

REVISION OF THE EU EMISSIONS TRADING SYSTEM FOR AVIATION, AS PART OF THE EUROPEAN GREEN DEAL - Q2 2021

[EXPECTED ARRIVALS]

>  FIT FOR 55 PACKAGE UNDER THE EUROPEAN GREEN DEAL

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CONTENT

On 14 July, as part of the 'Fit for 55 package', the Commission proposed amendments to the EU ETS Directive 2003/87/EC as regards aviation's contribution to the EU emission reduction target:

- consolidation of the total quantity of aviation allowances at current levels, and application of the linear reduction factor in accordance the ETS Directive
- increased auctioning of aviation allowances
- continued application of the EU ETS within the European Economic Area (EEA) - intra-EEA -, while applying the international CORSIA system to extra-EEA flights
- measures to ensure equal treatment of airlines on the same routes with regard to their obligations with economic impacts.

A consultation on options for integrating the aviation sector in the EU ETS was held from 1 October 2020 to 14 January 2021.

In the European Parliament, the proposal has been referred to the Committee on Environment, Public Health and Food Safety (ENVI). Sunčana Glavak (EPP, Croatia) was appointed as rapporteur. On 14 July 2021, the ENVI Committee held an exchange of views on the Fit for 55 (Fit for 2030) package with Commission Vice-President Frans Timmermans. On 14 September 2021, the Fit for 55 package was debated in the European Parliament plenary session. A study, prepared on challenges and impacts of aviation and maritime sectors in EU ETS, was presented during the ENVI meeting on 28 October 2021.

The rapporteur's draft report was finalised on 17 January 2022. The draft opinion of the Committee on Transport and Tourism was presented on 7 February 2022. In ENVI several climate files including ETS for aviation was discussed during its meeting on 10 February 2022. The deadline for amendments to the rapporteur's draft report expired on 16 February. Following receipt of Member's amendment proposals, ENVI adopted its report on 17 May for vote in the June I 2022 Plenary session. The ENVI report would further accelerate the phasing out of free EU ETS allowances for aviation, reaching full auctioning in 2025 versus 2027 in the Commission proposal. ENVI proposes to expand EU ETS to cover not only intra-EEA flights but also flights to third countries departing the EEA. To avoid double application, extra-EEA flights to countries applying CORSIA would be able to deduct the value of CORSIA offsets

purchased for the same route against their EU ETS surrender requirements. The report further seeks to ensure that the revenue from auctioning primarily go towards greening the sector including for the development of sustainable aviation fuels. A monitoring, reporting and verification (MRV) framework is requested for non-CO2 emissions from aviation, with a view to expand the scope of EU ETS to these, if deemed appropriate.

The Parliament adopted the report during the June I 2022 plenary session with 479 votes in favour, 130 against and 32 abstentions. The file was referred back to the ENVI Committee with a mandate for trilogue negotiations. The file refers to articles in the general text of the EU ETS directive, for which a separate revision process is ongoing (see separate file). Parliament voted its position on the overall ETS revision file on 22 June 2022.

In the Council, environment ministers held a first exchange on the Fit for 55 package at an informal meeting on 20 July 2021. The Council Working Party on Aviation discussed the proposal on 9 September 2021. An overview of progress made on Fit for 55 files in various formations within the Council, was released on 22 November 2021. The progress file contains details also on the ETS for aviation file. Environment ministers adopted their general approach during their Council meeting on 28 June 2022.

Ireland has raised subsidiarity concerns regarding this and other Fit for 55 proposals. The Czech Senate has adopted a resolution requesting the European Commission to evaluate further on the risks of cost increases for airlines and citizens and questioning the appropriateness of the timing, considering the negative impacts suffered by the aviation industry due to COVID-19.

A first trilogue meeting took place on 6 September 2022. Inter-institutional technical meetings have since taken place. A provisional agreement was reached on 6 December 2022.

The agreed text follows the Commission's proposal in terms of scope, applying the EU ETS to intra-EEA flights including flights to and from the UK and Switzerland, while CORSIA will apply to extra-EU flights. The baseline for offsetting with CORSIA credits for extra-EEA flights is set at 85 % of the 2019 emissions level. Steps are taken to ensure greater transparency of CORSIA emissions data. In 2026, the Commission will evaluate the sufficiency of CORSIA, as regards the objectives of the Paris Agreement and on that basis make a proposal to extend the EU ETS to extra-EEA flights if CORSIA is considered insufficient.

Free allowances will be phased out one year earlier than proposed by the Commission, reaching full auctioning in 2026. The requested MRV framework for non-CO2 emissions from aviation must be implemented from 2025 and evaluated in 2027. In 2028, following an impact assessment the Commission can put forward a proposal to address non-CO2 emissions from aviation.

20 million free allowances are set aside to support the uptake of sustainable aviation fuels, with varying degrees of support available depending on type of fuel and point of departure. Further 5 million allowances will be transferred to the innovation fund.

The provisional agreement was voted in the ENVI committee on 9 February 2023. Parliament adopted the agreed text during its plenary session on 18 April 2023, with 463 votes to 117 and 64 abstentions. Following Council's formal endorsement the adopted text

will be published in the Official Journal and enter into force.

References:

- EP Legislative Observatory, [Procedure file on EU Emissions Trading System \(ETS\) as regards aviation. 'Fit for 55 package'](#), 2021/0207(COD)
- European Commission, [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](#), COM(2021)552
- European Parliament, [Committee on the Environment, Public Health and Food Safety draft report on the proposal for a directive 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](#), 2021/0207(COD)
- Council, [Fit for 55 Package Overview of progress of the "Fit for 55" package of legislative proposals](#), 13977/21
- Council, [General approach on ETS aviation](#), 10798/22
- European Commission, [Communication on 'Fit for 55': delivering the EU's 2030 climate target on the way to climate neutrality](#), COM(2021)550
- European Commission, [Communication on the European Green Deal](#), COM(2019)640
- European Parliament, [Resolution of 15 January 2020 on the European Green Deal](#), 2019/2956(RSP)

Further reading:

- European Parliament, EPRS, [Aviation's contribution to European Union climate action](#), Briefing, EU legislation in progress, July 2022
- European Parliament, EPRS, [CO2 emissions from aviation](#), Briefing, January 2018

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