

Consultation on the policy options for market-based measures to reduce the climate change impact from international aviation

Fields marked with * are mandatory.

This document has been prepared by the Commission services for consultation purposes. It is addressed to stakeholders and experts in the field of aviation or climate change with the objective of collecting experiences, suggestions and opinions related to international and EU policies tackling climate change impacts from international aviation emissions through market-based measures (MBMs). The consultation seeks input on questions concerning the problem to be tackled and policy options currently being developed at the International Civil Aviation Organisation (ICAO) and with respect to the EU's emissions trading system (EU ETS).

The importance of global action on aviation emissions

The aviation sector has a strong international character. Carbon dioxide (CO₂) emissions from international aviation are expected to grow by at least 250% from 2005 levels by 2050. A global approach to addressing these rapidly growing emissions would be the preferred and most effective way of reducing these emissions.

The international community reached a landmark climate agreement in Paris in December 2015, which affirms Parties' commitment to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. The Paris Agreement requires all anthropogenic emission sources to be addressed to reach a global peaking of greenhouse gas emissions (GHG) as soon as possible and to undertake rapid reductions thereafter so as to achieve a balance between emissions by sources and removals by sinks in the second half of the century. This significant mitigation effort entails taking firm action on all emission sources, including aviation.

While acting through the EU ETS since 2008, the EU remains committed to seeking multilateral progress to address international aviation emissions. For more than 15 years, the EU has been involved in the discussions aimed at tackling aviation emissions through a global agreement. These discussions have been carried out under the United Nations, in particular at the ICAO.

The inclusion of aviation into the EU ETS

The EU action to address aviation emissions through a comprehensive approach includes facilitating and improving operational and technological developments. However, it is recognised that, faced with significant growth in air traffic worldwide, these measures alone will not be sufficient to achieve meaningful mitigation goals. Given that marginal abatement costs in the sector are generally high and the scope of technical measures available to slow the growth of emissions from aviation is limited, MBMs are a relatively low-cost and attractive choice for aviation. The EU ETS was the first market-based measure covering aviation, but other jurisdictions around the world (e.g. Republic of Korea, China (Shanghai)) are following a similar approach, and more may follow.

As reaffirmed by the [European Council in October 2014](#), the EU ETS is the cornerstone of the EU policy tools for reducing greenhouse gas emissions and thus will be one of the key policy instruments to deliver the EU's commitment for a 40% economy-wide reduction of GHG by 2030. EU ETS sets a mandatory cap on emissions from the sectors included. Companies within these sectors need to cover their emissions with allowances provided by governments for free or through auctioning. Participants can trade their allowances among each other. This facilitates cost effective emissions reductions.

The European Parliament and the Council adopted legislation that entered into force early 2009, making airlines liable for their emissions from 2012. The legislation applies to EU and non-EU airlines alike. Emissions from flights to and from Iceland, Liechtenstein and Norway (European Economic Area, EEA) are also covered. In this way the aviation sector contributes to the economy-wide emissions targets the EU has in place for 2020 and 2030. The EU ETS, thus, covers emissions from both domestic (within a country) and international (between two countries) flights.

ICAO is also working on the design of a global market-based measure (GMBM) to address emissions from international aviation. To support progress being made in the ICAO on its development of a GMBM, the EU introduced a temporary derogation from the application of the EU ETS compliance obligations for flights to and from countries outside the EEA (as well as flights to and from outermost regions). This is a temporary measure that will expire at the end of 2016. Any adjustment to the EU ETS thereafter will depend on progress made on the GMBM at the 2016 ICAO Assembly.

ICAO Global MBM scheme

ICAO Assemblies take place every 3 years and provide a forum through which the 191 Member States of the ICAO agree on the way forward in the form of Assembly Resolutions. At its last Assembly in 2013, ICAO Member States adopted Assembly Resolution A38-18. This Resolution decided that a GMBM to address international aviation emissions had to be developed for decision by the 39th Session of the Assembly, and requested the ICAO Council to finalise the work on it for its implementation from 2020.

It is widely recognised, including by ICAO, that despite progress achieved on aircraft technologies and operational improvements (the so called "basket of measures"), these alone may not deliver sufficient CO₂ emission reductions to achieve a meaningful mitigation outcome nor to meet the agreed target of keeping net CO₂ emissions from international aviation from 2020 at the same level (carbon neutral growth from 2020). For that reason there exists broad agreement on the necessity and desirability of market-based measures in order to achieve those goals. The aviation industry supports the role of market-based measures and the adoption of a single global MBM.

Following the agreement at the 38th Assembly, substantial work has been undertaken within ICAO through the so-called Environmental Advisory Group in order to assess and discuss the main design options for the GMBM on the basis of an offsetting scheme; in parallel, the ICAO's Committee on Aviation Environmental Protection has developed recommendations containing the essential technical rules needed for the implementation of the GMBM, namely as regards monitoring, reporting and verification of emissions and criteria for the eligibility of emission units.

In September 2016, ICAO Member States will convene for the 39th ICAO Assembly in Montreal. The EU expects this session of the Assembly to adopt the key design elements of a GMBM that allows the ICAO goal of stabilising net CO₂ emissions from international aviation at 2020 levels to be met and to establish a clear roadmap for an effective implementation from 2020.

ETS review

The experience in the EU with the ETS shows that market-based measures can be effectively designed and implemented to address aviation emissions. Under the EU ETS, companies from European and third countries are annually monitoring and reporting CO₂ emissions from their intra-European activity and surrendering the corresponding allowances to comply with the system. Compliance rates are currently above 99.6% of emissions covered by the ETS, and its mitigation impact under the current scope is estimated at 16 million CO₂ tonnes per year.

The scope of the EU ETS in the period after 2016 is linked to the development and adoption of a GMBM by ICAO. According to Article 28a of the ETS Directive the Commission shall inform the European Parliament and the Council of the progress made in the ICAO negotiations. In particular, the Article states that, "following the 2016 ICAO Assembly, the Commission shall report to the European Parliament and to the Council on actions to implement an international agreement on a global market-based measure from 2020, that will reduce greenhouse gas emissions from aviation in a non-discriminatory manner". As this provision also states, in its report, the Commission shall "consider, and, if appropriate, include proposals in reaction to, those developments on the appropriate scope for coverage of emissions from activity to and from aerodromes located in countries outside the EEA from 1 January 2017 onwards".

It is important to recall that in the absence of an amendment being adopted by the European Parliament and the Council, the EU ETS reverts to its original scope once the temporary derogation established by Article 28a of the Directive ceases to apply (end of 2016).

General information about respondents

*In what capacity are you completing this questionnaire?

- As an individual / private person
- Public authority
- Academic/research institution
- International organisation
- Civil society organisation
- Professional organisation
- Private enterprise
- Other

If civil society organisation

Please indicate your main area of focus:

Text of 3 to 200 characters will be accepted

Sandbag is Europe's leading NGO on market based measures in climate policy, focused since 2008 on understanding and reforming the Emissions Trading Scheme.

*Please give your name if replying as an individual/private person, otherwise give the name of your organisation:

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Questions for consultation

Following the [Paris Agreement](#) and considering the agreed long-term goal, what kind of effort should come from international aviation and how should this develop over time?

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Whilst across Europe in many sectors energy use and emissions are falling, aviation emissions continue to grow. Internationally, aviation is responsible for up to ~5% of global greenhouse gas emissions, and growing. Thus far, international aviation has avoided payment or penalty for the large climate impact of its emissions. Therefore:

- Emission reductions should first be incentivised in the sector itself, rather than purely through offsets;
- The proposed 2020 carbon neutrality goal under ICAO must be increased in order that aviation plays its fair part in keeping the world to a 1.5c temperature rise;
- ICAO policies must not in any way limit more ambitious policies by states and regions;
- Radiative forcing must be included - the CO2 emissions from aviation must be subject to a multiplier;
- Since no global cap on aviation emissions is currently in place, the ETS must start operating again in its full scope in 2017.

Which elements should emerge from the 2016 ICAO Assembly to provide for the implementation of a robust GMBM by 2020?

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- A legally binding agreement that comes into force in 2021 that includes:
- o MRV beginning as soon as practicable
 - o All air travel from one country to another. To ensure equity, routes between developed countries should be subject to more ambitious climate policies.
 - o A substantial increase of the proposed 2020 carbon neutrality goal in line with the long-term goals agreed in Paris.
 - o A provision encouraging states to take additional measures and greater ambition.
 - o Ambitious in-sector reduction targets.
 - o A multiplier of at least two on CO2 emissions from aviation to incorporate aviation emission's radiative forcing.
 - o Proper accounting of all warming effects including for alternative fuels.

In what ways could action being taken by countries and groups of countries to achieve their respective climate goals, notably by addressing emissions from domestic aviation, complement and interact with a GMBM addressing emissions from international aviation?

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An ICAO agreement should be seen as a floor for ambition, not a ceiling. Nothing in the Assembly Resolution should prohibit states to implement more ambitious measures. States must be able and encouraged to establish their own more ambitious emissions caps for the aviation sector. Since an ICAO agreement will only cover international travel (departing in one state, arriving in another), countries must establish caps for domestic aviation emissions in line with the long-term goals agreed in Paris.

Which should be the main principles and criteria guiding a review of the EU ETS following the 2016 ICAO Assembly?

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Combined ICAO and EU action must ensure emissions reductions in line with the long-term goals agreed in Paris. The EU must set its own aviation sector targets in line with Paris if ICAO establishes a GMBM:

- that is not legally binding;
- without a higher target than 2020 carbon neutrality;
- with weak accounting rules;
- that is based only on offsetting and not on in-sector reductions.

The ETS must start operating again in its full scope in 2017. From 2021 the ETS must cover all inner-EU flights and 50% of all international flights:

- Aviation must be subject to the same 2030 target as all other ETS sectors. The EU must fill in the gap between the ICAO target and the overall EU 2030 target;
- No free ETS allowances to the aviation sector from 2017 onwards.
- The ETS target must be brought in line with the Paris Agreement.

Therefore 2030 ETS target must be raised significantly.

Which options should be considered for the EU ETS for the period 2017-2020?

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The Stop the Clock provision was implemented in order to grant ICAO more time to negotiate a GMBM. Since no GMBM is currently in place, the ETS must start operating again in its full scope in 2017 (as stipulated by Reg 421/2014) as part of pre-2020 ambition required by the Paris outcome. This will be a helpful exercise, particularly in MRV, for the global MBM to begin in 2021. There is no further space for delaying any climate action.

Which options should be considered beyond 2020?

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From 2021 onwards, the ETS must cover all inner-EU flights and 50% of all outgoing and 50% of all incoming international flights:

- Aviation must be subject to the same 2030 target as the other ETS sectors;
- No free ETS allowances must be given to the aviation sector from 2017 onwards;
- The ETS target must be brought in line with the Paris Agreement. Therefore the currently proposed 2030 ETS target of minus 43% below 2005 levels must be raised significantly.

According to Regulation 421/2014, the Commission proposal following the 2016 ICAO Assembly should "swiftly propose measures in order to ensure that the international developments can be taken into account", and "give particular consideration to the environmental effectiveness of the EU ETS (...), including better alignment of the rules applicable to aviation and stationary installations respectively". Which elements of EU ETS could be considered in order to take into account international developments as well as to improve its environmental effectiveness (e.g. review of auctioning shares, use of international offsets – including from the new mechanism established by the Paris Agreement, etc.)?

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Should small non-commercial aircraft operators (emitting less than 1000 tonnes of CO₂ per year) continue to be exempted from the EU legislation from 2021 onwards? If so, what alternative measures, if any, should be considered?

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Fuel taxation and/or VAT is a more effective measure for small operators since there are fewer or no legal barriers to such policies for small non-commercial aircraft.

Submit any other comments you may have.

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