



COUNCIL OF
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**Council adopts common position on future inclusion of
AVIATION ACTIVITIES INTO THE EU ETS
(greenhouse gas emission allowance trading system)**

The Council today adopted a common position¹ on a draft directive aimed at including aviation activities in the EU greenhouse gas emission allowance trading system, by amending directive 2003/87/CE ([5058/08 +ADD 1](#) and [8041/08 ADD1](#)).

The common position, which follows the political agreement reached by the Council last December ([16183/07, page 9](#)), will be forwarded to the European Parliament for a second reading under the codecision procedure.

The main objective of the draft directive ([5154/07](#)) is to reduce the climate change impact attributable to aviation, in view of the growing emissions from the aviation sector, namely by including aviation activities in the general Community scheme for emissions trading (ETS).

¹ The decision was taken without discussion at the Agriculture and Fisheries Council meeting.

P R E S S

The common position seeks to provide for a balanced package of measures aiming at contributing to the reduction of aviation emissions in a manner consistent with the EU policies and objectives, whilst ensuring that the inclusion of aviation in the ETS does not lead to distortions of competition.

The main elements of the scheme are the following:

Start date and scope of the scheme

As from 1 January 2012, all flights arriving at or departing from a EU airport would be included in the scheme. The common position considers this date as appropriate in view of the procedural steps involved in the adoption of the legislation and the need to provide for a number of implementing measures. The Commission proposal had suggested 2011 as the start year.

Allocation mechanism

The Council considers the issue of allocation of allowances as a key element for the functioning of the scheme. In this respect, the common position follows the Commission proposal of an allocation method that would work partly by allocation of allowances free-of-charge based on a simple benchmark and partly by auctioning. It maintains the *cap* of 100% of historical emissions as in the proposal, whilst pointing towards a possible future reduction as part of a review of the functioning of the directive in relation to aviation activities, to be carried out by 2015. The *benchmark* is slightly adjusted by introducing modifications to the payload, which it increased to 110 kg per passenger and their checked baggage, and to the distance (with 95 km added to the greater circle distance) used to calculate the aviation activity (tonne kilometre) of each aircraft operator.

On the *levels of auctioning*, the common position opts for a fixed percentage of 10%, which could be increased as part of the general review of the ETS directive. This coupling of an initial lower percentage of auctioning with the possibility of future increases is considered as a more cautious approach aiming both at ensuring that aviation would not be treated significantly differently from other sectors falling within the ETS, and at providing for better adaptation to the overall functioning of the scheme. Finally, the common position provides that EU member states would determine *the use to be made of revenues* generated from the auctioning of allowances. These revenues would be used to tackle climate change in the EU and in third countries and to cover administrative costs.

One of the major new elements introduced by the Council relates to the creation of a *special reserve for new entrants or fast-growing aircraft operators* (i.e. operators that can demonstrate a growth rate of 18% annually in the years following the base year used for the allocation of allowances). A set percentage (3%) of allowances would be set aside to be distributed to eligible aircraft operators on the basis of a benchmark system similar to the system used for the initial allocation. The introduction of such a provision would ensure that new aircraft operators or aircraft operators in member states with initially very low (but currently increasing) mobility rates would not be penalised by the scheme. The common position intends to avoid any possible market distortions by making the distribution of allowances under the special reserve a one-off, alongside a provision that the resulting annual allocation per tonne-kilometre to eligible aircraft operators shall not be greater than the annual allocation per tonne-kilometre to aircraft operators under the main allocation.

Exemptions

The common position excludes from the scheme flights related to search and rescue, fire-fighting, humanitarian flights, emergency medical service flights and flights performed for the purpose of checking aircraft or equipment.

A new clause is introduced, entailing the exclusion of flights performed by a commercial air transport operator operating, for three consecutive four-month periods, fewer than 243 flights per period; thus, operators with very low traffic levels, including operators from developing countries, would not be faced with disproportionate administrative costs.

The common position also takes into consideration the special needs of *outermost regions* and the particular status of flights performed under *public service obligations*.

Other issues

A number of new provisions are added to the original proposal, namely including *monitoring and reporting plans*, as well as the possibility to impose an *operating ban* at Community level on an aircraft operator that fails to comply with the requirements of the directive.

Furthermore, the Council modifies the proposal as regards the *conversion of allowances and their subsequent use towards international commitments*, opting for a "semi-open" scheme and deleting the provision that would have enabled aircraft operators to convert their allowances into allowances that can be used by other operators.

A new text is added in order to ensure that credits from the Kyoto Clean Development Mechanism are only transferred to member states' retirement accounts for the first commitment period under the Kyoto Protocol if they correspond to emissions included in the national totals of member state's national inventories for that period.

The common position emphasises the importance of seeking a *global solution* to the issue of reducing emissions from aviation activities , as well as the need for seeking the optimal interaction between the Community scheme and equivalent schemes from third countries.

Finally, a number of points are added to the current *review clause* of the ETS directive aimed at improving the reviewing of the directive in relation to aviation activities and for addressing any problems that might be bound to arise from the inclusion of these activities in the general ETS.

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The Commission presented the proposal for a directive amending directive 2003/87/EC so as to include aviation activities in the ETS in December 2006, and the Parliament adopted its first-reading opinion on 13 November 2007.

The existing Community emissions trading scheme works by allocating to operators a number of allowances each giving them a right to emit one tonne of carbon dioxide per year. The total number of allowances allocated sets a limit on the overall emissions from participants in the scheme. Operators can trade allowances so that emissions reductions can be made where they are most cost-effective.
