

UN aviation climate scheme threatens gaping hole in EU 2030 targets

ICAO offsetting scheme will contribute nothing to 2030 targets, undermines EU sovereignty and increases the burden for other sectors

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Summary

Research commissioned by T&E has found that Europe risks seriously undermining its 2030 climate targets if, as industry argues, it implements a UN offsetting scheme for aviation in full and without reservations. The measure, known as CORSIA, risks creating a gap of 96.2Mtonnes CO₂ – equivalent to Europe’s steel and iron emissions in 2015 – with the EU’s 2030 target due to its weak target and reliance on discredited offsetting. To avoid missing this target, other sectors will have to increase their climate ambition to compensate for aviation’s inaction.

Based on this analysis, T&E recommends that not only should Europe reserve its position on joining CORSIA, but if at a later date it agrees to implement the scheme, it should only do so in addition to effective measures such as ETS or measures with equivalent environmental effectiveness. Europe’s long-term emission reduction strategy, currently under revision, must outline the sort of effective measures which can put aviation on a pathway to decarbonisation.

1. Context

1.1. ICAO’s offsetting scheme

The UN’s aviation agency, the International Civil Aviation Organisation (ICAO), is developing a mechanism to offset global aviation emissions above 2020 levels. An outline of this measure, known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), was adopted at ICAO’s 2016 triennial assembly. Last July ICAO circulated to all states a copy of the CORSIA rulebook, known as Standards and Recommended Practices (SARPs), giving states a deadline of December 1st to respond. SARPs are the means by which ICAO states implement rules on aircraft safety and environment and are considered to be part of international law.

The CORSIA and its rulebook have many weaknesses in terms of environmental integrity which bring it into conflict with the EU’s own 2030 emissions target. For example the EU has a target of cutting aviation emissions to 111Mtonnes by 2030 – from 143Mtonnes today¹. That target does not recognise the use from

¹ WK 2310/2017 INIT

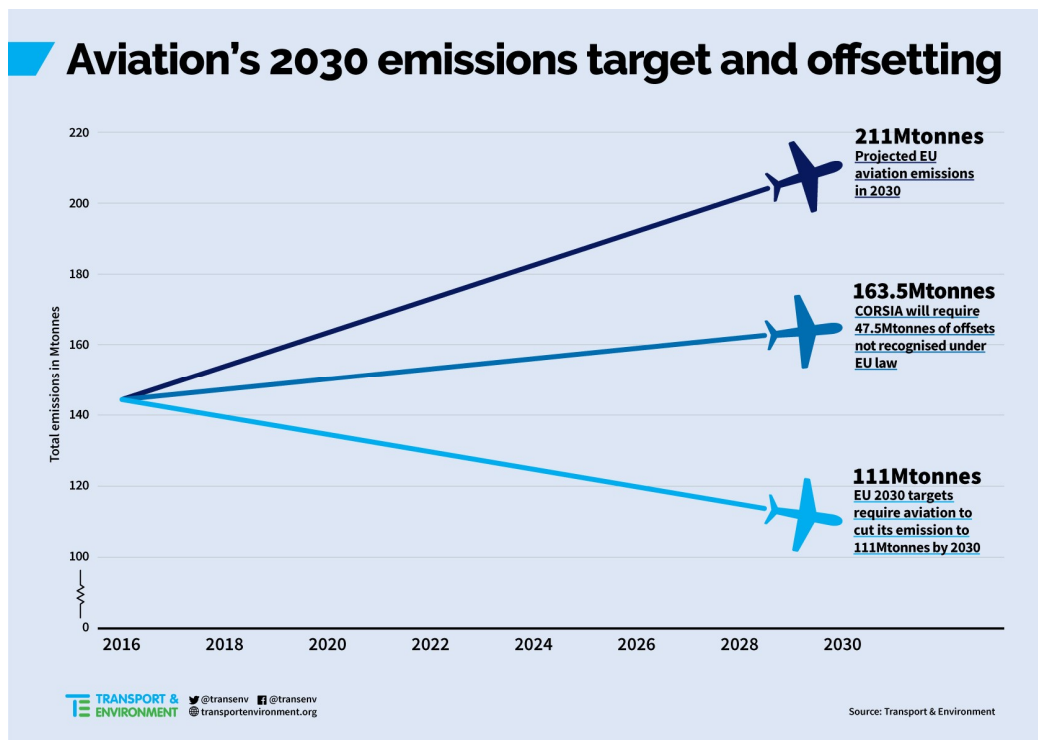
2021 of international credits (offsets), yet these are almost certainly to be the basis for compliance with CORSIA.

ICAO, backed fully by industry, has argued that CORSIA is the sole measure permitted to address aviation's climate impact, and should replace any other measure in operation (i.e. Emissions Trading System - ETS) and block any future measures (i.e. taxation). This position is contended by others, any as a result may lead to further court challenges, underlining the need for European states to reserve their position on being able to regulate aviation emissions, as is discussed below.

2. Gap with 2030 emissions target

The international credits which ICAO CORSIA are expected to use are not recognised as contributing to the EU's 2030 goal. This is because, when adopting this target in 2014, European leaders agreed that the emission reductions must come from within the EU. It followed serious concerns that Europe's experience of international credits – (e.g. large-hydro projects whose construction caused more emissions than they offset²) showed they were fundamentally unable to deliver their promised emission reductions³.

If, as industry is pressing for, CORSIA is the only measure that applies in the future to address aviation emissions, Europe will fall short of its 2030 emissions target by almost 100Mtonnes. With ETS emissions expected to be capped at 1,341Mtonnes in 2030, that gap would throw out the ETS target by almost 7% - equivalent to total EU iron and steel emissions in 2015. To avoid breaching its Paris Agreement commitments, other sectors would have to do more.



The gap could vary, however, if the ETS were to be retained in some form, or if CORSIA were to mandate the use of EUAs for compliance. EUAs are allowances issued under the ETS and therefore count as reductions

² <https://www.internationalrivers.org/resources/carbon-offsets-misused-by-hydropower-industry-7500>

³ <https://www.transportenvironment.org/press/eu-publishes-damning-report-emissions-offsets-calling-question-eu%E2%80%99s-aviation-climate-strategy>

within Europe and are recognised under the 2030 target. The report looks at a number of different scenarios, but for the purpose of this briefing, we summarise three:

1) CORSIA only + retain ETS for domestic flights only

Under this scenario, the EU bows to industry demands and abolishes the existing ETS for all flights between EU states, while retaining it for domestic flights within EU states. **A conservative estimate puts European aviation emissions on a path to grow to 211Mtonnes in 2030, the gap under this scenario would equal 96.4Mtonnes**, which equals total 2016 EU emissions from the production of iron and steel.

2) Retain ETS for flights within Europe; CORSIA for outbound

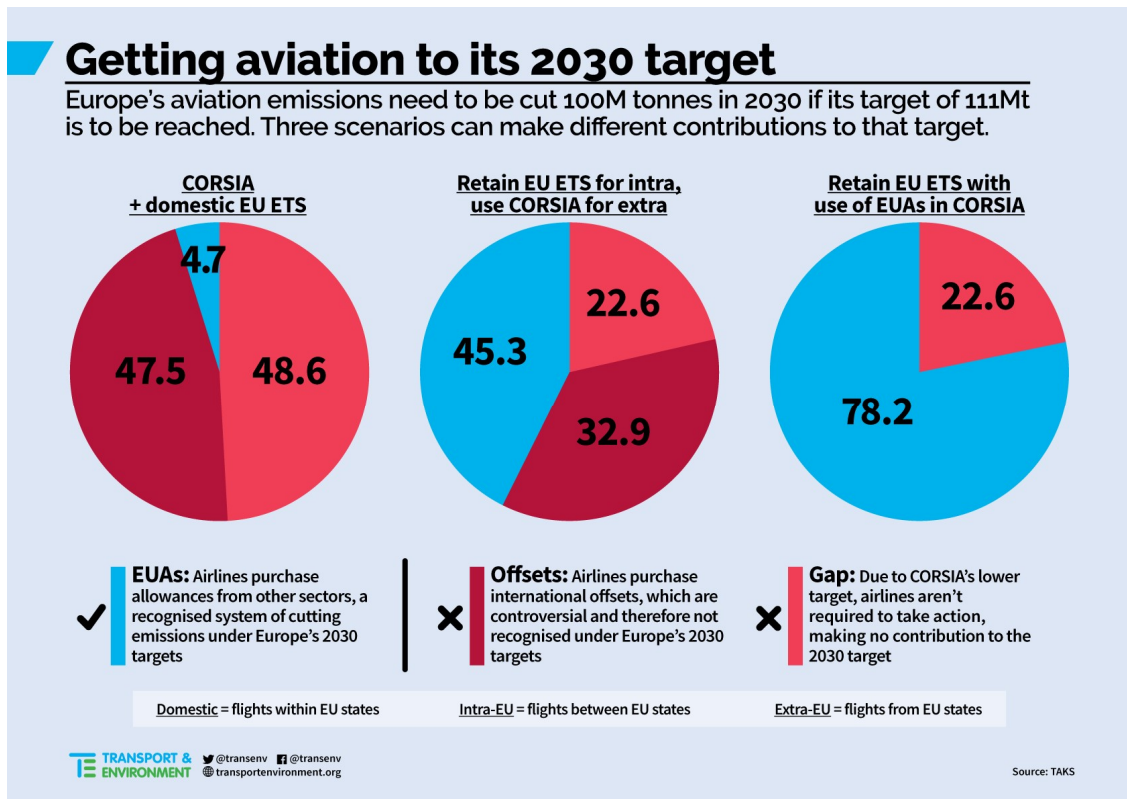
Under this scenario, the ETS is retained for all flights within Europe. This is the current scope of the ETS. In addition CORSIA is applied to all flights from Europe. These Flights are currently unregulated, so introducing CORSIA would be a new measure, though the use of international credits means they would not count towards the 2030 emissions target.

The report estimates that, because of both the weaker target in CORSIA and the use of offsets, this scenario would result in a gap of 55.3Mtonnes with the 2030 targets.

3) Exclusive use of EUAs under CORSIA

Discussion on the environmental criteria governing eligible offset credits used for compliance with CORSIA are ongoing in ICAO. One possibility, little discussed, is the exclusive use of EUAs for CORSIA compliance for all flights, by European and non-European aircraft operators, departing from Europe – i.e. flights within Europe and flights from Europe. As EUAs are issued under the ETS, they count as reductions towards the 2030 target.

Were EUAs and not offsets used exclusively for the CORSIA, the report concludes, **this scenario would still result in a gap 48.6Mtonnes** because the CORSIA has a lower target than ETS.



2.1. Assumptions for the above scenarios

The above details potential scenarios but no formal decision has yet been made at EU-level regarding implementing the CORSIA. We have analysed the scenarios to assess what their likely impact on Europe's 2030 target would be. A requirement for all operators (European and non-European) to surrender EUAs not offsets would be controversial and require political agreement, at ICAO level or bilaterally. That degree of political and legal complexity to realise such an outcome was outside the scope of the report.

The above emission gaps are based on Europe adopting no other policies measures beyond those listed in the scenarios themselves.

Finally, the size of the gap would vary depending on the level of aviation emissions growth. The report bases its numbers of AERO MS data, which predicts that actual outbound aviation emissions will grow to 211Mtonnes in 2030, from 143Mtonnes today. Given that intra-EU emissions grew 8% in 2016 and 6% in 2017, and that extra-EU growth may be boosted by the entry of low-cost carriers into the transatlantic market, it is arguable that this growth forecast is quite conservative. In that case, the emissions gap in 2030 would be even greater.

3. Financial windfall for airlines

The different mix of measures that could be put in place not only has implications for Europe's climate goals, but also for the total compliance costs for airlines. Were airlines to be subject to ETS for all outbound flights, in 2030 they would be required to purchase an estimated 100 million EUAs from other ETS sectors. A conservative estimate suggests that the EUA price could reach €35 next year⁴ – making a total cost to airlines of €3.5bn in 2030 if that price were to hold.

However under a scenario where the ETS is only retained for domestic aviation and CORSIA applies to all outbound flights (Scenario 1), airlines would have to purchase 4.7m EUAs and 47.5m offsets. With an EUA price of €35 but offsets trading at at most €4⁵, that would result in a total financial obligation of just €354m in 2030 – a difference of 90%, or €3.14bn, from the above scenario.

4. Retaining Europe's options and right to regulate

The above details some of the scenarios for implementing CORSIA, with others delivering varying gaps, with the EU 2030 targets. However there is a risk that if European states respond to the ICAO SARP by the December 1st deadline without registering any objections or without filing a reservation, member states may be legally obliged to implement the CORSIA fully and without amendment – this is scenario 1, with the largest gap with the 2030 targets.

Such a development could eventuate given the 2011 ECJ ruling, where the ECJ upheld the legality of including aviation emissions in the ETS. The ECJ ruled in this manner in part due to the absence of any international agreement on alternative measures. A failure to file a reservation which would protect Europe's right to regulate could place the future of the aviation ETS and other measures to regulate aviation emissions in jeopardy.

Airline associations, in Europe and globally, have already made it clear that, despite its evident shortcomings, they wish to see CORSIA as the sole measure to address aviation emissions⁶. In pressing for this outcome they are targeting not only the ETS but any "economic measures" which can be read to mean

⁴ <https://www.bloomberg.com/news/articles/2018-08-20/this-year-s-best-performing-commodity-is-seen-doubling-in-2018>

⁵ <https://www.theicct.org/blog/staff/corsia-carbon-offsets-and-alternative-fuel>

⁶ <https://www.iata.org/policy/environment/Documents/joint-association-letter-on-corsia-20-august-2018.pdf>

aviation taxation or even the regulation of the carbon content of fuel. Airlines in the past have proven themselves sufficiently litigious to use all legal means available to challenge policy measures which they oppose.

A failure to file a reservation to the CORSIA SARP with ICAO would also breach Art28b of the 2017 ETS regulation, which calls for a full review of all aspects of CORSIA based on an assessment and possible proposals from the European Commission on whether and how to implement it. But if Europe has already agreed without qualification to implement CORSIA, by not filing a reservation, then that review is potentially rendered pointless.

5. European decarbonisation strategy

Offsetting under ICAO's CORSIA won't contribute to the EU 2030 target, and because offsets are cheap and ineffective, they won't represent a significant additional cost that might encourage airlines to reduce their emissions. In addition, the weak sustainability criteria agreed by ICAO for alternative fuels used under the scheme opens the serious risk of bringing bad biofuels into the sector. Despite these substantial and ongoing failings, CORSIA remains the key, almost exclusive, focus of EU efforts to reduce emissions. See for example the 2015 aviation strategy, which looked exclusively to ICAO to reduce emissions from the sector⁷.

But Europe is now revising its long-term emissions reduction strategy to increase Europe's commitment to the Paris Agreement goals and to set out a pathway to decarbonise the entire economy. A draft is due to be published by December before adoption by member states in 2019. The current strategy includes outbound aviation but lacks detail on how the sector can decarbonise. The revised strategy needs to continue to address emissions from outbound flights and set out far more ambitious policy measures in order to achieve decarbonisation of aviation at the national and European level. CORSIA shows clearly that Europe cannot rely on ICAO measures to achieve this.

6. Conclusions

Were CORSIA to be the only measure adopted by Europe to address aviation's soaring climate impact, a substantial gap of almost 100Mtonnes CO₂ would open with its 2030 target. Such a gap would require other sectors to be subject to more stringent climate measures to compensate. That gap could be minimised through the adoption of alternative or complementary measures, or through the implementation of CORSIA in a more robust manner. At the very least, Europe must retain the ETS for flights within Europe. However such an option may be closed off to Europe if it does not file a reservation by December 1st, as airlines and third countries may be able to rely on CORSIA in court to strike out new or existing measures.

Member states should file a reservation by December 1st and await any decision about participation until the co-decision review envisaged in Art 28b is conducted once full details of how the CORSIA will work are known.

The revised long-term emission reduction strategy needs to continue to address emissions from outbound flights and set out far more ambitious policy measures in order to achieve decarbonisation of aviation.

Further information

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⁷ https://ec.europa.eu/transport/modes/air/aviation-strategy_en