



2017/0017(COD)

8.5.2017

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DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council amending Directive 2003/87/EC to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021
(COM(2017)0054 – C8-0028/2017 – 2017/0017(COD))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Julie Girling

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council amending Directive 2003/87/EC to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021 (COM(2017)0054 – C8-0028/2017 – 2017/0017(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2017)0054),
 - having regard to Article 294(2) and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0028/2017),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Economic and Social Committee ¹,
 - having regard to the opinion of the Committee of the Regions of ...²,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on the Environment, Public Health and Food Safety and the opinions of the Committee on Industry, Research and Energy and of the Committee on Transport and Tourism (A8-0000/2017),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation

Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) A well-functioning, reformed EU ETS with an enhanced instrument to

¹ OJ C ...Not yet published in the Official Journal

² OJ C ...Not yet published in the Official Journal

stabilise the market will be the main European instruments to achieve the 40% reduction target, with a linear factor, and free allocation beyond 2020. The auction share should be expressed as a percentage figure in the legislation, which should decline on application of a cross-sectoral correction factor to enhance planning certainty as regards investment decisions, to increase transparency, minimise carbon leakage, and to render the overall system simpler and more easily understandable. Those provisions should be consistent with the Union's climate objectives and its commitments under the Paris Agreement, and aligned with the 2018 Facilitative Dialogue, the first global stocktake in 2023, and subsequent global stocktakes every five years thereafter, intended to inform successive Nationally Determined Contributions (NDCs).

Or. en

Amendment 2

Proposal for a regulation Recital 5 a (new)

Text proposed by the Commission

Amendment

(5a) Following implementation of a global market-based measure, 50 % of allowances should be auctioned from 1 January 2021, and that number of allowances should be subject to the application of the linear reduction factor as provided for in Article 9 of Directive 2003/87/EC.

Or. en

Justification

With regard to the risk of carbon leakage, the aviation sector's intra-EEA scope under the EU ETS is unique. While the majority of flights inside the EU have no concerns, there are limited

risks of carbon leakage when it comes to network carriers. This is why 100% auctioning may not be justified, but there is good reason to increase the amount of allowances to be auctioned. The additional number of free allowances available should be used to help to address the risk of carbon leakage in other industrial sectors.

Amendment 3

Proposal for a regulation Recital 5 b (new)

Text proposed by the Commission

Amendment

(5b) Revenues generated from the auctioning of allowances, or their equivalent in financial value, should be used to tackle climate change in the Union and in third countries, inter alia, to reduce greenhouse gas emissions, to adapt to the impacts of climate change in the Union and in third countries, especially developing countries, to fund research and development for mitigation and adaptation, including in the fields of aeronautics and air transport, to reduce emissions through low-emissions transport, and to cover the costs of administering the EU ETS. Special consideration should be given to Member States which use those revenues for co-financing research and innovation programmes or initiatives under the Ninth Research Framework Programme (FP9). Transparency on the use of revenues generated from the auctioning of allowances under Directive 2003/87/EC is fundamental to underpinning Union commitments.

Or. en

Justification

In line with the European Parliament's position on the EU ETS aviation proposal in 2007, auctioning revenues for aviation should be used to tackle climate change. To incentivise the use of revenues from auctioned allowances and increase co-financing expenditure for research and development in low carbon innovation, special funding consideration should be given to Member States under the Ninth Research Framework Programme (FP9).

Amendment 4

Proposal for a regulation

Recital 6

Text proposed by the Commission

(6) Given that key features of the global market-based measure have yet to be developed and that its implementation depends on domestic legislation by States and regions, it is considered appropriate for a review to take place once there is clarity about the nature and content and of these legal instruments in advance of the start of ICAO's global market-based measure, and a report submitted to the European Parliament and Council. That report should consider any standards or other instruments adopted through ICAO, the actions taken by third countries to implement the global market-based measure to apply to emissions from 2021 and other relevant international developments (e.g. rules under UNFCCC and the Paris Agreement on carbon markets and accounting). That report should consider how to implement these instruments in Union law through a revision of the EU ETS. It should also consider the rules applicable to intra-EEA flights as appropriate. That report should be accompanied by a proposal as appropriate to the European Parliament and the Council consistent with ensuring the contribution of aviation to the Union's 2030 economy-wide greenhouse gas reduction commitment.

Amendment

(6) Given that key features of the global market-based measure have yet to be developed and that its implementation depends on domestic legislation by States and regions, it is considered appropriate for a review to take place once there is clarity about the nature and content and of these legal instruments in advance of the start of ICAO's global market-based measure, and a report submitted to the European Parliament and Council. That report should consider any standards or other instruments adopted through ICAO, the actions taken by third countries to implement the global market-based measure to apply to emissions ***for the period 2021-2035, efforts to establish ambitious and binding measures to achieve the aviation sector's long-term goal of halving aviation CO₂ emissions relative to 2005 levels by 2050,*** and other relevant international developments (e.g. rules under UNFCCC and the Paris Agreement on carbon markets and accounting). That report should consider how to implement these instruments in Union law through a revision of the EU ETS. It should also consider the rules applicable to intra-EEA flights as appropriate. That report should be accompanied by a proposal as appropriate to the European Parliament and the Council consistent with ensuring the contribution of aviation to the Union's 2030 economy-wide greenhouse gas reduction commitment.

Or. en

Amendment 5

Proposal for a regulation Recital 6 a (new)

Text proposed by the Commission

Amendment

(6a) Although the technical rules for the ICAO global market-based measure are yet to be adopted by the ICAO Council, it is important that regulatory authorities and aircraft operators have information about Monitoring, Reporting and Verification (MRV) requirements and emissions units eligible under the ICAO scheme as early as possible in order to facilitate preparation for the implementation of the ICAO scheme and the monitoring of CO₂ emissions from 1 January 2019. Such MRV requirements should have a level of stringency that is consistent with the requirements for monitoring and reporting greenhouse gas emissions under Commission Regulation (EU) No 601/2012, and should ensure that the emissions reports submitted are verified in accordance with Commission Regulation (EU) No 600/2012.

Or. en

Amendment 6

Proposal for a regulation Recital 6 b (new)

Text proposed by the Commission

Amendment

(6b) While the confidentiality of the technical work in ICAO should be acknowledged, it is also important that ICAO member states, aircraft operators and civil society continue to be engaged in the ICAO's work to implement the global market-based measure and that the ICAO reaches out to all stakeholders to inform them about progress and decisions in a

timely manner. All of that might require a revision of the non-disclosure protocols for Members and Observers of the ICAO Committee on Aviation Environmental Protection (CAEP).

Or. en

Amendment 7

Proposal for a regulation

Recital 7 a (new)

Text proposed by the Commission

Amendment

(7a) While the long-term goal should be to have a single global reduction scheme for tackling carbon emissions from aviation by the second phase of the ICAO scheme in 2024, in the event that the ICAO global market-based measure is insufficient to achieve the Union's climate objectives and commitments under the Paris Agreement, other carbon mitigation options should also be explored.

Or. en

Amendment 8

Proposal for a regulation

Recital 7 b (new)

Text proposed by the Commission

Amendment

(7b) Aviation also has an impact on climate through releases of nitrogen oxides, water vapour and sulphate and soot particles at high altitudes. The International Panel on Climate Change (IPCC) has estimated that the total climate impact of aviation is currently two to four times higher than the effect of its past carbon dioxide emissions alone. Pending scientific progress, all impacts of

aviation should be addressed to the extent possible. Research on the formation of condensation trails, also known as contrails, their evolution into cirrus clouds, on the smaller direct effects of sulphate aerosols, soot, water vapour contrails and cirrus clouds, and on effective mitigation measures, including operational and technical measures, should also be promoted.

Or. en

Justification

It is also important to highlight the urgency of taking action to address the non-CO₂ effects of aviation in view of increasing scientific evidence.

Amendment 9

Proposal for a regulation

Article 1 – paragraph 1 – point -1 (new)

Directive 2003/87/EC

Article 3 c – paragraph 3 a (new)

Text proposed by the Commission

Amendment

(-1) In Article 3c, the following paragraph 3a is inserted:

3a. The total quantity of allowances to be allocated to aircraft operators in 2021 shall be 10% lower than the average allocation for the period from 1 January 2014 to 31 December 2016, and then decrease annually at the same rate as that of the total cap for the EU ETS referred to in the second subparagraph of Article 10(1) of Directive 2003/87/EC so as to bring the cap for the aviation sector more in line with the other EU ETS sectors by 2030.

For aviation activities to and from aerodromes located in countries outside the EEA, the quantity of allowances to be allocated from 2021 onwards may be adjusted taking into account the ICAO

global market-based measure to be implemented from 2021 to offset international aviation emissions above 2020 levels.

Or. en

Justification

As adopted at first reading by the European Parliament on 15 February 2017 (amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments (A8-0003/2017)).

Amendment 10

Proposal for a regulation

Article 1 – paragraph 1 – point -1 a (new)

Directive 2003/87/EC

Article 3 d – paragraph 2

Text proposed by the Commission

Amendment

‘2. From 1 January **2013**, **15 %** of allowances shall be auctioned. ***This percentage may be increased as part of the general review of this Directive***’.

(-1a) In Article 3d, paragraph 2 is replaced by the following :

‘2. From 1 January **2021**, **50 %** of allowances shall be auctioned.’

Or. en

Justification

As adopted at first reading by the European Parliament on 15 February 2017 (amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments (A8-0003/2017)).

Amendment 11

Proposal for a regulation

Article 1 – paragraph 1 – point -1 b (new)

Directive 2003/87/EC

Article 3 d – paragraph 3 – subparagraph 1

Text proposed by the Commission

Amendment

‘A Regulation shall be adopted containing detailed provisions for the auctioning by Member States of allowances not required to be issued free of charge in accordance with paragraphs 1 and 2 of this Article or Article 3f(8). The number of allowances to be auctioned in each period by each Member State shall be proportionate to its share of the total attributed aviation emissions for all Member States for the reference year reported pursuant to Article 14(3) and verified pursuant to Article 15. For the period referred to in Article 3c(1), the reference year shall be 2010 and for each subsequent period referred to in Article 3c the reference year shall be the calendar year ending 24 months before the start of the period to which the auction relates.’

(-1b) In Article 3d, paragraph 3 subparagraph 1 is replaced by the following:

‘The Commission is empowered to adopt delegated acts in accordance with Article 30b to supplement this Directive by laying down detailed arrangements for the auctioning by Member States of allowances not required to be issued free of charge in accordance with paragraphs 1 and 2 of this Article or Article 3f(8). The number of allowances to be auctioned in each period by each Member State shall be proportionate to its share of the total attributed aviation emissions for all Member States for the reference year reported pursuant to Article 14(3) and verified pursuant to Article 15. For the period referred to in Article 3c(1), the reference year shall be 2010 and for each subsequent period referred to in Article 3c the reference year shall be the calendar year ending 24 months before the start of the period to which the auction relates.’

Or. en

Justification

As adopted at first reading by the European Parliament on 15 February 2017 (amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments (A8-0003/2017)).

Amendment 12

Proposal for a regulation

Article 1 – paragraph 1 – point -1 c (new)

Directive 2003/87/EC

Article 3 d – paragraph 3 – subparagraph 2

Text proposed by the Commission

Amendment

(-1c) In Article 3d, paragraph 3 subparagraph 2 is deleted.

'That Regulation, designed to amend non-essential elements of this Directive by supplementing it, shall be adopted in accordance with the regulatory procedure with scrutiny referred to in Article 23(3).'

Or. en

Justification

As adopted at first reading by the European Parliament on 15 February 2017 (amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments (A8-0003/2017)).

Amendment 13

Proposal for a regulation

Article 1 – paragraph 1 – point -1 d (new)

Directive 2003/87/EC

Article 3 d – paragraph 4 – subparagraph 1

Text proposed by the Commission

Amendment

*'It shall be for Member States to determine the use to be made of revenues generated from the auctioning of allowances. **Those revenues should** be used to tackle climate change in the Union and third countries, inter alia, to reduce greenhouse gas emissions, to adapt to the impacts of climate change in the Union and third countries, especially developing countries, to fund research and development for mitigation and adaptation, including in particular in the fields of aeronautics and air transport, to reduce emissions through low-emission transport and to cover the cost of administering the Community scheme. The proceeds of auctioning **should** also be used to fund contributions to the Global Energy Efficiency and Renewable Energy Fund, and measures to avoid deforestation. '*

(-1d) In Article 3d(4), the first subparagraph is replaced by the following:

*'Revenues generated from the auctioning of allowances **shall** be used to tackle climate change in the Union and third countries, inter alia, to reduce greenhouse gas emissions, to adapt to the impacts of climate change in the Union and third countries, especially developing countries, to fund research and development for mitigation and adaptation, including in particular in the fields of aeronautics and air transport, to reduce emissions through low-emission transport and to cover the cost of administering the Union scheme. The proceeds of auctioning **may** also be used to fund contributions to the Global Energy Efficiency and Renewable Energy Fund, and measures to avoid deforestation. **Special consideration shall be given to Member States which use revenues for co-financing research and innovation programmes or initiatives under the Ninth***

Justification

In line with the European Parliament's position on the EU ETS aviation proposal in 2007, auctioning revenues for aviation should be used to tackle climate change. To incentivise the use of revenues from auctioned allowances and increase co-financing expenditure for research and development in low carbon innovation, special funding consideration should be given to Member States under the Ninth Research Framework Programme (FP9).

Amendment 14

Proposal for a regulation

Article 1 – paragraph 1 – point -1 e (new)

Directive 2003/87/EC

Article 3 e – paragraph 1a (new)

Text proposed by the Commission

Amendment

(-1e) In Article 3e, the following paragraph 1a is added:

1a. From 2021 onwards, no free allocation of allowances under this Directive shall be granted to the aviation sector unless it is confirmed by a subsequent decision adopted by the European Parliament and the Council, since ICAO Resolution A-39/3 envisages that a global market-based measure is to apply from 2021. In that respect, the co-legislators shall take into account the interaction between that market-based measure and the EU ETS.

Or. en

Justification

As adopted at first reading by the European Parliament on 15 February 2017 (amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments (A8-0003/2017)).

Amendment 15

Proposal for a regulation

Article 1 – paragraph 1 – point -1 f (new)

Directive 2003/87/EC

Article 21 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

(-1f) In Article 21, the following paragraph 2a is inserted:

‘2a. The report shall, using data provided through the cooperation referred to in Article 18b, include a list of aircraft operators subject to the requirements of this Directive who have not opened a registry account.’

Or. en

Justification

As adopted at first reading by the European Parliament on 15 February 2017 (amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments (A8-0003/2017)).

Amendment 16

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point a – point i

Directive 2003/87/EC

Article 28 a – paragraph 1 – point a

Text proposed by the Commission

Amendment

(a) all emissions from flights to and from aerodromes located in countries outside the European Economic Area (EEA) in each calendar year from 1 January 2013, subject to the review referred to in Article 28b".

(a) all emissions from flights to and from aerodromes located in countries outside the European Economic Area (EEA) in each calendar year from 1 January 2013 ***to 31 December 2020***, subject to the review referred to in Article 28b".

Or. en

Justification

This amendment clarifies the precise duration of the time-bound derogation from the EU ETS under this legislative proposal.

Amendment 17

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point a – point ii

Directive 2003/87/EC

Article 28 a – paragraph 1 – point c

Text proposed by the Commission

Amendment

ii. point (c) is *deleted*.

ii. point (c) is *replaced by the following*:

(c) all emissions from flights between aerodromes located in the EEA operated as a consequence of a flight referred to in points (a) or (b) being diverted to an aerodrome located in the EEA in each calendar year from 1 January 2017, subject to the requirements of the report referred to in Article 28b.”

Or. en

Justification

Any aircraft operator operating flights between two EEA airports must comply with obligations under the EU ETS Directive, including exceptional unscheduled operations such as diversions and repositioning flights (due, for example, to force majeure situations where an extra-EEA flight had to land exceptionally at an EEA airport). On average, this entails the application of monitoring, reporting and verification (MRV) requirements for fewer than five flights per year, which is administratively disproportionate and should be addressed in this legislative proposal.

Amendment 18

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b – point i

Directive 2003/87/EC

Article 28 a – paragraph 2 – subparagraph 1

Text proposed by the Commission

“From 1 January 2017, by way of derogation from Articles 3d to 3f and until amendments subsequent to the review referred to in Article 28b have entered into force, aircraft operators shall be issued, each year, the number of allowances that corresponds to the year 2016. From 2021 onwards that number of allowances shall be subject to the application of the linear factor in Article 9.”

Amendment

“From 1 January 2017, **to and including 2020**, by way of derogation from Articles 3d to 3f and until amendments subsequent to the review referred to in Article 28b have entered into force, aircraft operators shall be issued, each year, the number of allowances that corresponds to the year 2016. From 2021 onwards that number of allowances shall be subject to the application of the linear factor in Article 9.”

Or. en

Justification

This amendment clarifies the precise duration of the time-bound derogation from the EU ETS under this legislative proposal.

Amendment 19

Proposal for a regulation

Article 1 – paragraph 1 – point 1 – point b – point ii

Directive 2003/87/EC

Article 28 a – paragraph 2 – subparagraph 3

Text proposed by the Commission

ii. the third subparagraph is **deleted**.

Amendment

ii. the third subparagraph is **replaced by the following**:

As regards activity in the period from 1 January 2017 to 31 December 2020, Member States shall publish the number of aviation allowances allocated to each aircraft operator by 1 September 2018.

Or. en

Justification

Reducing the baseline emissions for the period after 2020 will ensure that the aviation sector makes a fair contribution to the EU's climate objectives and commitments under the Paris Agreement.

Amendment 20

Proposal for a regulation

Article 1 – paragraph 1 – point 2

Directive 2003/87/EC

Article 28 b – paragraph 1

Text proposed by the Commission

1. The Commission shall report to the European Parliament and the Council on the relevant ICAO standards or other legal instruments as well as on domestic measures taken by third countries to implement the global market-based measure to be applied to emissions **from 2021**, and on other relevant international developments.

Amendment

1. The Commission shall report to the European Parliament and the Council **by 1 January 2019** on the relevant ICAO standards **and recommended practices (SARPs), ICAO Council approved recommendations relevant to the global market-based measure** or other legal instruments as well as on domestic measures taken by third countries to implement the global market-based measure to be applied to emissions **from 2021**, and on other relevant international developments. **The Commission shall also provide regular updates to the European Parliament and the Council on the development of the SARPs in accordance with the ICAO's standards-making procedures.**

Or. en

Justification

It is essential to have a timely assessment of the modalities and procedures of the ICAO global market-based measure prior to its implementation. The report should look at all ICAO Council approved recommendations relevant to the scheme, and evaluate the offsetting provisions against objective criteria to determine its environmental integrity and regulatory robustness.

Amendment 21

Proposal for a regulation

Article 1 – paragraph 1 – point 2

Directive 2003/87/EC

Article 28 b – paragraph 2

Text proposed by the Commission

2. The report should consider ways for those ICAO instruments to be implemented in Union law through a revision of this Directive. The report shall also consider the rules applicable in respect of flights within the European Economic Area (EEA) as appropriate.

Amendment

2. The report should consider ways for those ICAO instruments to be implemented in Union law through a revision of this Directive. The report shall also consider the rules applicable in respect of flights within the European Economic Area (EEA) as appropriate. ***The report shall also examine the ambition and overall environmental integrity of the global market-based measure including its general ambition in relation to targets under the Paris Agreement, level of participation, enforceability, transparency, penalties for non-compliance, processes for public input, quality of offset credits, monitoring, reporting and verification of emissions, registries, rules on the use of biofuels. In addition, the report shall consider whether the delegated act adopted under Article 28c (2) needs to be revised.***

Or. en

Justification

It is essential to have a timely assessment of the modalities and procedures of the ICAO global market-based measure prior to its implementation. The report should look at all ICAO Council approved recommendations relevant to the scheme, and evaluate the offsetting provisions against objective criteria to determine its environmental integrity and regulatory robustness.

Amendment 22

Proposal for a regulation

Article 1 – paragraph 1 – point 2

Directive 2003/87/EC

Article 28 b – paragraph 3

Text proposed by the Commission

3. ***The report may be accompanied by proposals, as appropriate to the European Parliament and the Council to amend,***

Amendment

3. ***Within six months of the publication of this report, the Commission shall present legislative proposals, as***

delete, extend or replace the derogations provided for in Article 28a, consistent with the Union economy-wide greenhouse gas emission reduction commitment for 2030.

appropriate, to the European Parliament and the Council to amend, delete, extend or replace the derogations provided for in Article 28a, consistent with the Union economy-wide greenhouse gas emission reduction commitment for 2030.

Or. en

Amendment 23

Proposal for a regulation

Article 1 – paragraph 1 – point 2

Directive 2003/87/EC

Article 28 c – paragraph 1

Text proposed by the Commission

1. The Commission shall adopt provisions for the appropriate monitoring, reporting and verification of emissions for the purpose of implementing the global market-based measure being elaborated in ICAO. Those provisions shall be based on the same principles as the Regulation referred to in Article 14 (1) and shall ensure that the emissions reports submitted are verified in accordance with Article 15.

Amendment

1. The Commission shall adopt provisions for the appropriate monitoring, reporting and verification of emissions for the purpose of implementing the global market-based measure being elaborated in ICAO. Those provisions shall ***be entirely consistent with the principles contained in the*** Regulation referred to in Article 14 (1) and shall ensure that the emissions reports submitted are verified in accordance with Article 15.

Or. en

Justification

Ahead of baseline reporting for the ICAO global market-based measure in 2019-2020, it is important to ensure that the scheme's monitoring, reporting and verification (MRV), for flights to and from Europe, maintains the stringency and environmental integrity of the EU ETS.

EXPLANATORY STATEMENT

Approximately 1.3% of global CO₂ emissions are derived from international aviation. With anticipated growth in air traffic over the next three decades, worldwide emissions could further increase by 300-700% by 2050 unless action is taken to curtail the rise.

The development of a global market-based measure, as part of a “basket of measures” designed to mitigate the climate change impacts of aircraft emissions, has been on the International Civil Aviation Organisation (ICAO)’s agenda for some time. At its 37th Session of the General Assembly in 2010, ICAO agreed a global aspirational goal of carbon neutral growth by 2020. Three years later, the organisation established a working group for developing a global market-based mechanism to achieve this objective.

On 6 October 2016, at the 39th Session of the General Assembly, ICAO adopted Resolution 39-3, which introduces a global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), under which aircraft operators that are in excess of baseline emissions will be required to purchase offsets in order to achieve carbon neutrality from international civil aviation from 2021. This baseline will be calculated as the average 2019-2020 emissions. The scheme is intended to complement new technologies, operational improvements, and infrastructure measures with the aim of achieving sustainable growth for aviation and the sector’s aspirational long-term goal of halving net CO₂ emissions by 2050, compared to 2005 levels. All EU Member States will join the scheme from the start.

ICAO must still develop the modalities, procedures, and implementation tools to allow the CORSIA to enter into force in 2021, which includes the monitoring, reporting, and verification of emissions, offset criteria and eligibility, baseline emissions, and the regulatory framework for participating states to implement the scheme at the domestic level. The scheme will then be implemented over three phases. During its pilot (2021-2023) and first phase (2024-2026), 65 countries will participate on a voluntary basis. In its second phase (2027-2035), with the exception of countries with minimal aviation activities, participation will become mandatory. Should the scheme deliver its objectives, approximately 80% of aviation emissions above 2020 levels will be offset under CORSIA between 2021 and 2035. Importantly, the agreement foresees a review every three years to ensure alignment with the long-term climate objectives of the UN Framework Convention on Climate Change (UNFCCC) and the 2015 Paris Agreement.

The European Union (EU) has long recognised the impact of aircraft emissions on climate change. To incentivise airlines to operate more efficient fleets, in 2008 the EU adopted legislation to extend its Emissions Trading System (EU ETS) to emissions from flights in to, out of, and within the European Economic Area (EEA). This approach was ruled compatible with international law by the European Court of Justice. However, a number of third countries and airlines firmly opposed the legislation, arguing that a regional scheme would lead to weakened trade and financial distortions. Therefore, in order to support ICAO’s commitment to develop a global market-based measure, the EU agreed to temporarily limit the scope of the EU ETS to flights within the EEA until 2016. In the absence of any further amendment to the EU ETS Directive, this derogation would cease to apply, and reinstate the original 2008 compliance coverage (“the snap-back”).

The European Commission responded to ICAO's CORSIA agreement in February 2017, and proposed to maintain the existing derogation beyond 2016. A further review of the EU ETS will then be undertaken and informed by a Commission report at an unspecified later date, when there is both greater clarity from ICAO on the nature and content of the mechanisms necessary for implementation of the CORSIA and the precise extent of third country participation can be determined. The proposal also highlights the importance of securing a swift agreement by the co-legislators, the European Parliament and Council, preferably before the end of 2017 to ensure legal certainty for compliance under the EU ETS.

In her draft report, your rapporteur broadly concurs with the Commission proposal. She believes it is prudent to await progress on the modalities, the procedures, and the steps taken to implement the CORSIA by ICAO member states before fully assessing the EU ETS for the post-2020 period. However, to ensure that this review serves to integrate the CORSIA into EU climate policy, your rapporteur considers it essential to specify key milestone dates in the legislation. First, to be consistent with the current regulation, this latest derogation should be time-limited and expire in advance of the CORSIA becoming operational on 1 January 2021. Second, it is necessary to establish a publication date of 1 January 2019 for the Commission's implementation report to provide sufficient time to assess the ICAO Council recommendations. Third, to ensure that the Commission brings forward timely proposals in response to its implementation report, your rapporteur proposes a deadline of 30 June 2019.

As the implementation report will establish the requirements for future EU ETS legislation, your rapporteur believes it is important to stipulate the key technical elements, processes, and environmental impacts to be evaluated. The report should examine the CORSIA's overall ambition in relation to the EU's commitments under the Paris Agreement. In particular, to assess its effectiveness, the report should also inspect the level of third country participation, penalties for non-compliance, processes for public input, standards for monitoring, reporting and verification (MRV), rules on the use of biofuels, and should evaluate offsetting provisions against objective criteria. Through addressing these points, the implementation report will enable the Commission and the co-legislators to ensure the environmental standards of the EU ETS are maintained.

Your rapporteur considers enhanced transparency to be crucial to ICAO's work on implementation progresses over the next two years. ICAO's Committee on Aviation and Environmental Protection (CAEP), which, along with the ICAO Council, will set the framework and governance provisions on MRV and offset units, applies a strict non-disclosure protocol on its Members and Observers. Public access to its deliberations is not permitted. Your rapporteur is concerned that such limited transparency in the process could undermine the quality of information required to inform the EU's post-2020 discussions as well as institutional trust. It will therefore be essential for the CAEP to allow the Commission to provide regular substantive updates to the European Parliament and Council.

With negotiations continuing concurrently between the European Parliament and the Council on the wider reform of the EU ETS for the period 2021-2030, and to ensure consistency with this proposal, your rapporteur believes it is necessary to include amendments pertinent to the aviation sector as adopted by the Parliament on 15 February 2017. Those amendments call for the aviation sector to receive 10% fewer allowances than its 2014-2016 average (in line with other sectors), to increase the number of auctioned allowances from 15% to 50%, and for

revenues generated by these allowances to be earmarked as climate finance. On this final point, your rapporteur believes that special funding considerations should be given to Member States under the Ninth Research Framework Programme (FP9), to incentivise the use of revenues from auctioned allowances and increase the co-financing expenditure for research, development, and commercialisation of new climate technologies.