

## Position Paper

October 17, 2008

### AEA POSITION ON THE AVIATION-RELATED AMENDMENTS VOTED BY THE ENVI COMMITTEE ON OCTOBER 7, 2008

#### BACKGROUND

1. On July 8, 2008 the European Parliament, by an overwhelming majority, adopted the compromise agreed with the Council and the Commission to include aviation in the current EU ETS.
2. In the context of the general revision of the EU ETS Directive, on October 7, 2008 the ENVI Committee of the Parliament adopted some 79 amendments, of which 5 are directly related to aviation. Three amendments in particular are intended to modify both the cap and the level of auctioning of the aviation scheme:
  - In 2013 the emissions cap will be 95% of the baseline but for each subsequent year, this percentage shall decrease by a linear reduction factor of 1.74%.
  - In 2013 the level of free allocation will be 80%. From 2014 free allocation shall decrease by equal amounts resulting in no free allocation in 2020.
3. It is regrettable and worrying that the ENVI Committee decided to break the compromise agreement, achieved just three months ago after paramount efforts and intense discussion between the European institutions. Is it logical to agree to a deal in July and then to distort it through another channel a short time later?

#### CRITIQUE OF THE ENVI'S AVIATION-RELATED AMENDMENTS

4. **The authors of these amendments** argue that they are entitled to change the cap and the level of auctioning because such modifications are possible within the general revision of the EU ETS. Although this is correct from a purely legal standpoint, from a political perspective these amendments contradict the inter-institutional agreement reached in June and strongly endorsed by the EP in July.
5. Furthermore, since July, the economic and financial situation in Europe and in the world has worsened dramatically. The aviation sector has been severely affected, with an increasing number of aircraft grounded and with the prospect of significant airline bankruptcies. This crisis has been ignored, along with the requirement contained in the aviation agreement that any revision should give special consideration to the effects of ETS on the sector. As ETS will not apply to the aviation sector before 2012, there is no experience of how it will function. The authors are attempting to modify key parameters such as the cap and auctioning **without any impact assessment. This contradicts the letter and the spirit of the aviation compromise.**
6. **The amendments discriminate against aviation.** It is unfair that **aviation will have 20% auctioning** whereas the ENVI Committee agreed to **a level of 15%** for the other sectors.

- Adria Airways
- Aer Lingus
- AeroSvit
- Air France
- Air Malta
- Air One
- Alitalia
- Austrian
- bmi
- British Airways
- Brussels Airlines
- Cargolux
- Croatia Airlines
- Cyprus Airways
- Czech Airlines
- DHL
- Finnair
- Iberia
- Icelandair
- Jat Airways
- KLM
- LOT
- Lufthansa
- Luxair
- Malev
- Olympic Airlines
- SAS Scandinavian Airlines
- Spanair
- SWISS
- TAP Portugal
- TAROM
- TNT Airways
- Turkish Airlines
- Ukraine International Airlines
- Virgin Atlantic Airways

7. Moreover, in 2013 ground sectors will have gained **experience** with an ETS based on **stable and predictable parameters over a period of ten years**, whereas **aviation** would be subject to an **ETS** starting in 2012 of which the parameters would be **changed** drastically **after only one year**. In line with the other sectors, aviation should also be able to gain experience with a stable and predictable system. Therefore, the parameters of the ETS for aviation should not be reviewed before 2014, as stipulated in the agreement.
8. The adoption of the amendments by the ENVI committee risks **creating legal uncertainty** and **further complicating the already difficult international negotiations** and would hence seriously **reduce the chances of achieving a global system**.
9. The amendments **also conflict with the Council<sup>1</sup> which** underlined that the agreement strikes an appropriate balance between the environmental integrity of the ETS for aviation and the framework of international competitiveness in which the aviation sector operates. The Council recognises in this regard that **air operators need predictability about the basic parameters of the Directive, in particular the emissions cap and the proportion of allowances to be auctioned**.
10. In conclusion the aviation-related amendments adopted by the ENVI Committee:
  - Distort the political agreement on the ETS Directive for aviation, which was endorsed by the Parliament and Council as recently as July 2008;
  - Are premature, are not based on any impact assessment and hence are economically unjustified;
  - Discriminate against aviation, as its level of auctioning will be higher than that of the other sectors;
  - Do not allow aviation to gain experience with a stable and predictable ETS, unlike other sectors;
  - Contradict the spirit of the agreement on aviation;
  - Will severely compromise the chances of achieving a global system at worldwide level.

## AEA REQUEST

***In light of the above the AEA strongly urges the Council, the Commission, and the European Parliament to reject the aviation-related amendments adopted by the ENVI Committee and which will be submitted to the Plenary Session of the Parliament in December 2008.***

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<sup>1</sup> Council Conclusions on 'Inclusion of the aviation sector in the EU ETS – Participation of third countries' – 2895<sup>th</sup> Transport, Telecommunications and Energy Council meet Luxembourg, 9 October 2008.