

THE EU EMISSION TRADING SCHEME:

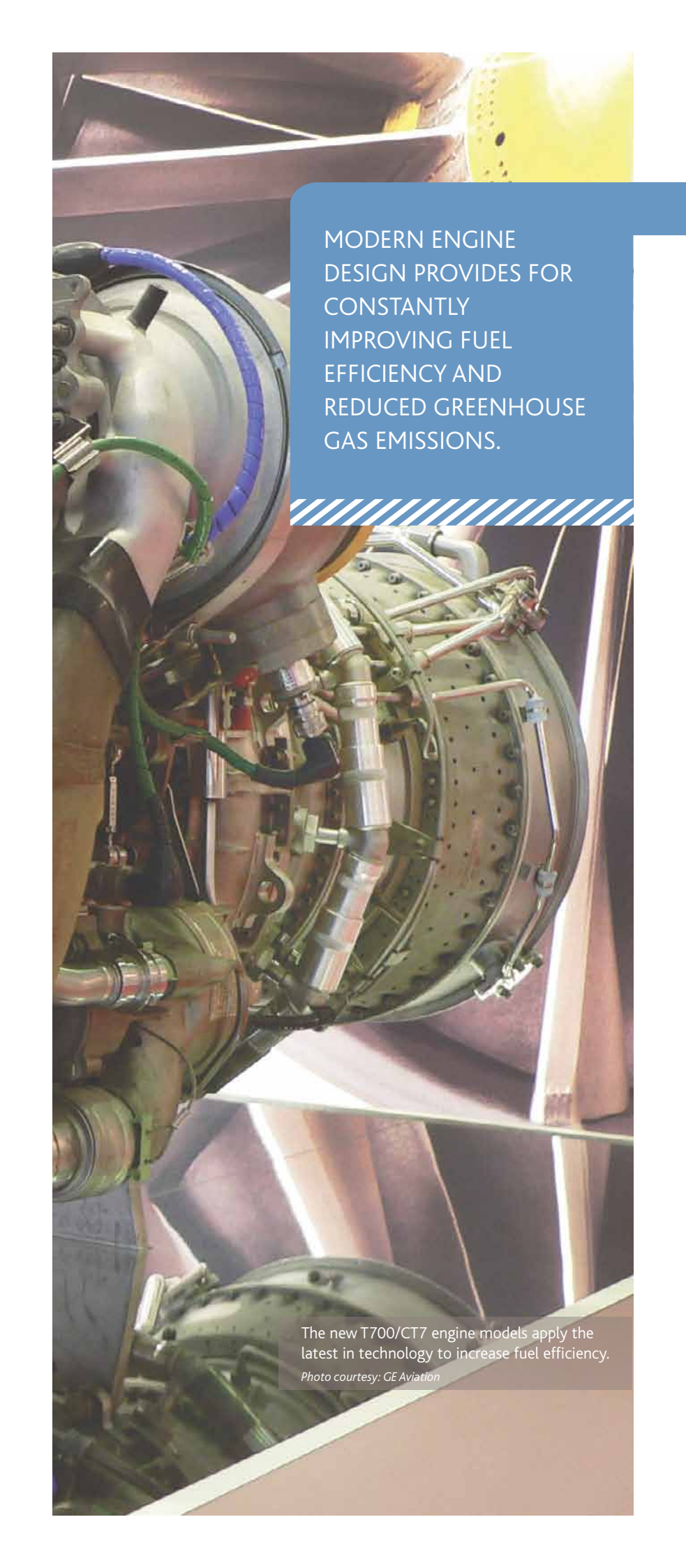
A CALL FOR IMPROVED EFFICACY AND VIABILITY

MARKET-BASED MEASURES HAVE AN IMPORTANT SHORT-TERM ROLE IN MITIGATING THE IMPACT OF AVIATION ON THE ENVIRONMENT.

However, to be successful, the EU ETS must be:

- transparent
- cost-effective
- proportionate

This document contains recommendations by the **European Business Aviation Association** on ways to improve the EU Emission Trading System so it will have a greater environmental benefit at a lower cost.



MODERN ENGINE
DESIGN PROVIDES FOR
CONSTANTLY
IMPROVING FUEL
EFFICIENCY AND
REDUCED GREENHOUSE
GAS EMISSIONS.

The new T700/CT7 engine models apply the latest in technology to increase fuel efficiency.

Photo courtesy: GE Aviation

The Business Aviation Community's Plan to Reduce CO₂ Emissions


The business aviation community has made tremendous progress in reducing its impact on the environment through operational efficiencies and technical improvements. Indeed, Business Aviation has improved the fuel efficiency of its products 40% over the past 40 years. Yet it is committed to doing more to achieve the following:

1. Carbon-neutral growth by 2020
2. A fleet-wide fuel-efficiency improvement of an average of 2% per year from today until 2020
3. A reduction in total CO₂ emissions of 50% by 2050, relative to 2005

In addition to these commitments, the business aviation community accepts that market-based measures have a short-term role in mitigating the impact of aviation on the environment. To this end, the European Business Aviation Association (EBAA) is seeking opportunities to work with European Union officials to discuss ways to improve the EU Emissions Trading System so it will have a greater environmental benefit at a lower cost. The EBAA is proposing the following improvements to the EU ETS:

1. Raise the threshold for reporting requirements under the MRG for small emitters from 10,000 tonnes to 500,000 tonnes
2. Accept Eurocontrol's ETS Support Facility calculations without additional verification for operators who agree to use the ETS Support Facility
3. Improve access to emissions credit auctions for small emitters
4. Standardize the threshold at 10,000 tonnes for the inclusion of all operators of aircraft >5700 kgs (both commercial and non-commercial) in EU ETS

These recommendations are intended to facilitate a process that is fair, transparent, cost-effective and less difficult to administer. Together, the business aviation community and the EU can make a difference.



Winglets improve lift-to-drag ratio which increases the efficiency of fixed-wing aircraft.

Photo courtesy: Hawker Beechcraft Corporation

EUROPEAN BUSINESS AVIATION'S COMMITMENT TO THE EU ETS.

The European Business Aviation community is fully committed to meeting its environmental responsibilities under the European Union's Emissions Trading Plan, and is keen to work with EU authorities to implement procedures that are fair, transparent, cost-effective and minimize the administration for all concerned.

The purpose of this paper is to suggest improvements to the procedures for business aircraft to meet EU ETS regulations, in a manner that is both proportionate to the task and affordable to the business, which can be accepted by both the business aviation community and EU officials.

BUSINESS AIRCRAFT AND THE ENVIRONMENT AT THE GLOBAL LEVEL

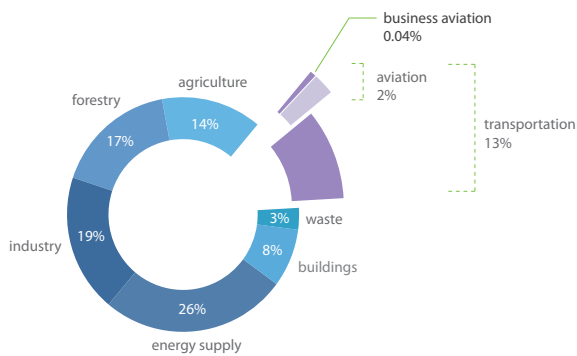


Figure 1: Business aviation counts for 0.04% of global CO₂ emissions.
Source: GAMA & IBAC

Aircraft are used by businesses and are increasingly recognized as a productivity tool with benefits to nations, communities and industries. Business aviation has established an excellent environmental record of constantly improving fuel efficiency, delivering 40% improvement over the past 40 years. Business aviation's global CO₂ emissions are very small, being approximately 0.04% of global man-made carbon emissions and 2% of all aviation CO₂ emissions. Business aircraft are operated for specific missions and fly efficient, direct routes between airports. Modern navigation equipment combined with the latest technologies in aircraft and engine design and operational best practices provide for constantly improving fuel efficiency and reduced Greenhouse Gas (GHG) emissions.

As both climate concerns and aviation are unrestrained by borders, only global measures will have a real impact. Therefore the European Business Aviation Association (EBAA) and International Business Aviation Council (IBAC) have designed the following climate strategy to be enacted at a global level.

To continue to mitigate its impact on the environment, business aviation is committed to the following programme:

- Achieving 2% fuel efficiency improvements per year until 2020
- Arresting carbon growth and achieving carbon neutral growth by the year 2020 to accomplish a reduction of 50% in total CO₂ emissions by 2050, relative to 2005, by:
 - committing to offsetting emissions through market-based economic measures
 - continuing engine and airframe research to deliver a 45% reduction in emissions through fleet-wide technology improvements by 2050, relative to 2005
 - collaborating with Air Traffic Management providers to accelerate implementation of air traffic infrastructure and procedures modernization, reducing CO₂ emissions through these means and operational best practices by 14% by 2050, relative to 2005
 - actively participating in the development and use of alternative fuels, and reducing emissions through changes in fuel compositions by 40% by 2050, relative to 2005
 - supporting new aircraft Certification Standards developed through the CAEP process and proposing at ICAO and EU level a specific metric for measuring business aircraft operational emissions

BUSINESS AVIATION AND THE EU ETS

According to Eurocontrol, business aviation comprises about 7% of the flights within the EU ETS scheme. Because the utilization of business aircraft is low and the fuel consumption per aircraft hour is similarly small, this proportion of total flights is contributing a very small amount to ETS income.

Despite business aviation's contribution to CO₂ emissions being a mere 2% of aviation emissions, the business aviation community is fully committed to meeting its environmental responsibilities. To ensure that this can be done in a manner that meets environmental objectives in a cost- and time-effective manner, EBAA recommends the following improvements to the management of the EU ETS (points 1 and 2 subject to confirmation of the accuracy of the EU ETS Support Facility):

1. Raise the simplified Monitoring, Reporting and Verification (MRV) procedure's threshold for small emitters from 10,000 tonnes to 500,000 tonnes
2. Accept Eurocontrol's ETS Support Facility calculations without additional verification for operators who emit less than 500,000 tonnes and agree to use the ETS Support Facility
3. Improve access to emissions credit auctions for small emitters
4. Standardize the de minimis threshold of 10,000 tonnes for inclusion in EU ETS across all sectors



Raise the Threshold for Small Emitters

Small emitters – currently defined as those emitting less than 10,000 tonnes of CO₂ per year – are allowed to use a simplified process based on Eurocontrol's ETS Support Facility. This MRV decision for small emitters is a far more cost-effective procedure than the one that larger emitters are required to use.

Most business aviation operators are small companies that will have to purchase offsets for almost all their emissions due to the TK (tonne-kilometre) principle. It is therefore essential that a simplified procedure is available to them. Operators should be allowed to use the simplified MRV procedure as far as the accuracy of the system allows.

We are presently awaiting confirmation of the accuracy, but in principle the threshold for small emitters should be raised from the current 10,000 tonnes up to the maximum of the model's accuracy. This could allow the threshold to be raised as high as 500,000 tonnes when the Support Facility's performance is known. This would then encompass all of business aviation and would eliminate the competitive disadvantage between small emitters and those operators emitting more than 10,000 tonnes required to use a much more onerous procedure. All operators emitting up to a maximum of 500,000 tonnes of CO₂ per year would then be allowed to use the simplified procedure, which is a more cost-effective option.

A modification of the current MRV decision will be necessary to amend the current maximum limit for small emitters.



Accept Eurocontrol's ETS Support Facility Calculations without Additional Verification

The EU ETS auctioning scheme will have to deal with both EU and non-EU emitters. There is a real danger that the cost of compliance for these operators will outweigh the amount payable into the scheme by up to 40 times.

For this reason, EBAA is a proponent of a simplified means of compliance with the scheme whereby the business aviation fleet can be fully accountable for its emissions, but with a proportionate system of Monitoring, Reporting and Verification.

Eurocontrol's ETS Support Facility is an efficient method of monitoring fuel consumption. Once the model has been verified separately, the information supplied to users should be treated as verified. A number of EU Member States have already accepted this position. Small operators who agree to base compliance with ETS on Eurocontrol's Support Facility should therefore not be subjected to additional verification.

Because Eurocontrol is required to focus its services on those that provide an income, this additional task may require supplementary funding provided both by EU member states responsible for administering compliance and by small emitters.

Improve Access to Emissions Credit Auctions

Unlike most operators, non-commercial business aviation does not have a de minimis emissions threshold before it is included in the scheme's trading and MRV mechanisms. It will be essential to allow the acquisition of permits on an equitable basis when compared to the large scheduled emitters whose needs will be hundreds of times greater and who will have a more substantial staff to deal with the complications inherent in the scheme.

In addition to the threat of a disproportionate administrative burden on these small emitters, equitable access to CO₂ permit auctions will be critical. Business aviation operators, because of the payload to overall weight ratio limitations inherent in small aircraft, will typically not qualify for more than 7-12% of their allocation free of charge. Consequently, they will be forced from the initial introduction of the scheme in 2012 to buy the vast majority of their permits either on the open market or at auction. Member States cannot rely on the private sector to make small quantities of permits available at fair prices because of the much smaller commercial return they can expect to make dealing with small operators on an individual basis.

These small operators do not have the infrastructure to participate directly in the complex auctioning market without the introduction of a number of mechanisms to allow them to participate in the process without facing disproportionate costs. This willingness to comply with new European regulations and environmental responsibilities must not be compromised by difficult or unreasonably expensive access to markets.

In order to enable fair access to auctions for small aviation emitters, EBAA supports the following arrangements:

- Member States to hold easily-accessible auctions open to all recognized aviation emitters regardless of size
- An allocation of auctioned permits to be protected for small aviation emitters, in multiples of 1 tonne, not the standard 100 tonnes
- Recognition that proportionality between the purchased amount and the price is critical for small emitters
- A reduction of the minimum required amount of credits to be able to access the system to take into account small emitters

Access to pre-auction sales should be open to all operators who can show they are listed on the Commission's EU ETS operator list, and registration should be through a straightforward process limited to demonstration that the operator accessing the auction is bona fide.

Payment could be made by credit card to further reduce costly administrative overhead and burden, and eliminate the exposure of Member State entities for which establishing creditworthiness of small foreign emitters could be difficult or impossible.

Standardize Across All Sectors the 10,000 Tonne De Minimis Threshold for Inclusion in EU ETS

The Framework ETS Directive exemption threshold for non-commercial operators should be raised to the same level as commercial operators (10,000 tonnes of CO₂) to address the competitive disadvantage between both types of operators and eliminate the current levels of nugatory costs on operators and regulators alike. It must be noted that of 3,800 operators subject to EU ETS, 3,000 are small emitters and, according to Eurocontrol data, contribute less than 1% to aviation emissions.





CONCLUSION

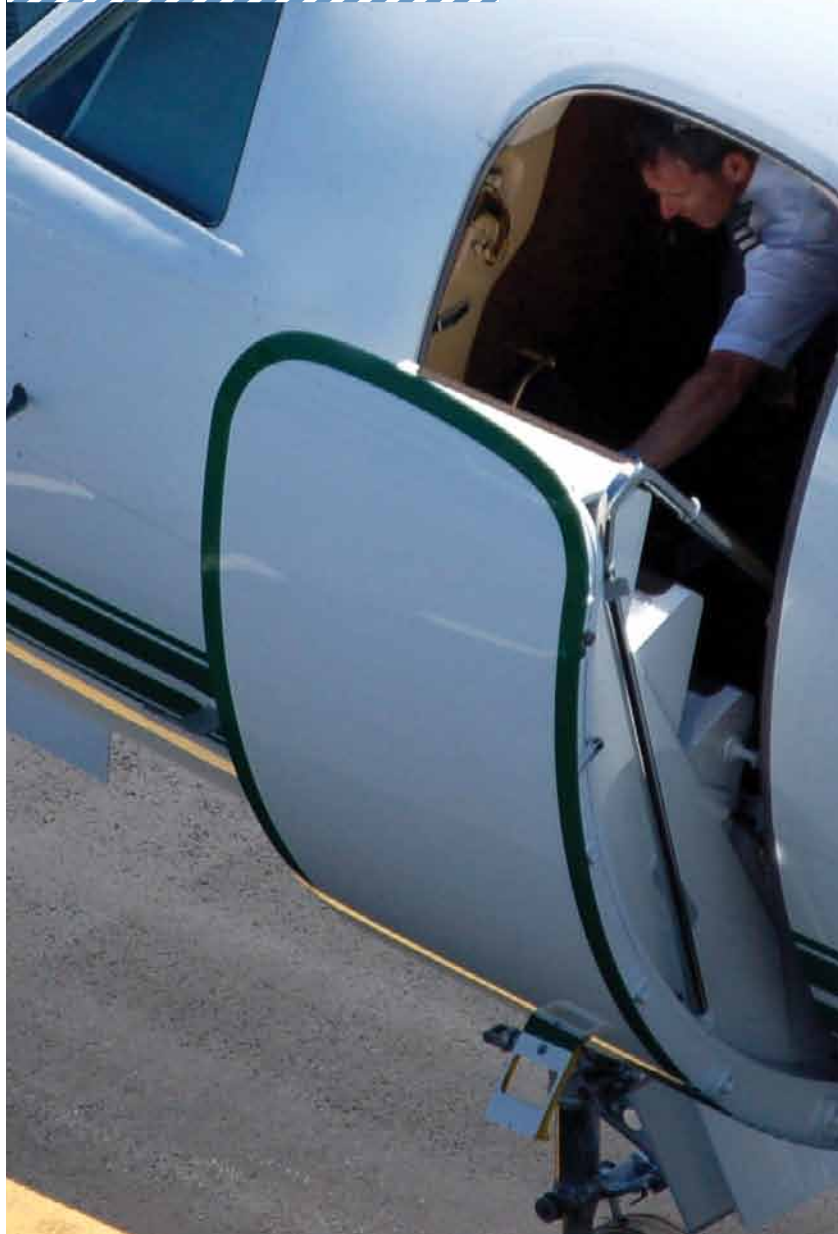
The business aircraft community is prepared to do its part to alleviate its impact on the environment. The recommendations included in this paper are intended to facilitate a process that is fair, transparent, cost-effective and proportionate to administer.

The EBAA is prepared to work with EU authorities to help implement these changes in a timely manner so business aviation will have all the necessary processes in place before the ETS implementation date.

With the ambitious environmental programme adopted by business aviation manufacturers and operators, in combination with full compliance with the EU ETS, business aviation's contribution to mitigating the production of CO₂ will be much greater than most other sectors.

EBAA representatives look forward to the opportunity to discuss these proposals with EU officials. Together we can meet our environmental responsibilities in a cost-effective and fair manner.

THE WILLINGNESS OF SMALL OPERATORS TO COMPLY WITH THE NEW EUROPEAN REGULATIONS AND ENVIRONMENTAL RESPONSIBILITIES MUST NOT BE COMPROMISED BY DIFFICULT OR UNREASONABLY EXPENSIVE ACCESS TO MARKETS.



The **European Business Aviation Association (EBAA)**

promotes excellence and professionalism amongst its members to enable them to deliver best-in-class safety and operational efficiency.

A founding member of the International Business Aviation Council (IBAC), through which members' interests are represented at the International Civil Aviation Authority (ICAO), the EBAA ensures global recognition of business aviation as a vital part of the Air Transportation infrastructure. The Association confers with different international and European bodies in order to achieve a level playing field for all operators within the business aviation industry.

The EBAA has been representing the legitimate concerns of the business aviation industry since 1977 and has more than 400 members.

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