

Revision of the EU Emission Trading System Directive 2003/67/EC concerning aviation

Inception Impact Assessment by the European Commission

Contribution of Deutsches Verkehrsforum (DVF)

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DVF reaffirms the target of zero emission mobility by 2050. At the global level the aviation industry has agreed on carbon-neutral growth from 2020 and on halving CO₂ emissions by 2050, relative to 2005 levels. This contribution would fit the 2°C scenario of the Paris Agreement, while the 1.5°C scenario would require even more effort. Technology, investments, and efficiency are crucial to move aviation as far as possible on the reduction track. In practical terms this means:

- introduction of sustainable aviation fuels (advanced biofuels; green synthetic fuels)
- introduction of new propulsion concepts (hybrid-electric, hydrogen)
- maintaining the economic capability of airlines to invest in new aircraft
- tapping the full potential of the Single European Sky and other efficiency measures

The task of ETS and CORSIA is to give CO₂ a price tag, to increase the incentives for low-emission investments and operations, and to offset remaining aviation emissions with effective measures in other sectors.

Aviation is a global mode of transport. Therefore, our common effort has always been the introduction of a global market-based mechanism for CO₂ in aviation. CORSIA delivers this solution. Only CORSIA is able to reduce the climate effect of aviation to a significant extent. It is true that the level of aspiration, consistency of measures and monitoring need to be improved. It will be the EU's target to increase the effectiveness of CORSIA – and we will support this policy. However, CORSIA is a valid starting point. When it takes off in 2021 CORSIA will cover right away more than 75 percent of all CO₂ emissions from international aviation. We believe that this is the right tool for aviation. CORSIA offers a basis for intensified global reduction steps in the medium term.

Presently, as a result of COVID-19, lockdowns in many countries and the global economic downswing, the demand in passenger air transport has drastically declined. Forecasts say that international aviation will return to previous levels not before 2023. This has dramatic effects on the economic situation of European carriers.

Bearing this in mind, it is important to stabilise the investment capability and not to increase the administrative burden of European airlines. The EU must preclude double regulation, double charging and increasing red tape in the future of ETS/CORSIA. The revision of the ETS directive has to re-establish a level playing field between EEA und non-EEA airlines – it should not worsen the situation.

With regard to the questions at stake in the European Commission's inception impact assessment DVF recommends the following steps:

1.) EU ETS and CORSIA

The most consistent solution would be to apply CORSIA to non-domestic flights within the EU when CORSIA starts in 2021. The application of the EU ETS to these flights has then to be ceased (option no. 3 – CORSIA only). In legal terms non-domestic intra-EU flights are international flights. Therefore, CORSIA is applicable.

Another viable option could be no. 5 – separation of the scope of ETS and CORSIA according to a reference year. But this option would need modifications compared to the Commission's draft. The reference year should be 2019. In view of the exceptional effects of Corona on international aviation ICAO has changed the baseline of CORSIA to 2019.

In contrast, options no. 2 and 4 in the Commission's list do not fit the requirements. We also advise against option no. 6 since a separation according to where the carrier is licensed could lead to new competitive distortions. We advocate equal treatment of operators on the same route.

EU ETS full legal scope (no. 1) is no real option, bearing in mind the diplomatic dead end that finally lead to the „stop the clock“ solution in 2012. It took much time to regain trust and get back on track for an international solution with ICAO. It is strongly recommendable to avoid a similar step back.

Another point that deserves attention when revising the ETS directive is the treatment of intra-EEA feeder flights. Currently, feeder services of EEA-airlines are subject to the EU ETS while airlines from neighbouring non-EEA-countries can feed from within the EU to their respective hubs without ETS applying. The EU should take measures to preclude competitive distortions in this regard.

2.) auctioning vs. free allocation of ETS allowances

We recommend a gradual, not too early increase of the auctioning proportion, but no targeted phasing-out of free allocation. This is best being reflected by option no. 4 – slow reduction of the free allocation part. This option would both increase the incentive to reduce CO₂ and take into account the very difficult economic situation the airlines are currently in.

3.) overall regulatory framework, safeguarding economic health and climate investments

In view of the Green Deal the European Commission is currently preparing reviews for many important laws, among others the energy taxation directive, the renewable energy directive, the energy efficiency directive. The revision of the EU ETS concerning aviation is one part of this overall regulatory framework. The Commission should ensure that the outcome of the process is not a simple, multiple increase of financial burdens placed on European airlines.

It is necessary to mobilise resources and investments for clean fuels and low-emission aircraft. The transformation towards low-emission aviation will take place under difficult economic conditions. A supporting policy framework is urgently needed. As one part of this strategy we recommend to direct the revenue from EU ETS in aviation back into the sector for the support of sustainable aviation fuels.

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providers, consultants and consumers. DVF has 170 member companies, representing the entire value chain. We link the transport sector with other branches like energy, digital economy, telecommunication, construction, and finance.

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