

Questions & Answers on the proposal to temporarily 'stop the clock' under the EU's Emission Trading System (EU ETS) for flights to and from European airports

1. What exactly is the Commission proposing?

The Commission is proposing a Decision which would derogate from Article 16 of the EU Emissions Trading Directive so that action is not taken against aircraft operators which do not meet the Directive's reporting and compliance obligations arising before the September 2013 ICAO Assembly in respect of flights to or from airports in third countries and airports in Europe. The only condition for this is that they have either not received, or have returned, free allowances received in 2012 granted for such activities to or from such airports. Proper monitoring, reporting and verification of greenhouse gas emissions from such flights is welcomed, but compliance sanctions will not be taken in case of the non-reporting of such emissions.

2. What is the reason for this proposal?

At the International Civil Aviation Organisation (ICAO) Council's meeting of 9 November 2012, significant progress was made in terms of the commitments made to adopt a framework for market-based measures for emissions from international aviation and, recognising that a global market-based measure (MBM) is technically feasible, to make progress on such a global MBM through the high-level group established at that Council meeting.

The EU considers that a global market-based measure for addressing international aviation emissions is within reach at the ICAO Assembly in September 2013, and this proposal is intended to reinforce the positive momentum for the 2013 Assembly to agree on applying such a global market-based measure, and adopting a framework for facilitating States' application of MBMs to international aviation pending the global measure's application. This proposal to "stop the clock" for flights to and from Europe demonstrates the EU's strong political commitment to facilitate and drive forward the successful conclusion of these ICAO processes.

3. What does the Commission expect from the 2013 ICAO Assembly?

The Assembly should agree on a global market-based measure (MBM) with a realistic timetable and roadmap for it to apply, alongside endorsing an ICAO framework for facilitating States' application of market based measures to international aviation pending application of the Global measure. Building on the 2010 ICAO Resolution and its recognition of the role of existing MBMs for international aviation prior to 2020, this framework would urge States to avoid market distortions, limit administrative complexity, and promote comprehensive coverage of international aviation emissions, harmonisation of measures and linkage between current and future MBMs.

There should also be progress on the development, submission and review of State action plans, outlining States' respective policies and actions, including annual reporting on international aviation CO₂ emissions to ICAO, and information

in relation to achieving the Resolution's global goals. Specific capacity building should be available for countries which need this.

4. Why does the Commission consider that a framework for international flights according to which States regulate departing flights makes sense?

Firstly, this is one of the approaches which have been considered practical in ICAO. It provides the basis for a framework which, over time, would have comprehensive coverage of aviation emissions, and it is workable.

This approach is a practical way to further reconcile views on non-discriminatory action and common but differentiated responsibilities and respective capabilities because equal responsibility is taken by the country of arrival and departure, and the country of departure can take actions which it considers appropriate to limit the growth of aviation emissions from departing flights. In addition, this is also the coverage of international aviation emissions that has been foreseen in proposals outside the EU for economy-wide climate change legislation.

From the perspective of the airline, it has the advantage that every flight it operates it is reported to only one regulator, and it has the assurance that all other airlines operating the same flights are regulated in a consistent manner.

Finally, this approach is consistent with the EU commitment to a 20% reduction in emissions below 1990 levels, which includes CO₂ emissions from international flights from the EU (see question 10 below).

5. What about flights between airports in the EU?

The Directive continues to apply in full to flights between airports in the EU and closely connected areas with a shared commitment to tackle climate change. All airlines which have operated to such airports in 2011 and in 2012 are therefore required to comply with monitoring, reporting and verification requirements. By 30 April 2013, all airlines which operated such flights in 2012 are required to surrender allowances or international credits in respect of emissions from those flights.

6. What will be enforced in the period after April 2013?

This proposal should be agreed between the European Parliament and Council by early 2013, and the Commission will do everything it can to facilitate this process.

The Commission confirms that pending completion of the the legislative process, aircraft operators which have either not received, or have returned, free allowances received in 2012 for cancellation should not expect the Commission to require enforcement activities to be taken against them by Member States in respect of reporting emissions or surrendering allowances for flights to or from third countries and airports in EU and closely connected areas.

7. What will happen after the 2013 ICAO Assembly?

This Decision gives space for progress to be made at the ICAO Assembly that takes place in September 2013. In the context of such progress, Article 25a of the Directive would enable further amendments to be made to the aviation activities covered by the EU ETS with obligations arising after 1 January 2014. Airlines which intend to operate flights to and from EU and EFTA airports and in closely connected areas in 2013 should be aware that, in the absence of such modifications, they are responsible for emissions from these flights. Free

allowances issued in February 2013 in respect of 2013 emissions are also subject to potential modification from measures adopted pursuant to Article 25a.

8. How does this affect the auctioning of aviation allowances?

The percentage of auctioning remains at 15% as laid down in the Directive. Consequently, a lower quantity of aviation allowances will be auctioned for 2012 that proportionately reflects the lower number of total allowances in circulation.

9. What about charges that airlines have already made on airlines passengers?

The Commission has considered that the aviation industry is expected to pass on, to a large extent, the value of allowances to their customers. The impact that EU ETS inclusion has on ticket prices is considered to be rather limited¹. Airlines clearly benefit financially from charges already paid by passengers which airlines do then not need to use for allowances. It is a question for individual airlines as to how this financial benefit is used to invest in emission reductions or returned to passengers.

10. What does this proposal mean for the EU's overall 20% greenhouse gas reduction commitment for 2020?

Aviation needs to decouple emissions from traffic growth. Emissions trading provides flexibility for operators in when and how they do this.

The EU's commitment to reduce its emissions by 20% compared to 1990 levels includes CO₂ emissions from international flights from the EU between 2013 and 2020². Since this proposal applies only to emissions taking place in 2012 it does not undermine the EU's 20% reduction commitment by 2020.

11. What does this mean in respect of sustainable biofuels used by airlines in 2012?

Flights using a proportion of sustainable biofuels have already taken place across the Atlantic, and commercial services within Europe using sustainable biofuels are entering into operation.

The development of sustainable biofuels is encouraged by the EU ETS because they are considered to have zero emissions for compliance purposes. To the extent biofuels are used by airlines, aircraft operators do not need to surrender any allowances or international credits in respect of the proportion of biofuels used during their flights. This provides an incentive for airlines to use biofuels and also incentivises fuel producers to invest in the production of sustainable biofuels. No such incentive applies for the use of biofuels for flights to which the EU ETS does not apply.

12. What about other actions that the EU takes to reduce aviation emissions?

The EU has adopted a 'comprehensive approach' to reducing environmental impacts of aviation, and market based instruments such as the EU ETS belong to this. Other aspects include air traffic management measures, such as the Single European Sky programme; promotion of the research and development in cleaner aeronautics, for instance with the Clean Sky Programme and through work to promote the

¹ MEMO/11/631 of September 2011 for extensive information on this.

² See Staff working document at http://ec.europa.eu/clima/policies/gas/docs/swd_2012_353_en.pdf for more details.

development of sustainable biofuels. In this regard, it should be noted that the Commission supported the aviation industry with €109 million for sustainable aviation in 2011 alone.

The EU and its Member States are responsible for a majority of the Action Plans which have so far been submitted to ICAO.

13. Why is a proposal being made for aviation but not for other sectors of the economy?

All sectors of the economy should contribute to tackling climate change. This proposal for temporarily deferring aviation's contribution is only justified because of the clear prospects for achieving global outcomes through ICAO that should lead to a greater environmental benefit than the application of the EU ETS as it stands now.

15. Where can I find further information?

Aviation and climate change:

http://ec.europa.eu/clima/policies/transport/aviation/index_en.htm

EU ETS:

http://ec.europa.eu/clima/policies/ets/index_en.htm