

# Revision of the EU Emissions Trading System for aviation

2021/0207(COD) - 18/04/2023 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 463 votes to 117, with 64 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and appropriately implementing a global market-based measure.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission's proposal as follows:

## *Ensuring the integrity of the EU Emissions Trading Scheme (EU ETS)*

The amended text stressed that the changes introduced by this Directive are essential to ensure the integrity and effective steering of the EU ETS so that it contributes, as a policy instrument, to the achievement of the Union's objectives of reducing net greenhouse gas emissions by at least 55% by 2030 and achieving climate neutrality by 2050 at the latest. These amendments therefore also aim to implement the EU's contributions under the Paris Agreement with regard to aviation.

## *Phasing out free emission allowances for the aviation sector*

The amending regulation provides for the gradual phasing out of free emission allowances for the aviation sector as follows: **25% in 2024, 50% in 2025 and 100% from 2026**. This means that allowances will be fully auctioned from 2026 onwards.

## *Encouraging the decarbonisation of commercial aviation*

For the period from 1 January 2024 until 31 December 2030, a maximum of **20 million of the total quantity of allowances** should be reserved in respect of commercial aircraft operators, on a transparent, equal-treatment and non-discriminatory basis, for the use of **sustainable aviation fuels**, and other aviation fuels that are not derived from fossil fuels. The reserved allowances should be allocated by the Member States to **cover part of or all of the price differential between the use of fossil kerosene and the use of the relevant eligible aviation fuels**, taking into account incentives from the price of carbon and from harmonised minimum levels of taxation on fossil fuels.

The allowances allocated under this paragraph should cover:

- **70 %** of the remaining price differential between the use of fossil kerosene and hydrogen from renewable energy sources, and advanced biofuels;
- **95 %** of the remaining price differential between the use of fossil kerosene and renewable fuels of non-biological origin compliant with Article 25 of Directive (EU) 2018/2001, used in aviation;
- **100 %** of the remaining price differential between the use of fossil kerosene and any eligible aviation fuel that is not derived from fossil fuels at airports situated on islands smaller than 10 000 km<sup>2</sup> and with no road or rail link with the mainland, at airports which are insufficiently large to be defined as Union airports in accordance with a regulation on ensuring a level playing field for sustainable air transport and at airports located in an outermost region;

- in other cases, **50 %** of the remaining price differential between the use of fossil kerosene and any eligible aviation fuel that is not derived from fossil fuels.

The Commission should publish in the Official Journal of the European Union details of the average cost difference between fossil kerosene, taking into account incentives from the price of carbon and from harmonised minimum levels of taxation on fossil fuels, and the relevant eligible aviation fuels, on a yearly basis for the previous year.

### ***Non-CO2 effects on climate from aviation***

Aircraft operators should report once a year on the non-CO2 aviation effects occurring from 1 January 2025. For that purpose, the Commission should adopt by 31 August 2024 an **implementing act to include nonCO2 aviation effects in a monitoring, reporting and verification framework**.

That monitoring, reporting and verification framework should contain, at a minimum, the three-dimensional aircraft trajectory data available, and ambient humidity and temperature to enable a CO2 equivalent per flight to be produced. The Commission should ensure, subject to available resources, that tools are available to facilitate and, to the extent possible, automatise monitoring, reporting and verification in order to minimise any administrative burden.

By 31 December 2027, based on the results from the application of the monitoring, reporting and verification framework for non-CO2 aviation effects, the Commission should submit a report and, where appropriate and after having first carried out an impact assessment, a **legislative proposal** to mitigate non CO2 aviation effects by expanding the scope of the EU ETS to include nonCO2 aviation effects.

### ***Derogations applicable in advance of the mandatory implementation of ICAO's global market-based measure***

By way of derogation, Member States should consider the requirements set out in those provisions to be satisfied and should take no action against aircraft operators in respect of:

- all emissions from flights to and from aerodromes located in States outside the EEA, with the exception of flights to aerodromes located in the United Kingdom or Switzerland, in each calendar year from 1 January 2021 to 31 December 2026, subject to the review;

- all emissions from flights between an aerodrome located in an **outermost region** and an aerodrome located in another region of the EEA in each calendar year from 1 January 2013 to 31 December 2023, subject to the review.

### ***Reporting and review by the Commission concerning the implementation of ICAO's global market-based measure***

Before 1 January 2027 and every three years thereafter, the Commission should report to the European Parliament and to the Council on progress in the ICAO negotiations to implement the global market-based measure to be applied to emissions from 2021. In line with the global stocktake of the Paris Agreement, the Commission should also report on efforts to meet the aviation sector's long-term global aspirational goal of reducing aviation CO2 emissions to net zero by 2050.

By 1 July 2026, the Commission should submit a report in which it should assess the environmental integrity of ICAO's global market-based measure, including its general ambition in relation to targets

under the Paris Agreement. The report should be accompanied by a legislative proposal, where appropriate, to amend this Directive in a way that is consistent with the Paris Agreement temperature goals.