EU Emissions Trading System (EU ETS): continuing current limitations of scope for aviation activities and preparing to implement a global market-based measure from 2021

2017/0017(COD) - 03/02/2017 - Legislative proposal

PURPOSE: to amend Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading (EU ETS) within the Community to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the **strong growth in greenhouse gas emissions (GHG) from the aviation sector** risks undermining the EU's and global efforts to effectively tackle climate change.

A centrepiece of the 2030 framework is the binding target to **reduce overall EU greenhouse gas emissions by at least 40%** domestically below 1990 levels by 2030.

The Union and its Member States have been endeavouring to advance international agreement to reduce greenhouse gas impacts from aviation since 1997 and they have legislation in place since 2008 to limit the climate change impacts from aviation activities through the EU emissions trading system (EU ETS) that has been operating since 2005.

In order to advance progress at the International Civil Aviation Organization (ICAO), the Union has twice adopted time-bound derogations to Directive 2003/87/EC on the EU ETS so as to **limit compliance obligations to emissions from flights between aerodromes situated in the European Economic Area** (EEA).

In October 2016, ICAO agreed at its 39th Assembly on a Resolution for a **global market-based measure** (GMBM) to address the growth in international aviation emissions globally from 2021 through an offsetting system, aimed at enabling the aspiration goal of stabilising international aviation emissions at 2020 levels.

In the absence of amendment to the existing legislation, the initial scope of the ETS (i.e. including extra EEA flights) would apply again. In view of the agreement on the GMBM at ICAO, the EU support towards its completion and timely operationalisation, and the EU's intended implementation of the GMBM from 2021 onwards, it is deemed necessary to review the EU ETS legislation.

CONTENT: in response to the progress achieved by the 39th ICAO Assembly and to promote further momentum towards the successful implementation of a global market-based measure to address international aviation emissions from 2021, the Commission proposed to amend Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading (EU ETS).

Scope of the application of the EU ETS: it is proposed to extend the current approach to application of the EU ETS as set out in Regulation No. 421/2014 beyond 2016 until there will be sufficient clarity about

the nature and content of the legal instruments adopted by ICAO for the implementation of the global market-based measure to allow the European Commission to carry out further assessments and review the EU ETS for the post-2020 period.

Following the same approach as under Regulation (EU) No 421/2014 for the 2013-2016 period, the application of the EU ETS Directive to flights to and from outermost regions and third countries is derogated from after 2016, while flights between aerodromes in the EEA remain fully covered.

Given that the scope remains as in 2016, the amount of free allocation received by aircraft operators will continue to be the same as in 2016 so, proportional to the intra-EEA activity, and the linear reduction factor applicable to all sectors under the EU ETS Directive will apply but only from 2021 onwards.

Prepare for the implementation of a global market-based measure from 2021: the proposal introduced a new provision that requires the Commission to report to the European Parliament and the Council on international developments of relevance for the implementation of the global market-based measure as well as on the actions taken by third countries to implement the measure. Thereby, the Commission is to consider ways to implement the relevant ICAO instruments in Union law through a revision of the EU ETS Directive. This may be accompanied with legislative proposals as appropriate.

Annex I: Annex I to Directive 2003/87/EC is amended by extending the exemption for non-commercial aircraft operators emitting less than 1 000 tonnes CO2 per annum from 2020 until 2030. The exemption reduced the number of aircraft operators regulated by Member States by around 2200 representing only 0.2% of emissions.

Delegated acts: in order to prepare for the implementation of the global market-based measure, the Commission is empowered to adopt delegated acts to provide for the appropriate monitoring, reporting and verification of emissions applicable to aircraft operators for the purpose of implementing the global market-based measure being elaborated in ICAO.