

Briefing note: European ETS developments

On Monday 12 November 2012, the European Commission announced a moratorium on some aspects of the European Union's emission trading scheme's extension to aviation "In order create a positive atmosphere around [the ICAO] negotiations". Here are the key points of that announcement:

- The European Commission has proposed to "stop the clock" on the EU ETS for aviation until after the 38th ICAO Assembly (24 September – 4 October 2013).
- This will apply only to flights to and from non-EU destinations, not flights "within Europe".
- All intra-EU flights on any carrier (based in the EU or not) will still have to comply (although it is unclear if this includes the three non-EU states that are involved in the scheme: Norway, Iceland and Liechtenstein).
- The European Commission has done this "to give the process at ICAO time to come to a conclusion".
- The EC proposes that, should there be no outcome to the ICAO negotiations at the 38th Assembly, the EU ETS scheme for aviation will automatically "snap back" to its current status.
- The EC "praise ICAO for their leadership" on this matter recently and are happy that real progress is being made.
- The EC have proposed this political way forward to the 27 Member States of the EU.
- There will now need to be a co-decision of both the EU Member States and the European Parliament to put in place the necessary legislative action needed to make this happen. Commissioner Hedegaard has implied that a political agreement on this would be relatively straightforward, even if the legal/technical wording takes a little longer.
- The EU were keen to point out that it was their leadership that caused the progress at ICAO to be expedited recently.

Video of the announcement can be found here:

<http://ec.europa.eu/avservices/player/streaming.cfm?sid=215099&type=ebsvod>

The press release can be found here: http://europa.eu/rapid/press-release_MEMO-12-854_en.htm

There will be a full technical briefing on the matter tomorrow (13 November) in Brussels. Among outstanding questions are:

- What do airlines do with the allowances that they have already received (for free or purchased) – are they going to be blocked and/or cancelled?
- How does this impact EU-based airlines that have received allowances for their international flights, but will now need to comply on intra-EU flights only (they will have a vast oversupply of allowances and intra-EU carriers who only operated internally will be disadvantaged)?

- What does it mean that the EU ETS scheme will “automatically snap back” if sufficient progress is not made at next year’s Assembly. Does it mean that airlines will have to pay for their 2012 emissions or does it mean that it will re-start?

Reactions from industry and other stakeholders (as of 12-Nov-12 17:26:14 CET):

IATA

EU ETS Pause Gives Positive Opportunity for Climate Agreement

The International Air Transport Association (IATA) welcomed the announcement by the European Commissioner for Climate Action suspending the inclusion of international aviation in the European Union Emissions Trading Scheme (EU ETS).

“Commissioner Connie Hedegaard’s announcement that she has ‘stopped the clock’ on the imposition of the EU ETS on flights to and from non-EU countries represents a significant step in the right direction and creates an opportunity for the international community. The Commission’s pragmatic decision clearly recognizes the progress that has been made towards a global solution for managing aviation’s carbon emissions by the International Civil Aviation Organization (ICAO),” said Tony Tyler, IATA’s Director General and CEO.

The details of how the pause in the application of the EU ETS will be administered at a technical level remain to be clarified, and the proposal still needs to go through the co-decision process with the EU States and Parliament. Nonetheless, Commissioner Hedegaard has made it clear that the EU wishes to “create the space” for the ICAO process to succeed.

“The flexibility shown by the European Commission demonstrates that the ICAO process is working, and we look forward to seeing all parties working together to present positive proposals to the ICAO Assembly in September 2013,” said Tyler.

United Airlines

“We have always advocated a global solution by ICAO to address the climate impacts of aviation, and ETS was an obstacle to progress. While we believe ETS is illegal, we welcome its suspension to allow ICAO to forge an international agreement.”

WWF

Jason Anderson, head of European climate and energy policy, WWF European Policy Office said: “The Commission’s move on aviation in the ETS buys some time for ICAO, who were arguably galvanised into action by the EU in the first place after years of foot-dragging on this issue. Now it’s up to other countries who have been opposing action on tackling the climate impacts of aviation, especially the United States, to show that they are serious about pushing for a global solution. This is a great chance for ICAO members to show leadership and push for action on a global agreement on this issue.” The Commission said that obligations relating to all operators’ activities within the EU “will remain intact and compliance with the EU law will be enforced in this respect” and that the suspension only applied to air traffic to and from non-European countries.

Airbus

Airbus is encouraged by the European Commission’s proposal to “stop the clock” on the enforcement of the inclusion of aviation in the EU ETS to and from European countries until after the ICAO General Assembly next Autumn, following the constructive outcome of last week’s ICAO Council. Speaking after the ICAO Council meeting, Airbus CEO Fabrice Brégier thanked both the UN’s civil aviation body and the European Commission for their leadership: “Last week’s ICAO Council brings the aviation industry one step closer to a coordinated, globally-acceptable approach to better-manage civil aviation emissions. The positive cooperation between ICAO and the European Commission provides the international community with a real chance to make progress on a worldwide agreement on aviation CO2 emissions, and to prepare a sustainable future for international aviation.”

AEA

The Association of European Airlines (AEA) cautiously welcomed today’s announcement by the EU’s Climate Action Commissioner Connie Hedegaard that the application of the EU’s Emissions Trading Scheme (ETS) to flights to and from the EU has been suspended.

This decision, which comes in the wake of mounting international pressure by virtually all of the EU's major trading partners, has very firmly placed the task of finding an effective mechanism to manage airlines' CO2 emissions in the hands of the International Civil Aviation Organisation (ICAO) – which is where, AEA has consistently argued, it should have been all along. The European Commission has made it clear that, if progress within ICAO is not forthcoming, its aviation ETS scheme will be reactivated.

"We are pleased that the Commission has listened to the airlines' point of view. As international tensions over the issue have escalated, European airlines have been facing the very real prospect of discrimination and retaliation in our most important global markets. Indeed, some AEA members have already encountered operational obstacles with regard to certain countries" said Athar Husain Khan, acting Secretary General of AEA.

"European airlines will still be required to buy ETS credits for their flights within the EU", reminded Mr Husain Khan. "Since these are such a tiny proportion of worldwide CO2, it shows the inability of a purely regional scheme to have a meaningful impact on what is a global issue".

AEA hopes that the move will stimulate action within the notoriously slow-moving ICAO, which must come up with concrete progress towards a global approach by its General Assembly in November 2013. "In their opposition to EU ETS, countries such as the USA, Russia, China and India have repeatedly stated that the issue should be dealt with in ICAO. Now they have the chance to show that they mean it", said Athar Husain Khan.

For the duration of this moratorium, the continued application of ETS to intra-EU flights means that passengers on these flights will effectively be taxed, purportedly for environmental reasons, whereas their counterparts in the rest of the world are not. This is clearly an unsatisfactory situation in anything but the shortest term. This Commission decision has created a breathing space, but it is as important as ever that a global approach is formulated and implemented with a minimum of delay.

MEP Peter Liese

"I welcome the substantial progress under ICAO that shows that it was very important that the European Union took a firm stand point. Now it is clear that we need to be flexible but we have to look at the Commission proposal very carefully. On the one hand we shouldn't be too generous. On the other hand we should avoid distortion of competition as much as possible".

Transport & Environment

No more excuse towards a global measure to cut aviation's emissions

The European Commission has announced today a deferral by one year, from 2012 to 2013, for flights from and to the EU to be included into the EU Emission Trading Scheme (ETS).

A coalition of green NGOs thinks today's concession is bigger than necessary, because it is more than commensurate with the limited progress made in last Friday's ICAO Council meeting towards a global market-based mechanism (MBM) to address greenhouse gas emissions from international aviation. The environmental groups say no excuse is left for ICAO to come up with a concrete and global measure at its triennial assembly in September-October 2013.

"Opponents of the inclusion of international flights in the EU ETS have always said that a global solution under ICAO is the way to go. Now it is time for them to stop blaming the EU for blocking a world-wide approach and put their money where their mouth is", says Bill Hemmings, T&E programme manager for international transport.

"The EU has stopped its clock, but the clock for ICAO and the climate is still ticking. The Commission, with today's decision, has moved further than necessary given the little progress made so far at ICAO level. There is no excuse for inaction left", Hemmings added.

"Obama has finally the chance to prove that he means what he said on climate change in his victory speech. The US ambassador said the US could not talk with 'the threat of the ETS hanging over everybody's head'; if today's move still does not clear the sky, we don't know what would", Hemmings concluded.

Tim Johnson, director of Aviation Environment Federation (AEF) said "The Commission's plan still has to be agreed by member states and the European Parliament. Given the huge majority of MEPs that voted in favour of the legislation, we would expect the Parliament to confirm the importance of ICAO delivering a global MBM over the next 12 months".

The formal proposal, which will likely be released in a few weeks, will allow airlines to surrender CO2 allowances by April 2014 and not by April 2013, as originally foreseen. MEPs and EU Ministers will have to vote on this revision in what has known as co-decision procedure, before it's officially adopted.

Greenpeace

"It is still highly uncertain whether ICAO will actually deliver an effective international mechanism by autumn next year," said Greenpeace in a statement. The group urged MEPs and member states to reject the freeze proposal, saying there has not been enough progress at ICAO to warrant it. "Only after adoption of an effective and ambitious global mechanism by ICAO should the EU start revising aviation rules under ETS," the group said.

German Liberal MEP Holger Krahmer

Said the Commission is trying to put a positive spin on what amounts to backing down on a failed policy in the face of international pressure. "This is a friendly formulation for [saying] the project is buried," he said. "The conclusion is, a European island is not the solution for climate protection."