

Aviation in the EU Emissions Trading System

Information note

- All flights from 2012 onwards between, into and out of EU airports are included in the EU's existing Emissions Trading System under legislation agreed by all EU governments and the European Parliament between 2006 and 2008, and in force since early 2009.
- It is an important part of the EU's action to reduce emissions of greenhouse gases associated with Europe and to limit climate change to 2°C. International aviation emissions have doubled in Europe since 1990 and may triple by 2020, whilst most other sectors' have decreased. With ambitious fuel efficiency improvements, aviation emissions are still projected to be 300-700% higher than 2005 levels by 2050.
- Aviation should contribute to tackling climate change as is the case with other sectors. Inclusion of aviation in the EU ETS is the most cost-effective way for aviation to contribute towards achieving climate change goals. Aviation is treated the same as other business sectors, where companies that are active in EU markets, including steel and petrochemical companies, have installations regulated by the EU ETS since 2005, regardless of ownership¹. Airlines are covered by EU legislation only if they decide to operate in the EU market. All major airlines, including Chinese airlines, are complying with reporting rules for flights to and from the EU, and applying for free allocations².
- The EU ETS applies to all airlines regardless of nationality arriving and departing from airports in the EU, and has no distortions between airlines. It necessarily applies the ICAO principle of equal treatment and avoids discrimination between aircraft operators of different nationalities. This is not a fine or penalty targeted at individual airlines or countries, as some have misleadingly claimed.
- Emissions trading is chosen to reduce emissions in the aviation sector as it is the most cost-effective measure, cheaper and more flexible than alternatives. Inclusion in the EU ETS allows the aviation industry to grow whilst addressing the impacts of its emissions. Independent analyses foresee that the EU ETS will have little impact on the significant growth in the aviation market³, particularly between Europe and Asia, because growth in aviation emissions will be offset in other sectors and through the Kyoto Protocol's Clean Development Mechanism in which China has a leading position.

¹ E.g. Arcelor Mittal and Tata Steel steel plants, PetroChina refineries, Cemex cement plants

² US airlines also fully comply with the rules in place, despite some of them having launched litigation.

³ One expectation is that aviation emissions will grow by 135% compared to 142% with no measure in place.

- The total economic effects of the EU ETS are only a fraction of the cost of fuel, and are significantly lower than existing air passenger duties levied on departing passengers by some States e.g. RMB 417 (€45) from Germany and RMB 1600 (£150) from UK.
- The inclusion of aviation in the EU's emissions trading system is not expected to have any significant adverse impact on the aviation sector. In addition to the limited economic effects, there are other two main reasons :
 - Airlines will receive the vast majority of the CO₂ emissions allowances they need for compliance for free.
 - Airlines are expected to pass on costs to consumers, as they do for fuel and for operational expenses, so airlines should benefit economically from their free allocations.
- In practice this would mean at current carbon prices (RMB 157 or €17 per tonne), a one way flight from Beijing to Brussels (or vice versa) may increase in price by RMB 90 (€9.70). As 82% of allowances to airlines will be allocated for free the actual cost to airlines would be around RMB 17.5 (€1.90). Actual increases in ticket prices could be around this level, which is a very small amount relative to the cost of an air ticket.
- The vast majority of emissions covered and compliance costs will be borne by companies and passengers in the EU and travelling to other developed countries, particularly the US. Flights to and from China would account for less than 3% of total aviation emissions covered by the EU system, and less than 0.3% of the overall EU ETS coverage.
- Operators' shares of total number of free allowances will in essence reflect market shares in 2010, the most recent calendar year. Free allocations are made on the basis on activity, not emissions. Long haul flights are more efficient than short haul flights. Modern aircraft fleets will receive allocations covering more of their emissions than older fleets⁴.
- The EU legislation has provisions for additional free allocation to new and fast growing airlines after 2010. An extra pool of allowances will be distributed to new entrants or very fast growing airlines. Chinese airlines would be expected to benefit from this, while established EU carriers are considered unlikely to qualify⁵.

⁴ One of the US litigants, American Airlines, is reported as having an average fleet age of 14 years, twice the age of many other airlines.

⁵ For the reason that all their flights are covered under the EU ETS, and growth in overall emissions is expected to be lower than on routes to and from Asia.

- The EU does not want to see any double regulation of emissions. In relation to the measures that China is taking on CO₂ emissions from aviation, the EU is happy to discuss with the Chinese government about the possibility of excluding all flights to the EU departing from China from the EU system, for all carriers. The EU's law provides for the exclusion of incoming flights through implementing legislation conferred on the European Commission.
- China is taking a leading role in tackling climate change with domestic targets for emissions reductions and policies being developed to meet these targets, including for aviation. A number of Chinese initiatives could be discussed including use of emissions reduction credits delivered through the Clean Development Mechanism or through China's planned emissions trading pilots. Such measures for aviation can generate additional revenues and investment in China.
- Europe would like to see a global solution to tackling the climate impacts of international aviation. Despite many years of work, States in ICAO have not been able agree on a global system. Instead ICAO has endorsed the idea of including international aviation into States' existing Emissions Trading systems. The EU is keen to work with China in ICAO to help to develop a fair global system for aviation to contribute to limiting climate change.