



Action on climate change: Aviation and the EU ETS

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Outline

Aviation emissions

Basics of Aviation ETS

Impacts of Aviation ETS

Towards global action



EU's comprehensive climate action policy

Legally binding target to reduce emissions by 20% in 2020 from 1990 levels

EU Emissions Trading System since 2005 reducing emissions from industrial installations

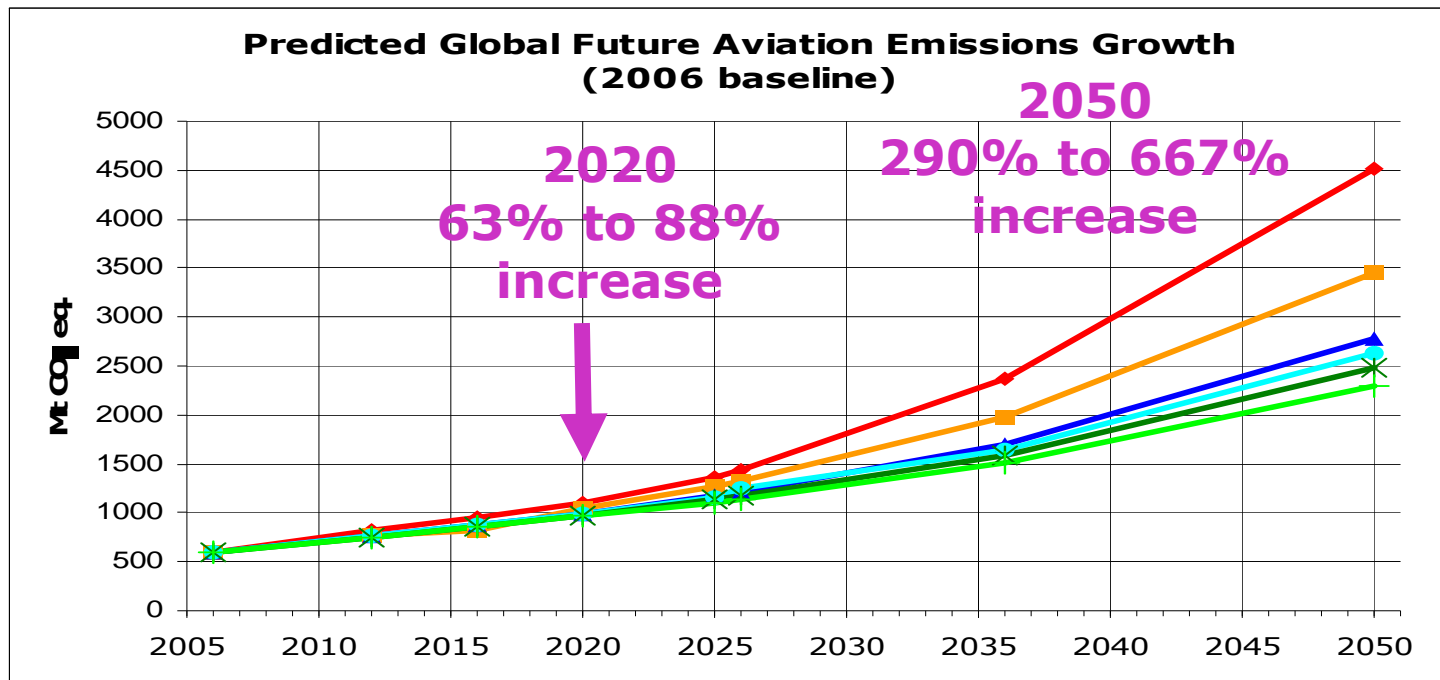
- **Industrial and energy sectors: -21% below 2005 by 2020**

National emission targets for other sectors:

- **e.g. buildings, agriculture, other transport: - 10% below 2005 by 2020**
- **Targets between Member States vary in accordance with capability, some make deep cuts, others able to grow**

All sectors contributing to achieving our emissions reduction goals

Significant growth forecast in aviation emissions



Source ICAO

- 3.5 Gt is almost **20%** of the 18 Gt to which global emissions need to be limited in 2050 to contain climate change to 2°C



Inclusion of aviation activities

Flights arriving at and departing from EU airports

EU ETS covers 30 European States

Expands the total EU ETS cap by approximately 10%

Emissions cap: Baseline is average annual emissions of 2004-2006

- **2012 cap = 97% of baseline**
- **2013-2020 cap = 95% of baseline**

Exemptions

Listed in Annex I to the Directive

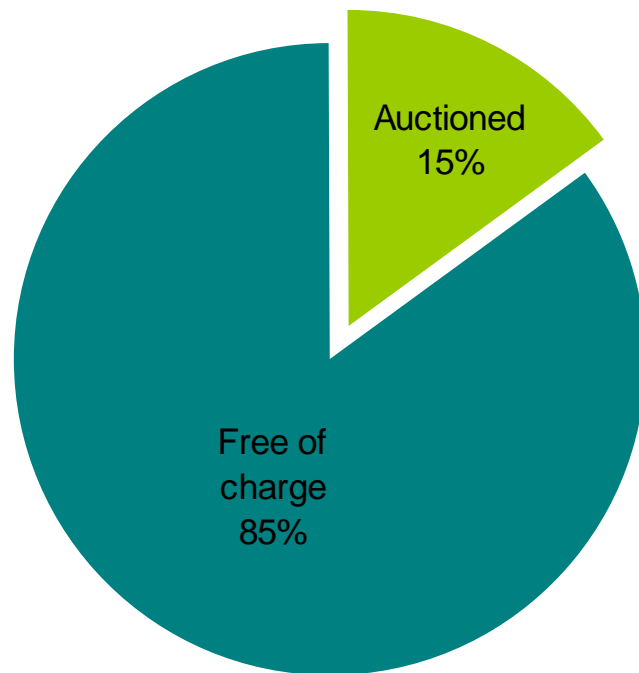
Exemptions include inter alia:

- **Aircraft with a certified maximum take-off weight (MTOW) of less than 5 700 kg**
- **Military flights and customs and police flights**
- **Commercial air transport operator operating either**
 - <243 flights per period during three consecutive four-month periods
 - or** flights with total emissions lower than 10 000 tonnes of CO₂ per year

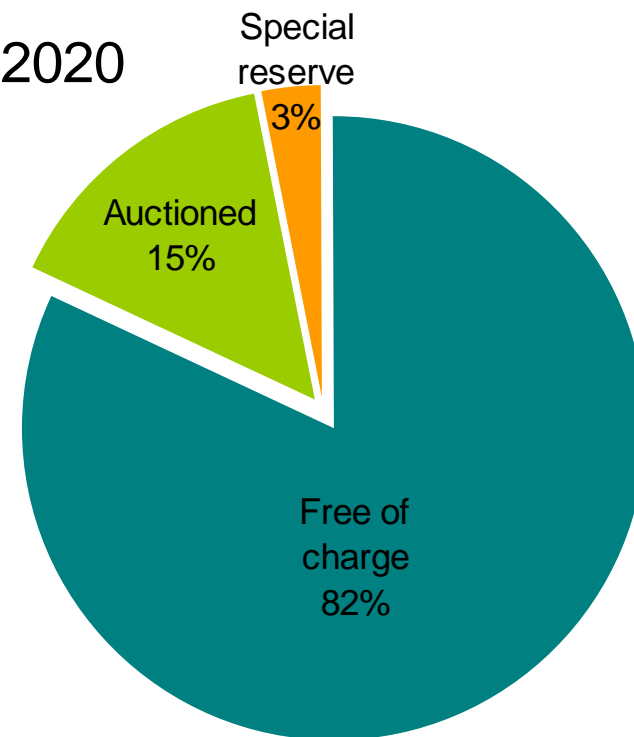
Airlines from 98 countries are exempted because they are small or they don't fly to Europe

Allocation of aviation allowances

2012



2013-2020





Compliance

Aviation can use allowances from other sectors and international credits for compliance

- **general allowances**
- **aviation allowances**
- **international credits**

Open system

- **Growth in aviation**
- **Other sectors are not allowed to use aviation allowances for compliance**



Small impact on the cost of air travel

Pass through of **actual costs**: should be below €2 per passenger each way on a long-haul flight

Pass through of **full value** of allowances: around €12 per passenger for the same flight

Modest increase compared to the ticket prices

Compared to other policies:

- **Significant and justified costs for US and other countries' aviation** security requirements
- **Passenger fees e.g.**
 - US - \$16.30 arrival, \$16.30 departing
 - India - 500 Rp (\$10) departing, since 2010



Modest impacts on airlines

Airlines treated equally

Competition between airlines will not be impacted

More than 80% of the aviation allowances are distributed for free up to 2020

No net cost increases to airlines as costs of allowances that are not distributed for free will be passed to customers

Several studies concluded that if full pass through, then potential increase in airline revenue (up to €20 bn over 2012 to 2020 period)



Use of revenues from auctioning aviation allowances

Should be spent on tackling climate change in the EU and third countries:

- **Reduce emissions**
- **Adaptation**
- **Administration of the ETS**
- **Global Energy Efficiency and Renewable Energy Fund**
- **Avoiding deforestation in DC**
- **Research and development (mitigation and adaptation in aeronautics and air transport)**
- **Low emission transport**

Member States must report how they spend revenues to the Commission



Main benefits

Significant emissions savings: over 70 million tonnes of CO₂ per year in 2020

Incentivises demand for biofuels

- **EU ETS provides a financial incentive as the proportion of sustainable biofuels counts as zero emissions**

Promotes investments and financial flows in developing countries through use of international credits (e.g. CDM)



EU prefers a global action

EU prefers a global agreement

- **2001: ICAO endorsed the use of "open emissions trading" for international aviation**
- **2004: ICAO agreed to pursue implementation through other avenues, one of which was "to incorporate emissions from international aviation into Contracting States' emissions trading schemes"**
- **2010: ICAO Assembly Resolution recognises that market based measures such as emissions trading are part of a basket of measures that States may choose to implement to limit the climate impacts of aviation**

EU ETS as a facilitator towards the goal of global action



Discussions with third countries

Number of third countries have expressed concerns about the EU ETS legislation

- **Meetings in Delhi and Moscow**
- **Claims of retaliation + support for progress in ICAO**
- **Discussion at the ICAO Council**

EU is working bilaterally and multilaterally to move forward

- **Rule of law should be respected - ECJ ruling in December showed that the legislation is compatible with international law**
- **Widespread agreement that ICAO is the appropriate forum to make progress**
- **2 Flexibilities in the EU legislation**



Flexibilities in the EU legislation

In the event of an **international agreement** on global measures to address aviation's greenhouse gas emissions, the EU law foresees for the system to be reviewed and amended accordingly

Possibility to **exclude incoming flights** from the scope of the EU ETS on the basis of third countries' measures to address aviation emissions

- **non-discriminatory application: would apply equally to incoming flights by European and non-European aircraft operators**



ICAO is now working on market based measures

- ICAO's President has initiated a process to develop options for global market-based measures for aviation emissions
- A working group has been set up to define and develop
 - **options for global market-based measures for international aviation**
 - **a framework for market based measures for State's to apply when implementing their own measures**
- The aim is to come forward with a proposal by the end of 2012
- The EU is fully committed to this process

Conclusions

- Aviation emissions will continue to grow fast, and will have to be addressed
- Market-based measures can reach emission reduction objectives efficiently while preserving a level playing field for airline operators
- Economic impacts of the Aviation ETS on customers and airline companies are rather modest
- **EU prefers a global solution and looks forward to come to a conclusion of negotiations under ICAO as rapidly as possible**