

# Fit for 55: EU ETS and CORSIA Air France-KLM comments and suggestions

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## Context

Following the presentation of the “Fit for 55” package on 14 July 2021 by the European Commission (EC), the Air France-KLM group welcomed the package and strongly supports the objectives of the European Union to be the first climate neutral continent in the world by 2050 and to reduce by -55% CO<sub>2</sub> emissions by 2030 compared to 1990. Despite the aviation sector being so hard hit by the COVID-crisis, Air France-KLM Group remains fully committed to decarbonise air transport and we are accelerating our efforts to reduce CO<sub>2</sub> emissions, as was also shown by our active contribution to and full endorsement of the *Destination 2050 report*<sup>1</sup>, displaying the European aviation sector’s pathway to net-zero emissions in 2050 of all flights departing Europe, published in February 2021.

In October 2021, the International Air Transport Association (IATA) committed to achieve net-zero emissions globally by 2050, and the Air Transport Action Group (ATAG) provides corresponding technology projections up to 2050.

Moreover, in December 2021, Air France-KLM Group, Air France and KLM committed themselves to Science-Based Targets (SBTs) to set short term targets based on science in line with the Paris Agreement. In doing so, we are also effectively contributing to the European Green Deal and EU’s climate neutrality objectives.

**In our general position paper on Fit for 55<sup>2</sup>, we noted that** the package contains a number of proposals that will directly impact the European aviation sector. We are pleased that many of them are in line with the Destination 2050 report. We are concerned however that some parts of the proposals would increase the risk of carbon leakage, due to substantial cost increases for European airlines and lead to competition distortions with third country carriers, if no adjustments are made. We therefore wish to continue to work constructively with the EU institutions and relevant stakeholders to ensure that passengers continue to use EU hubs - key assets to Europe’s attractiveness - and to limit carbon leakage.

As the different Fit for 55 proposals are dealt with by different Committees in the European Parliament and different Council formations at different speeds, **it is essential that we assess the Fit for 55 proposals and its impact all together and as a package**, in terms of true CO<sub>2</sub> reduction contribution of every single measure, the impact on carbon leakage, costs for the industry and the competitiveness of the European aviation sector vis-a-vis the rest of the world. In order to have a constructive discussion with all stakeholders, we offer concrete suggestions to improve the EC proposals where necessary, for each text that affects our activity.

This document outlines our comments and concrete suggestions for improvement regarding:

- **The EC proposal on the revision of EU ETS for aviation;** proposal for a Directive (2021/0207) amending Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and appropriately implementing a global market-based measure.
- **The EC proposal for a Decision on CORSIA;** proposal for a Decision (2021/567) amending Directive 2003/87/EC as regards the notification of offsetting in respect of a global market-based measure for aircraft operators based in the Union.

<sup>1</sup> <https://www.destination2050.eu/>

<sup>2</sup> Position Paper - Air France-KLM key messages EU Green Deal Fit for 55 package of 21 October 2021

## **General comments on the EC proposals to revise EU ETS for aviation and CORSIA**

Aviation has been part of the European Emission Trading System (EU ETS) for intra-EEA flights **since 2012**. As such, **EU ETS is an efficient market-based measure that provides a clear signal to reduce CO<sub>2</sub> emissions**. Especially in the next 10-15 years, EU ETS will continue to be key to reduce CO<sub>2</sub> emissions from European aviation. Reliance on economic measures will be reduced over time as breakthrough technologies become more widely available, leaving residual emissions to be addressed through carbon removals.

At the same time, the EC is now proposing a complete phase out of all free allowances for aviation already by 2027, combined with a sharp increase of the linear reduction factor (LRF) from -2.2% to - 4.2% per year, which **will lead to steep cost increases for EU airlines in the next years**. Especially as already now EU ETS carbon prices have risen from 25 euro per tonne at the end of 2020 to 90 euro at the end of 2021. These are costs which non-EU carriers operating on the same markets do not incur. When European aviation becomes more expensive than non-EU competition, without balancing measures, traffic flows would move outside of the EU and CO<sub>2</sub> emissions would merely shift elsewhere, i.e. lead to **carbon leakage**, instead of reducing them, which must be our common goal. In fact, as a result of carbon leakage, CO<sub>2</sub> emissions can even increase due to longer journeys around Europe. This makes it even more important to improve the EC proposals and to restore the balance and to adopt flanking measures in the context of the proposed ETS revision to avoid carbon leakage and safeguard fair competition with non-EU carriers from other parts of the world that are not subject to similar environmental regulation. It is essential for EU carriers and EU hubs to retain passengers, remain competitive, provide connectivity and not put European jobs at risk. We must work on this together to effectively decarbonise the aviation sector, which is a truly global sector.

In this context, **we regret to see that the current ETS proposal lacks parallel measures or new instruments to avoid carbon leakage**. This is surprising as other sectors that operate internationally and also face fierce global competition and are equally subject to a phase out of free allowances, as proposed by the EC, such as the steel, cement and chemical sectors, *do fall under* the EC proposal for a Carbon Border Adjustment Mechanism (CBAM), which is meant to uphold the international level playing field. By contrast **aviation is not covered by the CBAM proposal** nor is any other measure to the same effect foreseen. This is remarkable as **aviation is considered to be highly sensitive to carbon leakage, as was concluded by a recent AFEP study, being the 4<sup>th</sup> most exposed sector to carbon leakage**.<sup>3</sup>

When aviation was incorporated into the EU ETS in 2012, it was decided that a number of free allowances would be allocated to EU airlines precisely to continue to be able to compete globally with non-EU carriers that do not fall under this European system. Taking free allowances away, without considering the distortive effect, would nullify vested policy. In the specific context of recovery from the COVID-19 crisis, the revision of the EU ETS must be done prudently in order to preserve a global level playing field as much as possible.

Moreover, Air France-KLM believes that it is essential that the **revenues of EU ETS** are actually used to achieve *in-sector* decarbonisation in the future, for example by funding the scale-up of Sustainable Aviation Fuels (SAF) production in Europe to make these fuels more affordable, targeted research and innovation in low carbon technologies and engine and aircraft improvements and/or to support energy-related projects and carbon capture development. This is not happening at the moment and does not help the sector in its green transition. We need to ensure that there is sufficient investment already today in the technologies which will help airlines decarbonise tomorrow, preferably in the short and medium term. The extension of the *ETS Innovation Fund* should include support for Contracts-for-Difference (CfD), notably to increase the attractiveness of SAF.

We underline that the value of a cap-and-trade system such as the ETS resides in its capacity to provide long-term certainty on the abatement curve, while offering the possibility to hedge against unforeseen fluctuations in the ETS price on sufficiently liquid and deep carbon markets. Measures to prevent financial speculation in European carbon markets should be considered, if disorderly trading or abusive behaviour is identified in the market.

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<sup>3</sup> AFEP study "Trade & Climate Change", 2020.

## **Possible solutions to restore the international level playing field distorted by the ETS proposal**

While we fully support effective EU measures that help the sector to become more sustainable and reduce its CO<sub>2</sub> emissions, the EU ETS revision as proposed by the Commission will lead to significant extra costs for EU airlines. For Air France-KLM Group the cost of ETS compliance will be 10 times (!) as high in 2030 compared to 2019. For Air-France KLM Group the costs would reach about 430 million euro per year in 2030.<sup>4</sup>

It is important to stress that EU ETS applies to intra-EEA flights only. Flights which start in the EU and end outside the EU are excluded from the EU ETS. Accordingly, feeder flights to hubs outside the EU enjoy a financial advantage. Due to their geographical proximity to the EU, airlines and hubs in Turkey, the UK (if policy would disalign following Brexit) as well as the Near and Middle East in particular benefit from this unequal treatment. Yet, we regret to see insufficient measures to rebalance this heavy distortive impact for EU airlines in the Fit for 55 package. We need adequate EU measures to counter the increasing imbalance with non-EU carriers.

We believe these are possible solutions - which can be used in complementary manner - to level the playing field and help to avoid carbon leakage:

### **1. Retention of a number of free allowances in EU ETS until the level playing field is restored**

Allowances should be allocated to reflect the timeframe expected to see significant uptake of decarbonisation technologies in the sector - according to the EC's own assessments; this is not expected before 2030 for a significant uptake of SAFs and only 2035 for the deployment of transformative propulsion technologies. Furthermore, it is important to note that modifying the share of allowances auctioned will have no impact on CO<sub>2</sub> emissions. Under a cap-and-trade mechanism, the climate benefit is defined by the cap, not by the level of auctioning. If the auctioning of allowances generates revenues for EU and EFTA Members States, it does not lead to an additional mitigation in CO<sub>2</sub> emissions from aviation unless the revenue from such auctioning is reinvested into the development or deployment of aviation decarbonisation technologies. Free allocation is an established means to prevent competitive distortion and carbon leakage. Moreover, shifting the total phase out from the start of 2027 to 2030 or 2035 gives other parts of the world – such as the UK which is considering a SAF mandate and has an own ETS too, or Turkey and others – time to also put in place similar climate mitigation legislation, which also decreases the competitiveness gap between EU and non-EU airlines. It is fine if the EU sprints, but then at least the rest of the world needs to run as well.

If no new policy solution is found to uphold the level playing field for the European aviation sector, free allowances - put in place precisely for this purpose - must be retained.

### **2. An EU ETS Fair Competition Correction for transfer passengers on European feeder flights that continue their journey from/via an EU hub to non-EU destinations**

The risk of carbon leakage caused by significant price difference could be addressed by introducing a compensation mechanism targeting only the fraction of traffic actually exposed to this risk. These modifications could be achieved without reducing the overall CO<sub>2</sub> emission reduction ambitions or limiting the effectiveness of the EU ETS. A formula can be used to calculate the compensation/correction for airlines. In a first step, all airlines report annually the total amount of passengers, who transfer via an EU-hub to an extra-EU destination. Via such a formula, fuel consumption is allocated to individual passengers, and the outcome of such a formula shows the compensation/correction that an airline should receive on the basis of traffic that is actually exposed to the risk of carbon leakage. The payment of this compensation could be done in the form of "*EU ETS fair competition allowances*". For this solution to be workable, we need a simple and uniform solution to calculate, report and verify this, using standardised percentages of transferring passengers (totals) instead of a per flight approach to avoid heavy administrative burden and unworkable reporting and auditing obligations. See our concrete suggestion for a new article to be included in the EU ETS proposal in the "specific comments" section below.

### **3. Inclusion in CBAM, or a separate (similar) operational proposal for aviation**

A Carbon Border Adjustment Mechanism (CBAM) may be an effective method to equalise distortions of competition with non-EU companies competing on the same markets. For goods, a tax is usually levied as a compensatory mechanism. The CBAM or a similar control principle could help to level the international level playing field for aviation, as it would then be applied to airlines that operate out of the EU via non-EU hubs, but are not subject to the ETS. We are welcoming the possibility offered by the Commission to study the extension

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<sup>4</sup> Based on 106€/t CO<sub>2</sub> hypothesis.

of CBAM to transportation services during the first years of implementation of the mechanism, and will firmly support such initiative towards inclusion, with stronger, more concrete wording.

#### **4. Integrate environmental compliance in the EU comprehensive air transport agreements**

In principle, air transport agreements could allow for the integration of environmental standards similar to those applicable in the EU. EU comprehensive air transport agreements that have not yet been signed or pending bilateral agreements could therefore be amended accordingly. By doing so, flights by third country airlines feeding into their non-EEA hubs would be integrated into the EU ETS or apply a similar, equivalent system on a mandatory basis. For existing agreements, the Joint Committees could also work towards their subsequent inclusion in the EU ETS or introduce similar, equivalent systems and standards, although this will be an extremely difficult process. New negotiating mandates for future comprehensive air transport agreements should include a provision on ensuring compliance with the EU environmental requirements for international aviation.

Of course, aviation is a truly global industry and therefore its CO<sub>2</sub> emissions can be best addressed at global level to be most effective and fair to all. Therefore Air France-KLM strongly believes that:

#### **5. We need to set strong global targets for aviation**

Air France-KLM encourages the wider adoption of more ambitious decarbonisation targets at ICAO level to effectively reduce CO<sub>2</sub> emissions, including increasing the ambitions of CORSIA, and related actions such as the long-term global aspirational goal for international aviation (LTAG), to be agreed at the ICAO Assembly in the second half of 2022. Air France-KLM also encourages ICAO to set intermediate goals that are in line with the Paris Agreement and follow Europe's climate ambitions. A global carbon price is a driver for good, effective and even progress. If it is achieved, it will incentivise decarbonisation cost-effective for all players, provide clarity and a truly common mission. A global carbon pricing system would help to gradually close the gap in ambition between the EU and the rest of the world as we all decarbonise our sector. This also includes the possibility of introducing a **worldwide SAF blending mandate**. To the contrary, a unilateral decision to expand the scope of EU ETS to non-EU destinations will pose a serious threat to this global objective as it will preclude any global negotiation. We are therefore against any extension of the application of the EU ETS geographical scope.

#### **6. The global UN-system CORSIA needs to be strengthened**

Ensuring strong sustainability criteria for offsets will be crucial for the credibility of the sector and of instruments such as CORSIA. In line with UN goals, these credits should be truly sustainable and without any compromise, notably when it comes to impact on deforestation or food/feed supplies. Internationally agreed standards following these sustainability principles need to be agreed upon. CORSIA should be stimulating reduction instead of offsetting. If offsets are allowed even when they do not result in genuine and additional emissions reduction, then the scope to compensate for growth in the aviation sector will be limited and the scheme will be undermined.

**Implementing CORSIA in Europe:** EU participation in CORSIA is pivotal for the success of the scheme and its credibility. The EU needs to **respect its multilateral engagement, not endanger the effectiveness of CORSIA** and reconcile the ICAO CORSIA scheme with the EU ETS in a way that does not penalise EU carriers. A hybrid system could be envisaged, where double counting of the same ton of CO<sub>2</sub> must be avoided.

We need a solution or a combination of such solutions to avoid carbon leakage as a result of the EU ETS proposal, but especially as a result of the cumulative effect of the various Fit for 55 proposals.

The current EC proposals "as is" could jeopardise the economic viability of the European aviation industry and could create a scenario that leaves the grade of connectivity (in terms of frequencies and capacity) into the hands of non-EU carriers. A setback in connectivity would significantly hamper trade, business and leisure activities for each EU Member State, and consequently severely damage the economic well-being of the EU Member States, including job losses as a result of lost traffic through EU hubs.

## **Specific comments and suggestions for improving the EU ETS and CORSIA texts**

<b>Article</b>	<b>Content</b>	<b>Comments</b>	<b>Proposal</b>
<b>Article 1 phasing out of free allowances (amending Article 3c and d)</b>	(a) paragraph 1 is replaced by the following: '1. In 2024, 25% of the quantity of allowances in respect of which free allocation would have taken place as published in accordance with Article 3c shall be auctioned.', (b) the following paragraph 1a, 1b, 1c and 1d are added: '1a. In 2025, 50% of the quantity of allowances in respect of which free allocation would have taken place in that year, calculated from the publication in accordance with Article 3c shall be auctioned. 1b. In 2026, 75% of the quantity of allowances in respect of which free allocation would have taken place in that year, calculated from the publication in accordance with Article 3c shall be auctioned. 1c. As from 1 January 2027, all of the quantity of allowances in respect of which free allocation would have taken place in that year shall be auctioned.'	Effective decarbonisation solutions for aviation will only become available at scale from 2030. Air France-KLM therefore proposes to prolong the total phasing out of free allocations for aviation emissions until 2030 and to subsequently tie the share of emissions eligible for free allocations to the share of guaranteed available decarbonisation solutions such as Sustainable Aviation Fuels (SAF) on the EU market as per the ReFuelEU SAF blending mandate proposal Article 13 and Annex I. A later phase out also gives other non-EU countries time to implement similar climate legislation to meet the goals of the Paris Agreement, be it their own EU ETS or SAF mandate for example.	<u>Proposed amendments:</u> In 2024, <b>15%</b> of the quantity of allowances in respect of which free allocation would have taken place as published in accordance with Article 3c shall be auctioned. <b>1a. From 2025 to 2029, 50%</b> of the quantity of allowances in respect of which free allocation would have taken place in that year, calculated from the publication in accordance with Article 3c shall be auctioned. <b>1c. As from 1 January 2030,</b> all of the quantity of allowances in respect of which free allocation would have taken place in that year shall be auctioned.
<b>Article 10a on the use of revenues generated from the auctioning of ETS allowances</b>	'4. Member States shall determine the use of revenues generated from the auctioning of allowances covered by this Chapter, except for the revenues established as own resources in accordance with Article 311(3) of the Treaty and entered in the general budget of the Union. Member States shall use the revenues generated from the auctioning of allowances in accordance with Article 10(3).'	It is essential that the revenues of EU ETS are actually used to implement in-sector decarbonisation in the future, for example by funding the scale-up of SAF production in Europe to make these fuels more affordable, targeted research and innovation or to support energy-related projects and carbon capture development. We need to ensure that there is sufficient investment already today in the technologies which will help airlines decarbonise tomorrow.	Member States shall use no less than the full amount of the aviation allowances auction revenues to support aviation decarbonisation efforts and technologies reducing greenhouse gas emissions from aviation, and in particular the deployment of SAFs. The Innovation Fund shall dedicate particular attention to aviation related projects. The Revenues referred to in Article 21(2) of the Proposal ReFuel EU Regulation (EU) shall be allocated to the Innovation Fund.  <u>Proposed amendment:</u>  Member States shall <b>determine the use the full amount</b> of revenues generated from the auctioning of allowances covered by this Chapter <b>for decarbonisation and sustainability purposes in the sector concerned; except for the revenues established as own resources in accordance with Article 311(3) of the Treaty and entered in the general budget of the Union, shall also be used for these purposes.</b> Member States shall use the <b>full amount</b> of revenues generated from the auctioning of allowances in accordance with Article 10(3).

Article	Content	Comments	Proposal
<b>Article 3C (7) on outermost regions</b>	By way of derogation from Articles 12(2a), 14(3) and Article 16, Member States shall consider the requirements set out in those provisions to be satisfied and shall take no action against aircraft operators in respect of emissions taking place until 2030 from flights between an aerodrome located in an outermost region of a Member State and an aerodrome located in the same Member State outside that outermost region.	We have a joint responsibility to ensure a just transition and that lower income customers are not categorically locked out from air travel due to increased costs of flying. Measures must address risks of cutting off remote regions or citizens who depend on smaller airports and less developed infrastructures. More attention should be paid to the negative impact of the proposed reform on <b>less-connected European regions</b> which have less transport alternatives and rely on air transport for education, training, goods and services. Moreover, it is unclear today what the possibility will be to produce SAF in outermost regions, therefore not proposing a serious alternative to fossil energy from those parts of the Union in the midterm.	<u>Proposed amendment:</u> By way of derogation from Articles 12(2a), 14(3) and Article 16, Member States shall consider the requirements set out in those provisions to be satisfied and shall take no action against aircraft operators in respect of emissions taking place <b>until 2035</b> from flights between an aerodrome located in an outermost region of a Member State and an aerodrome located in the same Member State outside that outermost region.
<b>Article 3 allocation of allowances for aviation and RFNBOs</b>		To further promote SAFs, renewable fuels of non-biological origin (RFNBOs) and recycled carbon fuels (RCFs) whose prices will remain multiple times higher than that of conventional fuel in the foreseeable future, aircraft operators covered under the ETS Directive shall receive free allocation when using SAFs and renewable fuels of non-biological origin or recycled carbon fuels for activities covered under this Directive.  Mirroring the US federal and state-level tax credits, loan guarantees, grants and support for carbon capture and storage (CCS) establishing the U.S. as the most advantageous region of the world to produce and use SAF <sup>5</sup> , this proposal would equip the European sustainable fuel industry and European airlines with the tool to better compete on the global stage.	<u>Proposed amendments:</u> a) RFNBOs and recycled carbon fuels supplied to the aviation should receive the double amount of free allowances according to either subparagraph (a). SAF that comply with the sustainability criteria defined in the RED for biological origin should be attributed with zero emissions under the EU-ETS scheme. SAF that comply with the sustainability criteria defined in the RED for non-biological origin and recycled carbon fuels should be treated as 100% net positive emissions under the EU-ETS scheme. b) The amount of <b>allocation received</b> should be equal to one allowance per tonne of CO2 saved through SAFs and two per renewable fuels of non-biological origin and recycled carbon fuels equivalent to 3,16 allowances for per tonne of SAF and 6,32 per ton of renewable fuel of non-biological origin and recycled carbon fuel. c) The quantity of allowances should be proportionate to the total greenhouse gas emissions saved according to the treatment of these fuels under Directive (EU) 2018/2001 and the implementing acts in Article 14(1) of the ETS directive. b) For a transitional period until the implementing acts referred to in Article 14 (1) enter into force renewable fuels of non-biological origin and recycled carbon fuels should be rated with zero emissions.

<sup>5</sup> Sustainable Skies Act bill, introducing tax credits for SAF production, May 2021, [link](#)

<b>Article</b>	<b>Content</b>	<b>Comments</b>	<b>Proposal</b>
<p><b>Recital 14a (new)</b></p> <p><b>Article 1(2)c (amending Directive 2003/87/EC Article 3d(2))</b></p> <p><b>Introducing EU ETS Fair Competition Correction to avoid carbon leakage and distortion of competition</b></p>	<p>To be introduced in the text: An <i>EU ETS Fair Competition Correction</i> for transfer passengers on European feeder flights that continue their journey from an EU hub to non-EU destinations</p>	<p>The EU ETS needs an equal treatment of intercontinental transfer passengers, regardless of whether passengers transfer in or outside Europe. This would prevent carbon leakage and would lift the severe distortion of competition between European and non-European airlines. Since the cap remains unaffected even if feeder passengers are treated equally, there is no change to the CO2 reduction targets in the emissions trading system.</p>	<p><u>Proposed amendments:</u></p> <p><b>Recital 14a (new)</b></p> <p>In order to ensure uniform conditions for EU airlines and their competitors from third countries, to avoid carbon leakage and distortion of competition, the allowances to be surrendered under the EU ETS must be adjusted to the proportion of EU ETS-costs on intra-EEA flights allocated to passengers transferring to a final destination outside the EU – and vice versa – thereby minimising the risk of passengers selecting flights to their final destination with a transfer at an airport outside the EU.</p> <p><b>Article 1(2)c (amending Directive 2003/87/EC Article 3d(2))</b></p> <p><b>Paragraph 2 is deleted.</b></p> <p><i>Instead the following is inserted:</i></p> <p>2) To avoid carbon leakage and distortion of competition, an adjustment mechanism must be adopted for the proportion of EU ETS-costs on intra-EEA flights allocated to passengers transferring to a final destination outside the EU and vice versa. This adjustment mechanism is calculated as follows per airline:</p> <ul style="list-style-type: none"> <li>a. In accordance with Annex IV and by 31 March of each year, airlines operating flights where the Treaty applies, report to the National Competent Authority and the Verifier for every city pair the annual fuel consumption on individual connections and the ratio of the number of passengers with connecting flights into or out of the EEA ("transfer passengers") to the total number of passengers on this connection ("passengers");</li> <li>b. The adjustment for each city pair equals: (number of transfer passengers / total number of passengers) x fuel consumption x emission factor;</li> <li>c. The cumulative amount of this adjustment for all city pairs together is deducted from the total amount of verified emissions for which the corresponding allowances are to be surrendered by an airline in that same period.</li> </ul>
<p><b>Extra EU criteria for CORSIA offsets – Articles 11a (2a-b)</b></p>	<p>Articles 11a and 25a on the eligibility of CORSIA offset credits authorised for EU/EEA/UK carriers</p>	<p>Limiting the eligibility of CORSIA offset credits authorised for EU carriers would distort the competition vis-à-vis non-European carriers. CORSIA would be made more expensive for EU carriers than for their global competitors if eligible credits are restricted unilaterally. It is essential that all offset credits</p>	<p><u>Proposed amendments:</u></p> <p><b>Article 11a, 2a and 2b should be deleted.</b></p>

<b>Article</b>	<b>Content</b>	<b>Comments</b>	<b>Proposal</b>
<b>Article 25a (3) on the CORSIA baseline</b>	<p>Article 25a (3): 'The Commission shall adopt an implementing act listing countries other than EEA countries, Switzerland and the United Kingdom, which are considered to be applying CORSIA for the purposes of this Directive, with a baseline of 2019 for 2021 to 2023 and a <b>baseline 2019-2020</b> for each year thereafter. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 22a (2).</p>	<p>under CORSIA remain available to all carriers, independently from their nationality, origin or destination. In this context, Air France-KLM does not want the EU to limit the eligibility of offsets. We rather want ICAO to do this as aviation is a global industry and can be most effectively regulated by global measures.</p>	<p><b>Proposed amendment:</b></p> <p>Article 25a (3): 'The Commission shall adopt an implementing act listing countries other than EEA countries, Switzerland and the United Kingdom, which are considered to be applying CORSIA for the purposes of this Directive, with a baseline of 2019 for 2021 to 2023 and a <b>baseline 2019-2020 for each year thereafter a baseline to be determined by the ICAO Council</b>. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 22a (2).</p>
<i>New recital</i>  <b>Ensuring a global level playing field by encouraging 3<sup>rd</sup> countries participate in emission reduction schemes</b>	<p>We would propose to include a new article referring to the need for binding provisions in future air services agreements between the EU and third countries on the participation in the ETS, thereby promoting the introduction of emissions trading in such third countries.</p>		<p><b>New recital to be included:</b>  To ensure that the decarbonisation efforts of the European Union do not stop at its borders, the European Commission and the Member States should ensure that both existing comprehensive air transport agreements - either by re-negotiation in the Joint Committees - as well as future EU aviation agreements include a specific provision about the extension of EU ETS to those third countries. Member States should equally strive to achieve this in their existing and future bilateral air service agreements.</p>

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