The Voice of European Railways

Reply to public consultation

Brussels, 11 January 2021

EU emissions trading system - updated rules for aviation

Accompanying statement in reply to the public consultation on the EU emissions trading system - updated rules for aviation

According to the European Environment Agency, international aviation more than doubled (+129%) and represent the largest percentage increase in greenhouse gas emissions (GHG) over 1990 levels. This is why biggest effort from the sector is needed to reach at least -55% GHG emissions by 2030. The EU has its carbon pricing tool, the ETS to be fully applied to aviation.

This statement complements CER's reply to the public consultation on the EU ETS – updated rules for aviation. CER recommendations aim at making a step forward for climate ambition by strengthening the EU ETS.

The ETS is the existing carbon pricing tool to guarantee emissions reductions at least-cost to society. Transport requires a carbon price thus taxation or cap-trade system should be preferred over offsetting mechanism such as CORSIA in the EU to achieve the EU Green Deal targets. The preferable option is the EU ETS full legal scope. This is the strongest in terms of GHG emission reductions and has the potential to provide increased revenues from auctioning. While not a step forward for global climate perspective, the ETS-CORSIA clean cut is a pragmatic policy mix that could be pursued and if the EU continues to be actively involved in the CORSIA development the emissions from extra-EU flights could also be addressed in the future.

In principle carbon pricing should equally apply to all transport modes to correct the market failure and progress with the polluter-pays principle. At this moment aviation in the EU is subject to a very weak carbon pricing. It is only 15% ETS auctioning unlike electricity for rail traction (corresponding to 80% of rail operations) subjected to 100% auctioning. The European Court of Auditors concluded that within the EU, free allocation of allowances support carbon-intensive air travel, to the detriment of rail transport. At the prices for ETS allowances prevailing during phase 3, the additional cost per passenger was limited: between €0.3 to €2 per passenger for most of the flights. Rail transport is not directly included in the EU ETS, but electrified rail fully pays for the EU ETS costs passed through from the power generation sector. Finally, having the consumer paying a higher price would be the result of a correct internalisation of external costs, that would probably even not prevent travel demand, but could be more reasonable by the time aviation becomes greener.

The competition between rail and air is also distorted due to the fact that the aviation is exempted from fuel taxes. The EU rules on energy taxation and emissions trading should make sure that they fully apply to aviation, as it is the case for energy and industry sectors. Aviation's exemption for kerosene fuel taxation must be addressed and corrected with an introduction of an EU-wide kerosene taxation on intra-EU routes. It is possible to address the kerosene taxation by bilateral action, here Member States could be guided by the EC.

COVID 19 impacted the transport sector heavily. In particular operators are not able to reach an optimal load factor for planes and trains. This brings complications for reporting emissions due to the lower efficiency. If adjustments were to be made to alleviate the assessment of aviation, it should also be the case for rail.

In the context of the COVID 19 recovery, the policy makers should introduce measures to facilitate a shift of passenger activity towards more sustainable transport modes. This should go parallel to greening of aviation sector, which is needed for longer-haul routes. Europe should build a high quality transport network with high-speed rail services on short-haul distances. According to the Mobility Strategy, scheduled collective travel under 500 km should be carbon-neutral by 2030 within the EU and the traffic on high-speed rail will double by 2030 and triple by 2050 compared to 2015.

The ETS reform shall make it possible to provide additional revenues that can be invested in innovation and low-carbon infrastructure to decrease emissions further. As for impacted households and young people, ETS revenues can be offered as sustainable mobility budgets.