



Including Aviation in the European Emissions Trading Scheme (EU ETS)

Mr. Niels Ladefoged
Policy Officer – European Commission



Overview



- **Background**
 - General EU climate change policy
 - The EU Emissions Trading Scheme (EU ETS)
- **Aviation & climate change**
 - International context
 - EU context
 - Commission strategy
- **Proposal to include aviation in the EU ETS**
 - Key design features
 - Impacts
 - Next steps



EU Climate Objectives



- Objective: limit temperature increases to max 2°C:

- To achieve this GHG emissions reductions are needed:
 - Developed countries & EU: -30% by 2020 (over 1990)?
 - Developing countries: Reduced emissions growth *asap*, absolute reductions after 2020?
 - Deforestation: halt within two decades, then reverse?

- EU Leadership:
 - Firm independent commitment to achieve at least 20% reductions by 2020 (over 1990)



EU Climate Measures



► Examples

- Energy efficiency in buildings and products
- Promotion of biofuels for road transport
- Minimum road fuel taxes (~0,4 \$/litre for gasoil)
- Planned legislation on CO2 and cars
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- ETS



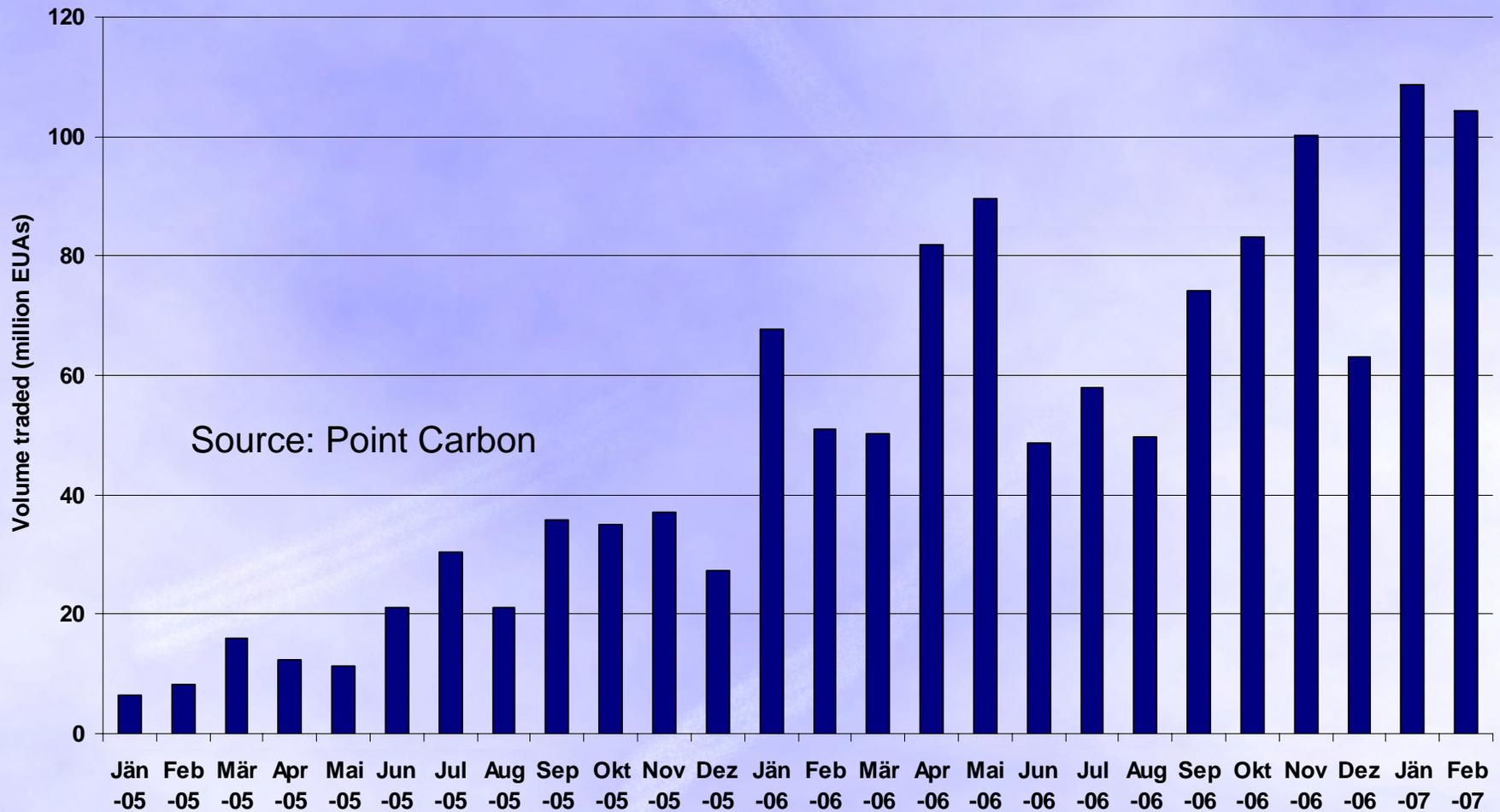
EU ETS basic features



- Applicable since 1 Jan. 2005 in 25 EU countries
- Covers >10,000 energy-intensive installations
- Covers ~50% of total EU CO₂ (~2 GigaT)
- Potential to link with other ETS systems
- Credits from KP projects in 168 countries useable
- No distinction regarding nationality of operator



EU ETS allowances traded





EU ETS Price Development





Clean Development Mechanism



- EU ETS a key driver for investments in developing countries:
 - India - 459 projects in pipeline, amounting to 278 Mt CO₂ eq.
 - Brazil - 190 projects in pipeline, amounting to 148 Mt CO₂ eq.
 - China - 177 projects in pipeline, amounting to 519 Mt CO₂ eq.
 - Mexico - 132 projects in pipeline, amounting to 57 Mt CO₂ eq.
 - Other countries – 316 projects

- Expected market for JI and CDM in the EU ETS of up to 1.3 billion tonnes over 2008-12

Source: New Carbon Finance



International context (1)



- International aviation emissions not included in the targets of the Kyoto Protocol (KP)
- KP requires Annex I Parties to
"...pursue limitation or reduction of [GHG emissions of from aviation], working through the International Civil Aviation Organization..."



International context (2)



- ICAO discussions on market-based measures since 1991 and emissions trading since 1998
- 2001 ICAO Assembly
 - endorsed the development of open emissions trading for international aviation;
 - requested ICAO Council to develop guidelines as a matter of priority



International context (3)



➤ 2004 ICAO Assembly

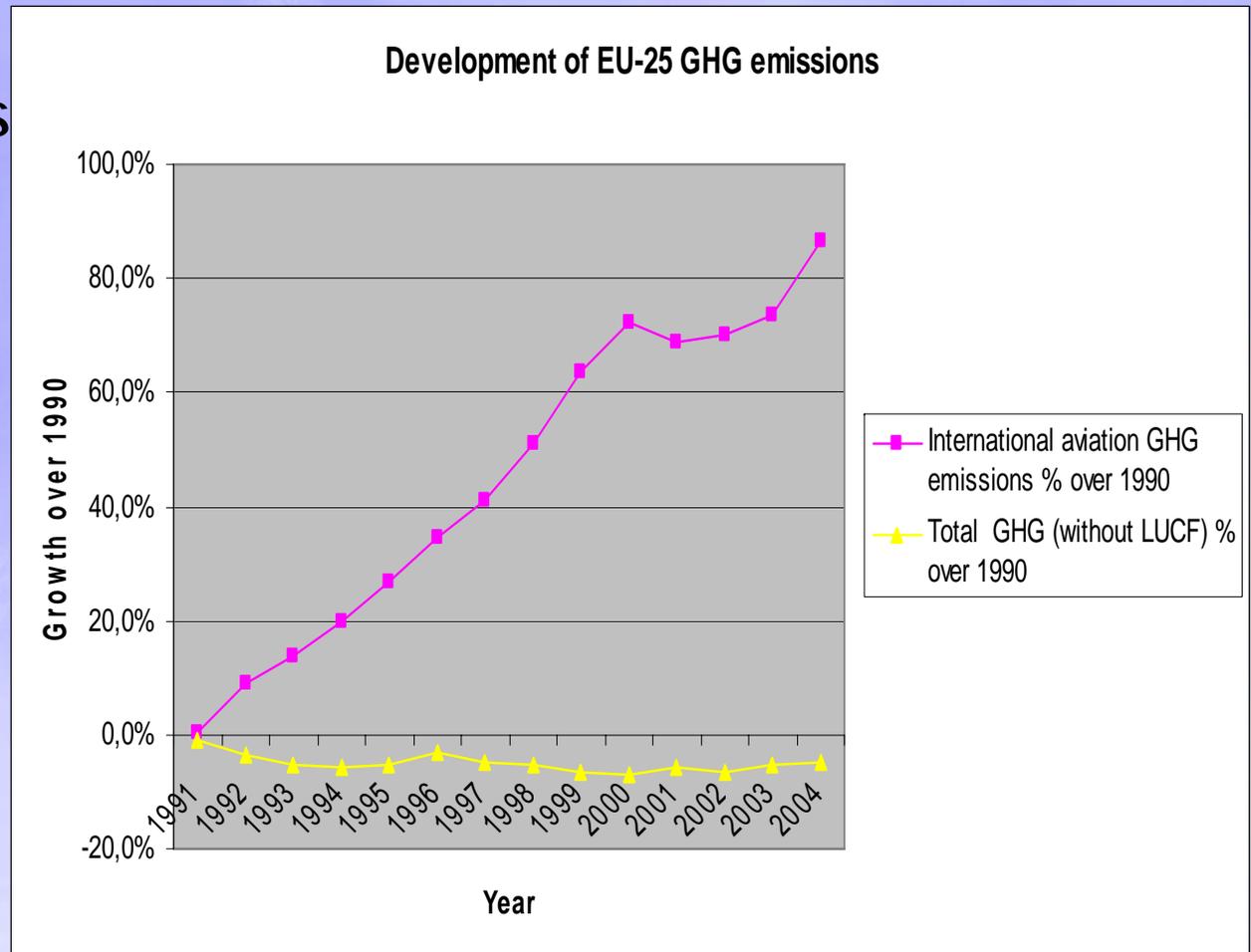
- decided not to work towards a new global legal instrument under ICAO
- endorsed the concept of open emissions trading for international aviation through:
 - voluntary emissions trading
 - the incorporation of international aviation into States' existing emissions trading schemes



EU context



- Rapid growth in aviation emissions
- Strong public pressure to act
- Repeated calls for Commission to make proposals
- Individual MS considering a variety of actions





Commission strategy 2005



- Comprehensive approach proposed
 - R&D: more focus on "greening" air transport
 - infrastructure: better air traffic management
 - design standards: continued work in ICAO

- But further action needed:
including aviation in the EU ETS would be most
 - cost-efficient
 - environmentally effective
 - in line with ICAO policies



Proposal (1)



- **Legislative proposal**
 - Presented in December 2006
 - Still to be adopted by legislative institutions
- **Open scheme**
 - Full trading with other sectors
 - JI and CDM credits can be used
- **Administration**
 - Aircraft operator will be responsible entity
 - Each operator administered by one Member State only



Proposal (2)



- Environmental objective
 - Stabilise emissions by cap at 2004-2006 levels
- Distribution of allowances
 - Mainly benchmarking: CO₂/tonne-kilometre
 - Auctioning as in other sectors (average)
 - proceeds to be spent on administration and on climate change mitigation and adaptation (e.g. in developing countries)

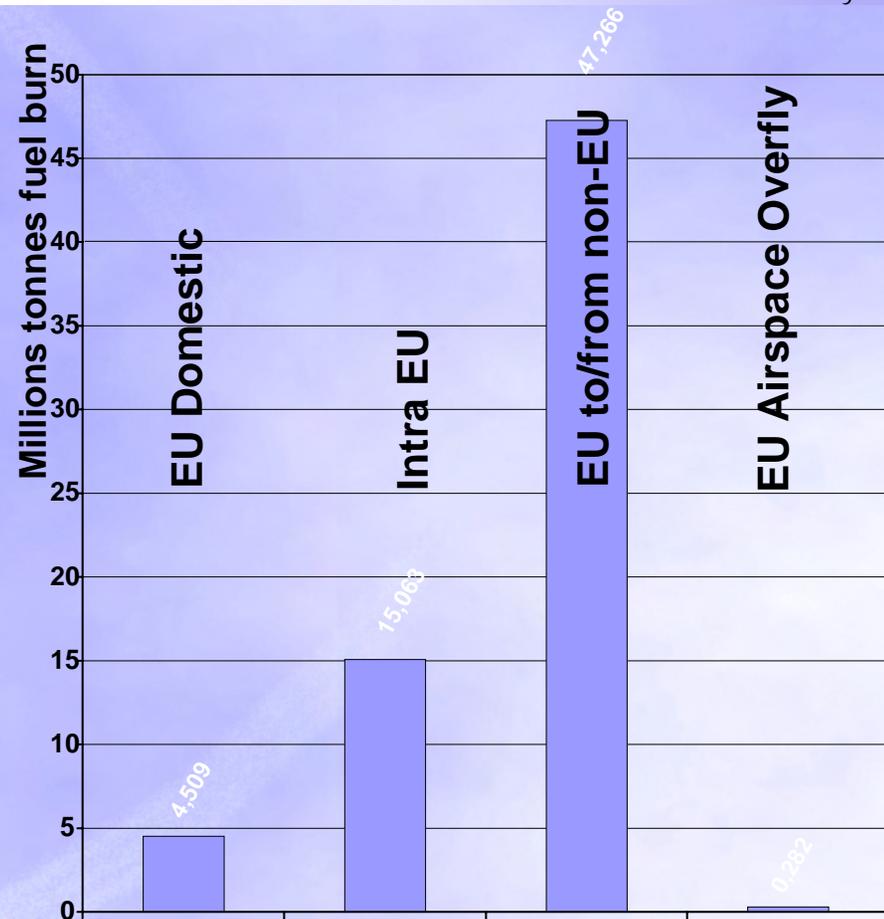


Proposal (3)



➤ Scope:

- 2011: intra-EU
2012: flights to/from EU
- arriving flights excluded if 3rd country takes equivalent measures
- certain flights & small aircraft excluded
- CO₂ emissions only





Impacts



➤ Environment:

- some 180 mio. tonnes CO₂/year avoided by 2020

➤ Economics:

Example: B777, 6400 km, 15€/CO₂:

- ca. 6,9 €/seat/leg if all allowances are bought
- but majority of allowances will be issued for free, so actual cost much smaller



Next steps



Proposal is first step, not final outcome

- EU Parliament 1st reading expected Nov.'07
- EU Council 1st reading by end of 2007?
- 2nd readings in 2008-9?
- Time to consider views from other parties
- EU position that int. aviation should be addressed in post-2012 climate regime



Further information



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

➤ <http://bookshop.europa.eu>

– *EU emissions trading - An open scheme promoting global innovation,*

ISBN : 92-79-02574-0

– *Helping developing countries cope with climate change,*

ISBN: 92-79-02528-7

Free, available in PDF or paper versions