

AIRE Position Paper on ETS Aviation and ReFuelEU

This document is the position on the revision of EU ETS and ReFuelEU and the impact it is going to have on aviation sector. Both documents are a part of the “Fit for 55” EU legislative package that aims to reduce CO₂ emissions by 55% by 2030.

Our main comments regarding EU ETS:

1. Inclusion of emissions from flights to non-EEA countries

The EU Parliament adopted the proposition to expand the scope of EU ETS to apply to all flights departing from an airport located in the European Economic Area (EEA), not just to flights within the EEA as at present.

The CO₂ emission for international flights departing from EEA outside the EU is already covered by the scope of CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) and Member States agreed it would be the single global market-based measure applied to international aviation. The adopted form of the EU ETS directive threatens the integrity of international agreements and multilateral efforts of Member States to reduce CO₂ emissions. Moreover, expanding the EU ETS scope to include all flights leaving the EU would lead to serious distortion of competition and weaken the global competitive position of EU airlines and hubs. Furthermore, to ensure transparent and equal competition on the international market and to avoid double counting, CORSIA should be the only carbon offset and reduction scheme for all international flights while the EU ETS should cover domestic flights solely. We believe that using 2020 emissions as a reference year for CORSIA is very problematic as it would substantially increase the level of ambition which was not agreed by ICAO member States in 2016 and it could undermine global support for CORSIA. Using 2020 as baseline also is a threat for fair competition because emissions that year were influenced by Member State’s COVID-19 regulations and did not reflect the actual emissions. A baseline of 2019 only for the First Phase of CORSIA would avoid those problems.

2. Phasing out of free allocations by 2025.

The report foresees an end to free allocations to the aviation sector by 2025, two years ahead of the timetable proposed by the Commission. The allocation of free allowances for aviation was set in 2011 based on 2010 statistics and has never been changed. Europe's largest airlines currently have a free allocation of 50% of their total emissions. By contrast, airlines that have grown significantly since 2010 have smaller shares of free allowances, approximately 30%. The system in its current form perpetuates developmental inequalities and is a barrier to growth for carriers from CEE. A faster phase-out of free allowances is a way to restore fair competition in aviation sector.

3. Channelling financial resources for the climate transition

75% of the revenues generated from the auctioning of allowances for aviation are going to be used to support innovation and new technologies, including the deployment of decarbonization solutions in the aviation sector through the Climate Investment Fund. To ensure the decarbonization of the aviation sector it is essential to channel funds in direction enabling aviation to seek for new technologies and solutions as well as sustainable aviation fuels.

4. Restriction of the EU ETS market to CO₂ emitters only

The EU ETS market should be restricted only to EU entities and actual CO₂ emitters subject to mandatory surrenders. The allowance trading market has effectively been captured by financial

institutions that are not CO₂ emitters. This has led to large-scale speculation. Thus, the implementation of the emissions trading scheme was ineffective. Not only did it not lead to a reduction of CO₂ emissions, but it significantly reduced the competitiveness of European enterprises in the global market.

Our main comments regarding ReFuelEU:

1. Refuelling obligation for aircraft operators.

The current proposal for Article 5 exemptions absolutely fails to meet operational standards. The bureaucratic requirements for providing information about planned refueling will not work in a dynamically changing aviation environment. It seems absurd to ask for permission to use refueling in advance. During this time, the situation at a given airport can change completely. In order to avoid a complicated and arduous path of approval we propose to increase the distance of the flights on a specific existing or new route from 1200 kilometres to 1500 kilometers departing from a Union airport that can be exempted from the obligation from Article 5.

Considering current SAF's supply to the market which is very low, book and claim system shall be implemented to boost market instantly. This approach has been already successfully implemented in the renewable electricity sector

2. Higher level of ambition

We strongly oppose raising ambition levels for synthetic fuels starting in 2025. Synthetic fuel production installations are expensive and take time to set up, fuel suppliers are not ready to supply this type of fuel. As a first step, it is necessary to focus on SAF production and to ensure that production capacity in all Member States meets the demand.

In conclusion, we support a complete phase-out of free allowances by 2025, thus levelling the playing field among European airlines. Redirecting funds from the auctioning of allowances to a fund supporting new technologies and innovations is the only way to decarbonize the aviation sector, while avoiding excessive financial impact on air carriers. However, we are critical of the inclusion of non-EEA flights within the scope of the EU ETS Directive as this would negatively impact international agreements. Furthermore, we believe that the EU ETS should only apply to domestic flights and CORSIA should be the only scheme that covers all international flights and the baseline for COSIA should be 2019. This solution is going to reduce distortion in the competitiveness on the global market. Another idea is to limit the EU ETS market only to CO₂ emitters, which is going to reduce speculation on the market and balance prices of emission allowances. Regarding the ReFuelEU we strongly oppose the obligation to refuel synthetic fuels from 2025 because the fuel market is not ready to produce such fuel. It is also important to exempt flights of less than 1500 km from the anti-tankering regulations.

On behalf of AIRE,
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