

A4E statement on EU agreement reforming the Emissions Trading System (ETS) for aviation

7 December 2022

During their meeting in Brussels which began on 6th of December 2022, European negotiators agreed on a reform of the carbon market for aviation (“ETS in Aviation”). This reform is part of the broader Fit for 55 package of climate proposals currently making their way through the EU’s legislative process.

The decarbonisation of aviation is a global challenge. The deal reached today on the scope of the ETS shows that work towards an effective global carbon price for aviation has only started. This will build on the outcome of the 41st Triennial International Civil Aviation Organisation (ICAO) Assembly in October 2022.

We must not forget that airlines have been paying for their emissions through the EU ETS since 2012. The cost of compliance for the ETS is likely to have increased five times in size by 2025 to over EUR 5 billion annually.

A4E is extremely disappointed about the decision to phase out free ETS allowances currently granted to airlines by 2026. This is well before truly effective decarbonisation solutions will be available at the scale needed for them to be effective.

A4E welcomes the decision to better support decarbonisation in civil aviation. The creation of a novel system of sustainable aviation fuel (SAF) allowances to help stimulate the rapid deployment of SAF and the earmarking of allowances under the Innovation Fund of the ETS are welcome. They will help lower the cost of the energy transition for airlines and give Europe a unique opportunity to become the leader in green aviation.

The future competitiveness of European aviation and the European SAF industry is clearly at stake. In a globally competitive environment where countries, such as the US through the Inflation Reduction Act (IRA), are willing to use public funds to incentivise the use and production of clean energies, it is essential that Europe finds the optimum level of incentives in order to maintain a level playing field. It is therefore crucial that the review of the Carbon Border Adjustment Mechanism (CBAM) in 2027 considers the impact of policies such as the EU ETS on air transport services.

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