

EVENT SUMMARY

Lunchtime debate: Aviation and climate change – destination unknown?

Brussels, December 2, 2014

Hosted by Lucy Anderson MEP (S&D) and Bas Eickhout MEP (Greens/EFA) and organised by Transport & Environment with the financial support of Umwelt Bundes Amt

Bas Eickhout - Greens/EFA MEP, Member of the European Parliament's Committee on Environment, Public Health and Food Safety

Eickhout began with an overview of why we are discussing aviation emissions and what is the current state of progress. Aviation is 2.5% of global CO₂ emissions, and that is not even discussing other environmental impacts from the sector. It is one of the fastest growing sectors emitting CO₂ – and acknowledging the problem doesn't solve it.

He gave a history of the EU's attempts to include aviation in the EU ETS scheme as a response to the failure of progress through the International Civil Aviation Organisation (ICAO). Within Europe aviation ETS was a well-supported political effort, with a big majority in European Parliament and unanimity in the Council. But countries outside of Europe started to complain (Russia, US, China) and attacked it, with support from industry. So there was 'stop-the-clock' to give ICAO another chance, but we are still 'stopping-the-clock' for international flights pending a deal at ICAO.

The ICAO's 2013 Assembly agreed to draft a global market based measure, to address emissions above 2020 levels ("2020 carbon neutral growth") to be adopted at their 2016 Assembly and come into force in 2020.

Eickhout is sceptical that ICAO will really do something. But the question is, what will the EU do? Stop-the-clock ends in 2017, and there is uncertainty beyond this.

Mary Veronica Tovsak Pleterski – Director for European and International Carbon Markets, DG Climate Action, European Commission

Emphasised that these international negotiations should keep in mind the overall objective of keeping a potential increase in global temperatures to under 2 degrees, to which international aviation should fairly contribute. The good news is that ICAO is discussing a global market based measure, with more engagement from different countries than previously.

In substance, there are two aspects that are key to the design of any deal. First there is the certainty of an environmental objective of the scheme – to make sure that the objective of 2020 carbon neutral growth – accepted by the EU as a working assumption despite being considered insufficient - is achieved. The second important objective is about obligations – how to determine the distribution of offsetting obligations and here we have the important question of special circumstances and respective capabilities (SCRC, also known as CBDR). From the Commission's perspective we have to reconcile this with the Chicago Convention principle of non-discrimination and both of these issues must be addressed at the same time. To help achieve an outcome on this, we need to move beyond the binary distinction between developed and developing countries.

The EU and member states seek a credible outcome. That means strong enforcement, and offsets being of high quality. There needs to be the strongest possible engagement from the EU and its

member states.

Barry Moss - Director at Avocet Risk Management Ltd

Discussed the issue of systemic risk being built up in the EU ETS system due a lack of clear enforcement. It was also stated that the system remains a very bureaucratic one, especially for small emitters. There has been a lack of enforcement in some member states and we are yet to see them publish a list of non-compliant operators. The EU's publically available transaction log is incomplete and gives a false impression of compliance.

Regarding penalties, you could see fines of up to €10m on some aircraft should full scope ETS be reintroduced in 2017. So we are looking at potentially very large numbers. The compliance information is unclear as many aircraft operators have not opened registry accounts with the EU ETS system so we are unaware of their non-compliance.

With aviation you have the added problem that many of these emitters are based outside of the EU, so it is harder to ensure compliance than with statutory emitters such as power stations. But this is crucial because you need to have even and fair compliance. If there is a need to revert back to full scope ETS, there must be confidence that it will be enforced.

For European taxpayers, there is a risk from non-compliance by big airline operators because many aircraft purchases are supported by government export credit guarantees. If an aircraft is detained under EU ETS enforcement, there is a risk of a default with taxpayers picking up the tab. There could be billions of euros of risk building up in the system.

Jasper Faber – Aviation and maritime specialist, CE Delft consultancy

Faber gave an overview of the history of climate change and aviation, starting with the Kyoto protocol giving ICAO competence to address aviation's contribution to climate change. Progress on this was slow, with the EU forced to act unilaterally in the absence of a global agreement.

It is clear from history of this issue that consensus has remained elusive and there are many ICAO member states that continue to express reservations to the target of carbon neutral growth. We can also see that Europe has not been very successful in diplomacy – the ambition stated in the 2013 ICAO resolution is weaker than expected because Europe did in part not succeed in getting the support of certain developing countries.

In going forward, it is clear that Europe needs a better strategy at coalition building. Diplomacy in Montreal (the seat of ICAO) and in the capitals of non-European countries is not the EU's strong point, and the EU has failed to communicate its ideas or listen to the concerns of other countries.

Europe also needs to prepare alternatives to the current proposals, as we are not sure that any agreement reached in 2016 will have enough support to be adopted by the Assembly. Having alternatives prepared is a prudent way to proceed.

Athar Hussain Khan – CEO, Association of European Airlines

Aviation's contribution to climate change is small and relatively stable – around 2% of manmade climate change. The expectation is that by 2050 this won't exceed 3%. Last year 705 million tons of

CO2 were emitted by aviation against 36 billion tons from the rest of human activity – but this is not to say the industry should be complacent.

Therefore, the industry has set a number of targets – 1.5% fleet fuel efficiency per annum up to 2020, carbon neutral growth from 2020 and a long-term goal of a 50% reduction by 2050 based on 2005 levels. In addition, we are also looking at technological developments (alternative fuels, more efficient aircraft), operational measures and infrastructure improvements (such as the Single European Sky could be the biggest environmental project in Europe, reducing emissions by 8.1 million tonnes of CO2 annually) that are complemented by a global market based measure.

Any global market based measure must meet certain criteria – it must be global and preserve fair competition, it should take into account different levels of activity, it must be transparent and it must be easy to administer. Airlines themselves have an interest in reducing emissions by reducing fuel consumption and their reliance on fossil fuels. The airlines we represent had revenues of EUR100bn last year and spend EUR 34bn on fuel. We support a mandatory offsetting scheme, because it has the biggest chance of being accepted at ICAO-level. It must be as inclusive as possible, covering the widest possible number of aviation activities. If there is a need for, they should be non-distortive.

ICAO's 2013 Assembly decision was landmark and historic, and the EU deserves credit for having pushed the issue to the top of the agenda. There should be no overlap between a global scheme and a European scheme, so the global system should replace the European one and should also allow States to include domestic aviation if they wish to do so. We are confident that there will be a successful outcome at ICAO level and we are working hard to make this a reality. To facilitate a global agreement, it has to be accepted in Europe that the EU ETS cannot serve as a blueprint for the global scheme.

Jos Dings – Director, Transport & Environment

Aviation is the most carbon intense form of transport, and actually contributes 5% to manmade climate change. Yet it faces little environmental regulation – no VAT and no fuel duty, and the EU ETS scheme has been weakened. We're therefore going to see growth of between 60-80% in its emissions over the next 12 years.

A real test is whether a global deal will be better than what it is aiming to replace, the EU ETS scheme. We have reasons to believe that this will not be the case. ICAO is not known for operating in the most transparent manner, and so we are sceptical that we will see a strong deal. It is also unknown who will administer any agreement reached. The possible legal options have serious flaws (treaty and standards). The focus on offsets will result in lower environmental integrity due to uncertainty over whether real emissions have actually been reduced. So while the latest EU agreement on the 2030 climate package moves Europe away from offsets, ICAO is doubling down on them. There is also a lack of engagement from certain developing countries that needs to be rectified. Distribution of obligation needs to be addressed and here we need industry to take the lead with ideas. The COP meeting in Paris is also being used to delay process at ICAO.

Which such uncertainty, we should not give away EU ETS without ensuring the ICAO deal has high environmental integrity.

Lucy Anderson – S&D MEP, Member of the European Parliament’s Committee on Transport and Tourism

It’s clear that international aviation has an enormous impact on climate change, and in the UK it amounts to 6% of our climate emissions. So we can’t be in a situation where we stop the clock forever, and my colleagues on the transport committee understand this.