

Revision of the EU Emissions Trading System for aviation

2021/0207(COD) - 16/05/2023 - Final act

PURPOSE: to review the EU Emissions Trading Scheme (EU ETS) for aviation emissions.

LEGISLATIVE ACT: Directive (EU) 2023/958 of the European Parliament and of the Council amending Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and the appropriate implementation of a global market-based measure.

CONTENT: this Directive revises the EU Emissions Trading Scheme (EU ETS) rules applicable to the aviation sector. It ensures that aviation contributes to the EU's emission reduction targets under the Paris Agreement.

Scope of application

The EU ETS will apply to intra-European flights (including flights from the UK and Switzerland), while CORSIA (ICAO Carbon Offsetting and Reduction Scheme for International Aviation) will apply to extra-European flights to and from third countries participating in CORSIA from 2022 to 2027.

Phasing out free emission allowances for the aviation sector

The amending directive provides for the gradual phasing out of free emission allowances for the aviation sector as follows: 25% in 2024, 50% in 2025 and 100% from 2026. This means that allowances will be **fully auctioned from 2026 onwards**.

Encouraging the decarbonisation of commercial aviation

For the period from 1 January 2024 until 31 December 2030, **a maximum of 20 million** of the total quantity of allowances should be reserved in respect of commercial aircraft operators, on a transparent, equal-treatment and non-discriminatory basis, for the use of sustainable aviation fuels, and other aviation fuels that are not derived from fossil fuels.

The reserved allowances should be allocated by the Member States to **cover part of or all of the price differential** between the use of fossil kerosene and the use of the relevant eligible aviation fuels, taking into account incentives from the price of carbon and from harmonised minimum levels of taxation on fossil fuels.

All fuels eligible under RefuelEU, with the exception of fuels derived from fossil fuels, will be eligible for Sustainable Aviation Fuels (SAF) quotas. The mechanism will be in place until 2030.

Small islands, small airports and outermost regions will be able to cover the price differential between paraffin and eligible fuels with **100%** of SAF quotas to ensure the availability of eligible fuels in these locations with specific supply constraints.

For all other airports, coverage of the price differential will be modulated according to the type of fuel:

- 95% for renewable fuels of non-biological origin (RFNBO);

- 70% for advanced biofuels;
- and 50% for other eligible fuels.

Non-CO2 effects on climate from aviation

A **framework for monitoring, reporting and verifying** the non-CO2 effects of aviation will be put in place. From 1 January 2025, aircraft operators will be required to report annually on the non-CO2 effects of aviation. To this end, the Commission will adopt, no later than 31 August 2024, an implementing act to include the non-CO2 effects of aviation in a monitoring, reporting and verification framework.

No later than 1 January 2028, on the basis of the results of this framework, the Commission will propose, where appropriate, measures to mitigate the non-CO2 impacts of aviation.

Reporting and review by the Commission concerning the implementation of ICAO's global market-based measure

Before 1 January 2027 and every three years thereafter, the Commission will report to the European Parliament and to the Council on progress in the ICAO negotiations to implement the global market-based measure to be applied to emissions from 2021. In line with the global stocktake of the Paris Agreement, the Commission will also report on efforts to meet the aviation sector's long-term global aspirational goal of reducing aviation CO2 emissions to net zero by 2050.

By 1 July 2026, the Commission will present a report assessing the environmental integrity of ICAO's global market-based measure, including its general ambition in relation to targets under the Paris Agreement.

The Commission's report will be accompanied by a legislative proposal, where appropriate, to amend this Directive in a way that is consistent with the Paris Agreement temperature goal.

ENTRY INTO FORCE: 5.6.2023.

TRANSPOSITION: 31.12.2023.