

SERA Dinner Discussion "Sustainable Aviation and EU leadership"

Minutes of discussion

SERA dinner discussion "Sustainable Aviation and EU leadership" took place on the 6th of September 2005 at the Commonwealth Club, 18 Northumberland Avenue, London. The dinner was chaired by Justine Thornton (member of the SERA Executive). The discussion followed Chatham House rules. The following topics were discussed.

Environmental impacts of aviation

There was a general recognition that the environmental impacts of aviation (carbon emissions, nitrogen oxides, particulates, contrails and noise) give rise to concern and a recognition of the importance of taking action to mitigate the impacts, given the significant and ongoing increase in aviation.

Inclusion of aviation in the EU ETS

All participants supported the inclusion of aviation into the EU carbon emissions trading scheme (EU ETS) but with important caveats.

Including aviation within the scheme will only be an effective mechanism if the scheme itself is effective. Several participants expressed reservations that the scheme had yet to prove itself. In particular, it is important that there is, at the least, greater consistency in Member State implementation of the scheme in Phase 2. A number of participants called for stronger EU rules to avoid the current problems where Member State carbon allocation plans can vary considerably.

For NGO participants, the extent of their support for inclusion of aviation within the EU ETS is conditional upon the resolution of several critical issues, including the target reductions of CO₂ emissions for the aviation sector and the methodology for allocating carbon allowances (see below).

The impacts on other industry sectors need to be considered. Aviation is expected to be a net buyer in any trading scheme as technology options for reducing carbon emissions from the sector are not currently feasible. This may have the effect of pushing up the price of permits for other industries more sensitive to price changes and may even lead to economic repercussions across Europe.

When should aviation be included?

All participants supported the inclusion of aviation as soon as possible and in particular in 2008 at the start of Phase 2 of the EU scheme. There may however be legal and timetable difficulties in achieving this which may require Member States to consider unilateral action if progress is too slow.

A target for reducing carbon emissions in the aviation sector?

NGO participants emphasised the importance of this issue to the environmental effectiveness of aviation's entry into the scheme and were concerned that it had yet to be properly addressed. Member States and the European Commission were urged to begin doing so as a matter of urgency. The Kyoto Protocol target of an 8% reduction below 1990 levels by 2012 would be an appropriate target.

In response, discussion sought to clarify what was meant by a target within the context of the trading scheme – given aviation will be a purchaser of credits, the question becomes the extent to which the carbon allowances awarded to the rest of industry should be increased to reflect the presence of the aviation sector. Participants emphasised that the issue was a political one rather than a technical or legal one.

How should permits be allocated?

Allocation methodology is another issue that Member States and the EU have yet to grapple with. Allocating allowances under a grandfathering system (i.e. based on historical emissions) may benefit more established airline operators at the expense of operators relatively new to the sector e.g. Ryan Air, although this problem can be minimised by choice of baseline year (e.g. if the scheme starts in 2010, using 2008 as a baseline year, not 1990).

Auctioning allowances would have the effect of charging industry for their carbon emissions not simply for the required reductions. Its effect would be to treat the aviation sector differently from allocations to the rest of industry in the EU ETS. Whilst auctioning is easier for competent authorities, it does have the potential for inequality. There was a general consensus that allocation rules should be more clearly determined at EU level and not left as much as they had been to Member States, which had led to discrepancies in implementation.

Should the scheme cover intra-EU flights only or all flights leaving EU airports?

It was generally agreed that as there are no real issues with competition, there is no need to restrict the scheme to intra-EU flights only. Extending the scheme to all flights leaving the EU would send an important signal to the rest of the world about the importance of tackling the environmental impacts of aviation.

Other environmental impacts of aviation

Aside from carbon emissions, other environmental impacts of aviation include nitrogen oxide, particulates, contrails (condensation trails) and noise. Research suggests that overall the climate environmental impacts of aviation are twice as high as the impacts from carbon emissions alone. All participants recognised the need to tackle aviation's other environmental impacts by so called 'flanking instruments' which would deal with the overall climatic impact, but differed on the timing and mechanism. Several participants urged that these be developed in tandem with aviation's entry into the EU ETS so as to take advantage of the current political momentum towards reform. Other participants took the view that the measures did not need to be implemented at once and that the focus should be on what is politically and technically feasible not on what might be ideal. Technical problems include scientific uncertainty about the effects of contrails. In addition, there may be a conflict between mitigation for different impacts – if a plane flies lower, its condensation trails will be reduced but this may increase its carbon impact. The impacts of contrails are short term whereas carbon impacts can be felt over hundreds of years. Addressing the impacts of contrails may threaten the overall policy of reducing temperatures by 2 degrees centigrade. Other impacts are route dependent. Given these complexities, decision makers were urged to exercise caution in their response while others argued for a more precautionary approach.

Other environmental protection instruments

Although discussions focused heavily on the Emissions Trading Scheme, other options were debated. Participants were split over the desirability of fuel taxation. Opponents criticised the blunt nature of the instrument unlike trading which is more efficient in leaving the market to determine mitigation. Increases in air passenger duty may be an appropriate short term mechanism. The impact on flight prices of increases in tax or APD is likely to be simply that air tickets don't continue to get cheaper each year (currently reducing by 3% per annum). Other problems include the numerous bilateral air service agreements in place, which will need to be renegotiated. Member States are however free to impose taxes on domestic flights and to enter into bilateral taxing arrangements with other Member States. Other instruments suggested include landing or en-route charges, greater use of bio fuels and research into technological measures.

Other

Demand management: Some participants suggested that demand management, including a temporary moratorium on airport expansion, will need to form part of any strategy to deal with the climatic impact of aviation. If aviation continues to grow at current rates it will, in effect, 'eat' into the carbon allowances for the rest of industry (UK has a 60% reduction target) and will require other industry sectors to make far greater cuts in emissions than currently envisaged. Others emphasised the value people place on mobility – not only as a leisure activity but, in an age of increased migration and the development of "world cities" like London, as an important aspect of keeping in touch with families.

Technological Solution: A complete technological solution to reducing carbon emissions from aviation is not currently feasible nor is it likely to be so in the near to medium term.

Importance of the aviation industry: 200,000 jobs in the sector and a £10 billion contribution to the economy.

Ticket prices: Research suggests that ticket prices will only rise by a 0.2 – 0.9 Euros in the event aviation enters the EU ETS.

Asking the right questions: There was some discussion on the current policy making approach. This was characterised by several participants as being a blinkered focus on one particular mechanism for mitigation– EU ETS without considering wider policy issues such as what do decision makers want to achieve in terms of reducing the environmental impacts of aviation and how should this best be achieved.