

## **Air transport: welcome on board the EU ETS!**

*International air transport greenhouse gas emissions are not regulated by the Kyoto Protocol. In the absence of an industry agreement, the European Union will include emissions from the aviation industry in its emissions trading scheme from 2012 onwards, as a world first.*

### **CO<sub>2</sub> emissions have taken off**

According to the International Energy Agency, CO<sub>2</sub> emissions from the international aviation industry increased by 62% worldwide between 1990 and 2007. In total, they account for 30% of the transport sector's global emissions, of which 19% are solely attributable to domestic air transport. Asia has recorded the fastest growth: +153%, including +246 % in China and +170% in India. The bulk of the international aviation industry's emissions are nonetheless still attributable to developed countries: in 2007, 33% of the international aviation industry's CO<sub>2</sub> emissions were from the EU and 15% from North America and Asia respectively.

At present, only domestic air transport is included in the emissions that developed countries need to control between 2008 and 2012 under the terms of the Kyoto Protocol. In contrast, no international agreement imposes restrictions on emissions from the international aviation industry. This is despite the fact that the Kyoto Protocol requested the International Civil Aviation Organisation (ICAO), a specialist United Nations agency, to come up with a regulatory framework in 1997.

### **The mechanics of the European aviation cap-and-trade**

The aim of Directive 2008/101/EC, which was adopted in November 2008 and entered into force in February 2009, is to include aviation activities in the European Emissions Trading Scheme from 2012 onwards. The unilateral decision taken by the EU sets quantified CO<sub>2</sub> emission reduction targets for airlines operating within the EU, regardless of whether they are European or not: a 3% reduction in 2012 relative to average annual CO<sub>2</sub> emissions for the industry between 2004 and 2006, then 5% per year between 2013 and 2020.

This commitment covers all flights taking off and landing at airports in the 27 EU Member States, except flights managed by small airline operators, and diplomatic, military or humanitarian flights. In total, some 4,000 airlines are involved. According to the European Commission, the aviation industry will become the second largest sector in the EU ETS after the energy sector, and will be credited with around 220 million "aviation" allowances a year, i.e. 10% of the global EU ETS ceiling. 15% of those allowances will be allocated by auction from 2012 onwards.

### **EUA and EUAA: a false "likeness"**

In order to comply with the directive, airline operators will be required to return allowances equivalent to their certified emissions in the previous calendar year. Those allowances can be:

- "aviation" allowances, known as EUAA (*European Union Aviation Allowances*);
- credits issued by the Kyoto Protocol flexible mechanisms, whose utilisation is limited (to a maximum of 15% of verified emissions in 2012 and with an allowed minimum of 1.5% of the verified emissions for the 2013-2020 period);
- allowances allocated to other EU ETS sectors, known as EUA (*European Union Allowances*).

The reverse will not be possible: as the allocated "aviation" allowances are not recognised for Kyoto compliance, other sectors in the EU ETS will not be able to use them.

The EU will nevertheless face the opposition of non European countries. Among them developing countries like China, India and Brazil remain hostile to any form of regulation, including at the international level where the ICAO is expected to announce in September the definition of energy-efficiency standards. Will this regulation target an environmental result equivalent to the European system? In this case, the European Commission is likely to adapt its allowance system.

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