

ASSEMBLY – 35TH SESSION

EXECUTIVE COMMITTEE

Agenda Item 15: Environmental protection

AVIATION AND CLIMATE CHANGE

[Presented by the International Air Transport Association (IATA)]

SUMMARY

IATA reiterates its full support to ICAO to further develop climate change policies that must be tailored to aviation's specific characteristics, in order to retain the most flexible and cost-effective solutions. The air transport industry is fully committed to pursue its ongoing efforts to limit or reduce the impact of greenhouse gas emissions deemed to contribute to climate change. This commitment is aimed at further minimising fuel use and emissions through operational measures, technology options and other voluntary initiatives.

States are urged to participate in these ongoing efforts by promoting or implementing infrastructure improvements, such as ATM_cns solutions and to refrain from any local, national or regional measures, such as taxes and charges, that could jeopardize ICAO's policies and compromise industry's ability to finance technological, operational and other voluntary progress.

The Assembly is invited to take into consideration IATA's specific proposals regarding the draft consolidated statement of continuing ICAO policies and practices related to environmental protection.

1 BACKGROUND

1.1 Scientific research, political activity and media attention have familiarised the world with the issue of climate change and its apparent causes and consequences. Many governments, in response to increasing public and political concerns, have adopted international or unilateral commitments to reduce their greenhouse gas emissions from all sectors deemed to contribute to climate change and have developed legislation for implementing concrete reduction measures.

¹ All language versions provided by IATA.

1.2 The unique character of aviation and marine bunker fuels has been recognised by the international community which expects ICAO and IMO (International Maritime Organisation) respectively to develop specific plans for these sectors.

1.3 There are three primary means of limiting or reducing aviation's emissions, namely through aircraft engine and airframe technology improvements, operational measures and market-based policy measures. Despite the large uncertainties that still prevail in identifying and quantifying the actual climate impact of aviation emissions, projections suggest that, due to aviation's continuing growth, over the long term, technology improvements and operational measures alone will not be able to fully offset the increased emissions that are expected to arise from this forecasted growth.

1.4 In order to explore the potential for additional emissions reductions, ICAO has been studying a range of market-based measures including taxes, charges, voluntary measures and emissions trading. These studies have initially focussed on CO₂. ICAO has also begun to evaluate the availability of CO₂ offsets (such as carbon sinks) for emissions from the aviation sector.

1.5 As each of the market-based measures under consideration can have far-reaching effects on the aviation industry, it is vitally important that the 35th ICAO Assembly strike the right balance and formulate recommendations that support a sustainable global society by assuring air transport's ability to respond to market demand.

1.6 Furthermore, ICAO should exercise its authority and leadership to tailor climate change policy to aviation's specific characteristics. It must continue to make progress on this important issue, as perceived inaction by ICAO may trigger uncoordinated local and regional responses with adverse consequences for our industry.

2 ANALYSIS

2.1 While the Kyoto Protocol recognises that ICAO is the appropriate body to address aviation emissions, it should be noted that ICAO's authority in this regard does not derive from the Kyoto Protocol, nor does the Kyoto Protocol limit ICAO's authority. ICAO has its own independent competence deriving from the Chicago Convention that has been interpreted to encompass the environmental aspects of aviation. ICAO has indeed established standards, recommended practices and policies related to the environmental aspects of aviation for over 25 years.

2.2 As the aviation community contemplates mechanisms to further limit or reduce aircraft CO₂ emissions, it should remain focused on three overriding objectives consistent with objectives in the Chicago Convention, namely, to protect air transport's ability to grow and thereby meet demand, to minimise costs and to minimise competitive distortion between aviation participants and between aviation and other modes of transport.

2.3 For many pertinent reasons, compliance with policy mechanisms to reduce CO₂ emissions is more difficult, and far more expensive for aviation than for other fossil fuel consuming sectors. There is for example, at this time, no suitable substitute for aviation kerosene or for high bypass turbo-fan engines, nor are there after-market control devices often available to other industries. This does not mean that the airlines do not invest significantly in CO₂ emission-reducing technology. To the contrary, every investment the airlines make in new aircraft improves our emissions profiles. Significantly, over the 20 year horizon of the CAEP forecast, the airlines are expected to invest over 1 trillion US\$ in new aircraft.

2.4 Alongside continued technology and operational improvements akin to what the industry has seen historically, specific *voluntary measures* can offer a flexible and cost-efficient way to achieve emissions control. Besides continued technology and operational improvements, voluntary measures, allowing airlines and other stakeholders to identify and apply optimal solutions, likely offer the greatest potential for limiting or reducing the environmental impact of CO₂ emissions consistent with the objectives in the Chicago Convention.

2.5 ICAO's analysis shows that the use of *taxes or charges* to reduce aviation CO₂ emissions is clearly the least attractive option as emissions reductions would only be achieved through dramatic fare increases - something simply unacceptable for the travelling public and the industry, resulting in reduced capacity and therefore unsatisfied demand for air travel. For the reduction targets assumed in the ICAO analysis, costs of CO₂-related taxes or charges would range from approximately 47 billion to 245 billion US\$ annually².

2.6 *Revenue-neutral charges* are not, as some might suggest, the answer. While such charges would have the advantage that the overall costs for the industry may be smaller than with other measures, as some airlines would be charged while others would receive rebates, based on their fleet composition, age and utilisation, the differential cost impact on individual airlines might be substantial (creating "winners" and "losers") and the environmental benefits would be minimal.

2.7 Moreover, there are serious legal and institutional obstacles to emissions levies that are related to the application and interpretation of longstanding ICAO policies in this regard. IATA addresses these obstacles in A35-WP/95 and fully supports the text proposed by the ICAO Council in Appendix I to the draft Consolidated Statement of Continuing ICAO Policies and Practices Related to Environmental Protection.

2.8 An *emissions trading* system that would allow airlines to trade emission allowances inside and outside the aviation sector could theoretically maximise CO₂ emissions reductions at the lowest cost relative to other options studied. ICAO analysis has shown that emissions trading would be far more cost-efficient than the use of taxes or charges. However, the exact impact on industry growth, costs and competition is very uncertain and would depend on the design of the trading system and industry's access to an adequate supply of affordable allowances. For the hypothetical emissions targets in the ICAO analysis, costs would range from approximately 17 billion US\$ to over 60 billion US\$ per year³. However, compliance costs under emissions trading would be about 66% to 75% lower than with taxes or charges to achieve the same target.

2.9 Given that emissions trading may show promise for the long term, particularly when compared to taxes and charges, IATA strongly supports the CAEP recommendation that ICAO continue to assess options for emissions trading. IATA is however not in agreement with the CAEP/6 recommendation to abandon the development of an aviation-specific emissions trading scheme under ICAO auspices, an approach particularly suited to ICAO's mandate under the Kyoto Protocol and the Chicago Convention. This CAEP recommendation was premature, given that at the time of CAEP/6, the Committee had not yet received the final consultant report relevant to this discussion. Moreover, this final report does not support the argument used by CAEP that pursuing this approach would be too complicated and time-consuming. In fact, this argument runs counter to the statement in the report that it could be implemented in a shorter timeframe than "integrated trading" approach.

² FESG/MATG Final Report for CAEP/5, (Nov.2000), page A-3, Table A2

³ *idem*, page A-28, Table A21

2.10 An aviation-specific emissions trading scheme under ICAO auspices could significantly reduce the potential for regulatory inconsistencies, competitive distortions, and the use of cost-inefficient mitigation measures. It would potentially also provide a more logical next step following a successful trial period of voluntary trading and would reconfirm ICAO's leading role in the climate change debate.

2.11 IATA therefore urges the Assembly to amend the draft Consolidated Statement of Continuing ICAO Policies and Practices Related to Environmental Protection, Appendix I, clause 2 c) 2) to read as follows:

“Request(s) the Council, in its further work on this subject, to consider the three approaches identified by CAEP. Under the first approach, ICAO would support the development of a voluntary trading system that interested States and international organisations might propose. Under the second approach, ICAO would provide guidance for use by States, as appropriate, to incorporate emissions from international aviation into States’ emissions trading schemes consistent with the UNFCCC process. Under the third approach, ICAO would study the development of an aviation-specific trading scheme within a suitable aviation framework that could interface with other trading regimes that may be developed. Under each approach the Council should ensure that the guidelines for an open emissions trading system establish the structural and legal basis for aviation’s participation in an open emissions trading system, including key elements such as reporting, monitoring and compliance.”

3 INDUSTRY COMMITMENT

3.1 Against this background, IATA member airlines are committed to actively participate in aviation’s ongoing efforts to limit or reduce greenhouse gas emissions deemed to contribute to climate change.

3.2 This commitment is aimed at further minimising fuel use and emissions through operational measures, technology options and other voluntary initiatives. IATA is urging the entire air transport industry, including, of course, the airlines, but also the ATC providers, airports and others, to be as proactive and innovative as possible in this regard. While the airlines have always had strong incentives to minimize fuel burn and, hence, resulting CO₂, the record high prices for fuel are further motivating strong conservation measures within the industry.

4 ICAO LEADERSHIP

4.1 IATA fully supports ICAO’s leadership on climate change issues and supports CAEP’s recent completion of guidance on voluntary agreements. In addition, IATA urges ICAO to complete its studies on emissions trading and other offset mechanisms.

4.2 IATA also urges ICAO to participate as actively as possible in United Nations deliberations on climate change and other global issues that can affect aviation, since aviation’s voice must be heard in the follow-up debate to the World Summit on Sustainable Development that took place in September 2002 in Johannesburg. For that purpose, IATA suggests that in Appendix I to the draft Consolidated Statement of Continuing ICAO Policies and Practices Related to Environmental Protection, the first resolving clause be split and redrafted to read as follows:

“The Assembly:

1. *Requests the Council to continue to develop guidance for States on the application of market-based measures aimed at limiting or reducing the environmental impact of aircraft engine emissions, particularly with respect to mitigating the impact of aviation on climate change;*
2. *Urges the Council to provide advice as soon as possible to the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) while also ensuring that ICAO is actively involved in major United Nations policy discussions concerning climate change and other global issues that can affect aviation”.*

4.3 The 35th session of the Assembly should confirm ICAO Council views, as stated in Appendix I, resolving clause 2 b) 3 to the draft Consolidated Statement of Continuing ICAO Policies and Practices Related to Environmental Protection that existing ICAO guidance is not sufficient at present to justify the application of greenhouse gas emission charges and that the aviation community should focus instead on voluntary measures and agreements, open emissions trading and other offset mechanisms. In this regard, ICAO climate change policies must be tailored to aviation’s specific characteristics, in order to retain the most flexible and cost-effective solutions that minimise competitive distortions and ensure long-term stability within a common ICAO framework.

5 STATES’ SUPPORT

5.1 States are expected to participate in these ongoing efforts by promoting or implementing infrastructure improvements (in particular through ATM_cns solutions aimed at shortening routes and reducing congestion) and by recognising and crediting the industry for all the ways in which it minimises its emissions including through the purchase of more fuel efficient aircraft and the implementation of operational procedures to reduce fuel burn.

5.2 In collaboration with the industry, States are encouraged to continue to work through CAEP to develop a better scientific understanding of the potential climate change effects of aviation emissions. IATA airline members are actively supporting this research and will continue doing so in the future.

5.3 As proposed by the ICAO Council to the Assembly, States are also urged to refrain from local, national or regional taxes and charges to address the climate change impact of aviation and to ensure that their policies are consistent with those of ICAO. Contracting States are also urged to refrain from measures that would disrupt the harmonised international air transportation system, and/or compromise the industry’s ability to continue to finance technological, operational and other voluntary progress.

6 ACTION BY THE ASSEMBLY

6.1 The Assembly is invited

- a) to note this report and the industry’s commitment to continue its active participation in aviation’s ongoing efforts to limit or reduce greenhouse gas emissions deemed to contribute to climate change, on the understanding that these efforts should imperatively be guided by the overriding necessity of a sustainable global society to protect air transport’s ability to grow and thereby meet demand, to minimise costs and to minimise competitive distortion;

- b) to urge the ICAO Council, working through CAEP, to further develop global climate change policies according to aviation's specific requirements, in order to retain the most flexible and cost-effective solutions, and to ensure that ICAO strongly represents aviation's interests and promotes aviation's accomplishments in UN debates on climate change and other global issues that can affect aviation;
- c) to urge Contracting States to participate in these ongoing efforts by promoting or implementing infrastructure improvements, in particular through suitable ATM_cns solutions, and to refrain from any local, national or regional measures, such as taxes and charges, that could jeopardise ICAO policies and compromise industry's ability to finance technological, operational and other voluntary progress
- d) to take into consideration IATA's specific proposals in this paper (see in particular paragraphs 2.11 and 4.2) regarding the draft *Consolidated Statement of Continuing ICAO Policies and Practices Related to Environmental Protection* (A35-WP/77);
- e) to support the continued development of aviation as a critical element in a sustainable global society.

END