Implementation of the EU ETS for Aviation
Challenges from the EU Commission’s perspective

Information Workshop for Aircraft operators
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Overview

• A few words on the Climate & Energy Package

• Current implementing measures regarding Aviation and the ETS

• Further implementing measures
Political context

- Overall objective: limit temperature increase to 2°C (3.6°F) above pre-industrial level
- European Council March 2007: “20/20/20 by 2020”:
  - 20% reduction of GHG emissions by 2020 independent of international agreement, 30% once appropriate agreement
  - 20% share of renewable energy by 2020
  - 20% increase of energy efficiency by 2020
- Commission proposals: Climate & Energy Package from January 2008
- Legislation agreed in December 2008

The Package at a glance

- EU ETS
- Effort Sharing Decision
- CO2&cars
- Renewable Energy Directive
- Fuel Quality Directive
- Carbon capture and storage Directive
- Cross-sectoral targets & instruments
- Technology specific & product policies
- “small emitters”
- Large industrial installations & aviation
- -20% / 30%
What happens after Copenhagen agreement?

- Three months following Community signature, Commission will submit an analytical report
- If appropriate, proposal will be made covering among others
  - Tightening of the phase 3 cap
  - Increased access to offset credits, but: restricted to ratifying countries
  - Review of free allocation rules

EU Emission Trading System (EU ETS)

- In force since 2005 – Plenty of experience, liquid market
- World’s largest cap & trade system (2000 Mt CO₂/year)
- Covers almost half of total EU CO₂ emissions
- One common emission cap for 11,500 energy-intensive installations across the EU
- From 2012 onwards inclusion of 2,700 Aircraft operators
- Cost-effective strategy for reducing emissions:
  - Market based, flexible
  - Buy allowances or reduce emissions (technology neutral)
  - Environmental outcome guaranteed by the emission cap
- Step on the way to a global carbon market
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Implementation approach

- Directive provides for various pieces of implementing legislation to be adopted by “Comitology”
- Legislation to be approved by Climate Change Committee (i.e. experts from the MS)
- A number of associated working groups reporting to the Committee assist in implementation
- DG ENV has also developed the “EU ETS Compliance Forum” as an additional mechanism to support development of the trading system
Current implementation tasks for the Commission

• Currently 4 key tasks:
  ➢ Guidelines for monitoring, reporting and verification (the “MRG”)
  ➢ Guidelines on interpretation of aviation activities
  ➢ Assignment of operators to Member States
  ➢ Calculation of historic aviation emissions (2004-06)

Guidelines for monitoring, reporting and verification

• Adopted in the Climate Change Committee on 26 February 2009
• English version can already be found at our website: http://ec.europa.eu/environment/climat/aviation_en.htm

• Further implementation tasks:
  ➢ Development of Excel templates
  ➢ More sophisticated electronic reporting format for the whole EU ETS (XML based)
### Tonne-km compliance calendar

<table>
<thead>
<tr>
<th>Task</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Publish list of aircraft operators</td>
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<td>Submit monitoring plan</td>
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<td>Obtain monitoring plan approval</td>
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<td>Monitoring period</td>
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<td>Verify data</td>
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<td>Submit verified data to CA</td>
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<td>Submit applications to EC</td>
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<td>Calculate allowances benchmark</td>
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<td>Issue allowances</td>
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### Annual emissions compliance calendar

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<th>Task</th>
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<tbody>
<tr>
<td>Submit monitoring plan to CA</td>
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<td>Approve pre-trading monitoring plan</td>
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<td>Monitoring period</td>
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<td>Write emissions report</td>
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<td>Verify emissions report</td>
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<td>Submit verified report to CA</td>
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<td>Verification statement</td>
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### Roles

- **European Commission**
- **Aircraft operators**
- **Competent Authority / Member States**
- **Verifiers**
Guidelines on interpretation of aviation activities

- Legislation covers all flights to and from EU aerodromes
- Small aircraft and certain flights excluded:
  - Flights of aircraft with MTOM below 5.7 tonnes
  - Flights under visual flight rules
  - Various exemptions (s. next slide)
  - De minimis provision excludes commercial operators with:
    - on average less than 2 flights per day; or
    - annual emissions of less than 10,000 tonnes CO₂
- Detailed guidelines for the definition of aviation activities currently discussed with MS and will be published on our webpage within a few weeks.

Guidelines on interpretation of aviation activities (2)

- “Flight” means a flight sector, i.e. from one block-off (parking place) to the next block-on (parking place).
- Clarification of the exemptions:
  - Transport of (non-EU) heads of state and their family
  - Military flights
  - Flights with arrival at the same aerodrome as the take-off
  - Search and rescue flights, humanitarian and fire-fighting flights
  - Training flights
  - Flights for scientific research
  - Public service obligations
Assignment of operators to Member States

• Each operator regulated by 1 Member State
• Commission published preliminary list allocating operators to Member States on 11 February
• Available on our web site (including description of the methodology)
• Contains over 2700 aircraft operators
• Open for comment until 31 March 2009

Methodology for “The List” (1)

• Identification of flights of years 2006 to 2008 using data from EUROCONTROL’s CRCO (Central Route Charges Office)
  - “Success rate” for billing (i.e. correctness of data) is 99.75%
  - Data gaps:
    • Estonia, Latvia, French overseas departments
    • Lithuania and Poland (except 2008)
  - Also used for identification of the Annex I exemptions
Methodology for “The List” (2)

• If the aircraft operator has an AOC (Air Operator’s Certificate) from a Member State, this MS is the administering MS (and the operator is considered to be commercial)

• Otherwise, the MS with the greatest estimated attributed aviation emissions from the operator
  - Calculated using flight plan data from EUROCONTROL’s CFMU (Central Flight Management Unit) and PAGODA (an emission modelling tool)

• Remaining problems with data gaps or inaccuracies are currently being solved by EUROCONTROL and the respective MS.

Calculation of the Cap

• The total amount of emissions for aviation which is added to the total EU ETS cap is based on historic aviation emissions (2004-06).

• A similar modelling approach by EUROCONTROL & consultants is used.

• The emission model is constantly being improved using real fuel consumption data of operators participating voluntarily in this exercise.

• The Commission has to publish the figure by 2 August.
Overview

• A few words on the Climate & Energy Package

• Current implementing measures regarding Aviation and the ETS

• Further implementing measures

Future implementation tasks for the Commission

• Less urgent tasks include:
  - Amendment to the Registries Regulation
  - Regulation on Auctioning
  - Decision on cap and benchmark for free allocation
  - Rules for functioning of special reserve
  - “Linking” with other ET systems
Amendment to the Registries Regulation

- Allowances “exist” only electronically in the Registries
- Allowances can be freely traded (note: The Registry is not a market place)
- Aircraft operators can buy and use allowances from other sectors, stationary installations can’t use Aviation allowances
- ETS review: Instead of 27 MS registries, the system will be simplified to one Community Registry from 2012. “Front end” administration stays with MS (i.e. the change is invisible to the user)
- Special new functions to be added:
  - Identify allowances eligible for compliance with Kyoto targets
  - Handling of t-km data???
- Scheduled for End 2009

Regulation on Auctioning

- Regulation required for both Aviation (from 2012) and ETS review (from 2013)
- Common rules to be applied in all MS, including transparency, timing, access,…
- Planned for mid 2010, for auctioning to start in 2011
- Internet stakeholder consultation planned for April/May
Further work

- Decision on cap and benchmark for free allocation
  - Based on verified t-km data of 2010 to be submitted to the Commission in 2011
  - Decision by September 2011
- Rules for functioning of special reserve
  - Commission may propose such rules
  - No date in the Directive, but would be useful around 2013

“Linking” with other ET systems

- The EU ETS can be amended to take into account equivalent measures to reduce emissions taken by other countries.

The European Commission is a founding member of the International Carbon Action Partnership.

www.icapcarbonaction.com
Key messages

- EU ETS is a central part of EU policy to tackle climate change, aviation is included in 2012.
- 2009 is very important in establishing monitoring systems and relations with competent authorities and verifiers.
- 2009 is important for making the legislation complete.
- Commission is extremely busy, not least because of the implementation of the climate & energy package (ETS review).
- Preparations for Copenhagen are running at full speed!

Legislation and information sources

- Monitoring and Reporting Guidelines ("MRG"): Decision 2007/589/EC, as amended by 2009/87/EC; Amendment for Aviation recently finalised and to be published soon.

Websites:
- Aviation in the EU ETS: http://ec.europa.eu/environment/climat/aviation_en.htm
Any questions?

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