

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND
AIR NAVIGATION SERVICES**

(Montreal, 19 - 28 June 2000)

Agenda Item 5.2: Elements for consideration with regard to ICAO policy

**COMMITTEE ON AVIATION ENVIRONMENTAL PROTECTION (CAEP)
TERMS OF REFERENCE REGARDING ENVIRONMENTAL CHARGES**

(Presented by the United States of America)

SUMMARY

This paper recommends the appropriate forum within ICAO to address airport and air service environmental charges. The Committee on Environmental Aviation Protection (CAEP) has been tasked directly by the ICAO Council to develop recommendations on market-based options and to report on its work prior to the 33rd Assembly. It is noted that this conference has on its agenda under Elements for consideration with a regard to ICAO policy a sub-agenda item on Airport charging principles. It is recommended that this conference not attempt to make recommendations on environmental charges as they relate to airports or air navigation services, but defer discussion on issues related to environmental market-based options (levies, credit trading, or voluntary measures), or other environmental charges, to the CAEP for further consideration.

1. Background

1.1 The ICAO Council has tasked the Committee on Aviation Environmental Protection (CAEP) to develop specific recommendations relating to environmental charges. CAEP is a special committee that reports directly to the ICAO Council and that was formed for the purpose of developing environmental standards for both noise and emissions, and to explore technology, operational practices and market-based options with a view to reducing both aircraft noise and aircraft engine emissions. Specifically, the terms of reference task CAEP, "To undertake specific studies, as approved by the Council, related to control of aircraft noise and gaseous emissions from aircraft engines."

1.2 CAEP accomplishes its work in five working groups and one support group that does economic analysis. Two of the working groups deal with aircraft noise and three deal with engine emissions. The support group provides analysis support to all five work groups. Each of the working groups and smaller task groups meet as needed to accomplish their specific work programs. There is also a CAEP Steering Group

that meets as necessary to review ongoing work and to provide guidance and assistance as needed. The full CAEP meets approximately every three years with the next plenary scheduled for January 2001.

1.3 CAEP Working Group 5, Market-Based Options, was established to “identify and evaluate the potential role of market-based options, including emissions charges, fuel taxes, carbon offsets, and emissions trading regimes” in reducing aircraft engine emissions. The tasks given the working group are to, inter alia:

- identify and design a range of market-based options;
- assess potential legal, administrative and geographic limitations on the application of these options;
- identify the environmental effects of these options;
- review the economic analysis of the options;
- consider application of revenues or credits as might be accrued; and
- consider the implementation mechanisms which might be employed.

1.4 The CAEP Forecasting and Economics Support Group (FESG) is tasked to provide in depth cost/benefit analyses of the various options and/or scenarios developed by Working Group 5. The FESG has begun preliminary work in this area and expects to complete its analyses by the end of the summer 2000. Recommendations from Working Group 5 and the results of the economic analyses provided by the FESG will be considered by the full CAEP in January 2001 and specific recommendations will then be made for the Council’s consideration.

1.5 This work is on schedule and recommendations are expected to be ready for the next CAEP plenary in January 2001, and subsequently for the 33rd Assembly.

1.6 Similarly, issues regarding taxes or other environmental charges should be referred to the CAEP where the environmental criteria of environmental benefit, technical feasibility, and economic reasonableness can be applied.

1.7 Although the issue of environmental charges has been debated in many forums within ICAO, the Council guidance is clear — CAEP is the appropriate body to address market-based options or other environmental charges. CAEP has the unique mix of expertise to develop very specific recommendations on economic options in balance with its work on technology improvements and operational measures to reduce both engine emissions and aircraft noise.

2. Action by the Conference

2.1 This conference is invited to refer issues concerning environmental market-based options (levies, credit trading, or voluntary measures), or other environmental charges that may be raised at this conference, to the Council for possible inclusion in the CAEP work program.