



**COUNCIL OF
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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: EU ETS/Aviation
- Information from the Commission

Delegations will find attached an information note on the above, submitted by the Commission, to be dealt with under "other business" at the meeting of the Council (Environment) on 13 December 2013.

Information Note

on the latest developments at ICAO and the EU Emissions Trading System (ETS) for Aviation

Introduction

On 4th October 2013, the 191 member States of the International Civil Aviation Organisation (ICAO) agreed to develop a global market based measure to limit CO₂ emissions from international aviation. This measure is expected to be agreed upon in 2016 and implemented as of 2020.

On 22 November 2013, the ICAO Council discussed the possible organisational structure for taking forward the work on the design of the global MBM within ICAO. The Council agreed on the three main points that should allow commencing the work on a global MBM. First, it requested the Secretary General to develop a work programme, which would define the scope of work and the key tasks. Secondly, ICAO Council Members agreed in principle to establish a group to work on the global MBM. The decision on setting up this group should be taken at the next Council meeting in March 2014, when the work programme and a concrete proposal for setting up a group will be made available to the Council. Finally the Council agreed to allow the CAEP (Committee for Aviation Environmental Protection) to immediately start work on some of the technical elements of a global MBM.

The ICAO Assembly and the global market-based measure

The decision by the ICAO Assembly to design a global market-based measure (GMBM) by 2016 and for implementation from 2020 is a significant step forward and has been strongly supported by the European Union. The GMBM, together with other technical (ICAO CO₂ standard) and operational measures (improved and modernised Air Traffic Management (ATM)) is an effective way for the international aviation sector to contribute to the reduction of CO₂ and to the fight against climate change.

There is a lot of work ahead and the 2016 timetable is very ambitious. The EU will contribute actively to this work and offer expertise and resources. The technical work to develop the design elements of the GMBM should start immediately.

The decision to develop and agree a GMBM by 2016 has created high expectations and has the backing of the global aviation industry. ICAO must seize this opportunity and get on with the work as soon as possible.

The EU follow-up as regards EU ETS

In response to the positive developments at ICAO, the European Commission has made a proposal, which would significantly downscale the scope of the EU ETS as it applies to aviation. The key features of the EU proposal are as follows:

- From 2014 to 2020, in addition to flights between EEA airports, international flights to and from third countries would be covered but only for the portion of emissions which occur within the European Regional Airspace. The average coverage on routes to and from third countries would be reduced by 80 % compared to the original ETS scope.
- To accommodate the special circumstances of developing countries, flights on routes to and from low and lower-middle income countries, which have a share of less than 1% in international aviation activity, would benefit from a full exemption from the EU ETS.
- The proposal is designed to take into account the work on a global measure at ICAO and to follow the ICAO timetable. The proposal provides for a review in 2016 when ICAO should decide on the design of the global measure and it covers the interim period until the global scheme is up and running – normally in 2020.

In the context of the wider EU environment and climate policy, no action until 2020 was not an option. The EU will now have a major challenge to ensure that the proposal is adopted by this Parliament and before April 2014. Otherwise the legal situation is that the current Directive and its original full scope also for external flights will apply and have to be enforced for the upcoming compliance. This could be expected to further intensify the political tensions over the legislation. The rapporteur appointed in the responsible European Parliament committee made his draft report public on 27 November. In this draft he offers strong support to the Commission's proposal and proposes further amendments to increase stringency of the scheme. In parallel a letter on the importance of timely enforcement signed by the two European Parliament rapporteurs and the lead Committee Chair was sent to the Lithuanian Council Presidency.

Reaction from third countries

The Commission and undoubtedly also Member States are now receiving reactions from third countries to the draft proposal. While some of them acknowledge the right of the Member States of the EU to act to regulate emissions within their territory, a number of them argue that the proposal does not sufficiently take into account the outcome of the ICAO Assembly and that the Commission proposal risks to distract from the negotiations on the global measure in the run up to 2016. It is of course still relatively early in the process and it is clear that these reactions are preliminary.