



EU Emissions Trading Scheme

Background

January 13, 2009 Directive 2008/101/EC was published in the *Official Journal of the European Union* pursuant to its adoption by the Council of the European Union. Directive 2008/101/EC amends Directive 2003/87/EC to include eligible aircraft operations to, from or between European Union (EU) airports in the EU Emissions Trading Scheme (ETS). ETS is a market-based carbon allowance trading program designed to account for and reduce eligible entities' green house gas (GHG) emissions.

ETS, launched in January 2005, is basically a "Cap and Trade" program to reduce the emissions of carbon dioxide (CO₂) and other GHGs. ETS currently covers over 10,000 installations in the energy and industrial sector, which account for roughly half of the EU's total GHG emissions. Each EU member state is responsible for creating its own regulations to implement ETS.

Currently, aviation activities account for 2% of total worldwide GHG emissions¹. Despite this relatively low contribution, some groups have maintained since ETS's inception that aviation's impact on global warming could be, in some

¹ [IPCC, Aviation and the Global Atmosphere: A Special Report of the Intergovernmental Panel on Climate Change \(1999\), Cambridge University Press](#)

estimates, as high as 10% of total human effects and therefore should be included in ETS.²

Notwithstanding the actual promulgation of the regulations by EU member states, entities conducting eligible aviation activities to, from or between EU airports will be required to participate in ETS in 2012.

Eligibility

All flights conducted to, from or between EU airports in an aircraft with a MTOW greater than 5,700 kg (12,566 pounds) will be included in ETS, with the following exceptions:

- Certain flights transporting Heads of State
- Military & police flights
- Search & rescue, firefighting, humanitarian aid, and EMS flights
- Flights departing and returning to the same airport, with no intermediate landings
- Flight Training
- Scientific or certain check flights
- Flights conducted by a commercial air transport operator that
 - Has fewer than 243 flights, per period, for three consecutive four-month periods; or
 - Has total annual emissions less than 10,000 tons per year
- Aircraft operating from states with emissions regulations meeting the approval of the European Commission

² [Including Aviation in the EU's Emissions Trading Scheme](#). 2008, European Federation for Transport and Environment
www.transportenvironment.org/Publications/prepare_hand_out/lid:480 Accessed: 4/13/08

ETS Aviation Structure

Each eligible aircraft operator will be assigned to a member state for administration of the ETS process. The European Commission has published a preliminary list of operator-state assignments³. The ETS process for aviation will take on three distinct phases; monitoring, benchmarking, and compliance.

Each individual EU member state will develop an emissions monitoring template for the use of the aircraft operators it is administering. The operators will be required to tailor the template to their specific operations and submit a monitoring plan for approval. The proposed date for the submission of monitoring plans is August 31, 2009. Then, beginning January 1, 2010, the operator will monitor their emissions, based on the methods specified in their approved plan, for the entire calendar year and submit a third-party-verified emissions report by March 31, 2011.

Benchmarking is the optional process that an operator can undergo to qualify to receive free emissions allowances during the compliance phase. Operators that desire to receive free emissions allowances must submit a benchmarking plan to the relevant agency of their administering state by August 31, 2009. The benchmarking plan will describe the method in which the operator plans to track tonne-kilometer data for the 2010 calendar year. Tonne-kilometer data is simply the amount of passengers and baggage (expressed in metric tons) divided by the distance flown (expressed in kilometers). The tonne-kilometer data will then be used to compute the number

³ Aircraft operators not appearing on this list are not necessarily exempt. The list is preliminary and may be modified.

of free allowances to which an operator is entitled. 2010 benchmarking data will be used to compute allowances through 2020, therefore any operator choosing not to provide benchmarking data will be ineligible for free emissions allowances until 2020.

The compliance phase of ETS (for aviation) will begin January 1, 2012. Eligible aircraft operators will monitor their emissions, per their approved monitoring plan, for the entire calendar year and then will be required to submit the proper number of emissions allowances by April, 2013. An operator may also satisfy up to 15% of their required allowance submission with offset credits.⁴ An aircraft operator may obtain emissions allowances by one of four methods:

- Free allocation
- Auction
- Open market
- Allowance special reserve⁵

The total number of available allowances will be determined during each compliance period. Of that total, 15% will be reserved for auction, 3% will be allocated to the special reserve and the remainder will be allocated to operators who provided benchmarking data. Allowances can also be purchased from an operator with excess allowances at the current market value. The requirements of ETS will be mandatory and any aircraft operator found in non-compliance could

⁴ The offset types are “Certified Emission Reductions” and “Emission Reduction Units” as specified in the Kyoto Protocol.

⁵ The special reserve is a fund of allowances available to new operators commencing operations after benchmarking is complete or whose operations have grown by 18% or more (expressed in Tonne-Kilometer), so long as neither is the result of assuming the activities of another operator.

be subject to stiff penalties, including impounding of aircraft.

Summary

There is some uncertainty in the implementation of ETS for aviation as many EU member states are in the process of promulgating ETS regulations. The dates and procedures in this white paper are based upon Directive 2008/101/EC and may change as individual EU member states encounter unanticipated challenges. The National Air Transportation Association will continue to monitor the development of these regulations and provided updates when necessary.

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Important Dates

August 31, 2009

- ✓ Submission of emission monitoring plan
- ✓ Submission of benchmarking plan (optional)

January 1, 2010

- ✓ Operators must begin emissions monitoring
- ✓ Operators who desire to receive free allowance must begin tracking benchmarking data

March 31, 2011

- ✓ Third-party-verified benchmarking data must be submitted
- ✓ Third-party-verified monitoring data for 2010 must be submitted

June 30, 2011

- ✓ Application for free allowance must be submitted

2012

- ❖ 2012 is the first year in which allowances must be submitted for emissions