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

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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
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)
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
- ....
- 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

Source: Point Carbon

Volume traded (million EUAs)

Jän -05  Feb -05  Mär -05  Apr -05  Mai -05  Jun -05  Jul -05  Aug -05  Okt -05  Nov -05  Dez -05  Jän -06  Feb -06  Mär -06  Apr -06  Mai -06  Jun -06  Jul -06  Aug -06  Sep -06  Okt -06  Nov -06  Dez -06  Jän -07  Feb -07
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...”.
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
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
Proposition (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


  - *EU emissions trading - An open scheme promoting global innovation,*
    ISBN: 92-79-02574-0
  - *Helping developing countries cope with climate change,*
  Free, available in PDF or paper versions