



## PRESS RELEASE

### **New Industry Impact Assessment on Inclusion of Aviation into EU Emission Trading Scheme**

#### ***European aviation industry supports action to curb emissions but warns against costly and unworkable trading scheme***

Brussels, 6 June 2007 – An independent impact assessment on the inclusion of aviation into the EU Emissions Trading Scheme (ETS), conducted on behalf of the European aviation industry<sup>1</sup> and published today, concludes that the European Commission's proposal in its present form will jeopardise the long-term viability of the European aviation industry.

The European aviation industry recognises that the inclusion of aviation in the EU ETS is a positive and innovative step. It will enhance the investment in new fleet and the operational measures put in place by the industry to improve its environmental performance. However, the European aviation industry expresses deep concern about the potential impact of the proposed EU ETS.

The independent impact assessment shows that the European Commission has based its proposal on unrealistic assumptions. It dangerously underestimates the wide-ranging repercussions of the proposal on European aviation. The key findings of the report are:

- Barely one third of the cost of the Commission's proposed scheme will be recoverable from passengers and shippers, as the ability of airlines to pass costs onto their customers will vary according to the operator's business model and its exposure to competition. This is in direct contradiction to the Commission's claims that the cost of its ETS proposal can be passed on to customers, largely or even in full.
- Demand for air travel is highly price-sensitive, contrary to the Commission's statements. Therefore, any price increase will result in a loss of passengers for European airlines.

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<sup>1</sup> Conducted by Ernst & Young and York Aviation for AEA (Association of European Airlines), EBAA (European Business Aviation Association), ECA (European Cargo Alliance), ELFAA (European Low Fares Airline Association), ERA (European Regions Airline Association) and IACA (International Air Carrier Association), with the financial support of Airbus, Eurocopter and Safran.

- The aviation sector will have to purchase allowances to cover up to 45% of its emissions by 2022<sup>2</sup>, which will make it the only sector in the current EU ETS to pay for its own growth. This is despite the fact that airlines have been able to decouple emissions growth from traffic growth. If aviation has to pay for its own growth, which itself is both a driver and a consequence of overall economic growth, this will have a perverse effect on the environment, as it will severely reduce the ability of the aviation sector to invest into cleaner and quieter modern technology.
- The costs of purchasing allowances for airlines will be substantial, with an 'optimistic' estimate of over €45 billion<sup>3</sup> from 2011 to 2022 (namely €4 billion additional costs per annum). This is approximately equivalent per annum to twice the cumulative profit of Europe's airlines over the last decade.
- Aircraft operators' overall profits will be reduced by over €40 billion during the same period, weakening the financial stability of a number of operators<sup>3</sup>.
- EU aircraft operators will be at a perpetual competitive disadvantage vis-à-vis non-European carriers, regardless of the geographical scope of the scheme. EU aircraft operators will bear emissions-related financial costs for their entire network, whilst only a small part of the operations of non-EU carriers will be affected. Similarly, the proposed inclusion of intra-EU flights only during the first year from 2011 will have an uneven impact on European operators, depending on the proportion of their network captured and, more importantly, will produce no significant environmental benefit.
- The complexity and costs of administrating the scheme will be a challenge, particularly if the scheme is applied to small operators, such as business aviation and helicopters, which contribute less than one percent of aviation emissions.
- The impact of ETS on EU aviation will reflect on the European economy as a whole. Decreases in both connectivity and tourism will penalise regions and peripheral communities. It is also likely that intercontinental traffic flows would be diverted from European to non-European hubs, thus making Europe a less attractive place to invest and to do business.

The European aviation industry calls on the EU Council and Parliament to revisit some of the flawed assumptions upon which the EU ETS proposal is based. The industry is committed to a constructive dialogue with the European and national authorities to improve the current proposal, and it urges the EU to address aviation emissions within the framework of the International Civil Aviation Organization (ICAO).

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*The report is available on the websites of the associations mentioned above.*

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<sup>2</sup> This is based on a 'without auctioning' scenario.

<sup>3</sup> This, again, is based on a 'without auctioning' scenario, assuming an allowance cost of €30.

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