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The European Aviation's Environmental Targets

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Ladies and Gentlemen,

European Aviation's Environmental Targets? For some time, the question was not raised at all because aviation's contribution to the problem was limited. 2% of all man-made emissions globally stem from aviation, and that mainly on long-haul for which there is no alternative; airlines use their assets efficiently.

Now, the main objective of airlines is that regulators across the world deal with the EU ETS appropriately! Isn't it strange that whenever we talk about environment and aviation nowadays, we talk less about achievements, or progress; instead, we all seem to start with EU ETS.

For some, EU ETS is the acronym for EU imperialism;

For others it is just another way of reaching environmental targets.

For airlines, it is a risk factor. Airlines need planning stability, and the EU ETS has given rise to the opposite – to uncertainty. So when talking about the European aviation's environmental targets, I must also join the crowd and begin with... ETS.

When the US State Department invited 17 senior government officials from across the world to a joint discussion in Washington on 31 July to discuss the EU ETS, Europeans groaned "not again". They felt that after the threats emanating from the similar meetings in Delhi and Moscow, the EU would now face another wave of EU-bashing. Feverish activity took place to determine whether this Washington meeting was once again a meeting of the "Coalition of the Unwilling", of governments who wished to reconfirm their unwillingness to adhere to the conditions of the EU emissions trading scheme.

As you know, China, Russia, the USA and other economic powers have said that they will refuse to have their airlines surrender certificates for CO2 emissions to EU member States in April 2013 for emissions of 2012. The EU have responded by insisting that the ETS is a law and will, if necessary, be enforced, to which non-Europeans have announced retaliation. In the case of Russia, this is a reality, not a mere threat. Where have we come to, that the world is divided into pro- and anti-EU ETS countries?

That is what environmental policy has degenerated into: tactical manoeuvring of governments.

One major target of European aviation is therefore certainly to close that unfortunate chapter of tactics and return to the crucially important agenda of environmental policy.

What does environmental protection policy consist of? For years, and to this day, we refer to the four pillars of environmental protection.

- Technological progress: new bio fuel generations, new generations of engine and hull design
- Infrastructural progress: investments into infrastructure on the ground and in the air. In Europe this means sufficient infrastructure on the ground and a better organisation of the use of eth infrastructure in the air, a Single European Sky.
- Operational improvements; several airlines are using new procedures of gradual descent and measures suggested by the ICAO to reduce unnecessary fuel burn.
- And market-based measures.

The industry, and with that I mean the entire global aviation sector, has agreed that with implementation of the first three pillars, carbon-neutral growth should be possible by 2020, and by 2050 carbon-free aviation. These ambitious targets are required to be able to decouple traffic growth from emissions growth. The problems converge around the fourth pillar, the market-based measures.

Let me briefly outline the issues related to market-based measures before concluding which targets we are pursuing in Europe.

Problem Nr. 1: Is the aviation industry a high-tech industry or a low-tech industry?

In other words, can this industry deliver on technological improvements in the short term, or not. If it cannot, then it will need some form of regulatory incentives and disincentives which impact supply or demand to achieve environmental targets in the short term.

The consensus in Europe amongst regulators appears to be that the aviation sector is a low-tech industry. Aviation is then in need of the fourth pillar, the market based measures, to deliver on its targets.

Problem Nr. 2: Can this sector self-regulate?

The EU is of the view that this is not possible. The industry will need too long to deliver, the global Climate Change is imminent, and short term goals can and must be imposed as of...now.

The rest of the world appears content to let the industry continue to deliver; it has, after all, increased fuel efficiency by 70% in 40 years. If all fails, then as of 2020 market based measures should be contemplated to close the delta between objectives and means.

Problem Nr. 3: Is a global market based measure realistic?

Some governments are quite happy, for differing reasons though, to leave the world with "aspirational goals", and to let ICAO spend hours and waste minutes on meetings for the coming years. Other governments have voiced legal concerns of sovereignty in the belief that if a supra-national organisation were entrusted with imposing market based measures, this could mean that revenues flow into bodies outside of the control of the national

sovereign. But despite the understandable scepticism, I remain adamant that and ICAO-led solution is the only way forward to develop and implement a global solution for what is ultimately a global problem.

Problem Nr.4: If a global solution is urgently required, but a global solution cannot be achieved as of now, should a region simply extend its solution to the rest of the world?

The answer: No. The EU thought it could find international acceptance of its ETS because the world seemed to accept the far more painful UK APD. Well, firstly airlines did not accept the Departure tax; compliance is not acceptance. Secondly, and more technically, the APD is a passenger tax, the ETS is not. Thirdly, the argument of the European Commission “we did it for power plants, we can do it for aircraft” was, mildly said, flippant, because aircraft are mobile emitters which penetrate sovereign air space. For that kind of animal, we do have internationally accepted procedures and regulations and cannot simply impose an EU environmental policy on the rest of the world.

Problem Nr. 5: If a non-distortive global mechanism can only be achieved on the basis for consensus, and a consensus is not feasible, is a trade conflict inevitable?

I certainly hope not. But unfortunately there is little time left to agree on the best way forward. It is as if those responsible seem to have resigned themselves to the fact that upon need a crisis to solve a crisis. Well, in this case, the trade conflict will be at the expense of employment and mobility and will do nothing for the environment. I still hope that politicians see their role as preventing crisis from having that sort of impact.

Problem Nr. 6: Even in Europe, the heart of environmental progress, we note a stunning absence of progress on environmental protection programmes, notably the Single European Sky.

How can politicians in Europe be expected to be taken seriously, if they argue in favour of an Emissions trading Scheme, but make no effort to implement the single most effective environmental protection programme, the Single Sky? The Single Sky is pro-environment, pro-Europe, pro-consumer and pro-airlines.

If implemented, it will reduce CO2 emissions by 12% or 16 million tonnes CO2.

The current logic is that all airlines must pay for certificates to cover their emissions, but the level of emissions is also determined by the indirect and circuitous routings; of course you emit more if you have to fly a detour, so why not do away with the detour as a first step to reduce the emissions? A key Environmental Target in Europe is most definitely the Single Sky.

This is about, yes, political credibility; but also economic viability of Europe – just compare the performance data of Europe versus the USA.

In summary, the prime target has become to de-politicise the debate about environmental protection, to move away from political posturing and return to environment. In my view this requires three objectives:

1. To focus on progress towards a Single European Sky. This re-establishes credibility of those governments that currently talk about market based measures, but only as a means for additional sources of revenue. Member States representing 60% of the EU aviation market have not complied with the EU targets they themselves had set; they all agreed to a unit cost reduction of the air navigation service provides of 3.5% on average.
2. To convene a high level political conference - not on a pro- or anti EU ETS agenda, but on the potential and the limitations of ICAO.
3. To determine that the scope of the EU ETS will be limited to EU outbound services to make it more robust, and that its revenues will be used to bolster a fund which will be used by an ICAO Agency for environmental projects. That account will be activated once ICAO has a mandate.

The key problem, ladies and gentlemen is that environmental targets are international targets. The EU is right to insist that more must be done to defuse the trend towards climate change; the EU is wrong to believe that it can impose its mechanism on the rest of the world.

A target of the European aviation is thus to avoid a trade conflict internationally, and to avoid distortions to competition as a result of enforced compliance with a regional market based measure.

That target – avoiding trade conflicts – links the environmental debate with a commercial objective: this trade conflict is the single biggest risk factor facing European airlines, next to the unforeseeable kerosene price developments.

Of all regions, Europeans can least afford escalating trade reprisals.

But the real target is to reduce emissions whilst meeting the requirements of Europe's citizens for more and efficient mobility. And that can only be achieved on the basis of consensus.

Thank you.