

EUROPEAN AVIATION INDUSTRY JOINT STATEMENT ON EMISSIONS TRADING SCHEME

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PREAMBLE

EU citizens expect ongoing mobility, as well as economic and social development. These aspirations, which have been confirmed by Member States through the Lisbon Agenda, are particularly crucial for the citizens of the new EU Member States. Aviation has a significant role to play in the realisation of these goals as it is the key driver in achieving the required economic and social cohesion.

The aviation industry acknowledges its impact on the environment and therefore has invested considerable financial resources in an ongoing programme of environmental performance improvements. It is committed to pursuing every effort to minimise its environmental impact through research, technological progress and operational measures.

This engagement was publicly acknowledged with the adoption in July 2005 of its **Emissions Containment Policy**, the objective of which is to ensure that environmental protection is both sustainable and balanced with economic and social development. In that context, and together with a wide range of other measures, the aviation industry is prepared to consider an emissions trading scheme (ETS), provided it is properly designed to meet the aforementioned combined aspirations and has been demonstrated beyond any reasonable doubt to be beneficial to the environment and without any severe detrimental consequences.

1. GENERAL

- The aviation industry strongly advocates a worldwide solution through ICAO, to be introduced as soon as possible, since this would have the most effective environmental impact, while at the same time avoiding distortion of competition within the air transport sector. The industry's preferred solution is the inclusion of international aviation CO₂ emissions in the Kyoto Protocol under ICAO guidance.
- However, if the EU were to take unilateral action then the industry believes that the trans-national nature of aviation means that the application of ETS to civil aviation must be at an EU-wide (i.e. not Member State) level.
- The industry agrees with the EC that a well designed ETS would be far more cost-efficient and environmentally effective than taxes and charges in achieving environmental objectives. Its application to aviation in Europe would negate any rationale for additional environmental taxes and charges on aviation.
- A practical and pragmatic approach to the scheme's design is needed, in order to ensure that ETS can be introduced without distorting international competition or imposing unreasonable cost burdens on air operators.
- In accordance with the EC's own guidelines for better regulation, it is essential that diligent and comprehensive business impact assessments of all scheme options are undertaken and made public. Such assessments should also examine the impact of ETS on the objectives of the Lisbon Agenda by evaluating the direct, indirect and induced economic and social consequences of any proposal.

- In the absence of impact assessments it is unreasonable to expect the aviation industry to accept any proposal, regardless of its potential effects.

The elements listed hereunder highlight specific issues.

2. SCOPE OF THE ETS

- All operators on all routes covered by the scheme should be treated equally.
- Before implementation of an EU scheme, the European authorities should ensure that the scheme will also apply to non-EU carriers.
- As this design element could have different effects on aircraft operators, and hence could lead to imbalances between them, the design chosen must be carefully assessed to avoid distortion of competition.
- An ETS applied to civil aviation should be an 'open' system, i.e. allowing trading between civil aviation and other sectors. It should be noted that all EU Member States have endorsed this principle within ICAO.

3. EMISSIONS COVERAGE

- The aviation sector should be treated in the same way as ground-based emitters. Thus an ETS should be applied solely to CO₂ emissions. There is insufficient reliable scientific knowledge regarding the non-CO₂ effects. The nature and understanding of the other effects is such that their inclusion in an ETS would not be appropriate.
- The use of a multiplier factor to take into account other emissions is not scientifically robust, could conflict with other environmental objectives and may create trading complications with other sectors.
- Emissions of NO_x are already being effectively managed by international standards set by ICAO. When scientific research is able to provide a better understanding of the non-CO₂ effects, other appropriate measures should be applied through ICAO.

4. TRADING ENTITIES (including thresholds)

- The trading entity should be the aircraft operator, i.e. the entity that is responsible for the production of emissions. While aircraft are the source of emissions, aircraft operators control fleet composition, operations and data monitoring.
- It is essential that the scheme is administratively simple and practicable. Therefore, operators should be excluded where administrative complexity and transaction costs outweigh the environmental benefits of their inclusion.
- The inclusion threshold(s) should be based on annual aggregate CO₂ production.
- There should be consistency in treatment with other sectors.

5. SECTOR ALLOCATION

- Allowances should be allocated free of charge to the aviation sector as a whole and not at Member State level, because the treatment of international aviation emissions at Member State level would result in unacceptable distortion of competition.
- There would clearly be benefits in terms of operability and simplicity if domestic emissions were also captured by this unified approach. Certainly the regimes for domestic and international emissions should be harmonised as far as possible.

6. DISTRIBUTION

- It is essential that a unified approach to distribution and target setting is adopted for aviation. A distribution system should:
 - provide an incentive for individual aircraft operators to improve environmental efficiency;
 - not discriminate against or favour any particular type of operator or business model;
 - be based on benchmarking reflecting efficiency;
 - take account of recent investment;
 - be simple to administer and be sustainable.
- An auctioning process would be wholly inappropriate for civil aviation and would, for example, be contrary to many of the EC's objectives designed to facilitate economic and social development of Europe's regions.

7. INTERPLAY WITH KYOTO

- ICAO has unanimously endorsed the principle of open emissions trading for civil aviation. For the inclusion of civil aviation in the EU ETS to achieve its environmental objectives, it is essential that opportunities are provided for trading entities to trade.
- Aircraft operators should have full access to the open market to buy and sell permits, as well as access to market mechanisms such as Clean Development Mechanisms (CDM) and Joint Implementation (JI).

8. TARGETS/CAPS

- In agreeing the Lisbon Agenda, EU Member States established objectives for ongoing international competitiveness and employment. As a growth sector, aviation is a major contributor to these objectives.
- While ETS would yield environmental improvements, it would also impose additional costs and constraints that need to be balanced against EU socio-economic objectives to ensure that the achievement of the Lisbon Agenda is not prejudiced.
- Moreover, the long lead times and high abatement costs related to the development of new technology, fleet renewal and infrastructure improvements limit civil aviation's ability to implement significant reductions in CO₂ in the short term.
- Targets and caps should reflect these issues.

9. REPORTING

- Emissions monitoring should be based on actual fuel burn reported by aircraft operators.
- Where aircraft operators are unable to report actual fuel burn, they can consider other suitable and agreed estimation methods.
- The environmental effectiveness of the ETS would certainly be increased if actual fuel burn were used, as operational measures to reduce emissions would be duly rewarded and infrastructure inefficiencies and improvements captured.
- Whatever the method of reporting, verification to demonstrate reliability is necessary to preclude distortion of competition.

10. ADMINISTRATION & COMPLIANCE

- The administration and verification process should:
 - be transparent;
 - be consistent and harmonised;
 - take full advantage of economies of scale and reduce administration costs to the minimum;
 - be centrally administered at European level, thereby eliminating any possibility of unnecessary, duplicated systems and facilities.

11. PERIODICITY

- An ETS scheme should include a minimum 5-year allocation period and should provide for regular reviews of long term targets for CO₂ emissions, with a review 2 years after the initial introduction of the administrative burden.
- Stakeholders should be involved in all reviews.

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