

The inclusion of aviation in the EU ETS

Side event: Impacts of addressing aviation and
maritime emissions on developing countries

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EU Emissions Trading Scheme



- ★ Central pillar of EU Climate Policy
- ★ Applicable since 1 January 2005
- ★ Covers more than 10,000 energy intensive installations
- ★ Covers around 2 billion tonnes of CO₂ emissions - 50% of EU's total emissions
- ★ Implementation is taking place in phases with initial focus is on CO₂ from big industrial emitters

Scope

- ★ Legislation will cover all flights to and from EU airports
- ★ Small aircraft and certain flights excluded
- ★ Airlines will be required to monitor emissions from 2010
- ★ Airlines will have to apply for a free allocation of allowances in 2011
- ★ Airlines will be fully included in the scheme from 2012

Allocation of allowances

- ★ Total quantity of allowances allocated to the aviation sector equivalent to 97% of average annual emissions 2004-6
- ★ From 2013 the total quantity of allowances to be allocated will be equivalent to 95% of average annual emissions 2004-6

Administration

- ★ One EU Member State responsible for each aircraft operator – regardless of where the operator flies
- ★ Harmonised Rules
- ★ Guidelines for the monitoring, reporting and verification of emissions from aviation will be adopted by the Commission
- ★ If any aircraft operator fails to surrender allowances to cover its emissions = financial penalty and possibility of an operating ban for persistent non-compliance

Distribution of allowances to aircraft operators



- ★ Most allowances to be allocated for free by benchmarking based on tonne-kilometres
- ★ 15% of allowances to be auctioned in 2012
- ★ Auctioning in later periods may be increased via EU ETS review
- ★ 3% of allowances reserved for new or fast-growing operators

Economic impacts

- ★ Since all airlines will be treated equally, competition between airlines would not be significantly affected
- ★ Costs can be passed on to consumers
- ★ By 2020 airline tickets could increase by €4.6 to €39.6 depending on the journey length and allowance price
- ★ Increases in ticket prices should have only a small impact on demand growth (forecasted growth from business-as-usual levels of 142% to a minimum of 135%)

Environmental impacts



- ★ Compared to business as usual, the Commission's proposal will, by 2020 result in a reduction of over 190 M tonnes CO₂ annually
- ★ This is the projected business as usual growth from 2005 emissions

Links with third country measures

- ★ Specific provision on links with third country measures
- ★ Flexible and consultative approach to finding best interaction between EU scheme and measures taken by third countries to address aviation emissions e.g. EU scheme could be amended to exclude arriving flights
- ★ EU continuing to seek a global agreement
- ★ If global agreement – consider revisions

Developing country impacts



Revenues from auctioning



★ Auctioning proceeds should be spent on tackling climate change in the EU and third countries:

- Reduce emissions
- Adaptation
- Administration of scheme
- 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

Support to CDM

- ★ Through the CDM, the EU ETS a key driver for investments in developing countries. Expected market for JI and CDM in the EU ETS of up to 1.3 billion tonnes over 2008-12 (~8-26 bio EUR)
- ★ Aviation's inclusion will create extra demand for CDM credits –economic benefits from CDM likely to substantially exceed total compliance costs of non-Annex I carriers
- ★ Aircraft operators can use CDM credits:
 - in 2012 operators may surrender CERs up to a limit of 15% of allowances surrendered
 - The use of CERs from 2013 will be reviewed in the general review of the ETS

Benefit from 'De minimus'



★ Commercial air transport operator

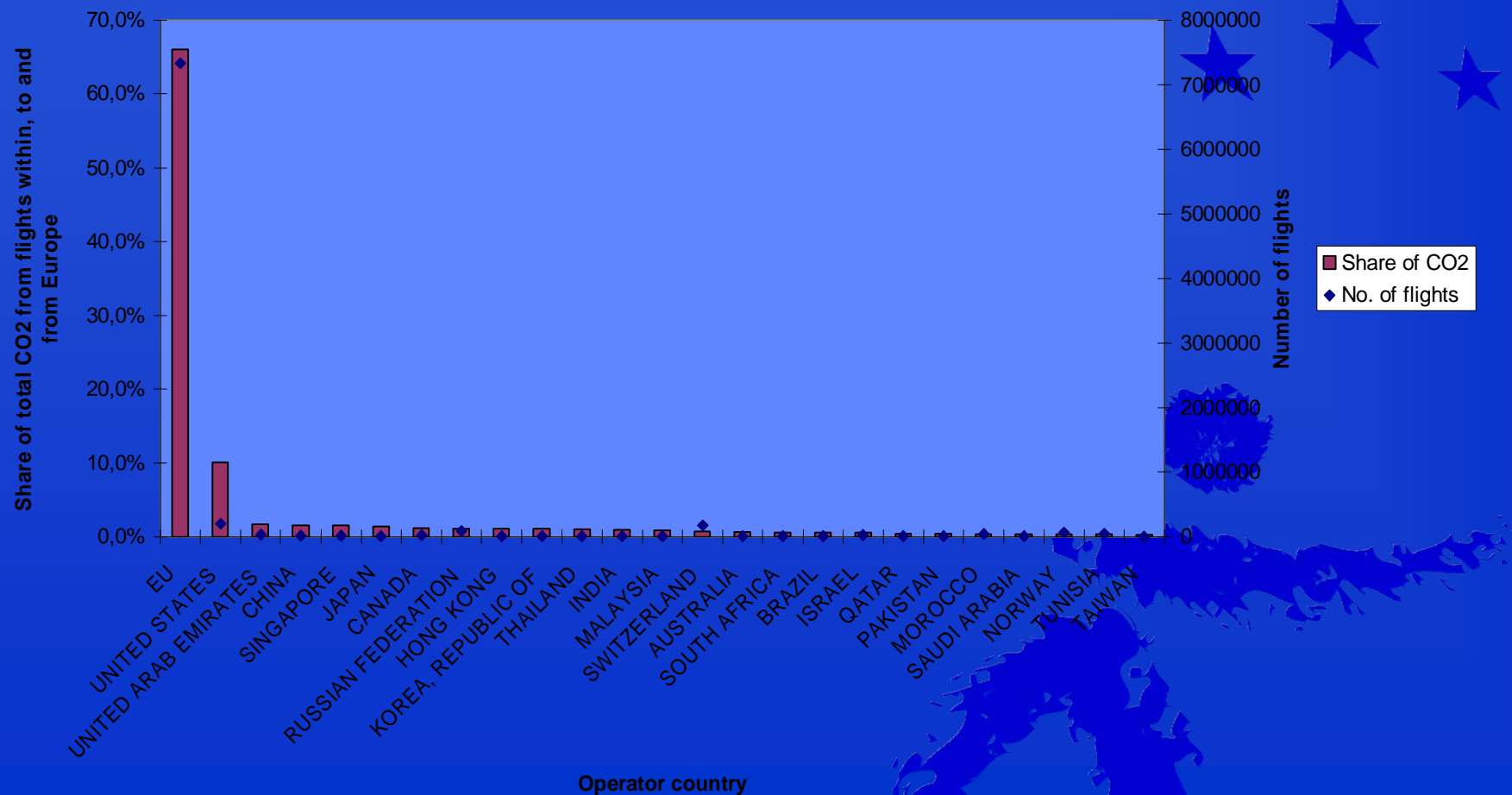
- Less than 729 flights per year
- Less than 10,000 tonnes per year

Impact on countries - provisional



Energy for a Changing World

Top 25 countries by share of CO2 and no. of flights in the EU ETS as proposed
(by operators' country of registration)



Next steps



- ★ Formal adoption of legislation later this year (2008)
- ★ Work on implementation measures
 - Developing MRV guidance – stakeholder consultation is planned for early September
- ★ Continue to work through ICAO and UNFCCC to develop an effective global approach to address climate change impacts from aviation

Thank you for your attention



Further information:

Aviation and climate change website:

http://ec.europa.eu/environment/climat/aviation_en.htm

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