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ICAO: UNITING AVIATION ON CLIMATE CHANGE

ICAO Colloquium on Aviation and Climate Change

Global Sectoral Approach for International Aviation Emissions

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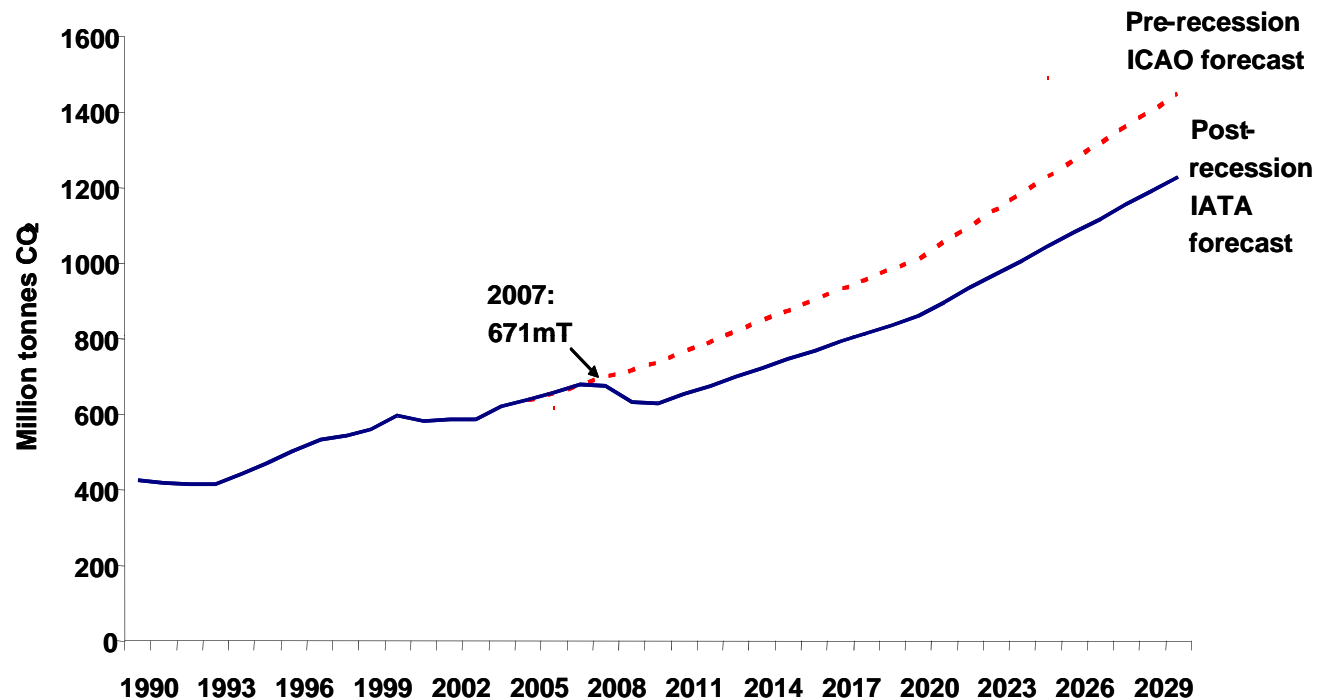
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- Context for emissions reductions
- United industry proposal
- Principles for successful policy regime
- Avoiding market distortion
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- Key policy requirements





Aviation emissions



- Aviation is a growing source of GHG emissions at 2% of global total





Context for emissions reductions

- Aviation's role in socio-economic development must be balanced with its contribution to climate change
- Environmental costs should be internalised
- Despite efficiency improvements, future growth means absolute emissions will continue to grow
- As well as technological and operational efforts, economic measures will be needed
- Aviation's emissions can only increase if other industries' emissions reduce



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United industry proposal

- A global sectoral approach for a global industry
- ICAO should play a leading role
- Industry's proposals
 - Collective 1.5% improvement per year in fuel efficiency
 - Carbon-neutral growth from 2020
 - Reduction of net CO₂ emissions by 50% in 2050, compared to 2005 levels



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Principles (1)

- Environmental integrity
 - Provides net benefit and avoids carbon leakage
- A global policy
 - Aviation sector treated as indivisible total, avoiding distortion and conflicting policy
- Non-duplicative policy
 - Sectoral approach replaces existing policy such as EU ETS. Only pay once for emissions.
- Continued competitiveness between airlines
 - Airlines must face equal treatment in their markets



Principles (2)

- Equity between countries
 - Reflecting “common but differentiated responsibilities”
- Cost-effective economic measures
 - Open access to global carbon markets
- Revenue hypothecation
 - To environmental activities & aviation technology R&D, not treated as general revenue by national governments
- Scientifically based
 - CO₂ emissions initially whilst science on aircraft non-CO₂ effects develops

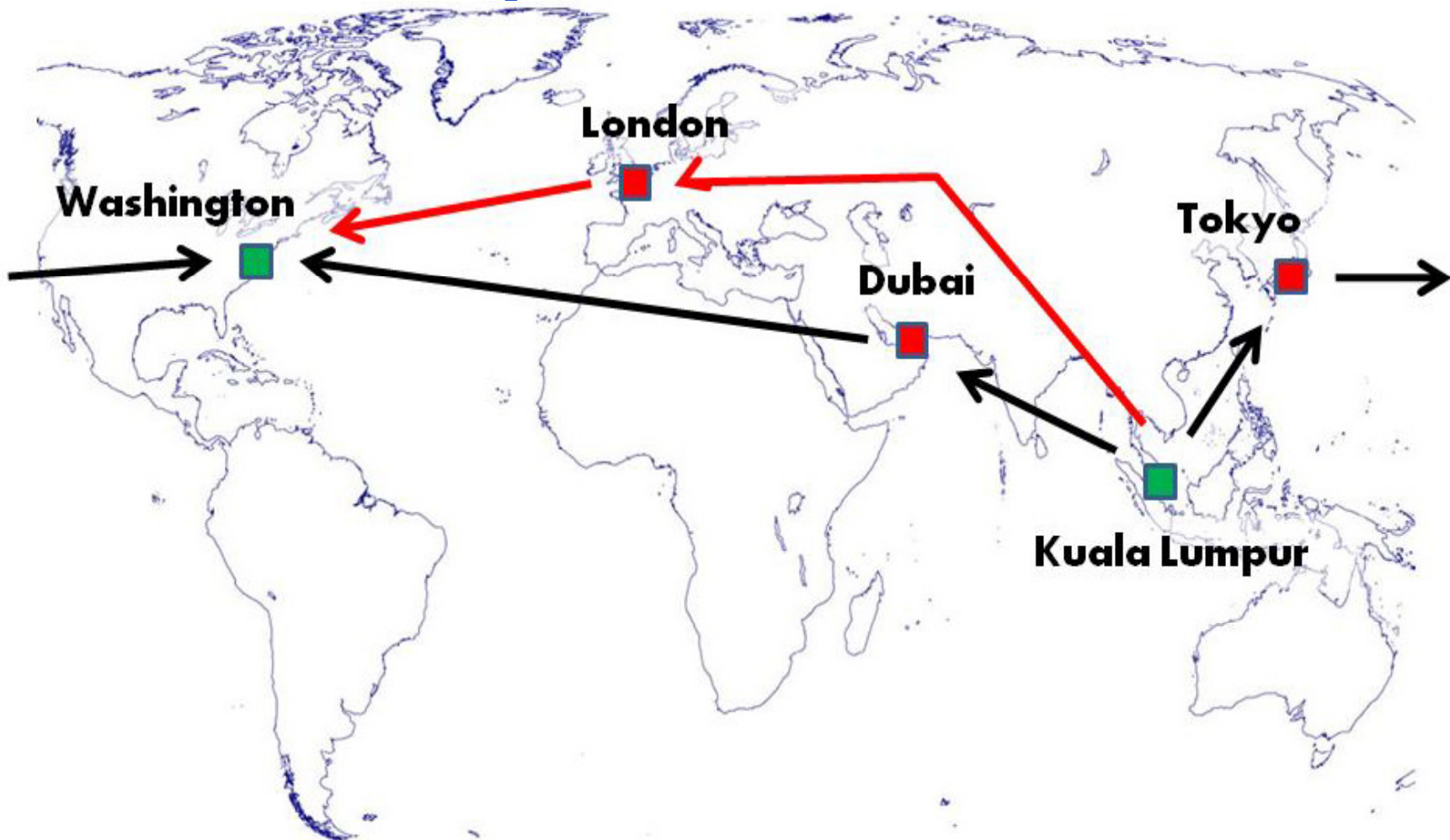


Competitiveness principle

- Airlines must face equal treatment and equal exposure to environmental compliance in markets
- In most markets, journey can be made from origin to destination by a range of routings
- When climate policy applied to some, but not all, flight stages, competitive distortion occurs
- Climate change policy must be **equal in any given origin-destination market** regardless of routing, intermediate journey points or operator nationality



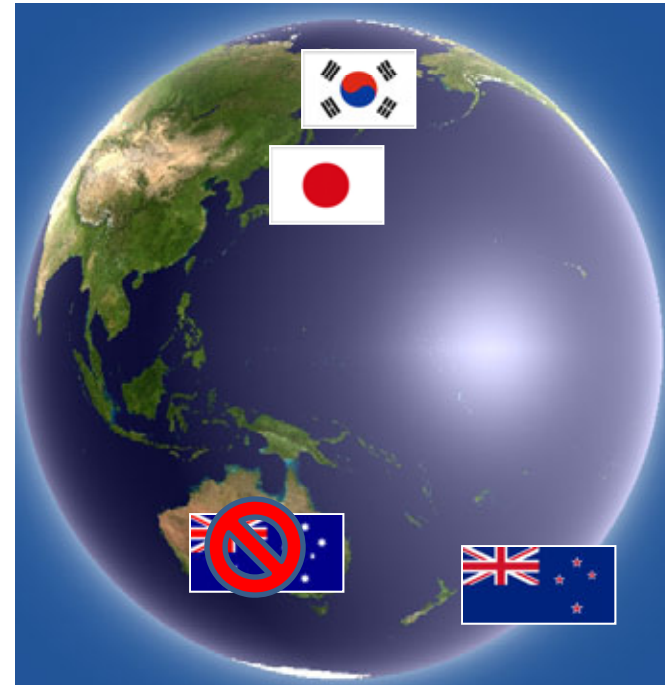
Example of OD market





The rise of regional approaches

- A “patchwork” of overlapping, conflicting regulation: an international airline’s nightmare





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Open emissions trading

- ICAO has endorsed emissions trading as the most cost-effective instrument
- Taxes, levies and charges offer significantly less environmental benefit. Tax 23 times more costly
- Aviation has high mitigation costs
- The atmosphere has no preference where emissions cuts are from or how costly they are
- Our objective must be to reduce emissions at least cost to global society



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CBDR

- With different or differentiated climate policy, discrimination in markets occurs
- Classical CBDR not applicable to international aviation
- Governments will need to develop an innovative approach to reconciling the principles of non-discrimination with CBDR

CBDR = Common but differentiated responsibility



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AGD contribution on CBDR

- Equal treatment of all operators
- Cap and trade system
- Access to global carbon markets
- Revenue from auctioning distributed to climate initiatives in developing countries and aviation R&D
- LDCs excluded

AGD = Aviation Global Deal Group

LDCs = Least Developed Countries



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Key policy requirements

- Global sectoral agreement through ICAO
- Creation of new responsibilities for administering the policy regime for international aviation
- Equal treatment of all airlines
- Cost-effective open emissions trading
- Continued development of broad and deep global carbon market
- Hypothecation of any revenues to environmental initiatives, including aviation R&D, e.g. biofuels



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Thank you

