



Including aviation in the EU Emissions Trading Scheme – Joint NGO statement on key improvements

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INTRODUCTION

Greenhouse gas emissions from EU international aviation increased by 87% between 1990 and 2004, and now account for approximately half of the CO₂ emissions from international aviation reported by developed countries¹ and 5-12% of EU emissions². If this trend continues, growth in the EU's international aviation emissions will offset more than a quarter of the reductions required by the EU's target under the Kyoto Protocol³. It is therefore a welcome move that the European Commission has brought forward a legislative proposal to include the climate impact of the aviation sector in the EU Emissions Trading Scheme (ETS) by 2011⁴. This states that *"The objective of this proposal is to address the growing climate change impact attributable to aviation by including aviation into an emissions trading scheme."* However, significant emissions reductions from the aviation sector will not be made, at least in the short term, by including this sector in the EU scheme.

According to the European Federation for Transport and Environment (T&E), the inclusion of aviation in the ETS will reduce emissions from the sector by just 3%⁵. This is equivalent to less than one year's growth of emissions from aviation. In addition, the Commission estimates that the costs incurred from inclusion will only slightly lower the demand for air travel - by 2020, demand will have grown by 135% (compared to 2005 levels) - compared to 142% in the absence of a trading scheme⁶.

The inclusion into the ETS should therefore be seen as only the first step in addressing the climate change impacts of aviation – complementary policies and measures are absolutely essential and should be taken forward in parallel. However, if this first step is to be at least adequate then the legislative proposal needs to be considerably improved as outlined in this joint statement.

¹ 103,411 of 202,779 MtCO₂e – 2002 data as reported by Annex I parties to the UNFCCC

² "Clearing the Air – the myth and reality of aviation and climate change" T&E and CAN Europe

³ European Commission. Communication on Reducing the Climate Change Impact of aviation. September 2005

⁴ European Commission. Proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community. Unofficial advanced version.

⁵ "Clearing the Air – the myth and reality of aviation and climate change" T&E and CAN Europe. The 3% figure is based on an EU allowance price of around €15 per tonne of CO₂.

⁶ European Commission. Accompanying document to the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowances trading within the Community. Impact assessment. SEC (2006) 1684

KEY IMPROVEMENTS

In order to maximise the emissions reductions which take place within the aviation sector and to improve the environmental effectiveness of the EU ETS as a whole the following improvements need to be made to the Commission's legislative proposal:

1) The cap should be strengthened in order to ensure that the aviation sector's contribution to emissions reductions is meaningful and fair compared with other ETS sectors.

Under the Commission's proposal, the aviation sector will need to cap its emissions to the average level in the years 2004-6. In practice, this means that the cap for the sector is set at 90% above 1990 levels, while the cap for other sectors in the ETS must put the EU on track to meet the EU's Kyoto target (an 8% reduction below 1990 levels). If the aviation industry is to play its part in achieving the EU's declared objective of a 30% cut in greenhouse gas emissions against a 1990 baseline by 2020, the sector's cap should be set with reference to this date. We therefore suggest capping aviation emissions at 1990 levels – stricter than the Commission's proposal, but still weaker than for other sectors.

We agree with the Commission's proposal that the cap should be set at the EU level.

2) The climate impacts of aviation are higher than the impact of CO₂ alone and should be accounted for from the start of the scheme.

The IPCC 1999 Special Report *Aviation and the Global Atmosphere* estimated the climate impact of aviation to be between 2 and 4 times that of its CO₂ emissions alone, due for instance to the emission of oxides of nitrogen (NO_x) at altitude, and the formation of aviation contrails⁷. Although some scientific uncertainty remains as to the exact quantification of these effects, the precautionary principle states that this should not be used as a reason to ignore them.

The non-CO₂ effects of aviation could be dealt with within the ETS, using a 'multiplier' on CO₂ emissions, or they could be dealt with outside the scheme, using flanking instruments such as NO_x charges, introduced in parallel. The Commission's proposal currently states that, by the end of 2008, and after an impact assessment, it will put forward a proposal to address the NO_x emissions from aviation; there is no mention of a multiplier. While we acknowledge that the multiplier may not be an environmentally-optimum solution, until robust flanking instruments are actually introduced which address the full climatic impact of aviation, a multiplier of at least 2 should be used. As well as generating a stronger demand-side reduction in emissions, such a multiplier would serve as an incentive for the speedy introduction of more tailored instruments.

Any proposal for an instrument to address NO_x emissions should cover en-route NO_x emissions, not just those of the Landing and Take-Off (LTO) cycle (which anyway have a negative impact on local air quality, rather than the global atmosphere), and should be revenue-raising (within the aviation sector), not revenue-neutral. Failure to meet either of these conditions would be a violation of the principle that the polluter should pay, and should be accounted for by the continued use of an appropriate multiplier within the ETS. Similarly, if there is any delay in the introduction of measures to address other non-CO₂ impacts beyond

⁷ <http://www.grida.no/climate/ipcc/aviation/index.htm>. The estimate given takes no account of aviation-induced cirrus clouds, which could potentially have a large warming effect.

aviation's inclusion in the ETS, a multiplier should be used until such times as these measures may come into force.

3) All flights departing and arriving in the EU should be included from the start of the scheme.

Analysis by the Commission confirms that the option of including all departing and arriving flights into the ETS would give the biggest environmental benefits, and would not introduce distortional effects in terms of competition between airlines, airports or tourist destinations. Nor, in the Commission's view, would it be counter to any international treaties or agreements. The Commission's proposal states that intra EU flights will be included in 2011 and that all flights arriving at or departing from an EU airport will be in the scheme by 2012. There is no legal or political justification for this two-step approach, and certainly none on environmental grounds, since an intra-EU scheme would cover only approximately 25% of emissions.

We advocate that all flights departing from and arriving in the EU should be included in the ETS from the start of the scheme and that a more ambitious start date of 2010 should be set.

4) 100% of allowances should be allocated by auctioning.

Under the Commission's proposal, the aviation sector will receive the majority of its allowances for free via the use of an updated benchmark. This will be based on an airlines performance, measured in Revenue Tonne Km's in the year ending two years before the start of a trading phase and could actually act as a perverse incentive for a five-year periodical price stunting "jubilee year" in which air transport is boosted. So in 2008 (two years before aviation is currently due to enter the ETS) airlines might try to maximise the number of allowances they will receive by reducing their ticket prices and encouraging more people to fly.

The percentage of allowances to be auctioned (in 2011 and 2012) will correspond to the average percentage proposed by the Member States for phase II of the scheme, which is likely to be approximately 3% of the total allocation. Auctioning is the most economically efficient method to distribute allowances. In addition, all allocation methodologies that give allowances for free (grandfathering and benchmarking) will lessen the incentives for airlines to seek to reduce emissions themselves via the implementation of technological, operational and volume measures.

As such we would advocate that 100% of allowances should be allocated by auctioning to the aviation sector. In its resolution, the European Parliament has also recognised the need for auctioning as the main method of allocation⁸.

PARALLEL AND COMPLEMENTARY POLICIES AND MEASURES

The inclusion of aviation into the EU ETS should only be seen as the first step in addressing the climate change impacts of the sector. Other policies and measures are needed and this has also been recognised and recommended by the European Parliament in its resolution of July 2006. These measures should include:

⁸ European Parliament report on reducing the climate change impact of aviation. June 2006

- improved air traffic management systems and more direct routing;
- the immediate ending of VAT exemption, for example with a tax on air tickets;
- a kerosene tax on fuel for domestic flights, and where there is agreement a tax on fuel on flights between two member states;
- en-route NO_x emissions charges (once the current ICAO moratorium expires in October of this year); and
- a concrete proposal on tackling contrail-formation, where appropriate. Work to quantify the impacts of contrails and contrail cirrus and to determine appropriate Air Traffic Control measures to mitigate them should be prioritised.

Furthermore, measures to constrain capacity are also essential if emissions from aviation are to be adequately controlled.