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Committee on the Environment, Public Health and Food Safety

PROVISIONAL 2006/0304(COD)

11.6.2007

***I DRAFT REPORT

on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading withing the Community (COM(2006)0818 - C6-0011/2007 - 2006/0304(COD))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Peter Liese

Draftsman (*): Georg Jarzembowski, Committee on Transport and Tourism

(*) Enhanced cooperation between committees - Rule 47 of the Rules of Procedure

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Symbols for procedures

- * Consultation procedure *majority of the votes cast*
- **I Cooperation procedure (first reading)

 majority of the votes cast
- **II Cooperation procedure (second reading)

 majority of the votes cast, to approve the common position

 majority of Parliament's component Members, to reject or amend
 the common position
- *** Assent procedure
 majority of Parliament's component Members except in cases
 covered by Articles 105, 107, 161 and 300 of the EC Treaty and
 Article 7 of the EU Treaty
- ***I Codecision procedure (first reading)

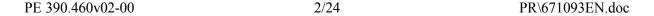
 majority of the votes cast
- ***II Codecision procedure (second reading)
 majority of the votes cast, to approve the common position
 majority of Parliament's component Members, to reject or amend
 the common position
- ***III Codecision procedure (third reading)

 majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission.)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in *bold italics*. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.



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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading withing the Community (COM(2006)0818-C6-0011/2007-2006/0304(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2006)0818)¹,
- having regard to Article 251(2) and Article 175(1) of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0011/2007),
- having regard to Rule 51 of its Rules of Procedure,
- having regard to the report of the Committee on the Environment, Public Health and Food Safety and the opinions of the Committee on Transport and Tourism, the Committee on Economic and Monetary Affairs and the Committee on Industry, Research and Energy (A6-0000/2007),
- 1. Approves the Commission proposal as amended;
- 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
- 3. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 RECITAL 8 A (new)

(8a) Apart from the economic tools there is considerable emission lowering potential in technological and operational improvements which should be enhanced now more than in the past.

Justification

In order to achieve the ultimate goal of a decrease in emissions, the trade in emission

¹ OJ C ... / Not yet published in OJ.

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allowances for aviation can only be a part of a more global strategy which must include in particular the implementation of new technologies which should coincide with the creation of the appropriate infrastructure.

Amendment 2 RECITAL 8 B (new)

(8b) A more efficient Air Traffic Management (ATM) can cut fuel consumption by up to 12% and thereby contribute to the lowering of CO₂ emissions. Consequently, the Single European Sky and the SESAR project should be implemented as soon as possible. In particular the European Institutions and the Member States will have a role to play in the swift and firm creation of functional airspace blocks and the concept of flexible airspace use in close consultation with the relevant airspace users.

Justification

The Single European Sky/ATM research has been introduced for economic reasons and for reasons of transport policy. But a Single European Sky/ATM would also be a project to reduce greenhouse gas emissions. This is why Member States and the Council should be urged to introduce this as soon as possible.

Amendment 3 RECITAL 8 C (new)

(8c) Research and technology is the key to innovation. The European Institutions will continue their support for the technology initiative "Clean Sky" in the Seventh Research Framework Programme which aims to radically improve the impact of air transport on the environment with the goal of eliminating environmental pollution by reducing greenhouse gases.

Through the introduction of the new instrument "Joint Technology Initiative" (JTI) in the Seventh Framework Programme the European Union aims to increase private investment in European research and to accelerate the development of advanced technologies and their transfer into European products. The JTI designed specifically to reduce the environmental impact of air transport ("Clean Sky") should be supported strongly.

Amendment 4 RECITAL 8 D (new)

(8d) Subsidies to airports, especially to regional airports, give wrong incentives concerning the emission of greenhouse gases. Therefore the Commission will strictly apply competition law with a view to eliminating these subsidies step by step.

Justification

A lot of local authorities or regional authorities subsidise airports. Some offers of low-cost airlines are only possible because of these subsidies. This is to the disadvantage of other airlines and creates artificial traffic which would not exist without these subsidies. Elimination of these subsidies is therefore also necessary to limit greenhouse gas emissions.

Amendment 5 RECITAL 11

(11) From *2011*, emissions from flights between airports in the Community should be included in the Community scheme. From 2012, emissions from all flights arriving at and departing from Community airports should be included. The Community scheme can thereby serve as a model for the expansion of the scheme worldwide. If a third country adopts measures for reducing the climate impact of flights to a Community airport departing from that country which are at least equivalent to the requirements of this Directive, the scope of the Community scheme should be amended to exclude flights arriving in the Community from that country.

(11) From **2010**, emissions from **all** flights arriving at and departing from Community *airports* should be included in the Community scheme. The Community scheme can thereby serve as a model for the expansion of the scheme worldwide. Climate change is a global phenomenon which requires global solutions. The Community considers this Directive as an important first step. Non-EU parties are invited to contribute with their ideas to the debate so as to develop this policy instrument further. To make the voice of third parties heard, the Commission should, prior to and during the implementation of this Directive, be in permanent contact with them. If the European Union agrees with a third party

on a common scheme which has at least the same positive effects for the environment as the Directive, the Commission may propose an amendment of the Directive. In any case the Commission may propose that incoming flights from third countries are not covered by the scheme if the third country has a system in place which has at least the same environmental benefit as this Directive.

Justification

Only a scheme that covers as early as possible intercontinental flights has a significant effect on the reduction of greenhouse gas emissions. Even this is only a first step. The EU should talk to third parties to get a global scheme as soon as possible. (See amendments 12 and 21)

Amendment 6 RECITAL 12

(12) Aviation has an impact on the global climate through releases of carbon dioxide, nitrogen oxides, water vapour and sulphate and soot particles. The Intergovernmental Panel on Climate Change has estimated that the total impact of aviation currently is two to four times higher than the effect of its past carbon dioxide emissions alone. Recent Community research indicates that the total impact of aviation could be around two times higher than the impact of carbon dioxide alone. However, none of these estimates takes into account the highly uncertain cirrus cloud effects. In accordance with Article 174(2) of the Treaty, Community environment policy must be based on the precautionary principle and therefore all impacts of aviation should be addressed to the extent possible. Pending scientific progress to identify suitable metrics for comparing the different impacts, a pragmatic and precautionary approach is required. Emissions of nitrogen oxides will be addressed in other legislation to be

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presented by the Commission.

presented by the Commission. Air Traffic Management authorities should apply effective measures in order to avoid the formation of contrails and cirrus clouds through changes in flight patterns, namely by ensuring that flights will avoid passing through areas where due to specific atmospheric conditions the formation of such clouds is foreseen.

Justification

There is scientific consensus that the climate impact of the aviation sector goes well beyond its CO_2 emissions alone. Cirrus clouds that can form out of aviation-induced contrails trap heat in the Earth's atmosphere and thus contribute to global warming.

Amendment 7 RECITAL 13

(13) In order to avoid distortions of competition, a harmonised allocation methodology should be specified. To ensure access to the market for new aircraft operators, a proportion of allowances will be allocated by auction in accordance with rules to be developed by the Commission. Aircraft operators that cease operations should continue to be issued with allowances until the end of the period for which free allowances have already been allocated.

(13) In order to avoid distortions of competition, a harmonised allocation methodology should be specified. To ensure access to the market for new aircraft operators, a proportion of allowances will be allocated by auction.

Justification

The legislation should not encourage operators to cease their business.

Amendment 8 RECITAL 14

(14) Aviation contributes to the overall climate change impact of human activities. Proceeds from the auctioning of allowances should be used to mitigate greenhouse gas emissions, to adapt to the impacts of climate change, to fund

(14) Environment-friendly transport modes such as buses and rail are subject to high taxes and charges, in some Member States even also to environmental taxes. Rail transport is already included in the emission trading scheme by the fact research and development for mitigation and adaptation, and to cover the costs of administering the scheme. The use of auctioning proceeds should in particular fund contributions to the Global Energy Efficiency and Renewable Energy Fund, and measures to avoid deforestation and facilitate adaptation in developing countries. Provisions for the use of funds from the auctioning should be notified to the Commission. Such notification does not release Member States from the obligation laid down in Article 88(3) of the Treaty, to notify certain national measures. The Directive does not prejudice the outcome of any future State aid procedures that may be undertaken in accordance with Articles 87 and 88 of the Treaty.

that electricity is the main source of power. Therefore, revenue from auctions should be used to lower the taxes and charges on environment-friendly transport modes such as transport by rail and bus. Member States should aim not to increase the total charges on their citizens.

Justification

It should be made clear that the overall burden of the citizens and the economy should not be increased. Taxes and charges on environment friendly transport systems are significantly high and should be reduced to give the right incentive.

Amendment 9 RECITAL 15 A (new)

(15a) As a result of the current emission trading scheme, energy-intensive industry is already under pressure from significantly high CO₂ prices. There is the real threat of carbon leakage if another significant sector is included in the scheme that has to buy emission permits. To avoid carbon leakage from energy-intensive industry, for example the cement, lime or steel sector, the Commission will examine different options such as sectoral targets or border tax adjustment and publish a report before the end of 2008 on how the question should be addressed.

The European Parliament has asked for a separate scheme on aviation. One of the reasons was that energy-intensive industry should be protected from the threat that aviation buys all their necessary permits and the industry like cement, steel and lime would no longer be able to develop inside the European Union. The Commission has not followed the European Parliament's advice. That is why other measures of protecting the energy-intensive industry should be addressed.

Amendment 10 RECITAL 15 B (new)

(15b) To reflect the situation that aircraft operators cannot switch to alternative (regenerative) energy resources, the cap in the aviation sector should be much more generous than in the other sectors of emission trading.

Justification

Other sectors are obliged to reduced emissions compared to 1990. Since emissions from aviation have doubled since then, a more than 50% reduction could be imposed on the aviation sector. This is technically not possible.

Amendment 11 RECITAL 21

(21) In particular power should be conferred on the Commission to adopt measures for the auctioning of allowances not required to be issued for free and to amend the aviation activities listed in Annex I where a third country introduces measures to reduce the climate change impact of aviation. Since those measures are of general scope and are designed to amend non-essential elements of this Directive and to supplement this Directive by the addition or modification of new non-essential elements, they should be adopted in accordance with the regulatory procedure with scrutiny provided for in Article 5a of Decision 1999/468/EC

deleted

The number of allowances to be auctioned should be laid down in the Directive (see also amendment 13). Adaptation of the Directive in response to measures taken by third countries or groups of third countries should be dealt with under the codecision procedure (see also amendment 14).

Amendment 12 ARTICLE 1, POINT 3 Article 3b (Directive 2003/87/EC)

- 1. For the period from 1 January 2011 to 31 December 2012, the total quantity of allowances to be allocated to aircraft operators shall be equivalent to 100% of the sum of the historical aviation emissions in relation to each year.
- 2. For the period referred to in Article 11(2) beginning on 1 January 2013, the total quantity of allowances to be allocated to aircraft operators shall be equivalent to 100% of the historical aviation emissions multiplied by the number of years in the period.
- 3. For the second period referred to in Article 11(2) and each subsequent period, the total quantity of allowances to be allocated to aircraft operators shall be equivalent to 100% of the historical aviation emissions multiplied by the number of years in the period.

4. Within six months of the entry into force of this Directive, the Commission shall decide on the historical aviation emissions based on best available data.

- 1. For the period from 1 January **2010** to 31 December 2012, the total quantity of allowances to be allocated to aircraft operators shall be equivalent to **90%** of the sum of the historical aviation emissions in relation to each year.
- 2. For the period referred to in Article 11(2) beginning on 1 January 2013, the total quantity of allowances to be allocated to aircraft operators shall be equivalent to 90% of the historical aviation emissions multiplied by the number of years in the period.
- 3. For the second period referred to in Article 11(2) and each subsequent period, the total quantity of allowances to be allocated to aircraft operators shall be equivalent to 90% of the historical aviation emissions multiplied by the number of years in the period. The quantity of allowances in subsequent periods might be further reduced, on a proposal from the Commission, if international or EU targets on climate policy require further reductions in emissions of climate changing gases.
- 4. Within six months of the entry into force of this Directive, the Commission shall decide on the historical aviation emissions based on best available data.

Justification

If adopted, the starting date of 1 January 2010 applies throughout the text. (See amendments

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5 and 21)

The European Union has committed itself to reducing greenhouse gas emissions by 8% compared to the 1990 level until 2012. Until 2020 they should be reduced by about 20% and if there is an international agreement even by about 30%. If this level of ambition would be transmitted to the aviation sector, which has doubled its emissions since 1990, a reduction of about more than 50% until 2012 should be obliged to the sector. Because of the technical measures available this is completely unrealistic. But to show at least some more fairness to the other sectors and to increase the level of ambition, a small reduction of emissions should be obliged to the aviation sector.

Amendment 13 ARTICLE 1, POINT 3 Article 3c, paragraph 1 (Directive 2003/87/EC)

- 1. In the period referred to in Article 3b(1), a percentage of allowances shall be auctioned. The percentage shall correspond to the average percentage proposed by the Member States including auctioning in their national allocation plans under Chapter III for the relevant period.
- 1. In the period referred to in Article 3b(1), 50% of allowances shall be auctioned.

Justification

Even though it is a big step forward that the Commission wants to allocate most of the allowances by benchmark and not by grandfathering, all kinds of free allocation have disadvantages. It depends on the benchmarks chosen which kind of business model will be favoured. The Commission proposal does not include enough room for newcomers which are important to promote innovations in the aviation sector. Free allocation has led to windfall profits in the companies already participating in the emissions trading scheme. It cannot be excluded that windfall profits will occur in the aviation sector. Significant parts of allowances being allocated by auctioning would avoid these problems.

Amendment 14 ARTICLE 1, POINT 3 Article 3c, paragraph 2 (Directive 2003/87/EC)

- 2. For future periods, the percentage to be auctioned *shall take* into account the general review of this Directive.
- 2. For future periods, the percentage to be auctioned *referred to in paragraph 1 may be increased, taking* into account the general review of this Directive.

The percentage being allocated by auctioning should not be less than 50%.

Amendment 15 ARTICLE 1, POINT 3 Article 3c, paragraph 3 (Directive 2003/87/EC)

3. The Commission shall adopt a Regulation containing detailed provisions for the auctioning by Member States of allowances not required to be issued free of charge in accordance with paragraphs 1 and 2. The number of allowances to be auctioned in each period by each Member State shall be proportionate to its share of the total attributed aviation emissions for all Member States for the reference year reported pursuant to Article 14(3) and verified pursuant to Article 15. For the period referred to in Article 3b(1), the reference year shall be 2010 and for each subsequent period referred to in Article 3b the reference year shall be the calendar year ending 24 months before the start of the period to which the auction relates.

That Regulation, designed to amend nonessential elements of this Directive by supplementing it, shall be adopted in accordance with the regulatory procedure with scrutiny referred to in Article 23(2a). deleted

Justification

The percentage of allowances being allocated by auctioning should not be fixed in comitology but in codecision procedure by Council and Commission. See amendment 12.

Amendment 16 ARTICLE 1, POINT 3 Article 3c, paragraph 4 (Directive 2003/87/EC)

- 4. Revenues generated from the auctioning of allowances in accordance with paragraph 3 shall be used to mitigate greenhouse gas emissions, to adapt to the
- 4. Revenues generated from the auctioning of allowances shall be used to *lower taxes* and charges on environment-friendly transport such as rail and bus. Member

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impacts of climate change, to fund research and development for mitigation and adaptation, and to cover the costs of the administering Member State in relation to this Directive. Member States shall inform the Commission of measures taken pursuant to this paragraph. States shall endeavour not to increase the total charges on their citizens.

Justification

It should be made clear that the overall burden of the citizens and the economy should not be increased. Taxes and charges on environment friendly transport systems are significantly high and should be reduced to give the right incentive.

Amendment 17 ARTICLE 1, POINT 3 Article 3d, paragraph 3, point (b) (new) (Directive 2003/87/EC)

(b) the number of allowances to be allocated free of charge in that period in accordance with Article 3c;

deleted

Justification

The percentage of allowances being allocated by auctioning should not be fixed in comitology but in codecision procedure by Council and Commission. See amendment 12.

Amendment 18 ARTICLE 1, POINT 8, POINT (B A) (new) Article 12, paragraph 2 b (new) (Directive 2003/87/EC)

(ba) the following paragraph 2b is inserted:

"2b. In the event that Community measures to incentivise the reduction of releases of nitrogen oxides from aircraft carrying out an aviation activity listed in Annex I are not in place by 1 January 2010, for the purposes of paragraph 2a and by way of derogation from Article 3(a), the amount of carbon dioxide which an allowance, other than an aviation allowance, or a CER or ERU permits an aircraft operator to emit shall be divided

by an impact factor of 1.5."

Justification

According to the latest scientific research, there is a fair knowledge of the contribution of NOx emissions to climate change. From this it can be concluded that aviation NOx contribution to climate change is roughly 1.5 times the contribution of CO_2 alone. The warming effect of NOx should be considered in this directive as long as there are no other specific measures in force.

Amendment 19 ARTICLE 1, POINT 16 Article 25 a, paragraph 1 (new) (Directive 2003/87/EC)

Where a third country adopts measures for reducing the climate change impact of flights departing from that country which land in the Community which are at least equivalent to the requirements of this Directive, the Commission shall amend this Directive to provide for flights arriving from that country to be excluded from the aviation activities listed in Annex I with effect from the next period referred to in Article 3b

Where a third country adopts measures for reducing the climate change impact of flights departing from that country which land in the Community which are at least equivalent to the requirements of this Directive, the Commission shall amend this Directive in order to avoid double countings and to guarantee equal treatment.

Justification

In the event that third countries also introduce a scheme, it must be ensured that this is taken into account in the European scheme. Exclusion of arriving flights relates only to the EU scheme. The amended wording will enable adjustments to be made in such a way as avoid double counting.

Amendment 20 ARTICLE 2, PARAGRAPH 2 A (new)

2a. Should non-EU States or groups of States agree with the European Union on a common scheme of emission trading which brings at least the same environmental benefit as the scheme under this Directive, the Commission may propose an amendment to this Directive to adapt it to the rules of the common scheme.

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It should be made clear in the proposal that the European Union will not insist on its own scheme but insists on the environmental effects to protect the climate.

Amendment 21 ANNEX, POINT 1, POINT (B) Annex I, paragraph 2 (Directive 2003/87/EC)

For the year 2011 only flights which both depart from and arrive in an airport situated in the territory of a Member State to which the Treaty applies shall be included in the activity of aviation. From 1 January 2012, all flights which arrive at or depart from an airport situated in the territory of a Member State to which the Treaty applies shall be included.

From the year 2010 flights which both depart from and arrive in an airport situated in the territory of a Member State to which the Treaty applies, as well as flights which arrive at or depart from an airport situated in the territory of a Member State to which the Treaty applies, shall be included in the activity of aviation.

Justification

Only a scheme that covers as early as possible intercontinental flights has a significant effect on the reduction of greenhouse gas emissions. Even this is only a first step. The EU should talk to third parties to get a global scheme as soon as possible. (See amendments 5 and 12)

Amendment 22 ANNEX, POINT 1, POINT (C) Annex I, paragraph 2, table, new category, point (a) (Directive 2003/87/EC)

a) flights performed exclusively for the transport, on official mission, of a reigning Monarch and his immediate family, Heads of State, Heads of Government and Government Ministers where this is substantiated by an appropriate status indicator in the flight plan;

deleted

Justification

The public sector, especially governments, should set a positive example. Some governments have already introduced a voluntary contribution to compensate greenhouse gas emissions caused by governmental flights. The proposed exclusion would be completely in contrast to the policy of most governments and to the expectation of the public.

Amendment 23 ANNEX, POINT 2, POINT (B)

Annex IV, Part B, "Monitoring of tonne-kilometre data for the purpose of Article 3d", paragraph 2, indent 2 (Directive 2003/87/EC)

- an aircraft operator may chose to apply either the actual or standard mass for passengers and checked baggage contained in its mass and balance documentation for the relevant flights or a default value for each passenger and his checked baggage of 100 kg.

- an aircraft operator may chose to apply either the actual or standard mass for passengers and checked baggage contained in its mass and balance documentation for the relevant flights or a default value for each passenger and his checked baggage of 160 kg.

Justification

For the calculation of the benchmark parameter the Commission proposed that one passenger should account for 100kg. However, this kind of definition would give freight operations an advantage over passenger transport since carrying one tonne of freight takes less energy, and thus produces fewer emissions, than ten passengers ove a given distance. Passenger transport requires seats, galleys, toilets and service items, whereas freight does not. The rapporteur therefore proposes a higher value.

Amendment 24 ANNEX, POINT 3, POINT (B) Annex V, Part B, point (14), subparagraph 1 a) (new) (Directive 2003/87/EC)

The European Institutions and the Member States shall ensure that the working methods to be used by the verifier are harmonised before the implementation of the Directive and that its provisions are applied on a uniform basis.

Justification

In order to achieve the aim of ensuring uniform treatment of the aviation sector, it is necessary to check that uniform methods and procedures are used and that they are applied in the same way. Differences in the way in which rules are applied and interpreted in the Member States lead to distortion of competition.

Amendment 25 ANNEX, POINT 3, POINT (B) Annex V, Part B, point (16), subparagraph 1 a (new) (Directive 2003/87/EC)

The European Institutions and the Member States shall ensure that the working methods to be used by the verifier

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are harmonised before the implementation of the Directive and that its provisions are applied on a uniform basis.

Justification

In order to achieve the aim of ensuring uniform treatment of the aviation sector, it is necessary to check that uniform methods and procedures are used and that they are applied in the same way. Differences in the way in which rules are applied and interpreted in the Member States lead to distortion of competition.

EXPLANATORY STATEMENT

Introduction

The urgency to limit greenhouse gas emissions to combat climate change has been underlined impressively by the recent reports of the International Panel on Climate Change (IPCC).¹

The former chief economist of the World Bank, Sir Nicholas Stern, has underlined in its report to the British government that "our actions over the coming decades could create risks of major disruption to economic and social activity, later in this century and in the next, on a scale similar to those associated with the great wars and the economic depression of the first half of the 20th century" (Stern Report, p. 572).

The European Council that took place on 8-9 March 2007 adopted a quite ambitious strategy in this area. In the framework of an international agreement greenhouse gas emissions of the European Union and other industrialized countries should be reduced by 30 % compared to 1990 levels in 2020.

The European Parliament has underlined the urgency of action against climate change in several resolutions and has shown its commitment by setting up a temporary committee on climate change.

Surprisingly enough, the Commission proposal on the inclusion of aviation in the emissions trading scheme is the only legal proposal on climate mitigation that is discussed under codecision in the European institutions at the moment.

The way the European Parliament and the other institutions deal with this proposal will be decisive for the future policy in this area.

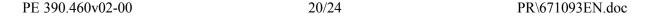
How serious is the European Union when it comes to concrete legislation?

Do we find an intelligent way to reduce greenhouse gas emissions while not undermining the competitiveness of the European industry?

What kind of signal do we give to third parties?

The increase of greenhouse gas emissions in the aviation sector is enormous. Compared to 1990, already today the emissions have been increased about 100%. This contrasts dramatically with the Kyoto reduction target of 8% or the 30% EU target for post-2012. Some argue that aviation's share of overall greenhouse gas emissions is "only" about 3% but the

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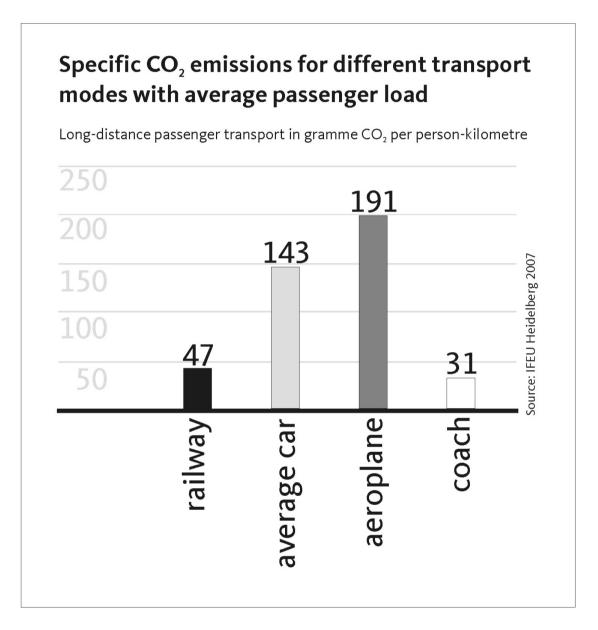
¹ IPCC 2007: Climate Change 2007, Part I: The Physical Science Basis; IPCC 2007: Climate Change, Part II: Impacts, Adaptation and Vulnerability; IPCC 2007: Climate Change 2007, Part III: Mitigation of Climate Change.

² This figure results from the well-known and safe 86 % (1990-2004) plus a figure that is based on the average increase of the years 2003/2004 (7.5 % p.a.) (see EEA Technical Report 6/2006; Eurostat News Release 11/2007).

³ See COM(2005) 459.

share of the aviation sector of GVA is 0.6 %. Nobody would argue that this is not significant.

Under the aspect of greenhouse gas emission aviation is the worst transport mode. Per kilometre a passenger using an aircraft is emitting significantly more greenhouse gases than a passenger using train or bus. Even using a car is significantly more environmental friendly than flying.



All EU institutions have recognized that this problem needs to be addressed and that emissions trading is a useful instrument if it is appropriately designed and combined with other measures.

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¹ Eurostat, Statistics in Focus 37/2005: The Air Transport Sector in the European Union.

The Commission proposal

The Commission's proposal aims at amending Directive 2003/87/EC so as to include CO2-emissions from aviation into the Community emissions scheme.

It is proposed to include flights between EU-airports as from 2011 and flights departing and arriving in the EU as from 2012 but excludes not only testing ,rescue and training flights but also government flights .The allowances will be allocated in a harmonised way by the Member States which are in charge of the administrative follow-up of an aircraft operator : The total number of allowances will be based on the average emissions from aviation in the period 2004-2006.

A fixed percentage of the allowances will be distributed without any charge based on a benchmark .For the years 2011 - 2012 it is proposed to auction the average percentage of what the Member States propose to auction in their national allocation plans.

After this period a general review should take place and the percentages of free allocation and auctioning as well as the procedures could be reassessed .The details concerning the auctioning will be fixed in a Commission Regulation.

Aircraft operations will be able to buy allowances from the other 6 sectors already included in the Community scheme and can use so called project credits (Emission Reduction Units and Certified Emission Reductions) up to certain harmonised limits.

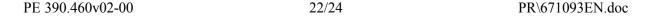
Evaluation of the Commission proposal

The proposal of the Commission is an important step to address the greenhouse gas emissions of aviation. But under environmental aspects and under aspects of competitiveness between the different airlines and the different transport sectors it can and must be significantly improved.

The proposed changes

Scope and starting date

The most important change that is proposed by the rapporteur is the introduction of one single starting date for internal flights and other flights departing and landing in EU airports. The Commission argues that there is no legal argument against the introduction of the scheme for all departing and landing flights. For political reasons the Commission has proposed two different dates. The distinction between internal flights and intercontinental flights would lead to significant problems. The environmental impact of the scheme will be relatively small if intercontinental flights are not included. It will lead to a distortion of competition between the airlines and it will also lead to a distortion of competition between tourist regions. It is difficult to explain that, for example, a flight from the UK to Morocco is not covered by the scheme while a flight from the UK to the Canary Islands will be covered. This is why the rapporteur proposes one single starting date. As the mitigation of climate change is becoming more and more urgent the starting date should be as soon as possible. The scheme will





probably be adopted in 2008. A transitional period of one to two years should be realistic. This is why the rapporteur proposes the starting date 2010.

Relation to third parties

Climate change is a global challenge. That is why an EU scheme, whatever scope it has, can only be a first step. The European Commission should therefore negotiate with third parties to get step by step to a global scheme. In case the European institutions agree with any third party on a common scheme which has at least the same environmental benefit as the EU scheme, the Commission may propose a change of the scheme to adapt it to the agreement. It should be made clear that the European Union does not insist on a specific scheme but on the positive effect on the reduction of greenhouse gas emissions.

Allocation method

It is a very important step forward that the Commission proposes a harmonised allocation method. The most important criticism to the current ETS is the distortion of competition through completely different national allocation plans and enormous over-allocation. The Commission proposes to distribute most of the allocations by benchmarks. This is much better than the existing grandfathering. But also a benchmark system can lead to a distortion of competition because as a way one chooses a benchmark is important for the effect on airlines with different business models. The proposed benchmark by the Commission could favour freight transport against passenger transport. This is why it should be adapted.

Even the adapted benchmark may lead to some distortion of competition. This is one of the reasons why more significant parts of the allocation should be distributed by auctioning. Another argument in favour of auctioning is the possibility to address the needs of newcomers who bring innovation into the sector. It is also important to avoid windfall profits as much as possible. In the current ETS the allocations are distributed for free and even so prices have been increasing. A significant number of allocations being auctioned would give the Member States a possibility to generate income and reduce other taxes and charges in the transport sector.

Use of the money generated by auctioning

There is a general feeling in the public that no more taxes, charges and other are burdens should be imposed on the citizens and on the business. This is why it should be made clear in the proposal that the money generated by auctioning is given back to the citizens and to the economy. Looking at the greenhouse gas emissions, aviation is the worst mode of transport. A passenger using the plane is emitting significantly more greenhouse gas emissions than a passenger using the bus or railway for the same distance. Even driving a car is under normal circumstances much more environment friendly than using an aircraft. Against this background it is a contradiction that cars and especially buses and railway, which are more environment friendly, suffer from a lot of taxes and charges, even some environmental taxes. The railway is already covered by the emissions trading scheme because it uses electricity. Therefore the rapporteur proposes to reduce taxes and charges in environment friendly transport modes.

Cap

The European Union has committed itself to reducing greenhouse gas emissions by 8% compared to the 1990 level until 2012. Until 2020 they should be reduced by about 20% and if there is an international agreement even by about 30%. If this level of ambition would be transmitted to the aviation sector, which has doubled its emissions since 1990, a reduction of about more than 50% until 2012 should be obliged to the sector. Because of the technical measures available this is completely unrealistic. But to show at least some more fairness to the other sectors and to increase the level of ambition, a small reduction of emissions should be obliged to the aviation sector. The rapporteur proposes a 10% reduction compared to 2004-2006. This does not exclude growth even if the actual emissions of the aircraft cannot be reduced in the short term, because the airlines are allowed to buy credits from other sectors or from CDM and JI.

Non-CO₂ effects of aviation

Scientific reports prove that there are much more effects on climate change than the pure CO_2 emissions. An important part is NO_X emissions and cirrus clouds. Concerning cirrus clouds there is a lot scientific uncertainty but a precautionary principle should at least encourage us to avoid cirrus clouds if possible. This is why the rapporteur proposes a recital to encourage the air traffic management authorities. Concerning NO_X the Commission has announced to propose a separate legislation. Unfortunately the proposal has not been presented. This is why the rapporteur proposes a multiplier to reflect the NO_X effects of aviation. The multiplier should be deleted when the new Commission proposal on NO_X has been adopted by Council and European Parliament.

Exceptions for government flights

A politically very important point will be the exception of government flights proposed by the Commission. Based on the position that the public sector and especially politicians need to be a precursor and a good example, the exception for government flights has lead to justified protests from the public. The rapporteur thinks that it is appropriate to delete this derogation.

Air Traffic Management

For years the European Parliament has been asking for an improved air traffic management. Unfortunately Member States and the Council have been very hesitating to introduce this scheme. It is only foreseen to bring it into force in 2020.

The Single European Sky/ATM research has been introduced for economic reasons and for reasons of transport policy. But a Single European Sky/ATM would also be a project to reduce greenhouse gas emissions. This is why Member States and the Council should be urged to introduce this as soon as possible.

