



EUROPEEN COMMISSION PROPOSAL TO INCLUDE AVIATION IN THE EU EMISSIONS TRADING SCHEME

*Mme LE THI MAI
GENERAL MANAGER ENVIRONMENT
ASSOCIATION OF EUROPEAN AIRLINES*

*CONCAWE SEMINAR
NOVEMBER 19, 2007*

31 MEMBERS



FACTS AND FIGURES

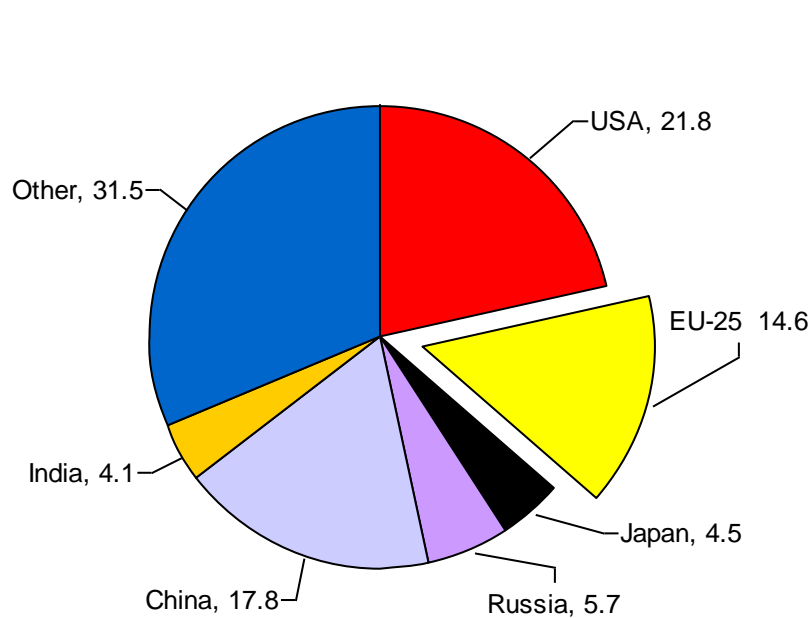


THE SIZE OF THE PROBLEM

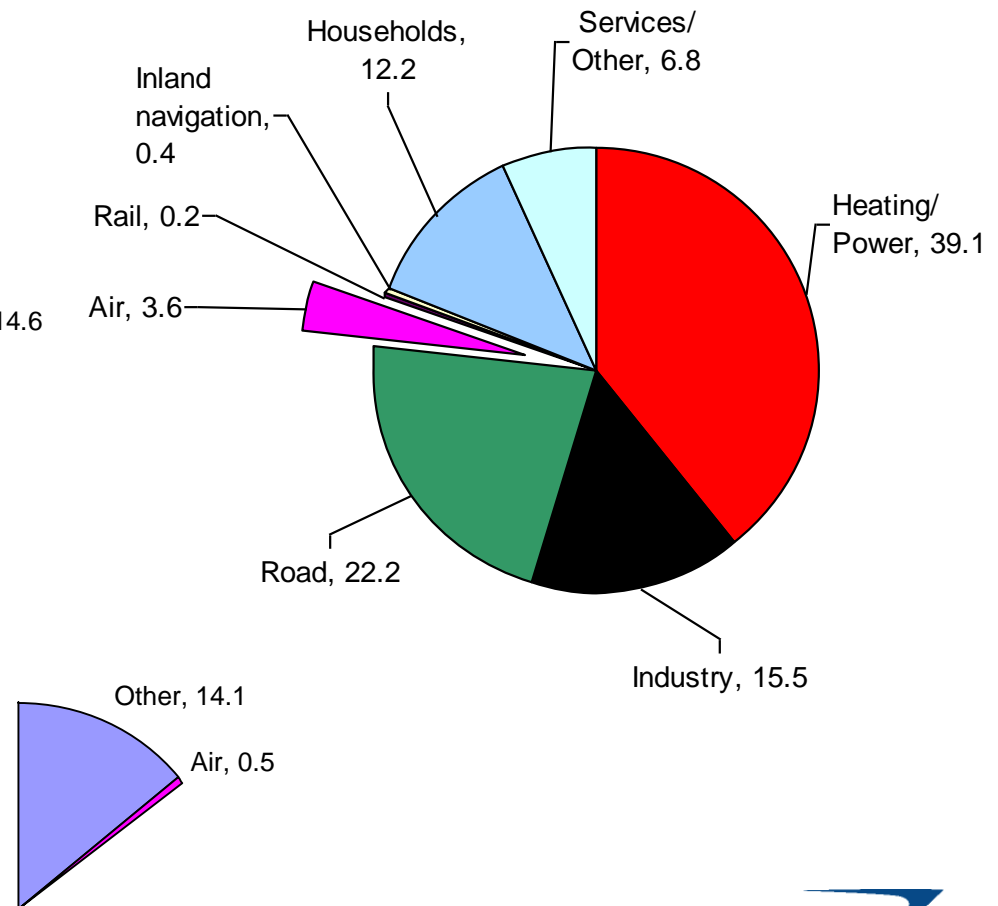


CO2 Emissions 2004 - % shares

CO2 Emissions by sector – EU 25 % shares



CO2 Emissions World – % shares



A COMMON POSITION



AEA



ASD



EBAA



EEA



ERA



IACA





Based on 4 pillars

- **Technological progress**
- **Infrastructure improvements**
- **Operational measures**
- **Economic instruments**



- **Baseline** 2004-2006
- **Cap** 100% of the baseline for the period 2011-2022
- **Geographical Scope:** 2011 intra-EU flights
2012 all flights
- **Emissions Coverage:** CO₂ only
- **Auctioning:** Average of the auctioning levels in the various Member States
- **Allocation method:** Benchmarking based on RTK



➤ OPEN SYSTEM

- POSSIBILITY TO TRADE WITH THE OTHER SECTORS
- ACCESS TO CDM & JI

➤ CO₂ ONLY

- NO MULTIPLIER FACTOR
- NON-CO₂ EFFECTS TO BE TACKLED OUTSIDE ETS

➤ NON-DISCRIMINATION BETWEEN OPERATORS

- INCLUSION OF ALL OPERATORS WITHIN THE DEFINED GEOGRAPHICAL SCOPE

➤ HARMONISED PROCEDURE AT EU LEVEL FOR THE ALLOCATION OF ALLOWANCES



➤ BASELINE OF 2004-2006

- TOO DISTANT FROM THE TRADING PERIOD
- NEW EU MEMBER STATES PENALISED AS THEIR BOOMING MARKET IS NOT TAKEN INTO ACCOUNT
- UNAVAILABILITY OF ACCURATE BASELINE DATA

➤ EMISSIONS CAP – STABILISATION AT 2004-2006 LEVELS

- ANY GROWTH ABOVE THE CAP WILL HAVE TO BE PURCHASED :
 - 30% of emissions by 2012 (*)
 - 50% by 2017
 - 70% by 2022

() Including auctioning*



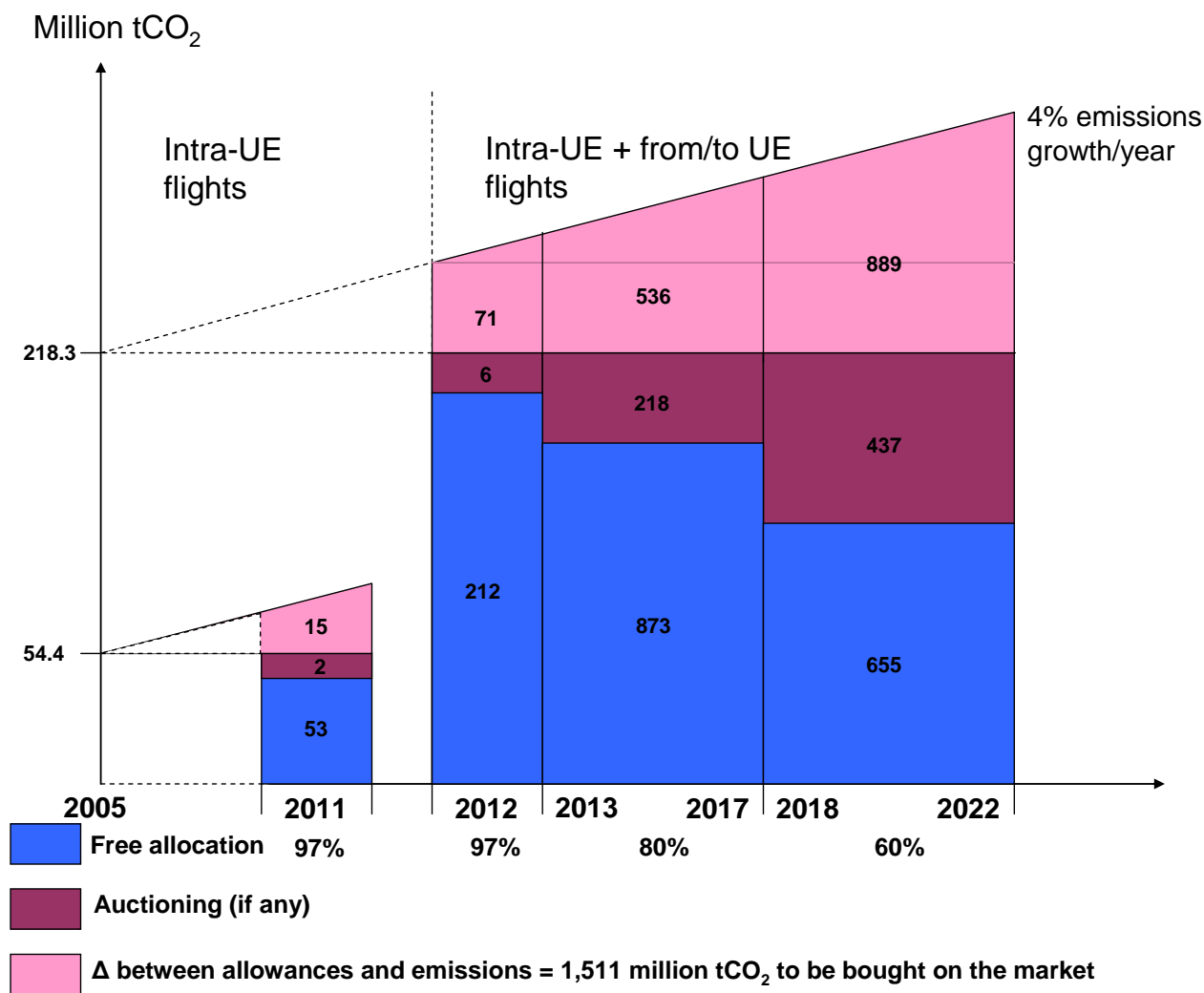
➤ AUCTIONING

- **MANDATORY FOR AVIATION**
- **BUT APPLICATION TO GROUND SOURCES LEFT TO MEMBER STATES TO DECIDE**

➤ RELATIONS WITH THIRD COUNTRIES

- **ACCEPTANCE OF THE EU ETS ?**
- **LEGAL ASSESSMENT ?**

INDUSTRY IMPACT ASSESSMENT





COSTS OF PURCHASING ALLOWANCES

Allowance Price	€ 6/tCO ₂	€ 15/tCO ₂	€ 30/tCO ₂
Period			
2011		€ 222 mill.	€ 445 mill.
2012		€ 1,060 mill.	€ 2,120 mill.
2013 – 2018	€ 3,218 mill.		€ 16,088 mill.
2018 – 2022	€ 5,333 mill.		€ 26,667 mill.
Total - Low Price 2011 – 2022	€ 9,833 mill.		
Total - High Price 2011 – 2022			€ 45,320 mill.



COSTS OF AUCTIONED ALLOWANCES

Auctioning Price	€ 6/tCO ₂	€ 15/tCO ₂	€ 30/tCO ₂
Auctioning %			
2011 (3%)		€ 23 mill.	€ 46 mill.
2012 (3%)		€ 93 mill.	€186 mill.
2013 - 2018 (20%)	€ 1,310 mill.		€ 6,548 mill.
2018 - 2022 (40%)	€ 2,619 mill.		€ 13,097 mill.
Total - Low Price 2011 – 2022	€ 4,045 mill.		
Total - High Price 2011 – 2022			€ 19,877 mill.



DESIGN ELEMENTS AND COST EVALUATION

ETS Scenarios

	EC Proposal	Parliamentary Vote of 13/11/2007
Geo Scope	To, from & within Europe	
Timeframe	2012-2022	2011-2022
Price of allowances	EUR 30/tCO ₂	
Baseline	2004-05-06	2004-05-06
Cap	100%	90%
Auction	20-40%	25%
Multiplier	none	2
Cost (Million EUR)	EUR 30/tCO ₂	
Market	44,874	109,038
Auction	20,955	17,680
Total	65,829	126,718

Source: AEA; Update: 14/11/2007