

EU SET TO CHARGE INTERNATIONAL AIRLINES FOR CARBON EMISSIONS



Europe's most senior court is expected to rule on Wednesday that airlines based outside the continent should have to pay for their carbon emissions on flights to or from EU member states, in a crucial test of climate change regulation.

At stake are millions of tonnes in carbon dioxide emissions from airplanes, as airlines at present have little or no incentive to cut their greenhouse gases.

The signs are that the EU will be cleared to impose a system of carbon trading on all passenger flights taking off or landing in member states. In a **preliminary ruling in October**, the court backed the EU's plans. But whatever the 13 judges in Luxembourg decide on

Wednesday, it is unlikely to be the end of the story as the long-running legal battle will open up on new fronts.

Already legislators in the US are attempting to make it illegal for their airlines to comply with EU rules on carbon, and it is understood that China is issuing similar guidance, in a serious escalation of hostilities.

The hard-fought battle pits the US and Chinese governments as well as numerous international airlines against EU legislators, who have insisted that airlines must pay for their share of the potential damage from climate change. The US and Chinese governments have threatened a trade war over the issue, and airlines have protested that if the EU rules are allowed to go ahead, they will be landed with billions of dollars of new costs in the next few years.

But the amount is likely to be small, according to analysts. Research carried out this year by the analyst company Thomson Reuters Point Carbon put the probable **total cost to all airlines at about €1.1bn next year**, but that was based on a carbon price of €12 per tonne – whereas prices have plunged to just over half of that in recent weeks. As a result, the true cost is likely to be much lower.

"The battle has been extraordinarily fierce, given the real implications of emissions trading, which are not really that big," said Andreas Arvanitakis, associate director of Point Carbon. "It's a minute incremental cost compared to the costs of jet fuel. This is certainly not a game-changer for aviation."

Airlines will also be treated equally on each route, in order to make competition between them fair.

On 6 October, an advocate general – a senior legal adviser appointed by the Court of Justice of the European Union – issued a formal recommendation to the court supporting the legality of the EU law. The 13-judge grand chamber has been deliberating the case since the advocate general's opinion was released.

Arvanitakis warned that if the judges ruled against the EU, it would be a "serious blow to political support" for the EU's emissions trading system. "If this entire sector is taken out, it would open the window for doubters within the EU to ask where this is going," he said.

Under the EU's proposals, all airlines operating flights taking off or landing in member states would be subjected to its **emissions trading scheme** – the system introduced in 2005 by which carbon-intensive industries are issued with permits to produce carbon dioxide. Cleaner companies can trade these permits with laggards, giving them an increasing incentive to cut carbon.

The US, China and numerous airlines argue that the system is in effect a tax on aviation, which would be banned by longstanding international agreement. However, the EU counters that the system is not a tax but represents fair regulation in order to tackle climate change. Airlines based within the EU will already be subject to the carbon trading rules from next year.

As a result of the system, passenger ticket prices are likely to be pushed up, though some airlines may choose to absorb some of the costs.

Carbon prices within the European Union have fallen sharply as the euro crisis has taken hold, and are now close to their record lows.

Airlines also argue that the **International Civil Aviation Organization (ICAO)** is preparing its own system of carbon trading, which could be operating from 2013. However, EU officials are doubtful that this would come up to the same standards as its scheme and could

be open to manipulation by the airlines. Campaigners said the move to have ICAO bring in a scheme was merely a delaying tactic, and pointed out that ICAO has been talking about such a scheme for more than five years, without any concrete result as yet, with no guarantee of a future outcome.

Bill Hemmings, program manager at Brussels-based campaigning group **Transport and Environment**, said: "Let's allow the judges to decide whether it is legal or not [for the EU to draw aviation within emissions trading], but it is certainly not unfair. All airlines are being treated equally when they come into and leave Europe and that is fair."

He said studies of the cumulative effect of civil aviation since its inception showed it was responsible for about 4.9% of carbon and equivalents in the atmosphere. As that amount is growing, while emissions must be cut to avoid dangerous global warming, aviation would be an increasing part of the problem, he said.

The EU is also looking at ways to regulate the carbon output of international shipping. Proposals to curb greenhouse gas emissions from aviation and shipping have been under discussion since the negotiations leading up to the Kyoto protocol in 1997, and in recent years have focused on a levy on shipping. But that proposal was knocked back yet again at this month's UN climate negotiations in Durban, South Africa.

Emissions from international aviation and maritime transport are excluded from the Kyoto protocol and the 2009 Copenhagen accord, and there is no guarantee they will be included in any new international climate agreement to come into force from 2020. If aviation is included in the EU emissions trading scheme, it will be the first time carbon emissions from the sector have been regulated.

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