

EASYJET

EU ETS and CORSIA – media briefing
September 2022

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EASYJET IN EUROPE

- > 2nd largest airline in Europe in 2022*
- > 9.7% share seat capacity of intra-EEA + UK flights
- > 77 million seat capacity for 2022
- > Airbus-only fleet of over 300 aircraft
- > Nearly 1000 routes to over 150 airports in Europe
- > Over 300 million European citizens live within 1 hour's drive of an easyJet airport

*Share of EU-touching seat capacity, OAG data 22 August 2022

nextGen Sustainability

Pioneering positive change for our planet, communities and people. Getting one step closer to net-zero every day.

Reducing our impact today for a better tomorrow

We work tirelessly to minimise the environmental impact across our operations.

- > Focused on reducing the carbon intensity of our flying
- > Tackling waste and plastic reduction within easyJet and our supply chain
- > Continuously addressing our noise impact
- > Environmental management system – ISO 14001 compliant

Pioneering future travel

easyJet's support in the development of zero carbon emission technologies will shape the future of flying.

- > Signed up to Race to Zero
- > Driving change to deliver our Net Zero transition roadmap
- > Collaboration and partnerships to achieve zero carbon emissions aviation
- > Advocating for effective carbon regulation and new technology

Driving positive change in society

Positively impacting our people, customers and communities to maximise the social and economic benefits of travel and tourism.

- > Creating an inclusive workplace
- > Remaining an employer of choice
- > Making sustainable travel accessible to everyone through easyJet holidays.
- > Supporting charitable causes that are important to our customers and employees

Underpinned by strong governance and monitoring at board level to drive delivery of this strategy

EASYJET POSITION

Applying the EU ETS in a non-discriminatory manner to all departing flights would be:

- > Better for the environment, since all departures will be on track to reaching net zero
 - ✓ All emissions from departures will be on track to net zero, instead of less than 40%. Reaching net zero is a goal the European aviation sector has committed itself to.
 - ✓ Aviation will be on a more sustainable path, increasing consumer trust.
- > Better for competition
 - ✓ It will reduce distortions within the sector between intra-EEA operators and network / long-haul operators, by including all departing flights in a non-discriminatory manner.
 - ✓ Destination-switching risks will be reduced, because all destinations will incur the same costs.
- > Fairer on passengers
 - ✓ All passengers will participate in decarbonization, whether their footprint is large or small, first class or economy, short or long-haul.

All flights departing from European airports should be put on a path to net zero, no matter where they are going.

SPECIFIC POLICY RECOMMENDATION

easyJet believes the EU should apply the ETS to all departing flights, with CORSIA applying to the remaining flights.

- EU departing flights should be subject to EU obligations, and therefore on a path to net zero. Remaining flights which cannot be covered by the ETS, such as inbound long-haul and flights between other regions, should be covered by CORSIA.
- EU should continue to work to ensure that CORSIA delivers net zero for all of European aviation, i.e inbound long-haul.

Benefits:

- ✓ 100% of emissions from EEA departures will be on track to net zero and participate in effective carbon pricing, instead of just 38.6%*.
- ✓ Incoming long-haul should be left to be regulated from the jurisdictions they are depart from: we think every country should take responsibility for its departing flights, with CORSIA applying in the meantime.
- ✓ Will cap emissions, and reduce them over time, bringing all of European aviation on a path to net zero - a goal the European aviation industry committed itself to.
- ✓ Is fair, effective, reasonable, and non-discriminatory. Protects consumer choice over destinations, routes, and carriers.
- ✓ Is diplomatically fair, splitting long-haul emissions 50 – 50 with non-EU countries (as EU will do for maritime). **It is important to note this is very different to the original “Stop the Clock” scenario**, which covered inbound flights – this is a fair split with other countries.

Disclosure: roughly 15% of easyJet’s emissions are extra-EEA and under no effective carbon price.

*Source [EASA European Aviation Environmental Report 2022](#)

WEAKNESSES OF THE CURRENT REGIME

Only intra-EEA flights are covered by an effective carbon price (EU ETS):

- > Intra-EEA flights = **38.6% of emissions from EEA departures**[^], but majority of the flights.
- > This is socially unfair because the vast majority of passengers are on intra-EEA flights. Each passenger has a small footprint and is having to pay for their carbon. Yet at the same time, a lucky few travelling on extra-EEA flights are exempt from having to pay, despite creating most of the carbon from European aviation, and having far higher footprints.
- > Furthermore, many intra-EEA flights are ordinary everyday travellers (students, workers, families) flying on low fares within Europe, while most extra-EEA passengers are on higher fares, some of them on extremely expensive premium class fares. In other words, **ordinary people have to pay for their carbon, while a small wealthy elite, responsible for most of the emissions, are exempt.**
- > ETS flights currently face carbon cost of ~ **€70 per tonne**, and rising over time, as they are on a trajectory to zero

Extra-EEA flights departing EU are exempt from EU ETS, under no cap or net zero trajectory, and covered by CORSIA instead:

- > Emissions are not capped nor on a trajectory to zero, instead only the growth from 2019/2020 baseline is offset
- > These flights represent **61.4% of emissions from EEA departures**, with just a small portion of the flights.
- > Long-haul flights alone create 51.9% of emissions from EEA departures, despite accounting for just 6.2% of the flights*.
- > Long-haul flights contain much higher proportion of business/first-class passengers, with fares costing thousands of euros
- > Each long-haul passenger has a much higher footprint – even in economy it is up to 10 times higher, and in premium it is double or triple that
- > **Cost per tonne of carbon on non-EEA flights will be less than €1**



Flights covered by ETS pay €70 per tonne, flights not covered pay less than €1 per tonne

[^]Source [EASA European Aviation Environmental Report 2022](#)

*Source: [Eurocontrol](#) Data Snapshot



DISTORTIONS UNDER THE EXISTING ETS SCOPE

Significant distortions under current ET scope:

1. Destination-switching carbon leakage: tourists will switch to destinations outside the scope of ETS
 - EEA to EEA airport carbon price:  EEA to non-EEA airport carbon price: 
 - Significant carbon leakage risk (see two Steer studies, already released)
 - Eurocontrol data shows 1 flight over 4000km = same emissions as 60 flights under 500km, or 17 flights under 1500km
 - Negative impact on European tourist industry, particularly around the Mediterranean (e.g. Cyprus/Turkey, Spain/Morocco)
 - Distortion against short-haul operators, as tourist traffic moves elsewhere
 - Gets worse as time goes on / ETS cost goes up
2. Two regulatory spheres creates distortions between network and short-haul carriers:
 - Burden of trying to achieve net zero for all of European aviation is placed entirely on short-haul airlines and their customers. Intra-EEA flyers are doing all the hard work to achieve net zero, while long-haul passengers are not taking part despite creating most of the emissions.
 - Policymakers/public do not distinguish between short/long-haul emissions, they simply note that emissions have grown and in response look for ways to reduce short-haul flying: e.g. flight bans, ticket taxes that discourage short flights, etc. This results in short-haul being over-regulated to compensate for sector-wide emissions. This distorts the market against short-haul carriers without a clear policy rationale.
 - It creates other uneven playing field issues within Europe – including issues with cross-subsidies: network carriers are able to channel funds from the unregulated extra-EEA market back into Europe, providing added revenues to operate flights that compete against intra-EEA airlines like easyJet.
 - Applying the same rules indiscriminately to all departures would reduce all of these distortions.

DESTINATION-SWITCHING CARBON LEAKAGE

The choice:

- > Brussels – Palma de Mallorca | CO2 per pax = 82kg*  Price per tonne = €70, and likely to rise over time
 - > Brussels – Havana, Cuba | CO2 per pax (economy)= 672kg*  Price per tonne = less than €1
- Long-haul economy are selling for €300-€350 return. This is cheaper than many intra-EEA holidays.

**Calculated using Eurocontrol's Small Emitters Tool*

Destination-switching carbon leakage:

- > **Estimated 75%** of emissions savings 'Fit for 55' could be lost due to passengers changing to longer flights/extra-EEA destinations. This is across all policies, of which ETS is a significant portion.
- > Two types of switches:
 - “Like for like” distortions – flying outside EEA periphery, e.g. people fly to Turkey instead of Greece – impacting Mediterranean countries primarily
 - Long-haul distortions – flying to competing long-haul destinations, particularly where total cost of holiday (hotels, food) is lower – e.g. Cuba instead of Spain
- > Destination-switching not encouraged by policies which apply equally to all destinations, since all departing flights incur same regulatory costs.

ENSURING THE GLOBAL AVIATION PROCESS IS CONSTRUCTIVE

ICAO processes such as CORSIA and any future ICAO SAFs mandate must be in addition to European measures on all departing flights, not instead of them.

- > Key point: the ICAO process needs to go in addition to / alongside European measures to decarbonize EEA departing flights.
- > ICAO must not prevent effective EU measures being applied to EEA-departing long-haul flights.
- > ICAO will do no harm as long as it is kept as a supplementary measure after European measures are applied to all intra-EA + EEA-departing flights.
- > If ICAO or CORSIA fails as a result of unilateral EU action, the climate will still be better off (ETS is over 100 times more impactful on total emissions from global aviation).
- > Note that there is no plan currently for CORSIA to deliver net zero for flights within its scope, even if the baseline is lowered to 70% of 2019.

If an ICAO agreement is made, its costs should simply be subtracted from the EU's systems where they cover the same routes, to ensure no double regulation.

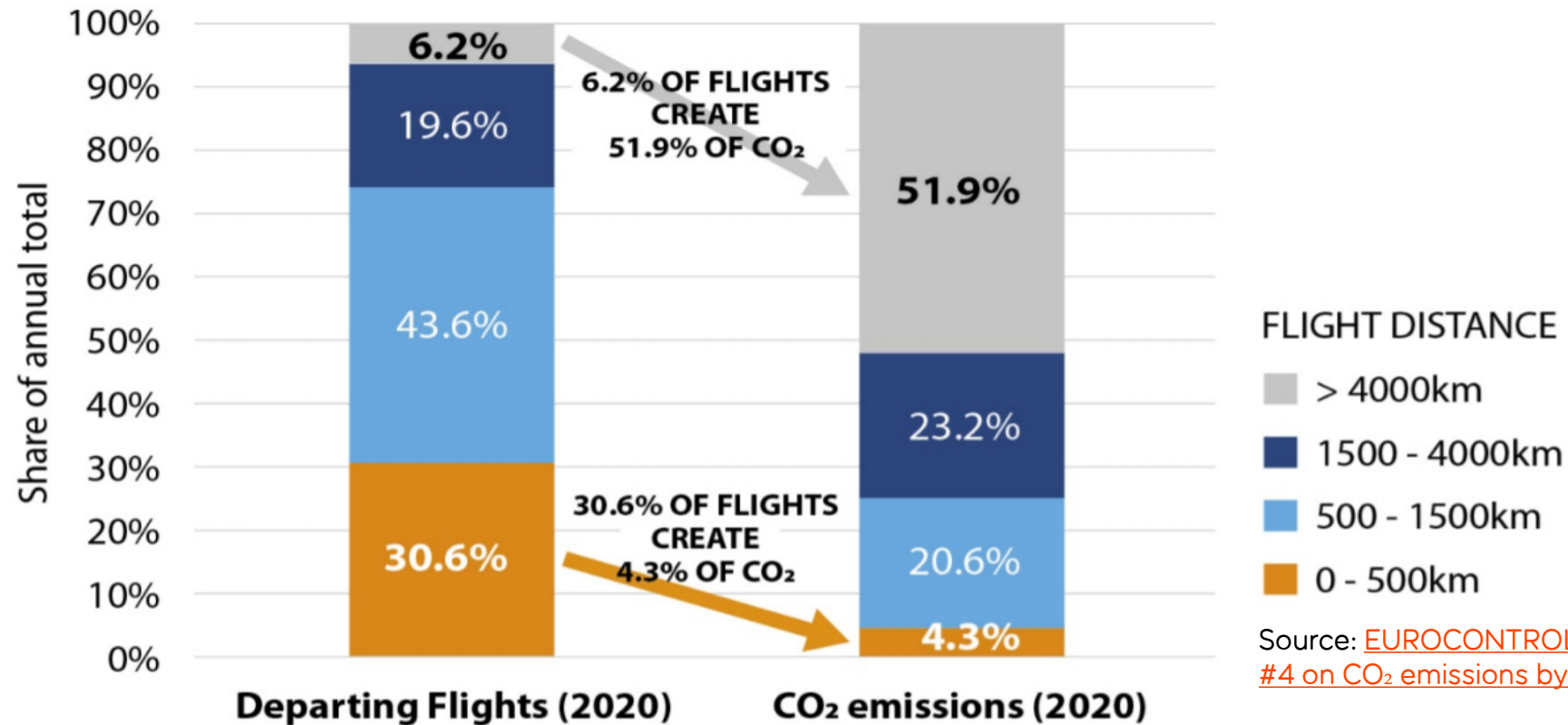
COMPARING COST PER PASSENGER BETWEEN ETS AND CORSIA

Route	Carbon emissions per passenger*	CO2 price per tonne for the flight	CO2 cost per passenger over entire journey
Catania – Naples (ETS)	39 kg	€70	€2.7
Brussels – Malaga (ETS)	131 kg	€70	€9.17
Brussels – Los Angeles economy (CORSIA)	766 kg	€0.18	€0.14
Brussels – Sydney economy (CORSIA)	1,353 kg	€0.18	€0.24
Brussels – Sydney business (CORSIA)	3,384 kg	€0.18	€0.62

**Calculated using Eurocontrol's [Small Emitters Tool](#)*

- > An economy passenger flying to Malaga from Brussels pays 14 times what a business passenger flying to Sydney from Brussels pays. This cannot be fair for the environment, and it cannot be socially fair.
- > The business passenger to Sydney is receiving a hidden **€236 subsidy** by avoiding the cost of the EU ETS.

EMISSIONS PROFILES – DOMINATED BY LONG-HAUL



- Long haul accounts for just 6.2% of flights but creates 51.9% of emissions.
- Short haul (under 500KM) accounts for 30.6% of flights but just 4.3% of emissions.

The top 0.62% of flights create more emissions (5.19%) than the bottom 30.6% of flights.

ANNEX 2 – EFFECTIVENESS OF EU ETS AND CORSIA

Intra-EU flights pay 100 times more for their carbon than long-haul flights do. Until CORSIA is as effective as the EU ETS, the EU should apply the EU ETS to all departures while applying CORSIA to all other flights. It is worth remembering the EU SAFs mandate will apply to all departures, passenger taxes apply to all departures, as do noise and NOx restrictions, and the EU is due to apply the EU ETS to intercontinental maritime emissions. No reason why EU ETS on departures cannot work.

Calculations:	Market-based mechanism	Cost of one credit (1 tonne of CO2)	Share of emissions with a price (for CORSIA this equals the assumed market growth rate above the baseline)	Share of global aviation emissions covered by the scheme (%)	Total impact on global emissions
	CORSIA	€4.55	4%	36% (Phase 1) 52% (Phase 2)	CORSIA Phase 1: $€4.55 \times 4\% \times 36\% = 0.06552$ CORSIA Phase 2: $€4.55 \times 4\% \times 52\% = 0.09464$
	EU ETS	€70	100%	16%	EU ETS: $€70 \times 100\% \times 16\% = 9.8$

EU ETS already has:

- 149.6x more impact than the 1st year of CORSIA Phase 1
- 103.5x more impact than the 1st year of CORSIA Phase 2

Trajectories:	Differential in impact between CORSIA and EU ETS in 2022	Required cost of one credit, to equal today's ETS impact	Required growth rate of market above baseline, to equal today's ETS impact
	149.6x (CORSIA Phase 1)	€681 (€4.55 x 149.6)	598% (4% x 149.6)
	103.5x (CORSIA Phase 2)	€471 (€4.55 x 103.5)	414% (4% x 103.5)

To equal the impact of EU ETS for all EEA departures:

- CORSIA Phase 1 would need to cost **€681** per credit, or emissions growth would need to be **598%** above baseline
- CORSIA Phase 2 would need to cost **€471** per credit, or market needs to be **414%** above (new) Phase 2 baseline(s)
- Or combination of the two, e.g. **€55.7 / €46.3** per tonne plus market growth of **48.9% / 40.7%** above baseline.

Are these things really going to happen? We do not think CORSIA credits will ever cost that much. And new, higher baselines are introduced into CORSIA, eroding its impact. And all of the above has to happen by 2035. And this is only comparing with the ETS price today.