

# 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

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The aviation sector has a strong international character. Carbon dioxide (CO<sub>2</sub>) 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

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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

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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 39<sup>th</sup> 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 CO<sub>2</sub> emission reductions to achieve a meaningful mitigation outcome nor to meet the agreed target of keeping net CO<sub>2</sub> 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 38<sup>th</sup> 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 39<sup>th</sup> 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 CO<sub>2</sub> emissions from international aviation at 2020 levels to be met and to establish a clear roadmap for an effective implementation from 2020.

## ETS review

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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 CO<sub>2</sub> 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 CO<sub>2</sub> 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

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\*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 professional organisation

Please indicate the sectors your organisation represent

*200 character(s) maximum*

Transport

Where is your company located?

Germany

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

*Text of 3 to 200 characters will be accepted*

Deutsches Verkehrsforum (DVF)

If your organisation is registered in the Transparency Register, please give your Register ID number:

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If your organisation is not registered, you can [register now](#).

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\*Please indicate your preference for the publication of your response on the Commission's website:

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## Questions for consultation

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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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International air transport should – in line with ICAO and IATA targets – cap CO2 emissions from 2020. For 2050 the target is to globally reduce net CO2 emissions from aviation by 50 percent.

To achieve these goals a comprehensive strategy is necessary, based on significant technological improvements and sustainable fuels, a further increase of operational efficiency, better infrastructure and ATC, and a global market based measure (MBM).

A global MBM is of utmost importance for climate protection in the aviation sector. DVF asks the EU and all parties engaged with ICAO to support the proposed offsetting mechanism.

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

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The 2016 ICAO Assembly must agree on key elements of the MBM, and ensure to start the mechanism in 2020:

- determine airlines' offsetting obligations based on sectoral rate
- credible criteria for the eligibility of offsetting projects
- reliable and transparent monitoring, reporting and verification regime
- focus on CO2 and not include other potentially relevant GHG now

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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The ICAO global MBM will apply to international flights from 2020. Intra-EU flights between member states, too, constitute international flights. Consequentially, the application of EU ETS to aviation should be stopped when the global MBM is becoming active. Running ETS for intra-European flights and the global ICAO offsetting in parallel would place an additional administrative burden onto EU carriers. A patchwork of different MBM also bears the risk of conflicting requirements, double-counting of emissions, and continuing competitive distortions. For the same reason, states should also agree on a uniform treatment of domestic flights.

To further stimulate CO2 reduction, the EU and member states at national level should take the following measures:

- trigger R&D, production and use of sustainable, alternative aviation fuels
- support R&D for more efficient aircraft
- support operational efficiency
- fully implement the Single European Sky

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

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With regard to the development of market based measures in aviation DVF proposes to concentrate all efforts on the successful implementation of the ICAO offsetting. In aviation offsetting should replace EU ETS.

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

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Which options should be considered beyond 2020?

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In aviation offsetting should replace EU ETS.

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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In aviation offsetting should replace EU ETS.

Should small non-commercial aircraft operators (emitting less than 1000 tonnes of CO<sub>2</sub> 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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Submit any other comments you may have.

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## Contact

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