



To: EU Environment Ministers,
Cc: Permanent Representatives to the EU

20/06/08

Dear Minister,

Council / Parliament Negotiations on the Proposal to Include Aviation in the EU ETS

We would like to underline the importance of urgently reaching an agreement with the European Council and the European Parliament on the inclusion of aviation into the European Union Emissions Trading Scheme (EU-ETS). We believe this is essential to show the EU is united on this critical policy in the face of opposition from third countries and to ensure a strong position in negotiations at international level.

But we are concerned that the Council has so far failed to grasp the importance of improving the Commission's proposal to a degree that would ensure a genuine reduction in emissions from the aviation sector. We urge you, as environment ministers, to push the Council substantially closer to the position of the European Parliament that has so far shown much more willingness to improve the environmental effectiveness of the scheme.

This policy proposal is the first real climate legislation to be discussed in the co-decision process after EU heads of state agreed to cut emissions by 20-30% by 2020. Therefore, Europeans will see the agreement you reach on this topic as a bellwether of the EU's commitment to combating climate change.

As you negotiate with the Parliament and Commission on this topic this week, we urge you to take into account the following key issues:

- **Level of cap, and auctioning for the post 2012 negotiation period should be aligned with the general review of the EU ETS**

The Council is proposing that the cap for the aviation sector should be set at a level that stabilises emissions at 2004-2006 levels. However, after the targets were set by heads of state in March 2007, the Commission proposed in its recent 'climate package' that sectors in the EU ETS should reduce emissions by 21% between 2005 and 2020. When the Council adopted its common position in December 2007 this was still unknown. But to insist in maintaining that provision means in practice that aviation will be included in the EU ETS with preferential treatment compared to other sectors.

Similarly with auctioning, the aviation sector should be treated in the same way as other sectors that do not face international competition. As the official impact assessment has shown, airlines will pass on the costs of allowances to their customers.

- **The inclusion of aviation in the EU ETS should not be postponed further**

It is very disappointing to see that the Council is proposing that the starting date of the scheme should be postponed to 2012. We urge you to reconsider this position. The Council has so far made no technical case for such a postponement, and to do so would have negative consequences for Europe's ability to meet future climate targets.



- **The environmental ambition of the scheme should be improved, to show a clear signal of the EU's ambition to tackle climate change**

Although the cap and auctioning levels for the period after 2013 should be defined in the general review of the EU ETS Directive, the initial values to apply specifically for aviation in the first year (or years) need to be defined in this Directive.

Regarding the cap, it is important to note that aviation has doubled its emissions since 1990. By proposing 'emission stabilization' the Council is setting the cap for aviation at a level which is 90% above 1990 emissions. The European Parliament is calling for a reduction of the cap proposed by the Council to a level that would still represent a net increase of emissions of approx. 70% between 1990 and 2004-2006. The EU committed in Kyoto to reduce its emissions by 8% in the period 1990-2012. If the Council can't agree with the proposal of the European Parliament, a very negative political message will be sent. Aviation would not only face its first climate regulation ten years after other sectors, but will also be able to emit double the emissions compared to the Kyoto level.

- **Ensure that real emissions from the aviation sector are reduced**

A key concern of environmental groups about this proposal is that, as the Commission itself acknowledges, it will only reduce aviation emissions by the equivalent of less than one year's growth. Given this, we urge you to see it as a first step to address emissions of international aviation and recognise that Member States can, under subsidiarity, maintain or adopt further policy measures as they see fit.

Moreover, the proposal only focuses on CO2 emissions. But additional measures are needed to address the full climate impacts of aviation. The precautionary principle would suggest setting of a multiplier until other measures are in place, as has been proposed by the European Parliament.

The European Parliament has proposed that aircraft operators should only be allowed to buy permits from other sectors under specific conditions. This strategy aims to ensure that the inclusion of aviation in the EU ETS will incentivise the aviation industry to cut emissions and improve its own fuel efficiency, which would also lead to less oil demand and less dependency from imported oil. Given the proven absence of carbon leakage in the aviation sector this would also improve the overall cost-effectiveness of the EU ETS. We strongly support this approach.

We also note that after the Irish vote against the Lisbon Treaty it is important that the Council shows openness to the positions of the European Parliament, the directly elected body of the EU.

We hope you can take these considerations on board for the debate in the next week's discussions.

Yours sincerely,

Jos Dings, Director T&E