



Danish Ministry of Climate,
Energy and Utilities

EU emissions trading system - updated rules for aviation

Denmark's response to the public consultation

Center

Centre for Global Climate Action

Team

Climate Neutral EU

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Denmark welcomes the Commission's intention of presenting a legislative proposal to implement the carbon offsetting and reduction scheme for international aviation (CORSIA) in a way that is consistent with the EU's 2030 climate objectives, as well as the intention to present a proposal to increase the share of allowances auctioned under the system for aircraft operators to further contribute to reducing greenhouse gas emissions.

Greenhouse gas emissions from the aviation sector have more than doubled over the past three decades and is projected to increase further in the future. One of the many reasons behind this is the fact that the growth in volume in the aviation sector has outpaced the initiatives taken to reduce emissions.

Today, aviation accounts for more than 3 percent of the EU's total greenhouse gas emissions and more than 13 percent of the CO₂ transport emissions. Aviation is in addition one of the fastest-growing sources of greenhouse gas emissions. In order to address this issue, swift and targeted action is needed to reverse the trend of increasing emissions from the aviation sector.

The European Union Aviation Safety Agency presented in September 2020 its report entitled "*Updated analysis of the non-CO₂ climate impacts of aviation and potential policy measures pursuant to EU Emissions Trading System Directive Article 30(4)*". The report emphasized a range of findings including that aviation emissions are currently warming the climate at approximately three times the rate of that associated with aviation CO₂ emissions alone due to the impact of e.g. soot, particular emissions and condensation trails. When considering long-term regulation of the emissions from the aviation sector, all relevant climate effects should be taken into account.

In addition, it is very important to underline, that the aviation sector is still in an unprecedented situation due to the restrictions taken in response to the COVID-19 pandemic. This means that all regulatory steps addressing the fundamental operating circumstances of the aviation sector has to consider the unique situation and be adopted with careful consideration.



Increase of the share of allowances auctioned under the EU ETS

The EU ETS has rightly demonstrated itself as a flagship EU climate policy. Notably after the 2018 revision of the EU ETS directive, the system has succeeded in establishing an effective EU-wide carbon price signal that has provided incentives to reduce emissions cost-effectively across Member States. An effective carbon price through the EU ETS is the most cost-effective instrument to deliver on the EU's climate targets as well as to incentivise market-driven deployment of low-carbon technologies and phase-out of fossil fuels across sectors – including within the aviation sector.

In order to create an effective EU-wide, uniform carbon price signal, it is of great importance that differences between and within sectors are reduced. However as the situation stands now, aviation transportation is not sufficiently priced compared to other means of transportation. This fact was recently highlighted in the European Court of Auditors' Special Report No 18/2020 entitled "*The EU's Emissions Trading System: free allocation of allowances needed better targeting*". The Special Report highlighted in particular that the allocation of free allowances for the aviation sector have tended to favour air travel over other modes of transportation within the EU such as rail travel.

In this light, the Commission is encouraged to analyse the level of allocation of free allowances to secure climate action across all sectors, while taking fully into account the international competitiveness of sectors in risk of carbon leakage. Therefore, Denmark welcomes the Commission's intention to present options for adjusting the share of allowances auctioned under the system for aircraft operators with a view to ensure further reductions of greenhouse gas emissions and a level playing field with other modes of transport.

CORSIA implementation

By its very nature, aviation presents cross-border challenges best responded to by cross-border solutions. As such, the EU's Emissions Trading System has since 2012 covered certain emissions from the aviation sector. However, as aviation emissions are not confined to neither the EU nor the EEA, measures to address aviation emissions on a broader scale are quintessential.

The carbon offsetting and reduction scheme for international aviation (CORSIA) as negotiated in the International Civil Aviation Organisation (ICAO) is an important step in order to address global emissions.

In order to support the momentum in the ICAO, extra-EEA flights have been temporarily excluded from the EU ETS. As the temporary geographical scope derogation is due to expire by the end of 2023, it is important to address the co-existence of the EU ETS and the CORSIA when it comes to regulating emissions from the aviation sector.



As CORSIA by design is capable of complementing domestic and regional action such as the EU ETS, any implementation of CORSIA should have as one of its goals to uphold an effective carbon price. The implementation of CORSIA should as such aim to complement the existing EU ETS in a cost-effective manner.

Taking into account the current level of ambition of CORSIA, the Danish government still sees a very relevant and prominent role for the EU ETS regarding further reductions of greenhouse gas emissions from the aviation sector. The Danish government supported originally the temporary exclusion of extra-EAS flights, but prefers that any future solution would deliver a similar potential for emissions reductions as with the EU ETS.

Any action taken to implement CORSIA should have as its main focus to increase the climate and environmental ambitions for the greenhouse gas reductions in the aviation sector. It is paramount that the aviation sector contributes to the decarbonisation of the transport sector in particular as well as the EU climate goals in general. Therefore, any option taken regarding the coverage of the EU ETS and the CORSIA respectively must take into account the Paris agreement's principle of "no backsliding".

A key aspect to keep in mind when regulating aviation transport is the question of carbon leakage. One of the challenges to the transition of the aviation sector is to ensure that ambitious European efforts will not only result in the emissions being moved to non-EU countries. In that regard, CORSIA will play a crucial part over the coming years. Especially the implementation during the pilot phase will prove to be instrumental in order to achieve tangible results both within and beyond the EU.

Finally, it is of great importance that any course taken in terms of the coordination of the EU ETS and CORSIA with regards to aviation emissions are coordinated in such a way, that no regulatory gaps will occur between the scope of the two systems. Furthermore, any regulatory action taken should take into account the ambition to minimise the administrative burdens that might arise from having co-existing systems.