

EU's Carbon Market for Aviation Industry Will Include U.S. Airlines

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In July, the European Union (EU) voted to regulate the airline industry under a carbon cap-and-trade system. The scheme will start in 2012, and will regulate all international flights landing in EU countries. Next month the EU will release the baseline it will use to cap carbon emissions. According to the [New York Times](#), "...sources say the commission initially arrived at a figure north of 200 million tons of carbon dioxide."

Although the EU has not yet released the list of airlines that will be subject to the cap-and-trade system, the preliminary list included over 700 airlines registered in the U.S. out of about a total of 2,800. Small airlines are expected to be weeded out, but all large U.S. airlines expect to be on the finalized list.

Starting in 2012 the total aviation emissions will be capped at 97 percent of the baseline and fall to 95 percent in 2012. Eighty-five percent of allowances will be granted freely, and the rest auctioned off. Airlines will be able to buy as many allowances as they want.

The International Air Transport Association estimated that the scheme will cost the global aviation industry \$5.5 billion. According to the European Commission's impact statement, by 2020 ticket prices could increase \$7 to \$62 for each return destination.

Praise and criticism for scheme

Environmental policy expert at the European Commission, Philip Good pointed out that the aviation industry was not included in the Kyoto Protocol. "Aviation is a part of the economy that

traditionally has been outside the scope of climate policies," Good said. "Bringing aviation into the [scheme] normalizes the situation."

The EU is "providing a model that the rest of the world could choose to implement," Good added. "Once developed, similar mechanisms could be linked together to give global coverage of aviation emissions."

"The E.U. action is quite crucial," said Martin Staniland, professor at the University of Pittsburgh's Graduate School of Public and International Affairs. "It has provided a model. Whether anyone will adopt that model, I don't know."

"The EU's unilateral grab of power over U.S. and other non-EU airlines wherever they are in the world is a clear violation of the Chicago Convention," [said](#) James May, president and CEO of the Air Transport Association. "The EU decision to move forward with this legislation is sure to spawn a legal challenge."

"Emissions trading will increase cost pressure on airlines. They will look to pass on at least some of this cost to passengers", [said](#) Andreas Arvanitakis, co-author of a report by Point Carbon on the scheme. According to the report, American airlines will face the largest bill.

"The American carriers in the scheme will be the first sector in the US to be drawn into mandatory international emissions trading, even though it is implemented by the EU," Arvanitakis said. "This comes just as an emissions trading bill is being considered by Congress and the Administration is engaging in international climate negotiations."