



European Economic and Social Committee

NAT/591
ETS in aviation

Brussels, 13 February 2013

OPINION

of the

European Economic and Social Committee

on the

Proposal for a Decision derogating temporarily from Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community

COM(2012) 697 final - 2012/328 (COD)

Rapporteur: **Mr Pezzini**

On 5 December 2012, the Council decided to consult the European Economic and Social Committee, under Article 192(1) of the Treaty on the Functioning of the European Union, on the

Proposal for a Decision derogating temporarily from Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community
COM(2012) 697 final - 2012/328 (COD).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, appointed Mr Pezzini as rapporteur and adopted its opinion on 29 January 2013.

At its 487th plenary session, held on 13 and 14 February (meeting of 13 February), the European Economic and Social Committee adopted the following opinion by 136 votes with 3 abstentions.

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1. **Conclusions and recommendations**

- 1.1 The Committee strongly reiterates the view it has put forward in other opinions: a global solution for emissions trading, accompanied by an operational Single European Sky and a set of rules in line with the goals set, is imperative for the fight against global climate change and the competitiveness of European aviation.
- 1.2 The Committee accordingly welcomes initiative, which provides for a moratorium on the application of the Emissions Trading Scheme (ETS) to airlines operating flights into and out of the European Economic Area, pending the completion of the global negotiations.
- 1.3 However, the Committee believes it is important that all regions of the world agree to limit emissions of CO₂ in intraregional flights.
- 1.4 The Committee highlights the risks for the competitiveness of European transport. During this moratorium, which will apply to the European Economic Area, passengers on flights within the EU will be taxed, while the remaining passengers will not.
- 1.5 The Committee therefore urges the Council and the Parliament, backed by the Commission, to push hard for a rapid agreement based on a global approach; unfair penalisation or

distortion of competition, resulting in lost competitiveness and jobs, must be avoided as this would be in complete contradiction with the universally-approved Europe 2020 strategy.

2. Introduction

- 2.1 European Directive 2008/101/EC, which brings aviation (including non-EU carriers) into the Emissions Trading Scheme (ETS) from 2012, was upheld by a recent Court of Justice ruling on an appeal by several North American airlines arguing that the EU rules violated various international agreements¹.
- 2.2 The Court stated that "application of the emissions trading scheme to aviation infringes neither the principles of customary international law at issue nor the Open Skies Agreement". European legislation is therefore in line with the objectives of the Kyoto Protocol, which included an agreement on greenhouse gases emitted by aircraft, within the UN's **International Civil Aviation Organization (ICAO)**.
- 2.3 In response to progress made in international negotiations and to generate support for them, the Commission intends *as a temporary measure* to exempt non-European flights from the **Emissions Trading Scheme**.
- 2.4 The Emissions Trading Scheme currently **stipulates** that companies required to reduce their emissions are given **credits equivalent to the tons of CO₂** that they can emit, with the **allocation decreasing each year**. Companies which have exceeded their obligations in terms of cutting emissions are given credits which they can then sell on to companies which have not been as careful and so need extra credits. From 2012, the ETS directive was extended to include aviation and all flights to and from a European airport; emissions accounting and participation in the ETS became mandatory, with the deadline for the first surrender of allowances set for April 2013.
- 2.5 In order to smooth the way to a global agreement in the ICAO, it was necessary to approve a temporary derogation from the EU ETS directive, ensuring that action is not taken against aircraft operators which do not meet the directive's reporting and compliance obligations arising before 1 January 2014 in respect of flights to and from the EU, for activities whose point of destination or departure is a non-EU airport.
- 2.6 The proposed approach could however make European aviation less competitive than international aviation at a time of economic recession; freezing the ETS directive for a year pending an international agreement on air transport emissions (a global Market Based Mechanism - MBM) would not concern air transport within the EU.

¹

EU Court of Justice, C-366/10 - Air Transport Association of America and Others v. Secretary of State for Energy and Climate Change - Luxembourg, 21 December 2011.

2.7 In order to avoid such penalisation and distortion of competition, the Committee considers that this derogation should be strictly temporary and apply solely to aircraft operators that have either not received or have returned all free allowances which have been allocated in respect of such activities in 2012. For the same reason, these allowances should not be taken into account for the purposes of calculating entitlements.

3. **The Commission proposal**

3.1 The proposal for a decision aims to:

- "stop the clock," by temporarily deferring enforcement of the ETS obligations of aircraft operators in respect of flights into and out of the European Economic Area;
- ensure that action is not taken against aircraft operators which run flights into and out of the European Economic Area and which do not meet the reporting and compliance obligations arising before 1 January 2014 laid down by Directive 2008/101/EC;
- continue to apply ETS rules in full in respect of flights between airports in the European Economic Area as part of the shared commitment to tackle climate change.

3.2 The proposal also aims to avoid distortion of competition, applying this derogation solely to aircraft operators that have either not received or have returned all free allowances which have been allocated in respect of such activities in 2012.

4. **Comments**

4.1 The Committee has already stressed in a previous opinion that European aviation needs:

- a global solution for emissions trading,
- a Single European Sky which operates efficiently, and
- appropriate regulation.

"The creation of a Single European Sky is also essential to ensuring the competitiveness of the EU's aviation industry in the global market place"², taking into account the fact that the aviation industry is a key player in Europe's economy, carrying 748 million passengers each year, transporting over 11 million tons of goods, contributing 359 billion to GDP and employing over 5 million people.

4.2 The Committee therefore supports the decision to introduce a moratorium on the application of the ETS to airlines operating flights into and out of the European Economic Area until the global negotiations have been completed, but believes that all regions around the world have to agree to implement the ETS system even in their intraregional flights.

² CES1391-2011, [OJ C 376, 22.12.2011, p. 38](#).

- 4.3 The Committee underscores the potential risks to the competitiveness of European transport. While the moratorium on the ETS is in effect, passengers on flights within the EU will be taxed, in accordance with fair environmental requirements, unlike passengers from other countries.
- 4.4 In light of these considerations, the Committee calls for a rapid agreement based on a global approach, avoiding unfair penalisation and distortion of competition; failure to agree on a global solution for emissions trading would certainly handicap the European market, which would be the only one to apply such rules.

Brussels, 13 February 2013.

The President
of the
European Economic and Social Committee

Staffan Nilsson
