
The Upcoming Impact of the EU ETS on the Aviation Sector

Latest Events:

- Advocate General Kokott to the European Court of Justice dismissed the claims of a group of US airlines that international flights between the European Union and third countries shall be excluded from the scope of the European Emissions Trading Scheme (EU ETS). The opinion of the court advisor was published yesterday. This is a landmark opinion upholding the validity of the EU legislation with respect to third country aircraft operators. The competitive edge of local Community operators will therefore not be impaired. However, the final court ruling is pending.
[\[read the opinion\]](#)
- The European Commission has approved the benchmarks for free allocation of aviation allowances to aircraft operators. The Bulgarian Ministry of Environment and Waters shall publish the total number of allowances to each aircraft operator within the next three months.
[\[read the decision\]](#)

Aviation operators are now approaching the essential stage in the EU ETS - the phase of trading and annual surrender of aviation allowances, starting on 1 January 2012.

In this context, milestone decisions have already been taken this year:

- The determination of historical aviation emissions; and
[\[read the decision\]](#)
- The total number of allowances to be auctioned or allocated for free.
[\[read the decision\]](#)

As the impact of environmental regulation is very soon about to be substantiated, either abatement measures shall be undertaken or the deficit of aviation allowances to be offset from the secondary carbon market.

However, abatement measures on emissions reductions, ranging from the relatively inexpensive forms, i.e. airline network configurations, to the more expensive ones - the renewal of aircraft fleet, may prove insufficient to achieve the required carbon reductions. The mechanics of the EU ETS force the aviation sector to be a net buyer of carbon allowances.

The secondary carbon market is therefore expected to become a venue that will draw wide participation for sourcing the allowances needed to comply with the emissions cap.

