



The extension of the EU ETS to aviation

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European Commission

Overview



- ★ EU climate policy and the EU ETS
- ★ EU ETS aviation legislation
- ★ Key issues for aircraft operators
- ★ Summary



Overview



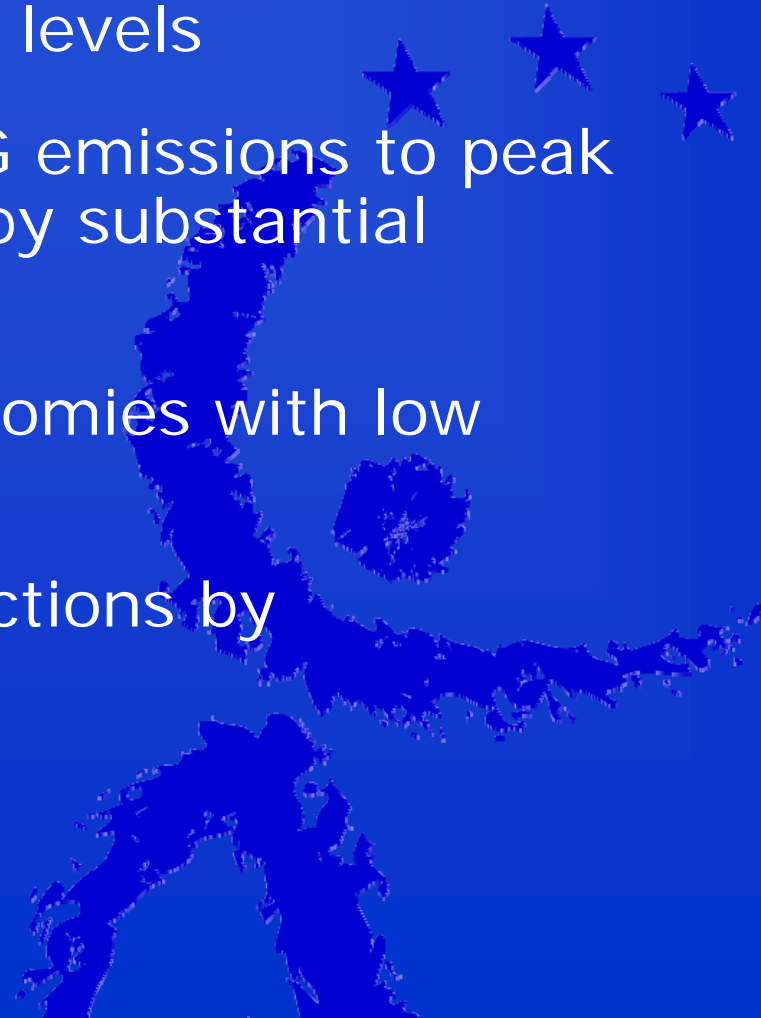
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Long term EU climate change objectives



- ★ Limiting the global temperature change to 2° Celsius above pre-industrial levels
- ★ Implies need for global GHG emissions to peak within 2 decades, followed by substantial reductions by 2050
- ★ Challenge of emerging economies with low emission levels per capita
- ★ Order of magnitude of reductions by industrialised world:
 - 15-30% by 2020
 - 60-80% by 2050



Emissions trading: a market-based approach



EU Emissions Trading Scheme (EU ETS):

- In force since 1 January 2005
- Mandatory caps on emissions from 11,500 energy-intensive installations across the EU
- Covers almost half of total EU CO₂ emissions
- Cost-effective strategy for reducing emissions
- Step on the way to a global carbon market

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Overview of aviation and EU ETS legislation



- ★ The legislation was finalised last year
- ★ Directive 2008/101/EC was published on 13 January
- ★ Entered into force on 2 February
- ★ 12 months of Member States to implement
- ★ Additional legislation finalised in December sets general EU ETS architecture for 2013 - 2020

Scope



- ★ Legislation covers all flights to and from EU airports
- ★ Small aircraft and certain flights excluded
 - Excludes planes with MTOM below 5.7 tonnes
 - De minimis provision excludes commercial operators with:
 - on average less than 2 flights per day; or
 - annual emissions of less than 10,000 tonnes CO₂
- ★ Scheme can be amended to take into account equivalent measures to reduce emissions taken by other countries.

Timing



- ★ Aviation included in the EU ETS from 2012
- ★ Precompliance emissions reporting in 2010 and 2011
- ★ Benchmarking (tonne-km) reports in 2010 – necessary to apply for free allowances



Emissions cap



- ★ Cap based on 2004-6 average annual emissions (1990 for other sectors)
- ★ In 2012 – cap set at 97% of 2004-6 average annual emissions
- ★ From 2013 - cap set at 95% of 2004-6 average annual emissions

Trading



- ★ Allowances can be freely traded
- ★ Aircraft operators can buy and use allowances from other sectors
- ★ Aircraft operators can use CDM credits:
 - in 2012 operators may surrender CERs up to a limit of 15% of allowances surrendered
 - The use of CERs from 2013 will be at least 1.5% of verified emissions

Distribution of allowances to aircraft operators



- ★ Most allowances to be allocated for free by benchmarking based on tonne-kilometres
- ★ 15% of allowances to be auctioned from 2012 through to 2020
- ★ Auctioning proceeds should be spent on tackling climate change in the EU and third countries
- ★ 3% of allowances reserved for new or fast-growing operators

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Administering Member States



- ★ Each operator regulated by 1 Member State
- ★ Commission published preliminary list allocating operators to Member States on 11 February
- ★ Available on our web site
- ★ Contains over 2700 aircraft operators
- ★ Open for comment until 31 March 2009

Monitoring, reporting and verification



- ★ Monitoring, reporting and verification (MRV) is at the heart of the EU ETS
- ★ Operators must monitor and report emissions to their competent authority each year
- ★ Operators may report activity (t/km) in 2010
- ★ Reports must be verified by an independent verifier
- ★ Guidelines for the monitoring, reporting and verification of emissions from aviation will be adopted by the Commission

MRV guidelines



- ★ Guidelines agreed last week by Committee of Member States
- ★ Still to be approved by Parliament, but content should not change
- ★ Hope to make draft available on our website soon
- ★ Contains simplified emissions measurement procedure for small emitters

Simplified MRV emissions measurement procedure for small emitters



★ Small emitters are:

- Less than 10,000 tonnes CO₂ per year
- Less 243 flight movements per 4 month period

★ Modelling of emissions rather than measuring

★ Can use modelling tools that are already available

★ Simplifies significantly monitoring and reporting

Annual emissions compliance calendar



Task	Phase II																Phase III			
	2009				2010				2011				2012				2013			
	Jan'09	Apr'09	Jul'09	Oct'09	Jan'10	Apr'10	Jul'10	Oct'10	Jan'11	Apr'11	Jul'11	Oct'11	Jan'12	Apr'12	Jul'12	Oct'12	Jan'13	Apr'13	Jul'13	Oct'13
Submit monitoring plan to CA			◆																	
Approve pre-trading monitoring plan				◆																
Pre-trading scheme monitoring period					■															
Submit updated monitoring plan to CA											◆									
Approve trading monitoring plan												◆								
Monitoring period													■							
Write emissions report											■				■				■	
Verify emissions and report					■															
Submit verified report to CA											◆				◆				◆	
Surrendered allowances																			◆	

European Commission	■	Aircraft operators	■	Competent Authority / Member States	■	Verifiers	■
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Monitoring and reporting tonne-kilometres



- ★ Tonne/kilometre data required for free allocation of allowance
- ★ Benchmark is activity in 2010
- ★ Optional process
- ★ Data required
 - Data on mass of passengers, checked baggage, freight and mail
 - Distance = Great Circle Distance between aerodromes + 95km



Tonne-km compliance calendar



	Phase II																Phase III			
	2009				2010				2011				2012				2013			
	Jan'09	Apr'09	Jul'09	Oct'09	Jan'10	Apr'10	Jul'10	Oct'10	Jan'11	Apr'11	Jul'11	Oct'11	Jan'12	Apr'12	Jul'12	Oct'12	Jan'13	Apr'13	Jul'13	Oct'13
Publish list of aircraft operators	◆																			
Submit monitoring plan			◆																	
Obtain monitoring plan approval				◆																
Monitoring period					■															
Write tonne-kilometre report									■											
Verify data					■															
Submit verified data to CA										◆										
Submit applications to EC											◆									
Calculate allocation benchmark												◆								
Publish allowance allocations													◆							
Issue allowances														◆					◆	

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- Allocation of special reserve requires t/km data for 2014

Verification



- ★ Independent verification of all reports is a foundation of the system
- ★ Each aircraft operator to appoint its own verifier
- ★ Should use verifier that is accredited to work in the Member State where being regulated

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Key messages



- ★ EU ETS is a central part of EU policy to tackle climate change
- ★ Aviation is included in 2012
- ★ Important monitoring activities are required during 2010
- ★ 2009 is very important in establishing monitoring systems and relations with competent authorities and verifiers



**Further information on
our web site**



Aviation and climate change website:

http://ec.europa.eu/environment/climat/aviation_en.htm

Environmental impacts



- ★ By 2020 the legislation will result in a reduction of approx 200 M tonnes CO₂ annually
- ★ This represents the projected business as usual growth from 2005 emissions

Economic impacts



- ★ All airlines will be treated equally, so competition between airlines would not be significantly affected
- ★ By 2020 airline tickets could increase by €4.6 to €39.6 depending on the level of cost pass through, journey length and allowance price
- ★ Increases in ticket prices should have only a small impact on demand growth (forecasted growth from business-as-usual levels of 142% to a minimum of 135%).