management companies. Far more small emitters could benefit from outsourcing ETS relevant tasks.
5. In general, regulation starts off with big polluters and includes smaller polluters afterwards. Excluding small emitters today to include them tomorrow would reduce credibility.

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

If the previous recommendations are implemented, no 'de minimis threshold' is necessary because the administrative burden would be significantly reduced for small emitters and participation in the EU ETS can continue. It is important to note that much of the administrative burden for small emitters has already occurred with the initial learning curve during the past three years of EU ETS for aviation and the opening of registry accounts which is a one-in-a-lifetime exercise.

Most importantly and out of fairness for small emitters, the 10,000 tCO₂ threshold for commercial operators should be removed.