

The EU ETS and its extension to aviation

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Overview



★ The climate change challenge

★ EU Emissions Trading Scheme (EU ETS)

- How it works
- What it has achieved

★ Aviation and EU ETS

- Significance of aviation emissions
- Approach to including aviation in the EU ETS
- Next steps

The climate change challenge



- ★ EU objective to limit temperature increases to 2°C
- ★ To meet this objective urgent action is needed
 - Developed countries & EU: 30% GHG emission reduction by 2020 from 1990 levels
 - Developing countries: Reduced growth as soon as possible, absolute reductions after 2020
 - Deforestation: halt within two decades and then reverse
- ★ EU Leadership
 - Firm independent commitment to achieve at least 20% GHG emission reductions by 2020, compared to 1990 levels

EU Emissions Trading Scheme



- ★ Central pillar of EU Climate Policy
- ★ Applicable since 1 January 2005
- ★ Covers more than 10,000 energy intensive installations
- ★ Covers around 2 billion tonnes of CO₂ emissions - 50% of EU's total emissions
- ★ Implementation is taking place in phases with initial focus is on CO₂ from big industrial emitters

EU ETS: key features



- ★ Cap-and-trade system
- ★ Open scheme – trading between sectors for least cost emissions abatement
- ★ National allocation plans used to allocate allowances
- ★ Member States can auction up to 10% of allowances in the 2008-12 period
- ★ Credits can be used from emission reduction projects in 168 countries
- ★ Possibility for linking with other schemes
- ★ Strong compliance framework

What has the EU ETS achieved?



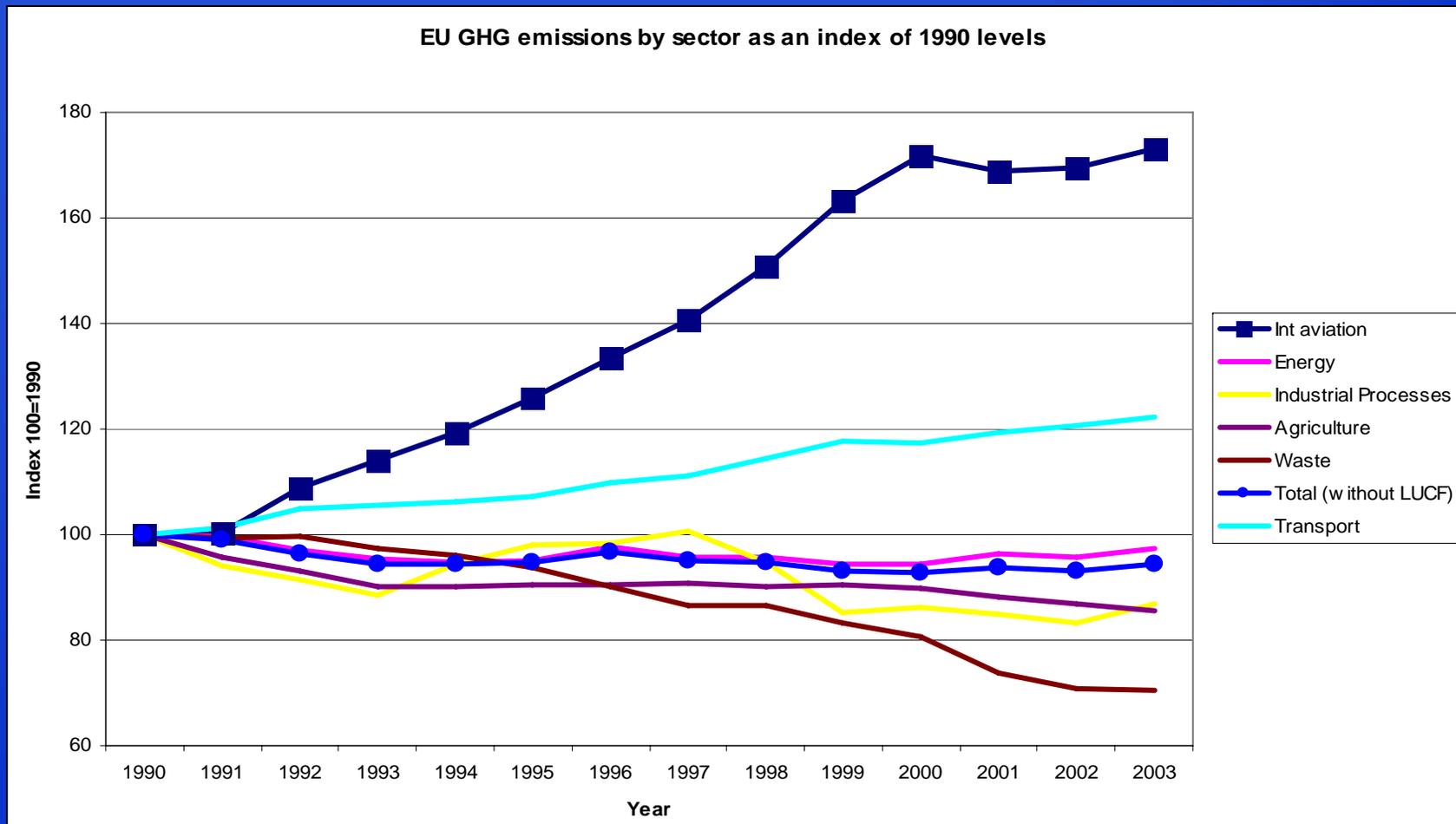
- ★ A step towards a global carbon market
- ★ World's largest carbon market
 - accounting for 62% (by volume) or 70% (by value) of carbon trades in 2007
- ★ Key driver for the Kyoto project mechanisms – JI and CDM
- ★ Raised interest of business sector to reduce emissions, created new finance and employment opportunities

ETS Review proposal



- ★ Proposal to review the ETS adopted in January 2008
- ★ Proposes framework for 2013-2020
 - EU wide cap, rather than national
 - Reduction in size of cap
 - More use of auctioning to allocate allowances
 - Extension to new industries and gases
 - Framework for continued use of JI/CDM

Aviation GHG emissions are growing rapidly



Aviation emissions are comparable to other EU ETS sectors



Combustion installations	1350
Cement and lime	170
Mineral oil refineries	147
Iron and steel	133
Pulp, paper and board	30
Other	87
Total	1917
<i>For comparison:</i>	ca.
<i>Aviation emissions from fuel sold in the EU</i>	144

Source: Verified 2005 emissions for ETS installations (mio tonnes of CO₂).

Aviation and EU ETS proposal



- ★ Adopted by the Commission December 2006
- ★ Emissions cap set at 100% of 2004 – 2006 average annual emissions
- ★ Applies to aircraft operators, each will be administered by 1 Member State
- ★ Intra-EU flights in 2011, expanding to all flights arriving in or departing from the EU in 2012
- ★ Small aircraft and certain flights excluded
- ★ Will not apply to flights arriving from 3rd countries that have comparable measures in place

Allocation of allowances



- ★ Most allowances to be allocated for free by benchmarking
- ★ Small percentage of allowances to be auctioned in 2011-12
- ★ Auctioning in later periods determined via EU ETS review
- ★ Auctioning proceeds to be spent on climate change mitigation and adaptation
- ★ Aircraft operators can buy allowances from other trading sectors and use CDM credits

Key areas under political discussion



★ Start date

Council 2012, Parliament 2011

Both support single start date for all flights

★ Level of cap

Council 100%, Parliament 90%, of 2004-6 average annual emissions

★ Level of auctioning

2011/2012 - Council 10%, Parliament 25%

2013 onwards – Council increase in accordance with general review of ETS, Parliament maximum used in other sectors

Next steps



- ★ Work on EU proposal continuing
 - Second reading in Parliament now under way
- ★ Work on implementation measures
 - Developing MRV guidance – stakeholder consultation is planned
- ★ Will continue to work through ICAO and UNFCCC to develop a global approach to address climate change impacts from aviation

Further information



Aviation and climate change website:

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