

# Public Consultation on EU emissions trading system - updated rules for aviation

Fields marked with \* are mandatory.

## Introduction

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Transport accounts for a quarter of the EU's greenhouse gas emissions, and is still growing. As stated in the 2019 [European Green Deal](#) communication, to achieve climate neutrality, a 90% reduction in transport emissions is needed by 2050. All transport sectors, including aviation, have to contribute to the required reduction.

Aviation in 2019 accounted for 2-3% of global CO<sub>2</sub> emissions. At EU-level, aviation made up 3.8% of total CO<sub>2</sub> emissions, or 13.9% of CO<sub>2</sub> transport emissions in 2017. In addition, aviation is also an important source of non-CO<sub>2</sub> climate impacts with significant warming on climate. Notwithstanding the recent reduction in emissions as a consequence of the COVID-19 pandemic, these impacts could grow further given the sector's historically consistent and enduring over-average growth relative to other economic sectors, including in the EU. While at the global level, CO<sub>2</sub> emissions have been increasing by around 3% per year, aviation's emissions in Europe have increased on average by 5% year-on-year between 2013 and 2018<sup>1</sup>. Pre-COVID-19 estimates by Eurocontrol projected an increase in European aviation emissions by 53% until 2040 compared to 2017 in the scenario deemed most likely<sup>2</sup>. Given the impact of the pandemic, the airline industry does not expect air travel demand to return to pre-COVID-19 levels before 2024. Eurocontrol or the International Civil Aviation Organization (ICAO) have yet to publish any revised longer-term estimates taking into account the impacts of COVID-19.

Based on the policy that all sectors should contribute to the EU's emission reduction commitments, the aviation sector has been included in the EU's Emissions Trading System (EU ETS) since 2012, and, up until 2019, has purchased around 160 million allowances from other sectors to cover its growing emissions. Since the inclusion of the aviation sector in the EU ETS, Article 3d of the Directive provides that 15% of aviation allowances are auctioned based on airlines' historical emissions. While the EU ETS covers emissions from flights landing in and departing from the European Economic Area (EEA), including to and from third countries, the EU has adopted temporary derogations to limit the geographical scope to intra-EEA flights (with the exception of flights to and from EU outermost regions), in order to encourage the development of an effective global carbon pricing scheme by the ICAO.

Following the adoption and entry into force of the Paris Agreement, the 2016 ICAO Assembly adopted a Resolution for a global measure to offset growth in international aviation emissions above 2020 levels<sup>3</sup>, known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to offset emissions through cancellations of international credits.

Pending the development of the rules and modalities for CORSIA, the EU ETS Directive was revised in 2017 to extend the current geographic scope derogation until the end of 2023. The 2017 revision notably requests the Commission to address the specific issues identified in Articles 3d and 28b of the EU ETS

Directive in a report. According to the Directive, the Commission is to present a report to the European Parliament and to the Council (a) assessing CORSIA in relation to a set of features, (b) regarding an increase of the percentage of the auctioning share from the current level and (c) considering ways to implement CORSIA in Union law through the EU ETS Directive. Where appropriate, a legislative proposal should be made that is consistent with the Union economy-wide greenhouse gas emission reduction commitment for 2030, with the aim of preserving the environmental integrity and effectiveness of Union climate action. This work will be considered in the context of the European Green Deal and the objective of enhanced climate ambition for 2030 and climate-neutrality by 2050.

This public consultation invites citizens and organisations to contribute to the assessment of how to revise the EU ETS Directive as regards aviation. Please note that relevant questions and topics may also be covered under other public consultations, in particular the ones for the [EU climate ambition for 2030](#) and for the design of certain climate and energy policies of the European Green Deal and the [Sustainable and Smart Mobility Strategy](#).

<sup>1</sup> Those emissions covered by the EU ETS, not including flights to/from outermost regions, dependencies and territories.

<sup>2</sup> Eurocontrol (2018), European Aviation in 2040.

<sup>3</sup> Due to the COVID-19 crisis, the ICAO Council decided that 2019 emissions shall be used as baseline in the pilot phase instead of the average between 2019 and 2020 emissions. <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-and-Covid-19.aspx>

## Guidance on the questionnaire

This public consultation consists of some introductory questions related to your profile, followed by a questionnaire split into two parts. **Please note that you do not need to respond to both parts of the questionnaire, and can choose to fill in only one of the two. In addition, not all questions in the questionnaire need to be answered.**

The first part of the questionnaire deals with implementation of CORSIA through the EU ETS Directive, including the interaction between CORSIA and the EU ETS for aviation. The second part addresses possible policy changes on free allocation and auctioning of allowances in the EU ETS for aviation. At the end of the questionnaire, you are invited to provide any additional comments and to upload additional information, position papers or policy briefs that express your position or views or those of your organisation. If you select to fill in both parts of the questionnaire, please upload any position papers or policy briefs only once.

## About you

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### \* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English

- Estonian
- Finnish
- French
- Gaelic
- German
- Greek
- Hungarian
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

\* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

\* First name

Anna

\* Surname

Dubowik

\* Email (this won't be published)

anna.dubowik@negative-emissions.org

\* Organisation name

*255 character(s) maximum*

Negative Emissions Platform

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

351267138656-84

\* Country of origin

Please add your country of origin, or that of your organisation.

- |                                      |  |                                     |  |
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| <input type="radio"/> Afghanistan    | <input type="radio"/> Djibouti           | <input type="radio"/> Libya         | <input type="radio"/> Saint Martin                     |
| <input type="radio"/> Åland Islands  | <input type="radio"/> Dominica           | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon        |
| <input type="radio"/> Albania        | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania     | <input type="radio"/> Saint Vincent and the Grenadines |
| <input type="radio"/> Algeria        | <input type="radio"/> Ecuador            | <input type="radio"/> Luxembourg    | <input type="radio"/> Samoa                            |
| <input type="radio"/> American Samoa | <input type="radio"/> Egypt              | <input type="radio"/> Macau         | <input type="radio"/> San Marino                       |
| <input type="radio"/> Andorra        | <input type="radio"/> El Salvador        | <input type="radio"/> Madagascar    | <input type="radio"/> São Tomé and Príncipe            |

- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria

- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
  
- Burkina Faso
- Burundi
  
- Cambodia
  
- Cameroon
  
- Canada
- Cape Verde
- Cayman Islands
  
- Central African Republic
- Chad
- Chile
- China
  
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
  
- Colombia
  
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
  
- Guyana
  
- Haiti
- Heard Island and McDonald Islands
  
- Honduras
- Hong Kong
  
- Hungary
  
- Iceland
  
- India
- Indonesia
- Iran
  
- Iraq
  
- Ireland
- Isle of Man
- Israel
  
- Italy
  
- Jamaica
- Japan
  
- Jersey
  
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
  
- Niger
  
- Nigeria
- Niue
  
- Norfolk Island
- Northern Mariana Islands
- North Korea
  
- North Macedonia
- Norway
- Oman
- Pakistan
  
- Palau
  
- Palestine
- Panama
- Papua New Guinea
- Paraguay
  
- Peru
- Philippines
  
- Pitcairn Islands
  
- Taiwan
- Tajikistan
- Tanzania
- Thailand
  
- The Gambia
  
- Timor-Leste
- Togo
  
- Tokelau
- Tonga
  
- Trinidad and Tobago
- Tunisia
  
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
  
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay

- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena, Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

\* Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

**Public**

Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

I agree with the [personal data protection provisions](#)

**PART I: Market-based measures: EU ETS and CORSIA**

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While the EU ETS and CORSIA are both market-based measures, they differ in various respects, including:

- **Geographic scope:** the EU ETS is a route-based system that includes any flight to or from an EEA<sup>1</sup> aerodrome (with certain exceptions), whereas CORSIA is an operator-based system that covers international flights between participating countries operated by an airline from any country, excluding domestic flights (being defined as flights within a State).
- **Objectives and ambition level:** for the EU ETS the objective is domestic emissions reductions in line with the EU climate objectives, while for CORSIA stabilization of emissions at the level of the baseline through the use of international offsets is the goal.
- **Governance and timeline:** the EU ETS is already legally binding in Union law, and in force since 2012, whereas for CORSIA, whose first phase starts in 2021, States need to develop binding provisions in their domestic legal systems. One of the objectives of the revision of the ETS Directive is to develop these provisions.
- **Type of measure:** the EU ETS is a cap-and-trade system (allowances, a financial instrument, have to be surrendered covering all CO<sub>2</sub> emitted or else, a fine is due) while CORSIA is an offsetting scheme (emissions of CO<sub>2</sub> above a certain level should be compensated by offsets generated by an approved programme).

Against this backdrop, the Commission is considering ways for CORSIA to be implemented in the EU through the EU ETS Directive. Therefore, this questionnaire enquires on the relationship between the two measures.

It should be recalled that in the absence of an amendment legislative act adopted by the European Parliament and the Council of the EU by the end of 2023, the EU ETS will revert to its originally intended scope, covering flights departing from the EEA as of 2024 and, unless exempted, incoming flights to the EEA (see, for example, [Commission Delegated Decision \(EU\) 2020/1071 so as to exclude incoming flights from Switzerland](#)).

<sup>1</sup> Note that the options below refer to EU/EFTA to simplify analysis. However the EU and Switzerland have two distinct emissions trading systems linked since 2020, each system covering the outgoing flights to the other.

1) Do you think that aviation should contribute more to climate action than it presently does?

- Yes
- No
- No opinion

Please explain:

*1000 character(s) maximum*



Since 1990, transport emissions have increased by almost 30% and aviation emissions have more than doubled. Since 2013, European aviation emissions have increased by 27.6% compared to a 19.7% decrease for other sectors in the ETS. The aviation sector should aim to decarbonise in line with the EU Green Deal principles aiming for climate-neutrality by 2050. Despite COVID19 causing a temporary halt in aviation traffic, aviation's emissions are expected to increase again by 2024 in the absence of effective carbon pricing mechanism. Therefore, international aviation emissions for EU/EFTA should not be regulated by ICAO alone since the financial impact of CORSIA on airlines is not expected to be substantial until the system becomes sufficiently strengthened. In terms of social impacts, the research shows that measures addressing aviation emissions would mostly affect the travellers with the highest incomes and expenditure.

2) Do you think that market-based measures can be effective means of tackling aviation emissions in line with the European Green Deal?

- Yes
- No
- No opinion

Please explain:

*1000 character(s) maximum*

In the case of CORSIA the system covers only emissions growth, therefore, on its own it is not sufficient to align the EU aviation with the Green Deal goals. Some of CORSIA's elements will need to be addressed while the system is evolving and being strengthened in the years to come f. ex 1) low price and low environmental integrity of some offsets with current eligibility of the CDM projects; 2) current and forecasted oversupply of the market resulting in minimal financial impact on airlines for international flights in 2021-30 period (calculated at 0.2% of operating costs), which in turn would only add a maximum of €0.17 cents on the price of international tickets after COVID recovery, according to independent research (TAKS study). Conversely, integration of international flights into the ETS -with CORSIA applied on top for the emissions above the 2020 levels - accompanied by phase-out of free allocation, would generate additional revenue for decarbonisation measures of the sector.

3) The European Commission is assessing six policy options of whether and how to implement CORSIA by the EU. These are namely:

- **Option 1 - EU ETS full legal scope:** In case no amendment to the ETS Directive is adopted by the European Parliament and Council by December 2023, the EU ETS for aviation would cover flights departing from airports in the EU/EFTA and arriving to other airports in EU/EFTA or to third countries and, if not exempted through delegated acts, incoming flights to airports in the EU/EFTA from third countries (exercising empowerment in Article 25a of the EU ETS Directive). Flights to, from and within outermost regions would be covered.
- **Option 2 - Intra-EU/EFTA ETS only:** Maintaining the status quo, the EU ETS would be applied exclusively and confined to the geographical scope of the system as currently applied: allowance surrendering obligations for aircraft operators would be based solely on emissions from flights between aerodromes located in the EU/EFTA, with the exception of flights between EU outermost regions and other regions of the EU/EFTA (including other outermost regions), while including flights within any given outermost region<sup>1</sup> (NB: in this option, CORSIA is neither applied to ETS-exempted routes).

- **Option 3 - CORSIA only:** Only CORSIA would be applied to international flights, non-domestic intra-EU/EFTA flights, flights to and from the EU/EFTA States (including their outermost regions) and third countries. As domestic flights are not covered by CORSIA, flights within a Member State would not be covered at all.
- **Option 4 - ETS-CORSIA “clean cut”:** The EU ETS would continue to apply to the current intra-EU /EFTA scope, as in option 2 above, and CORSIA would be introduced for extra-EU/EFTA flights, i.e. flights to and from EU/EFTA States (including their outermost regions) and third countries. In other words, the EU ETS would be applied as at present and CORSIA would be applied to all other flights (to the extent that CORSIA is applicable to them).
- **Option 5 - ETS-CORSIA “mix”:** Regarding non-domestic intra-EU/EFTA flights, the EU ETS would apply up to each operator’s 2020 emissions<sup>2</sup>. Above the 2020 emissions, CORSIA would apply. Regarding flights between EU/EFTA States (including their outermost regions) and third countries, CORSIA would apply on emissions above 2020 levels. This option would cover domestic flights.
- **Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators,** as a variant of option 5: The EU ETS would apply to non-domestic, intra-EU/EFTA flights, operated by operators with licences issued by Member States. For operators with licences issued by third countries, only CORSIA would apply on those non-domestic intra-EU/EFTA flights and flights between EU/EFTA States (including their outermost regions) and third countries. Also contrary to option 5, this option would not cover domestic flights.

<sup>1</sup> Without prejudice to the exemption in Annex I of Directive 2003/87/EC: “(i) flights performed in the framework of public service obligations imposed in accordance with Regulation (EEC) No 2408/92 on routes within outermost regions, as specified in Article 299(2) of the Treaty, or on routes where the capacity offered does not exceed 30 000 seats per year”

<sup>2</sup> Due to COVID-19 impacts, the ICAO Council decided that [2019 emissions shall be used as baseline in CORSIA’s pilot phase](#) (2021-2023) instead of the originally planned average of 2019-2020 emissions.

### 3.1) Which option(s) among these six would be most preferable in your view?

- Option 1 - EU ETS full legal scope
- Option 2 - Intra-EU/EFTA ETS only
- Option 3 - CORSIA only
- Option 4 - ETS-CORSIA “clean cut”
- Option 5 - ETS-CORSIA “mix”
- Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators

Please explain:

*1000 character(s) maximum*

Given that at present CORSIA is not an effective mechanism to tackle aviation emissions the EU should reverse the 2012 'Stop-the-Clock' clause and re-integrate extra-EU/EFTA emissions. The EU committed in its NDC to achieving sectoral domestic emissions reductions with no contribution from international credits. Therefore, any option that replaces the EU ETS coverage with the CORSIA target would mean backtracking on the EU's commitment under the Paris Agreement and would be at odds with the ratcheting mechanism principle

3.2) Which option(s) among these six would be least preferable in your view?

- Option 1 - EU ETS full legal scope
- Option 2 - Intra-EU/EFTA ETS only
- Option 3 - CORSIA only
- Option 4 - ETS-CORSIA “clean cut”
- Option 5 - ETS-CORSIA “mix”
- Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators

Please explain:

*1000 character(s) maximum*

Options 2 and 4 are suboptimal and similar in nature since the main impact they will have is within the EU /EFTA, with CORSIA not expected to have a significant impact to reduce emissions from international aviation, despite it constituting the major share of EU aviation emissions, as explained above. Option 3 (CORSIA only) contradicts the principle of all sectors contributing towards delivery of Green Deal, while Option 5 would lead to the use of CORSIA's to address intra-EU emissions when airlines report emissions above 2020 levels thus undermining the EU's legislative autonomy and climate ambition. Option 6 could distort competition by favouring non-EU airlines.

3.3) Is there any other option (or variant of one of the six assessed) that you would prefer instead of the above six and why?

*1000 character(s) maximum*

The Commission should analyse the impact of a 'combined' option whereby the EU ETS would continue to apply to all intra-EU/EFTA flights and would be added for emissions from flights departing from or arriving in the EU/EFTA up to an operators' 2020 levels for those flights, with CORSIA covering the emissions above the 2020 levels for flights departing from or arriving in the EU/EFTA. Intra- EU/EFTA flights would be covered only by the EU ETS thus preserving the level of EU climate ambition, while the application of CORSIA would showcase the EU's commitment to the UN agreements and facilitate required future efforts to strengthen and expand the international offsetting framework. Application of this option would need to include specific conditions around indirect flights to prevent an outcome of redirection of transatlantic flights towards to the UK hubs to avoid the EU ETS compliance.

4) The EU ETS Directive refers to various aspects that are to be examined in relation to the ambition and overall environmental integrity of CORSIA.

4.1) How would you assess the CORSIA aspects referred to in the EU ETS Directive and listed in the table below?

	Very Positive	Rather positive	Neither positive nor negative	Rather negative	Very negative	No opinion
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General ambition in relation to targets under the Paris Agreement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Level of participation and implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Enforceability and penalties for non-compliance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Transparency and processes for public input	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality of offset credits (i.e. the ability to achieve the effective compensation of CO <sub>2</sub> emissions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring, reporting and verification of emissions (e.g. robustness of the monitoring and verification system)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Registries	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accounting (e.g. avoidance of double counting)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rules for the use of eligible fuels: sustainable aviation fuels (biofuels) and lower carbon aviation fuels (fossil fuels) to contribute to emission reductions	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Assurance of equal treatment of airlines operating on the same routes	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

#### 4.2) Would you like to elaborate on one or more of the aspects listed above regarding the ambition and overall environmental integrity of CORSIA?

*5000 character(s) maximum*

[Max. 500 characters per aspect, i.e. ambition in relation to the Paris Agreement, level of participation, enforceability, etc.]

Level of ambition - CORSIA relies on compensations for emissions growth through a purchase of offsets and does not include an actual emissions reduction targets which is at odds with the Paris Agreement and the EU's 2050 net-zero goal. The use of international offsets for compliance is also in contradiction with the functioning of EU ETS, as international offsets cannot be used for ETS compliance as of 2020. The use of international offsets would reduce the level of EU climate ambition when emissions increases above 2019 level (under the revised benchmark) would not be compensated with domestic emission reductions, but by third countries offset credits with potentially questionable environmental integrity.

Level of participation / enforceability - none of the BRICS countries has volunteered their participation before the start of the mandatory phase in 2027. While in principle as of 2027 all states with a certain level of aviation activity are due to participate in CORSIA the ICAO does not have an enforcement mechanism to make its decisions binding. A state can decline to volunteer in the pre-2027 phase, and in the post- 2027 period it can file a reservation to participation ('filing a difference' clause) without ICAO enjoying legal capacity to ensure compliance.

Transparency - while the ICAO made the list of states participating in CORSIA as of 1 January 2021 public, it remains unclear which states have reserved their position on participation in the post-2027 phase, as ICAO has not published their responses.

Quality of offsets / MRV - The impact CORSIA will have on contribution of aviation to climate change mitigation will depend on the environmental effectiveness of the offsets used. Numerous assessments of offsetting schemes suggests that ensuring environmental integrity will be a challenge. Inherent weaknesses of offsetting related to additionality, correct estimation of emissions reductions or assessment of permanence vs. reversibility have proven difficult to make it deliver the claimed emissions reductions. The six programmes eligible for CORSIA's 2021-2023 pilot phase (amongst which CDM) should be approved only provisionally until they satisfy all CORSIA's Emissions Unit Eligibility Criteria (EUCs) to avoid risks for the scheme's integrity.

Avoidance of double counting is the main issue to be resolved - Under the Paris Agreement, all parties commit to an emissions reduction target, ultimately covering all sectors of parties' economies. The methodology and rules need to be put in place to ensure that when an emission reduction occurs and is sold to an airline to use for compliance with CORSIA, that emission reduction isn't counted towards the host country's NDC. The following elements will need to be resolved under the Paris Agreement negotiations: treatment of emissions reductions not covered by parties NDCs; elements required in the letters of authorisation by host countries to attest avoidance of double counting in case of the use of units under CORSIA; elements to attest the additionality of emission reduction activities; and circumstances triggering the application of corresponding adjustment.

Eligible fuels - ICAO has developed rules aiming to ensure only fuels which deliver actual emission reductions are eligible under CORSIA. The rules require only that alternative fuel used deliver a minimum emission reduction of 10% compared to kerosene, which falls short of deep emissions reductions that the Paris Agreement requires. In terms of sustainability criteria the rules fall short of covering the full scope of considerations (water rights, biodiversity and food security) that would be in line with the RED II sustainability criteria for alternative fuels.

5) Flights to and from [outermost regions](#) are exempt from the current scope of the EU ETS (see Questions 4 and 5 in the [FAQ on Regulation 421/2014](#)), while flights

within a given outermost region are included. The CORSIA rules, in contrast, expect States to regulate non-domestic flights to and from outermost regions. In your view, how should flights regarding outermost regions be covered? Please indicate any of the following reflecting your preference:

	Agree	Disagree	No opinion
Flights within an outermost region: inclusion under the EU ETS (i.e. current situation)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Domestic flights to or from outermost regions: inclusion under the EU ETS (currently excluded until end of 2023)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-domestic flights to or from outermost regions: inclusion under the EU ETS (currently excluded until end of 2023)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
International flights to or from outermost regions: inclusion under CORSIA	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your choice considering Art. 349 TFEU that lists the specific constraints of the outermost regions

*1000 character(s) maximum*

6) Considering the European Green Deal, the EU's climate neutrality objective for 2050 and a green recovery...

6.1) ...do you think that market-based measures such as the EU ETS and CORSIA should be combined with other policies such as support for innovative aviation technologies, operational (ATM) improvements, [taxation](#), and the [production and use of sustainable aviation fuels](#)?

- Yes
- No
- No opinion

Please explain:

*1000 character(s) maximum*

Please see our additional input on Sustainable Aviation Fuels/ ReFuelEU initiative

6.2) ...what level of effort to fight climate change should the aviation sector itself contribute and how should this develop over time?

1000 character(s) maximum

The aviation sector should be obliged to contribute to decarbonisation to the same extent as other sectors; this will require renouncement of preferential treatment and exemptions under the EU ETS and strengthening of CORSIA through a gradual phase-in of only high value carbon removal credits over time. With regard to aviation the EU ETS should: remove free allocation and direct the revenues towards development & deployment of sustainable fuels; reduce the cap for aviation and limit the use of allowances from the stationary ETS; enable voluntary cancellation of allowances in case of permanent reduction of aviation demand. The EU should mandate the EU/EFTA-based airlines to replace emissions reduction offsets by 100% carbon removal credits by 2030 and phase-in only high-permanence credits (BECCS, DACCS) thereafter, to achieve full removal of unavoidable emissions and to preserve less expensive nature-based credits for sectors with smaller capacity to pay (agriculture).

## 7) Are there any other comments you would like to share?

2000 character(s) maximum

The aviation sector's emissions have been growing much faster than that of other sectors around the world. The sector is responsible for a significant share of overall EU GHG emissions and still benefits from a number of loopholes and exemptions: free allocation of allowances, exemption from fuel taxes, exemption from VAT on international flights, state aid, lack of pricing of emissions from flights departing from or arriving in the EU/EFTA, lack of measures to address the climate damages from non-CO<sub>2</sub> effects. Due to the Covid-19 pandemic, European airlines have received over €30 bln in aid from Member States while at the same time lobbying the EU and the ICAO to adopt measures which will effectively postpone the start of CORSIA - the impact of ICAO's decision to change the baseline from the average of 2019/2020 to 2019 will heavily influence the airlines' demand for credits. The demand is forecasted to be 50% lower for 2021-2030 than originally anticipated (TAKS study). Strengthening of the EU ETS for aviation and development of a robust CORSIA framework for post-2027 period, as explained above, will be necessary to ensure that the aviation sector contributes its fair share towards global climate mitigation goal.

## PART II: Free allocation and auctioning

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Currently, under the EU ETS, airlines receive a share of the allowances they have to surrender for free, the so-called free allocation. While emitting 68.1 million tonnes of CO<sub>2</sub> emissions in 2019, airlines received free allowances covering 31.3 million tonnes of emissions, or 46% of the total. The remaining 54% were covered by allowances acquired from auctions (approx. 5 million) or from other sectors. (These numbers differ from the percentage of 85% provided for in the EU ETS Directive because the sector's actual emissions have increased and because not all airlines are eligible to receive the allocation, resulting in large variations of the share of free allocation among individual airlines).

The [Political Guidelines](#) for the European Commission 2019-2023 state that there will be a proposal to reduce the free allowances allocated to airlines. This was re-stated in the recent [Communication](#) on a European Green Deal: "the Commission will propose ... to reduce the EU Emissions Trading System allowances allocated for free to airlines". The EU ETS Directive, as revised in 2017, requests the Commission to present a report on the cost pass-through of the aviation sector with the intention of making a proposal to increase the percentage of auctioning, considering alignment with other sectors and the competitiveness between different modes of transport. In this context, cost pass-through refers to the ability of airlines to transfer the cost of required emission units to their passengers (or cargo clients). Among the

other sectors under the EU ETS, full auctioning is the method used for allocating allowances in the power sector, while free allocation based on sector benchmarks continues to be used to various degrees for industrial sectors exposed to carbon leakage.

8) Do you agree with the statements that reducing or removing the free allocation of allowances to airlines would...

	Yes	No	Don't know
...increase the climate change mitigation impact by the EU ETS	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...increase fairness between those airlines eligible to receive the allocation and those that are not	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...improve the level playing field among transport modes	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...increase the cost of flying for operators and consumers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

9) The European Commission is assessing five policy options as regards the modulation of the share of free allocation, relative to the current situation (a de jure 85% free allocation):

0. Status quo: The current legal situation is perpetuated until 2030, i.e. the 15% auctioning share.
1. Immediate phase-out: 100% auctioning from the entry into force of the revision.
2. Swift phase-out: Full auctioning by 2025, starting with an auctioning share of 60% in 2023, and a share of 80% in 2024.
3. Slow phase-out: A linear increase year-by-year to full auctioning by 2030 starting from 20% in 2023.
4. Slow reduction: A linear increase year-by-year starting with an auctioning share of 20% in 2023 and ending at 55% in 2030.

9.1) Which option(s) among these five would be most preferable in your view?

- Status quo
- Immediate phase-out
- Swift phase-out
- Slow phase-out
- Slow reduction

Please explain:

*1000 character(s) maximum*

The European airlines have received an estimated 31.3 million tonnes of free allowances in 2019. Free allocation was implemented (to industry and aviation) to prevent the risk of carbon leakage, whereby production moves to third countries. This is despite the fact that such as risk hardly applies to the aviation sector; the Commission's own impact assessment found out that the risk of relocation to airports outside of the EU ETS is not material with carbon prices of around 25-30€/tCO<sub>2e</sub> and would be highly cumbersome for airlines and passengers. In order to ensure the EU ETS is aligned with the EU's climate objectives, the Commission should move towards full auctioning of allowances for aviation as soon as possible to ensure that airlines pay the real price for their emissions.



9.2) Which option(s) among these five would be least preferable in your view?

- Status quo
- Immediate phase-out
- Swift phase-out
- Slow phase-out
- Slow reduction

Please explain:

*1000 character(s) maximum*

Continued free allocation of allowances would be ineffective in incentivising emission reductions. Under the ETS, both energy-intensive industry and aviation have failed to reduce their emissions, while the power sector, which had to purchase allowances through auctions has delivered most of the ETS' reductions. The Commission should assess the actual risk of leakage which the aviation sector faces, as well as quantify the windfall profits which the aviation sector has earned through the EU ETS, in order to better understand the historical impact of the system on airlines. Indirect subsidies to the aviation sector (in the form of forgone revenues from freely allocated allowances) could have been spent on climate action instead (such as funding Contracts for Difference for the use of sustainable aviation fuels).

9.3) Is there any other option (or variant of one of the five assessed) that you would prefer instead of the abovementioned five and why?

*1000 character(s) maximum*

10) The conclusions of the European Council in July 2020 invited the Commission to put forward a revised proposal on the ETS, possibly extending it to aviation and maritime sectors in the context of creating new own resources for the EU budget. What are your views on the best use of the revenues from the auctioning of aviation allowances to foster climate neutrality?

*1000 character(s) maximum*

The revenues generated by eliminating around 32.3 million tonnes of free allowances/per year could be used to finance contracts for difference (CfD) supporting the use of sustainable alternative fuels (SAF) or direct support to negative emissions technologies such as DACCS and BECCS.

The CfDs would cover the gap between production costs of SAF and current market prices while enabling economies of scale and cost reductions for enabling technologies (DAC, capture of biogenic CO<sub>2</sub> for fuels). CfDs have been used successfully in some Member States to support deployment of renewable electricity in the past. A CfD (of different level for biogenic CO<sub>2</sub> and CO<sub>2</sub> from direct air capture) could apply to the sale of the SAF with a top-up provided to the fuel price to make them competitive with conventional ones.

The EU ETS revenues could also be used directly for scaling of negative emissions technologies such DACCS and BECCS.

## 11) Are there any other comments you would like to share?

*2000 character(s) maximum*

## Final remarks

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Should you wish to provide additional information (for example a position paper) or raise specific points not covered by the questionnaire, you can upload your additional document here.

Please note that the uploaded document will be published alongside your response to the questionnaire which is the essential input to this public consultation. The document is an optional complement and serves as additional background reading to better understand your position.

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