



## **A4E Statement on European Parliament vote on ETS/CORSIA**

**08 June 2022**

Today the European Parliament voted in plenary to adopt a large part of the [ENVI Committee's report](#) to revise the EU Emissions Trading System (ETS) for aviation<sup>1</sup> as well as implement the UN's carbon offsetting and reduction scheme for international aviation (CORSIA) in the EU.

Key elements of the proposals that were adopted today include: creation of a new SAF allowances pricing scheme under the EU ETS; changes to the scope of the EU ETS; references to non-CO2 emissions; earlier phasing out of free allowances and revisions to current ETS exemptions for flights to/from Europe's outermost regions.

As per today's decisions, final negotiations between the European Parliament and the European Council will have to wait however until other elements of the Fit for 55 package are approved by the European Parliament, such as the general ETS framework.

### **Creation of a SAF allowances system**

A4E welcomes the Parliament's adoption of a newly created "SAF allowances" pricing scheme, which will bridge the price gap between conventional jet fuel and sustainable aviation fuels (SAFs). Airlines would be granted CO2 allowances equivalent to the amount of CO2 saved by uplifting SAF. Use of synthetic or renewable fuels of non-biological origin (RFNBOs) would count double.

A SAF allowances scheme will reduce the total cost of the ReFuel EU proposal, both in terms of the cost of SAFs/RFNBOs in addition to ETS costs, in particular supporting Europe's peripheral/remote regions and avoiding any loss of flight connectivity.

For it to be successful, the SAF allowances system should increase overall SAF uptake across Europe and incentivise airlines to go beyond blending mandates, in turn reducing more CO2 emissions from the sector. It would also strengthen local SAF production across Europe and help Europe better compete with the U.S. tax credit scheme of \$1.50 - \$2 per gallon.

### **Changes to the scope of the EU ETS: Applying the ETS to all departing flights from Europe (instead of to flights within Europe)**

A4E notes the Parliament's decision to extend the scope of the ETS from flights within the European Economic Area (EEA) to cover all flights departing from the EEA. A4E warns against any regulatory overlaps for EU carriers with both EU and international measures in effect. This could lead to a potential double-burden for carriers, who may have to pay for the same emissions twice (through both the ETS and the international scheme, CORSIA).

Already in the short term, ETS and CORSIA working together will help to reduce net CO2 emissions from aviation and contribute to reaching both European and international climate goals.

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<sup>1</sup>*Report on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and appropriately implementing a global market-based measure"*

Carbon pricing is essential to incentivise the deployment of decarbonisation technologies. A4E believes that a global carbon price for aviation is urgently needed to support the deployment of these technologies that will allow air transport to reach its ambitious climate targets. A4E calls on ICAO to negotiate, design and implement a true global carbon pricing scheme at its upcoming high-level meetings.

### **Inclusion of non-CO2 emissions in the EU ETS**

The decision by Parliament to include obligations for aircraft operators on non-CO2 emissions in the scope of the ETS is premature. Further scientific and legal analyses are still needed on the exact impacts of non-CO2 emissions from aviation and how best to address them.

### **Quicker phasing out of free ETS allowances for airlines**

A4E is extremely concerned about the Parliament's decision to prematurely phase-out freely allocated allowances for the sector as early as 2025. (The Commission proposal called for the phasing out of free allowances from 2027 onwards). A4E is calling for the phase-out to better align with the emergence of decarbonisation solutions, for example when SAFs and other decarbonisation technologies would be more widely in use. Free allowances should be phased out rather by 2030, to mitigate competitive distortion with non-EU carriers and avoid carbon leakage.

In 2019, airlines spent €950 million on ETS compliance, having to buy certificates for 60% of their emissions at a price of €25 per ton. Buying allowances for 100% of 2019 emissions at today's carbon price of €80 per ton would amount to ETS compliance costs of €5.2 billion annually. ETS costs may well reach €6 billion by 2025, even as aviation emissions decline.

### **Changes to ETS exemption for Europe's outermost regions**

A4E is concerned about the decision to end the current ETS exemption for flights to/from Europe's outermost regions who are dependent on air connectivity for access to goods, services and education, but we welcome MEPs' decision to prolong the exemptions for these flights until 2030, instead of 2024 as initially proposed.

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