

ERA's feedback on the Revision of the EU Emission Trading System— updated rules for aviation

August 2020

The European Regions Airline Association (ERA) welcomes the opportunity to provide input to the European Commission's revision of the EU Emission Trading System Directive concerning aviation.

ERA is the trade association representing more than 60 airlines and 150 associate members, including manufacturers, airports, suppliers and aviation service providers, across the entire spectrum of the aviation industry. ERA works on behalf of its members to represent their interests before Europe's major regulatory bodies, governments and legislators to encourage and develop long-term and sustainable growth for the sector and industry. A major part of ERA's role is to raise the profile and importance of its members, to champion green and sustainable air connectivity and European air transport.

Sustainable aviation

The aviation sector as whole is committed to the reduction of its carbon footprint, and has been reducing its CO₂ emissions since the 1980s. The industry has enormous potential to further reduce its environmental impact and significantly contribute to the mitigation of climate change. In fact, air transport is relying on a "basket of measures" to reduce its carbon footprint, such as the development of sustainable aviation fuels (SAF) and clean technology, operational improvements, and market-based mechanisms (MBMs). MBMs, like the EU ETS and the Carbon Offsetting Scheme for International Aviation (CORSIA), play a crucial role in the decarbonisation in the short and medium term and will continue to do so until the sector can fully rely on the other solutions.

EU ETS and its revision

While we support the underlying objective of the EU ETS, to gradually reduce CO₂ emissions within the European economy, it is important to make sure that its revision **does not undermine the international commitments of the EU Member States**. In 2016, CORSIA was adopted by the ICAO Assembly, which includes all EU Member States. CORSIA is the first global MBM for any transport sector and its integrity and future successful implementation relies on all partners, in particular Europe. If the EU detracts from its international commitments and does not align the EU ETS with CORSIA, it is very likely that other countries will do so as well and undermine the global efforts to reduce CO₂ emissions from international aviation. Four of the six options outlined within the Roadmap do not fully implement CORSIA and are, therefore, not aligned with the international commitments, setting a bad example. These options are:

- (1) *EU ETS full legal scope*— no mentioning of CORSIA at all.
- (2) *intra- EU/EFTA ETS only*— no mentioning of CORSIA at all.
- (4) *ETS-CORSIA "clean cut"*— no CORSIA for intra-EEA (as established by Annex 16 Vol IV, flights between participating states are considered international and should therefore be regulated under CORSIA).

- (6) *ETS-CORSIA mix according to licence of aircraft operators* – no CORSIA for intra-EEA flights by operators with EU MS license. In addition, it would lead to different treatment between EU and third country air carriers that operate on the same route.

For this reason, the most viable options which do implement CORSIA are:

- (3) *CORSIA only* – CORSIA would be fully implemented.
- (5) *ETS-CORSIA mix* – CORSIA would apply to non-domestic, intra-EEA flights above 2020 emission levels only.

However, in the (5) *ETS-CORSIA mix* double counting is likely. The European Commission must make sure that the same emissions **are not double counted** by the same aircraft operator regulated by multiple schemes and must **minimize any market distortion** that a regional scheme will create, having an impact on the competitiveness of European airlines.

Auctioning of allowances

An increase of the auctioning level of allowances will not mitigate the CO₂ emissions from aviation as the environmental impact is determined by the “cap” of the scheme rather than by the free and auctioned allowances. Increasing the auctioned allowances will have a negative impact on European carriers’ competitiveness at the global level, due to the higher costs that they have to encounter and thus hindering fair competition.

Whilst drafting the revised Directive, it is important to recognise the additional financial burden that the COVID-19 crisis has put on airlines and the efforts of the sector to recover and survive from the crisis in the short/medium term. For this reason, a (1) *immediate phase-out* or a (2) *swift phase-out* of the free allowances would not be ideal as it would increase even more pressure on airlines.

It must be additionally **ensured that aviation related EU ETS revenues gained from the auctioned allowances are used towards the decarbonisation of the sector** by, for example, supporting the uptake of SAF and R&D of new aviation technologies. This would be a more effective way of reducing the air transport’s carbon footprint not only in the short, but also in the mid/long term.

Regional airlines, often small, are particularly vulnerable for cost increases. Regional air connectivity is vital for domestic transport, for peripheral regions and islands. In many parts of Europe (such as the Canary Islands and Northern Europe) aviation is the only viable option for public transport. Therefore, when drafting the Directive, it should be kept in consideration the increased financial burden that other possible European and National initiatives, such as blending mandates or fuel taxes, would have on the sector.

ERA is looking forward to further contribute to the revision of the EU ETS concerning aviation.