

**A4E'S RESPONSE TO EUROPEAN COMMISSION'S CALL FOR EVIDENCE FOR AN EVALUATION AND
IMPACT ASSESSMENT ON EU ETS**

Introduction

Aviation accounts for 2% of global CO₂ emissions and 3.8–4% of total EU-wide emissions¹. It contributes €851 billion to European GDP (5%) and generates a strong multiplier effect on job creation and GDP per capita, +1.6% and +0.5%, respectively, for every 10% increase in connectivity².

Yet, aviation has been included in the EU Emissions Trading System (EU ETS) since 2012, as the first transport mode. It is also the first industry to implement a global scheme to limit CO₂ emissions at the international level through CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), which is effective since 2021 and will become mandatory for most ICAO members in 2027.

Unilateral EU climate policies have significantly increased the cost of flying to, from, and within the EU, impacting connectivity across the region. According to the Draghi Report³ on EU Competitiveness, decarbonising aviation could cost up to €61 billion annually between 2031 and 2050.

This document outlines A4E's general position on the topics referenced in the call for evidence for the evaluation and impact assessment of the EU ETS for aviation. It emphasizes the need for a policy framework in which the ETS can balance environmental ambition with the need to maintain competitiveness, connectivity, and socioeconomic contributions of European airlines.

1. Supporting global solutions for aviation emissions

Given the global nature of aviation, its climate impact must be addressed at a global level rather than through regional measures alone. By 2030, the current EU ETS (with its intra-EEA scope), combined with a stronger CORSIA, could enable a 55% reduction in CO₂ emissions (-20.5 Mt CO₂)⁴. To meet the 2050 climate ambition of carbon neutrality, an extension of the EU ETS scope is furthermore not necessary, as the bulk of emissions reductions will be delivered by Sustainable Aviation Fuels (SAF), advances in aircraft and engine technology, and improved aircraft operations (resulting in a combined reduction of emissions by -89% or 261MT⁵). The current EU ETS scope, combined with a stronger CORSIA, would therefore be sufficient to cover the remaining emissions reductions to reach net-zero.

Simply increasing costs without offering affordable alternative fuels will not result in true decarbonisation, but simply risks shifting business and emissions to competitors. A4E does not believe that extending the EU ETS to extra-EEA flights should be considered a viable alternative. A unilateral EU-only approach risks distorting competition, increasing costs for European passengers and businesses, as well as harming European industries through increasing freight costs, and potentially provoking retaliatory measures from

¹ DG CLIMA, [Reducing emissions from aviation - European Commission](#)

² SEO Amsterdam Economics - Benefits of Air Connectivity, 2024

³ Mario Draghi, The future of European competitiveness. A competitiveness strategy for Europe, 2024

⁴ Compared to 1990 levels. NLR-SEO, D2050 - A Route To Net Zero European Aviation, 2025, p. 116.

⁵ [NLR-SEO, D2050 - A Route To Net Zero European Aviation, 2025, p. 7.](#)

key international partners. It could also undermine international cooperation and the EU's credibility in supporting multilateral climate efforts.

Net-zero aviation emissions can be achieved by 2050 without expanding the ETS scope, but rather through a combination of measures including a stronger CORSIA as well as investments in SAF and decarbonization technologies⁶.

As set out in the EU ETS directive, the EU's goal should be to promote global participation in CORSIA. This means applying CORSIA to all international flights including within the EU, and the intention to transition away from administering both ETS and CORSIA obligations for European aviation operators to CORSIA only for the long term, ensuring that all passengers and carriers are subject to the same environmental costs.

Any current assessment of CORSIA's effectiveness is premature, due to the impact the COVID-19 pandemic and the reduction in aviation operations during the voluntary phase (2021-2023). This meant that no offsetting obligations were required by any operator under the scheme. Assessing the compliance of the first phase (2024-2026) is also premature, as the obligation to retire credits for emissions from the first phase are not due until 31st January 2028. . It is therefore also not appropriate to judge the current prices of CORSIA eligible emissions units, since these only represent initial values and have not yet been developed by the market dynamics which the industry would expect for CORSIA's mandatory phase starting 2027. As a reminder, the average EU ETS allowance prices have undergone similar dynamics, and have risen from initial low levels of 6-25 EUR⁷ pre COVID to 60-80 EUR per allowance today, at times even reaching 100 EUR.

To ensure that CORSIA fulfills its long-term potential and contributes effectively to ICAO's global aspirational goal of net zero emissions by 2050, the following steps are essential:

- Extending CORSIA beyond 2035.
- Strengthening offset quality standards, including carbon capture and removal technologies.
- Progressively adjusting baselines and thresholds.
- Ensuring active participation among all ICAO member states to secure widespread adoption and implementation.
- Encouraging jurisdictions which do not have a SAF mandate in place to implement requirements on SAF usage under the CORSIA scheme. This would help encourage uptake of SAF under the CORSIA market and could work akin to applying ReFuelEU Aviation requirements alongside the EU ETS.

A single global system like CORSIA has the potential to be developed over time and offers the most coherent and effective path forward, with the ultimate objective of setting a carbon price that is equal for all carriers, regardless of the flight type or countries of departure and arrival, thus delivering a level playing field for all aircraft operators operating the same routes.

⁶ As confirmed in NLR-SEO, D2050 - A Route To Net Zero European Aviation, 2025

⁷ https://www.ecb.europa.eu/press/economic-bulletin/focus/2020/html/ecb.ebbbox202002_04~a7d137cb35.en.html

2. Bringing down the costs of ETS to level the playing field

The phase out of free ETS allowances coupled with their rising in price, marks a significant cost increase for European airlines operating intra EEA-flights⁸.

In 2024, the cost of ETS compliance for A4E airlines amounted to €2.3 billion and is expected to double by 2030, reaching approximately €5 billion per year. This represents one of the highest costs faced by European airlines to date⁹.

In comparison, most non-EU countries do not implement carbon pricing instruments for aviation, including countries with airport hubs near the EEA that compete for air traffic with EU hubs¹⁰. For those countries applying CORSIA, the cost of carbon credits remains significantly lower than under ETS and is expected to remain lower in the coming years.

This cost differential is driving a shift in demand toward routes via non-EU hubs and/or to non-EU destinations, thereby contributing to carbon leakage. While a moderate impact has already occurred up to 2024¹¹, the trend is expected to intensify in the coming years¹².

Climate ambitions should align with industry realities. EU airlines can only invest into decarbonization if they remain profitable and competitive. To safeguard the competitiveness of the European airline sector while still achieving decarbonisation in a cost-effective manner, the revision of the EU ETS should aim to reduce costs for European airlines. This can be achieved by increasing the availability of SAF allowances, reinstating ETS allowances where policy inefficiencies create unnecessary emissions, and strengthening global instruments.

2.1 SAF Allowances

A4E acknowledges and supports the initiative to provide 20 million SAF allowances for airlines within the EU ETS, as outlined in the delegated regulation on FEETS. However, the allocation of just 20 million certificates within a limited timeframe can only offer short-term relief at best while the ReFuelEU SAF mandate obligations increase significantly over time, including the adoption of e-fuels sub targets.

It is therefore necessary that in this EU ETS review, and linking it to the expected release of the Sustainable Transport Investment Plan in Q3 2025, the following issues would be ensured for the airlines sector:

⁸ EU ETS allowance prices averaged €66.38 per t/CO₂ in 2024 and are estimated to grow to €137.50 per t/CO₂ by 2030 (107%). 2050, the price is projected to reach €315 per t/CO₂ (377%).) Median of price projections of 14 different organizations by April 2024: CAKE/KOBise, Capital Economics, Carlton Carbon, Commerzbank, Enerdata, Energy Aspects, Engie EnergyScan, Macquarie, Morgan Stanley, Pact Capital, LSEG/Refinitiv, Vertis, Veyt, Volue Insight.

⁹ Steer, Cost of compliance for European airlines, 2025

¹⁰ Turkey plans to start a national carbon trading scheme (TR-ETS) in 2025, but it will exclude the aviation sector, focusing solely on energy and industry. Similarly, the UAE currently lacks carbon pricing, and while discussions are ongoing, no concrete measures have been introduced. The US and Canada also do not apply a carbon price to aviation.

¹¹ Steer, Carbon leakage risks from scope of aviation policy measures in Fit for 55, 2022

¹² Deloitte, Creating a level playing field for decarbonisation in aviation, 2025

- Extend until at least 2040 and increase the allocation of ETS SAF allowances to provide long-term support beyond the current framework, aligning it at least to the continuous increase of the ReFuelEU SAF mandate and submandates and reflecting also the ETS exposure of each airline. Extension should be open to all SAF types and technologies qualifying under EU ETS avoiding any distortions among EU airlines¹³.
- Ensure the SAF allowances can be claimed on a multi-annual basis, aligned with long-term SAF purchase agreements, to create bankable agreements that increase investment attractiveness.

2.2 ETS allowances

ETS allowances will be fully auctioned starting in 2026, representing a major cost increase for European airlines and an increasing risk of carbon leakage and competitive disadvantage for airlines operating intra-EEA flights. No other heavy-emitting sector is facing the same speed of this phase out, and airlines will now be forced to consider compliance costs ahead of being able to make long-term investments to install the low-cost technology necessary towards reducing their absolute emissions. This does not fairly represent the financial contributions of aviation to the EU ETS and the subsequent allocation of this revenue to other sectors through the EU ETS' funding mechanisms.

To mitigate the risk of carbon leakage amid rising compliance costs and enable airlines to invest in long term decarbonisation technologies, A4E advocates for the reinstatement of free ETS allowances for aviation. Despite being included in the ETS for over a decade, aviation will be the only sector without access to free allowances after 2026.

We urge the European Commission to reinstate free ETS allowances to offset the cost of inefficient EU airspace management - particularly the lack of a Single European Sky - which is estimated to cost the sector €8.5 billion annually by 2030.

2.3 Earmarking national revenues

The sale of allowances in the EU ETS auctions generates substantial revenue for Member States to support climate action and energy transition. In 2023, the total auction revenue amounted to €43.6 billion, of which €33 billion went directly to the Member States.

Since June 2023, Member States have been obliged to use 100% of the revenue collected from the EU ETS to support climate action and energy transition efforts, including the decarbonisation of the transport sector.

However, to date, very little of this revenue has been reinvested for that purpose in the aviation sector, and there is a lack of transparency regarding how these funds are being used.

As the purpose of EU ETS is to reduce carbon emissions, ETS revenues should be reinvested in SAF funding, following examples such as Germany's April 2025 coalition agreement, which commits to allocating 50% of ETS revenues to SAF production, together with a better overview over their use from Member States.

Conclusion

A review of the EU ETS must reflect the economic and competitive realities faced by European airlines. Unilateral extensions of the ETS to extra-EEA routes risk distorting competition, increasing costs for European operators, and exacerbating carbon leakage. Such moves could undermine international cooperation and weaken the EU's credibility in global climate negotiations.

Instead, A4E advocates for strengthening and expanding the global CORSIA system, bringing down the cost of ETS in line with CORSIA, improving SAF deployment through increased and long-term SAF allowances, and reinstating ETS allowances where it is unfair to penalise airlines for policy inefficiencies and safeguard against competitiveness. A more strategic and transparent use of ETS revenues is also essential to support aviation transition while maintaining the economic and social benefits of air connectivity.

Ultimately, achieving meaningful emissions reductions requires pragmatic, globally coordinated approaches that do not disproportionately burden European airlines. The EU has a critical opportunity to lead by example - aligning its climate ambition with effective global mechanisms, ensuring a fair competitive landscape, and supporting innovation and investment in decarbonisation technologies.