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REGULATORY SCRUTINY BOARD OPINION

Proposal for a Regulation of the European Parliament and of the Council

amending Directive 2003/87/EC to increase aviation's contribution to the Union's economy-wide emission reduction target and to appropriately implement a global market-based measure

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Brussels,
RSB

Opinion

Title: Impact assessment / Revision of the EU Emission Trading System Directive concerning aviation

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

To achieve climate neutrality by 2050, the Commission has proposed to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990. This impact assessment analyses how a revised EU emissions trading system (ETS) for aviation can contribute to this objective.

Aviation produces 2-3% of the EU's total greenhouse gas emissions and has a high growth rate. The EU has taken steps to encourage lower aviation emissions by including aviation in the ETS in 2008. The ETS originally applied to all flights departing and arriving in the European Economic Area (EEA). In 2012, the EU temporarily limited the scope to flights between airports located in the EEA. This aimed to support discussions at the International Civil Aviation Organization (ICAO) on an international approach to tackle greenhouse gas emissions.

ICAO agreed a global market based measure called the carbon offsetting and reduction scheme for international aviation (CORSIA) in 2016. CORSIA enables the aviation sector to continue growing after 2020. It requires that collective international aviation emissions above a certain threshold be compensated through international offset credits (generated in non-aviation sectors mainly). CORSIA excludes domestic flights. Countries participate on a voluntary basis in the pilot phase (2021-2023) and in the first phase (2024-2026). With some exceptions, all countries would participate in the second phase starting in 2027. The EU participates in the pilot phase.

Unless the EU decides otherwise, the ETS will revert to its original full scope application in 2024. In addition to intra-EEA flights, it would again cover flights between the EU and third countries. The impact assessment explores policy options on the scope of the ETS for aviation in the period from 2024. It also checks whether the current free allocations of emission allowances for aviation should be reduced to limit market distortions and increase the effectiveness of the market price signals.

This opinion concerns a draft impact assessment which may differ from the final version.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and commitments to make changes to the report. It also notes the significant efforts to coordinate across the ‘Fit for 55’ initiatives.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

- (1) The report is overly complex and does not clearly identify the political choices for the decision makers. It does not describe well the constraints imposed by the EU’s international commitments. It does not present a clear intervention logic.**
- (2) The report does not assess the proposed initiative in the context of parallel initiatives pursuing similar objectives. It does not sufficiently reflect the impact of the multiple initiatives on the aviation sector.**
- (3) The impact analysis does not compare well the merits of the retained policy options and does not sufficiently take into account the views of the different stakeholder groups. The report does not identify who will be affected and how. It does not present the main costs and benefits of the preferred options.**

(C) What to improve

(1) The report should simplify its presentation and clearly identify the key policy choices. It should better describe how existing international EU commitments in the climate policy area (such as the Paris Agreement) and in support of international aviation emission reduction efforts (via CORSIA) limit the choice of the policy options. The impact analysis should more clearly focus on the most relevant policy options, weigh the advantages against the disadvantages and consider critical implementation aspects.

(2) The report should clarify the coherence between this initiative, the broader ETS revision and other parallel initiatives tackling aviation emissions (in particular the ReFuelEU Aviation initiative). The report should better describe how the various initiatives act together and what their respective objectives and expected emissions contributions are.

(3) The report should clarify and simplify the intervention logic by establishing a clear link between the problems, the policy objectives and the policy options. For example, the specific objective on alternative fuels does not fit into the intervention logic as it is not analysed in the problems section and rather corresponds to the parallel RefuelEU Aviation initiative.

(4) The report should discuss the cumulative impacts (in the medium and longer term) on costs and the competitiveness of EU airport hubs and EU network carriers, particularly resulting from a loss of transfer passengers and more limited flight options.

(5) The impact analysis and the option comparison should better describe the pros and cons of the policy options. First, the impacts should be assessed in comparison with the baseline. Second, the report should systematically take into account the comments made by stakeholders and confront them with the findings of the analysis throughout the report. Third, the analysis should better explain the sometimes counterintuitive impacts of the options on emissions.

(6) The methodological section (in the annex), including methods, key assumptions, and baseline, should be harmonised as much as possible across all 'Fit for 55' initiatives. Key methodological elements and assumptions should be included concisely in the main report under the baseline section and the introduction to the options. The report should refer explicitly to uncertainties linked to the modelling. Where relevant, the methodological presentation should be adapted to the specific initiative.

(7) Annex 3 should follow the standard format and present a summary of costs and benefits with all key information, including quantified estimates.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG may proceed with the initiative.

The DG must revise the report in accordance with the Board's findings before launching the interservice consultation.

Full title	Impact assessment on the revision of the EU Emission Trading System Directive concerning aviation
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