

# Greenhouse gas emission allowance trading within the Community: inclusion of aviation activities in the scheme

2006/0304(COD) - 20/12/2006 - Legislative proposal

**PURPOSE:** to include the aviation industry in the Community's greenhouse gas emission allowance trading scheme.

**PROPOSED ACT:** Directive of the European Parliament and of the Council.

**BACKGROUND:** in 2003 the Community adopted legislation establishing a scheme for greenhouse gas emission allowance trading within the Community (Directive 2003/87/EC. For a summary see: [COD/2001/0245](#)). Its aim is to reduce carbon emissions by allocating carbon allowances to industry operators. Should they, through green investments and policies, save some of these allocations they may sell them on the open market to those who have not. If they exceed their allowance they will have to buy them, in the form of credits either from i) those operators who have made a saving on their allowances or ii) from registered independent companies who have invested in green 'carbon capture' programmes and who are entitled to trade allowances on the open market. Crucially, the Directive does not apply to the aviation industry.

Aviation does, however, contribute to climate change. In 2004 greenhouse gas emissions from the Community's share of international aviation increased by 7.5% compared to 2003 figures. A cumulative growth of 87% since 1990. Although air travel is becoming cheaper, the prices charged do not reflect the cost to the environment of air travel. Someone flying from London to New York and back again, for example, generates roughly the same level of emissions as the average person in the EU does by heating their home for a whole year. It is estimated that without action, the growth in emissions from EU flights will, by 2012, cancel out more than a quarter of the 8% emission reduction the EU-15 must achieve to reach the Kyoto Protocol target. By 2020, aviation emissions are likely to more than double.

In 2005, the Council recognised the need to address the carbon emitted from aircraft (Conclusions of the Environment Ministers, 2 December 2005). In their conclusions the Environment Ministers urged the Commission to bring forward a legislative proposal by the end of 2006. Similarly, in July 2006, the European Parliament adopted a Resolution which recognising the potential of the emissions trading scheme to help reduce carbon emissions from aircraft operators.

**CONTENT:** the purpose of this proposal is to address the growing impact aviation has on climate change by including aviation in the Community emissions trading scheme. In order to do so Directive 2003/87/EC needs to be amended. The proposed amendments, in summary, are as follows:

- ? Aircraft operators will be responsible for complying with the provisions set out in the amended Directive.
- ? From 1 January 2012, the scheme will cover all flights arriving at, or departing from, an airport in the Community.
- ? From 1 January 2011, flights between EU airports will be covered by the Directive.
- ? The following categories will be exempted from the Directive: State aircraft; flights under visual flight rules; circular flights; flights for testing navigation equipment or for training purposes; rescue flights; and flights by aircraft with a maximum take-off weight of 5 700kg.
- ? By the end of 2008, the Commission will put forward a proposal on nitrogen oxide emissions from aircraft.
- ? Each aircraft operator (including operators from third countries) will be administered by one Member State only. This measure should reduce red tape.
- ? The method of allocating allowances will be harmonised across the Community. This proposed provision marks a departure from the existing scheme where Member States propose the allocations, which must then be approved by the Commission.
- ? The total number of allowances allocated to the aviation sector will be determined at Community level by reference to average emissions from aviation for the years 2004-2006.
- ? A fixed percentage of the total quantity of allowances will be allocated free of charge on the basis of a benchmark to aircraft operators, who submit an application relating to 2008 data.
- ? For the period 2011-2012 this percentage will correspond to the average percentage proposed by the Member States including auctioning of their national allocation plans.
- ? Schemes thereafter will be reviewed based on the results of the general review of the emissions trading scheme.
- ? A Commission Regulation will detail how the auctioning will work.
- ? Any proceeds from the auctions will be used to mitigate, and adapt to, the impacts of climate change. It will also cover administrative costs.
- ? Aircraft operators will be responsible for monitoring their carbon dioxide emissions and report them to the competent authority of the administering Member State, by 31 March of each year.
- ? The reports will be independently verified to make sure that they are accurate.
- ? Aircraft operators will be able to buy allowances from other sectors in the Community scheme for use to cover their emissions.
- ? Aircraft operators will be able to use project credits, such as 'Emission Reduction Units' and 'Certified Emission Reductions' from the Joint Implementation or Clean Development Mechanisms ? up to a harmonised limit equivalent to the average of the

limits prescribed by the Member States in their national allocation plans for other sectors in the Community scheme.

- ? Domestic aviation will be included in the scheme and treated in the same way as international aviation.
- ? Special consideration will be given to air operators servicing remote or isolated regions.

Expenditure for the implementation of the Directive, once approved, will be covered by the LIFE + (2007-2013) instrument and no additional amount is requested.

For further information on the financial aspect of the proposal please refer to the financial statement.