

Key Note Speech in the conference:
**A New Flightplan - Getting Global Aviation Climate Measures Off the
Ground**

Climate change is an urgent problem. Countries have agreed that average global temperature increases should be kept below 2 degrees above pre-industrial levels. There is no single silver bullet, and to achieve the very substantial limitation of emissions that is scientifically considered necessary, all sectors of the economy should contribute.

CO₂ emissions from the aviation sector have been growing rapidly: By 2020, global international aviation emissions are projected to be around 70% higher than 2005 levels, even with 2% per year fuel efficiency improvement, and according to forecasts they could further grow by up to 700% by 2050. It is more than logical that there is a contribution from the aviation sector.

Europe has been pursuing a comprehensive approach, including a major modernisation of our airspace management and research and development of clean aviation technology. This includes market based measures to meet our climate objectives, and to enable the aviation industry to grow.

This did not happen overnight. ICAO has long recognised the role market-based measures can play in achieving environmental goals cost-efficiently and in a flexible manner, and the EU legislation including aviation in the EU's emission trading system was developed in line with the approach explicitly endorsed by ICAO in 2004. At that time, ICAO decided not to establish a single global emissions trading system under UN auspices but rather to focus on other avenues such as implementation through inclusion in States' trading systems. In 2004, we got the clear guidance that this was the approach to be followed. The EU's action is designed to be non-discriminatory and cost-effective way to limit emissions.

Advancing action through ICAO on Market-based measures

The good news is that we see ICAO is accelerating its work programme as we speak. We have always been supportive of ICAO, and continue to be. Many States are now expressing their wish to advance action through ICAO on Market-based measures. This is welcome, and the EU will join all efforts to take positive steps to tackle aviation emissions in the ICAO framework. ICAO is the right place to advance action on market-based measures for aviation and the EU strongly supports its work.

In this respect, the EU-US Summit last November was an important occasion for both our regions to reaffirm our commitment to move forward in ICAO. Commissioner Hedegaard was in Delhi last week, and it was common ground that we should make progress on aviation emissions in ICAO. The recent initiatives by ICAO's President Mr Kobeh to bring States together to look at viable options is the first step in the accelerated ICAO process which we strongly support. We are committed to constructively engage with all States that are willing to work together to find a global solution.

What are the key elements for increased action on Market based measures

There are three things which I consider very important, that I want to share with you today:

- The first point is that what is agreed on market-based measures in ICAO must be a global solution and deliver more emissions reductions than under measures now in place, including by 30 countries applying the EU emissions trading system.
- The second point is that, whether market-based measures involve taxes, levies or emissions trading, the system adopted by ICAO or applied by States must be non-discriminatory for all airlines. Non-discrimination is one of the most important principles of international aviation law, and should be fully respected. Perhaps no other business sector is as

international as aviation, and non-discrimination is crucial. We must avoid creating any distortive effect for airlines operating in a global competitive marketplace.

- Thirdly, a robust worldwide system must contain targets and measures for ICAO member countries. For a global system to deliver real emission reductions there needs to be agreement on targets, either in an ICAO Treaty or through the framework. At present, many States are preparing Action plans to be delivered to ICAO by June this year. These may be a step towards States identifying their contributions. The EU and US share the goal of limiting global aviation emissions to 2005 levels or below by the year 2020. We welcome discussion of long-term targets, but we recognise that near term targets are taken more seriously, and we should look at 2020.

What assistance can the EU give to progressing on market-based measures in

ICAO?

- Europe has its legislation, so we may be asked if we are serious in looking for action through ICAO. We are, and we have experience to share. While many countries have experience of taxes and levies, there has been less experience with emissions trading. Although the EU's

emission trading system has been in operation for 8 years, airlines only fully joined the system this January, and Australia's emission trading system has yet to enter into effect.

- I would emphasise that the EU ETS covers incoming flights to the EU, but with the flexibility to potentially exempt these incoming flights on a non-discriminatory basis on the basis of action by other countries, which includes measures in their ICAO Action Plans but which could also take into account the action that they are supporting through ICAO. So, to the extent other countries might wish to see changes in the EU's legislation, they have every interest to engage positively in progressing market-based measures in ICAO. We would much prefer a multilateral discussion on incoming flights.

- While the EU ETS legislation is an important step, I can be absolutely clear that the EU wants greater reductions to be agreed through ICAO. We have been clear that we are willing to review our legislation, in the light of agreement on market-based measures being agreed in ICAO.

- Aside from encouraging more efficient operations and technology improvements, market-based measures generate revenues. The EU has

been spending far more on tackling climate change than the limited amounts that can come from the auctioning of 15% of aviation allowances. Revenues have been overstated, and Germany has a clear example in terms of its International Climate Initiative that goes way beyond what would come from aviation. I would emphasise that, probably more than any other industrialised region, the EU recognises the differentiated responsibilities and capabilities of various countries, and we are open to considering how this could be reflected in the use of revenues coming from further market-based action agreed upon in ICAO.

- To sum up, there is a vital need for a predictable, long term global framework for market-based measures for aviation that will reduce greenhouse gas emissions so as to avoid the negative impacts of climate change, while enabling the aviation sector to grow. We strongly believe ICAO is a right place to move forward on the framework to find a global solution. I would like to invite all countries to constructively work with us in the process that was recently put in place by the President of ICAO. EU strongly supports ICAO's role and will actively engage in these discussions. This non-discriminatory global action that we are all seeking should deliver significant environmental benefits.