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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	Commission staff working document - Executive summary of the Impact Assessment Accompanying the document Proposal for a Regulation of the European Parliament and of the Council amending Directive 2003/87/EC to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021

Delegations will find attached document SWD(2017) 30 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF
THE COUNCIL**

**AMENDING Directive 2003/87/EC to continue current limitations of scope for aviation
activities and to prepare to implement a global market-based measure from 2021**

{COM(2017) 54 final}
{SWD(2017) 31 final}

Executive Summary Sheet
Impact assessment on a Proposal for a Regulation of the European Parliament and of the Council amending Directive 2003/87/EC to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021.
A. Need for action
Why? What is the problem being addressed? <u>Maximum 11 lines</u>
Agreement was reached in 2016 on a global measure (GMBM) to address international aviation emissions from 2021. EU legislation must be amended to take account thereof. Without any amendments, the EU ETS will cover flights between the EU and third countries as of 2017, in addition to the currently covered intra-EEA flights.
What is this initiative expected to achieve? <u>Maximum 8 lines</u>
The environmental ambition of the EU ETS must be maintained to meet the EU's domestic climate targets and international commitments, while supporting the GMBM's implementation to maximise the global mitigation impact.
What is the value added of action at the EU level? <u>Maximum 7 lines</u>
The single market in aviation is a key goal for the EU. EU action prevents the distortion of competition in the internal market by ensuring a uniform implementation of the GMBM in the EU.
B. Solutions
What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why? <u>Maximum 14 lines</u>
The 2017-2020 options maintain the EU ETS with different scopes: full scope (option 0), departing EEA flights (option 2) and the current intra-EEA scope (option 1). Post-2020, the baseline option 0 remains full scope. Under the other options, all extra-EEA flights are exclusively covered by the GMBM. Under option 1, the EU ETS applies to intra-EEA flights. Under option 2, the EU ETS for intra-EEA flights is aligned with the GMBM. Under option 3, the GMBM is applied to intra-EEA. The preferred option is to extend the intra-EEA scope (option 1) until there will be sufficient clarity about the instruments adopted by ICAO for the implementation of the GMBM.
Who supports which option? <u>Maximum 7 lines</u>
2017-2020: Civil society organisations and individuals prefer option 0 and public authorities option 1. Private enterprises, professional organisations and international organisations are split between option 1 and a repeal of the EU ETS. Post-2020: Civil society organisations and individuals support the continuation of the EU ETS (options 0-2). Some public authorities sustain the continuation of the EU ETS for intra-EEA flights (options 1 and 2), whereas others, as well as airlines and aviation associations prefer option 3.
C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise main ones)? <u>Maximum 12 lines</u>
Aviation continues to contribute to the EU's climate targets. The option is expected to result in an annual demand for 25.10 Mt of other ETS sectors' emission allowances and international credits in 2020 and in an annual demand for 49.3 Mt EU allowances that were originally attributed to other ETS sectors in 2030. Compared to the baseline, the preferred option has lower operating costs (-0.1% in 2020 and -0.43% in 2030), resulting in an increase in demand for flights (increase by 0.5% in 2020 and by 1.44% in 2030). Employment in the aviation sector is also likely to grow by 0.4% in 2020 and by 1.5% in 2030.
What are the costs of the preferred option (if any, otherwise main ones)? <u>Maximum 12 lines</u>
The low allowance costs result in few additional operating costs with a negligible impact on the competitiveness of the EU's aviation and tourism sector. All options generate administrative costs for aviation operators and national authorities. They are likely to be the lowest under the preferred option but are difficult to quantify for the post 2020 period due to the uncertainty around the administrative rules applicable to the GMBM.
How will businesses, SMEs and micro-enterprises be affected? <u>Maximum 8 lines</u>
Under the EU ETS, ~2600 non-commercial small emitters are responsible for 1 % of emissions. Previous amendments to the EU ETS exempted small, non-commercial aircraft operators up to 2020. It is proposed to

extend the exemption to contain the administrative burdern and costs.
Will there be significant impacts on national budgets and administrations? <u>Maximum 4 lines</u>
Auction revenues are generated for public authorities (annual auctioning revenues of €123.6 million in 2020 and of €302.3 million in 2030).
Will there be other significant impacts? <u>Max 6 lines</u>
The risks associated with third countries' opposition and non-compliance are reduced, due to the limited scope.
D. Follow up
When will the policy be reviewed? <u>Maximum 4 lines</u>
When there will be further clarity on the outstanding features of the GMBM and its implementation.