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From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2003/87/EC as regards the notification of offsetting in respect of a global market-based measure for aircraft operators based in the Union

- Opinion of the European Economic and Social Committee

Delegations will find, in annex, the opinion of the European Economic and Social Committee on the above-mentioned proposal.

OPINION

European Economic and Social Committee

Notification on the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

Proposal for a Decision of the European Parliament and of the Council amending Directive 2003/87/EC as regards the notification of offsetting in respect of a global market-based measure for aircraft operators based in the Union
[COM(2021) 567 final – 2021/0204 (COD)]

TEN/754

Rapporteur: **Thomas KROPP**

Referral	Council of the European Union, 14/09/2021
	European Parliament, 13/09/2021
Legal basis	Article 192 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	07/10/2021
Adopted at plenary	20/10/2021
Plenary session No	564
Outcome of vote (for/against/abstentions)	238/0/5

1. Conclusions and recommendations

- 1.1 The EESC notes that, because of the COVID-19 pandemic, aviation CO₂ emissions declined in 2020 by 64% compared with 2019¹. According to a forecast by EUROCONTROL (the European Organisation for the Safety of Air Navigation) underpinning the Commission's proposal, the traffic volume is not expected to reach 2019 levels before 2024².
- 1.2 The ICAO (International Civil Aviation Organisation of the United Nations) Council decided in July 2020 that the 2019 emissions should be used as the baseline for calculating the offsetting³ by airlines for the years 2021-2022.
- 1.3 In accordance with the proposed amendment to Directive 2003/87/EC, Member States should be obliged to report offsets, as required by international law, in 2022 for 2021, even though the emissions increase in 2021 relative to 2019 is expected to be negligible, if not even zero.
- 1.4 The EESC therefore endorses the Commission's proposal⁴ to amend Directive 2003/87/EC with respect to the notification of offsetting in 2021. The amendment should be adopted without delay to achieve legal certainty⁵.
- 1.5 The EESC recommends envisaging a prolongation of the changed baseline until the average passenger numbers are at the levels of 2019, at least for the years 2022 and 2023; these are the years during which the recovery is currently expected to take place. Otherwise aircraft operators would be obliged to offset emissions although they fly less and generate fewer emissions than during the reference year.
- 1.6 CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) is one element of a package of measures designed to mitigate the impact of aviation on the environment. The EESC encourages the Commission to review all regulatory proposals relevant to aviation in the Fit for 55 package of its Green Deal policy with a view to establishing the interdependency of the proposals in order to assess their cumulative financial impact, and to align the respective procedures.

¹ https://ec.europa.eu/clima/news/emissions-trading-greenhouse-gas-emissions-reduced-2020_en.

² <https://www.eurocontrol.int/publication/eurocontrol-five-year-forecast-2020-2024>.

³ Offsetting is an activity by a company or by an individual to compensate for their emissions by financing a reduction in emissions elsewhere. In markets where offsetting is obligatory, Certified Emission Reduction credits are issued for offsets created by emission reduction projects. These credits can be traded between companies and governments to comply with international agreements that cap the amount of CO₂ which can be emitted by one body or organisation.

⁴ The subject of this opinion: COM(2021) 567 final - 2021/0204 (COD).

⁵ The EESC follows the reasoning in the whereas clause (9) of proposal COM(2021) 567 final – 2021/0204(COD).

- 1.7 In 2016, the ICAO member states – including EU Member States – agreed to implement CORSIA as the climate protection instrument in international aviation. The EESC welcomes global measures for global industries. It therefore calls on the European Commission, the European Parliament and the Member States to continue their full support and endorsement of CORSIA.

2. General comments

- 2.1 In 2016, the International Civil Aviation Organisation (ICAO) adopted the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to address aviation's CO₂ emissions. The standards and procedures for implementing this scheme were adopted as an annex to the Chicago Convention which all of ICAO's member states must apply as from January 2019.
- 2.2 An offsetting scheme does not reduce the sector's emissions, but airlines will offset growth in aviation emissions in other sectors, so that net CO₂ emissions will be stabilised. A fundamental requirement is that the reduction of emissions elsewhere is permanent and does not give rise to unintended emission increases.
- 2.3 The relevance of CORSIA cannot be overestimated because it is an internationally agreed mechanism at UN level. All signatory ICAO member states must ensure that their carriers report emissions on an annual basis; monitoring started for international flights on 1 January 2019. Airlines are therefore obliged to establish databases for the fuel used on each flight so as to calculate CO₂ emissions by applying one of several approved fuel use measuring methods. ICAO member states have, however, agreed to implement CORSIA in distinct phases; from 2021-2026, only flights between states which have volunteered to participate in this first phase will be subject to offsetting⁶. From 2027 onwards, all international flights will be covered by the scheme, with very minor exemption of certain developing countries. Domestic flights fall under the purview of another UN agency, the UNFCCC⁷, and are covered by the Paris Agreement.
- 2.4 Due to the unique COVID-19 crisis and the sharp decline in traffic volume and therefore CO₂ emissions in 2020 and a protracted recovery period thereafter, it is highly unlikely that offset requirements will ensue in 2021-2023; this could give rise to uncertainty as to whether reporting obligations remain meaningful. The current proposal establishes a legal obligation for EU Member States to notify the offsetting figure to EU-based airlines by 30 November 2022 in respect of emissions of 2021, even if these are zero. It would therefore provide legal certainty for EU airlines and Member States alike.

⁶ At least 88 states representing 77% of international aviation are covered by the scheme as of 2021, including all EU Member States.

⁷ United Nations Framework Convention on Climate Change. The Kyoto Protocol, which was signed in 1997 and ran from 2005 until 2020, was the first implementation of measures under the UNFCCC. The Kyoto Protocol was superseded by the Paris Agreement, which entered into force in 2016. The UNFCCC has 197 signatory states and the progress of implementation of its decisions is monitored by the Conference of Parties, COP, which meets annually.

- 2.5 It is forecast that CORSIA will mitigate approximately 2.5 billion tonnes of CO₂ between 2021 and 2035, which is an annual average of 165 million tonnes of CO₂⁸. However, because CORSIA does not reduce the emissions of aviation, it will not affect the actual CO₂ levels of aviation. CORSIA must therefore be viewed in conjunction with other mechanisms which do impact the sector's CO₂ emission levels⁹. Three further measures in the context of the Fit for 55 Package¹⁰ pursue this objective: the introduction of a kerosene tax at EU level only, the introduction of a blending mandate for Sustainable Aviation Fuels (SAF)¹¹ and amendments to the EU Emissions Trading System (ETS).
- 2.6 Although CORSIA and the ETS both address CO₂ emissions, they function differently. The EU ETS reduces total allowable emissions by obliging airlines to purchase allowances for their *individual* emissions. CORSIA on the other hand obliges airlines to purchase offsets to compensate collective *sectoral* emission growth, so that each tonne of CO₂ emitted by aviation is avoided or reduced in another sector. The ETS applies to intra-EU aviation. This includes, however, passengers who merely transfer from an EU airport to an EU hub to connect to an international destination; in such cases, the CO₂ emissions for all travel segments involving an EU airport would be priced. The same passenger could transfer to the same long-distance destination via a hub in the vicinity of the EU such as London, Istanbul, Dubai, Doha or Moscow; yet the CO₂ emissions for the long-haul flight originating from a non-EU hub would then not be covered by the EU ETS. These instances of carbon leakage should be addressed.
- 2.7 The ReFuelEU Aviation proposal could likewise lead to competitive distortions because the uptake of a SAF-blended aviation fuel would (only) be mandatory at all EU airports, but not at non-EU hubs. Although Sustainable Aviation Fuels emit less CO₂, their production costs are significantly higher than those of aviation fuel. Without public funding of such SAF, the additional cost for SAF would ultimately be passed on to the passengers, thereby rendering international flights from an EU-hub more expensive for them than flight to the same destination from a non-EU hub. Such significant distortions to international competition should be avoided; they ultimately endanger the politically, commercially and, above all, ecologically desired reductions of CO₂ emissions.
- 2.8 The taxation of kerosene would only have a market effect if it stimulated the production of SAF; this is not necessarily the case.

⁸ IATA fact sheet CORSIA 12 May 2019.

⁹ Such as inclusions of aviation in the EU ETS 2003/87/EC; RefuelEU Aviation COM (2021) 561 – final 2021/0205 (COD).

¹⁰ The Commission's Fit for 55 package consists of several interdependent regulatory proposals which would enable the European Union to achieve the continent's greenhouse gas emission reduction target of **55% net emissions, upon which the EU Council agreed in 2020**; it is enshrined in the European Climate Law. The proposals in this package also affect European transport and tourism ecosystems. Without effective incentives, the proposals would not lead to sustainable EU tourism and transport policies. On the contrary, the proposed measures could lead to significant cost increases for EU businesses, both large and small, and harm their competitiveness vis-à-vis non-EU transportation and tourism companies located around EU borders, thereby putting EU jobs in these sectors at risk. Those EU regions which are highly dependent on tourism would consequently be particularly hard hit. A future-oriented, sustainable approach, as proposed by the Commission, consists of complementary measures; these must however in their combination act as a catalyst towards a greenhouse-gas neutral sector; their cumulative cost impact for the European transport and tourism ecosystems must therefore be borne in mind with a view to providing planning stability for investments in new jobs.

¹¹ EESC Draft Opinion TEN/744.

2.9 The EESC recommends that the Commission establishes a comprehensive overview of all market-based measures and their intended effect on the aviation market.

Brussels, 20 October 2021

Christa SCHWENG

The president of the European Economic and Social Committee
