

Scene setter

You will meet A4E CEOs meeting who want to discuss the Commission's upcoming "Fit for 55" package of policy proposals to be adopted on 14 July.

The most important proposals in the package for A4E CEOs are:

- ReFuelEU Aviation;
- Aviation aspects of the revision of the EU ETS Directive;
- Revision of the Energy Taxation Directive.

A4E CEOs are generally supportive of the Commission's ReFuelEU Aviation initiative. On the other two files, their expectations are unlikely to be met in the Commission's proposals although they are broadly in line with DG MOVE's priorities in the inter-service consultations.

Details on key issues and A4E positions are included in the background below.

Objective(s)

- Convey Fit for 55's importance for aviation, especially the ReFuelEU Aviation initiative.
- Raise attention of airlines to the need to push for the SES2+ reform

Key Messages

- The Fit for 55 package is an important deliverable of the Commission implementing the European Green Deal to reach the CO2 reductions targets in medium and long-term. Of particular interest to aviation are the ReFuelEU Aviation initiative and the revisions of the EU ETS and Energy Taxation Directive.

ReFuelEU Aviation

- I was pleased to see that Sustainable Aviation Fuels are a strong pillar of decarbonisation under the aviation industry 'Destination 2050' decarbonisation roadmap. Many airlines have recently made commitments to use high shares of SAF in the decade to come, with robust sustainability standards, and the fuels industry is gearing up to scale its production.
- The transition to SAF will be an essential step for the decarbonisation of the sector. To meet EU's climate goals, SAF must account for a gradually but strongly increasing share of the fuel mix by 2030 and 2050. The challenge is huge, and will require at the same time bold policy measures and industry commitment.

- We need to ensure that the ambition is set at the right level, and ensure a level playing field on the aviation market between all airlines operating in the EU.
- Strong sustainability criteria under the Renewable Energy Directive will apply.
- The policy framework will require dedicated industrial support. As announced in the Sustainable and Smart Mobility Strategy, we are now preparing the creation of a strategic alliance to boost renewable fuels for transport, with a special focus notably on SAF. Here too, we have seen the aeronautics industry, airlines and fuel suppliers take a very proactive stance. We are aiming to make swift progress on this one in the coming weeks and months.

Aviation aspects of the revision of the EU ETS Directive

- The EU remains committed to implement ICAO's CORSIA – which started its offsetting phase in January.
- The Commission will therefore adopt a legislative proposal to that effect.
- The exact articulation between today's EU ETS and CORSIA is still being considered within the Commission.
- Secondly, with the agreement to strengthen the EU's ambition level on greenhouse gas emissions by 2030 from minus 40% to at least minus 55%, clearly the ETS needs to be strengthened and the number of available emission allowances decreased.
- So you can expect that unless you manage to cut your emissions significantly, you will have to buy more allowances and these will be more expensive than what used to be the case.
- The Commission is considering different options – including for the reduction of free allowances – taking into account potential impacts on international competitiveness and risks of carbon leakage.

Revision of the Energy Taxation Directive

- The revision of Energy Tax Directive is also part of the "Fit for 55" work stream.
- As announced in the Mobility Strategy, the Commission will aim at aligning taxation of energy products with EU energy and climate policies.

- Aviation taxes will not be looked at in isolation, but alongside other policy measures, to ensure a mutually compatible, complementary and coherent policy framework.
- At this stage, I cannot be more specific, but I'm happy to listen to your views and to try to answer questions that you may have.

SES2+

- I also want to give you a short update on the SES2+ reform, which we need to modernise the management of European airspace and to establish more sustainable and efficient flightpaths.
- The Council endorsed its General Approach at the Transport Council on 3rd June. Unfortunately, we have major concerns with that position, which maintains the status quo and thus fails to effectively address the identified problems needing reform. Regrettably, on some aspects the Council even seems to insist on going backwards rather than progressing.
- The Slovenian Presidency will take over for the trialogue phase.
- In parallel, the EP's TRAN Committee is also working towards adopting its compromise amendments, scheduled for 16-17 June.
- [REDACTED]
- Airlines have a key role to play in conveying the importance of this reform – this is the moment for an extra push now, ahead of the trialogues.
- If the reform fails, we will stay with the same situation we've had for decades. Major delays will come back when traffic levels pick up again, and we will miss out on the opportunity to contribute towards environmental goals.

Defensive Points

Decarbonisation initiatives: Are you in favour of an 'EU Pact for Sustainable Aviation' between stakeholders and EU institutions?

- In favour of every initiative to improve our current rather intensive dialogue with the European aviation sector, on condition that it is within the limits of what the EU treaties allow and that it is transparent.

- We should look at different ways of increasing recognition in the EU for the efforts the industry is taking, supporting cross-sector dialogue and strengthening the link with policy-making in the Commission.

ReFuelEU Aviation: How do you ensure feedstock availability, for SAF production?

- This is linked to the level of ambition for targets, and the choice of SAF technologies that will be eligible.
- We need to take a technology-neutral as much as possible, and at the same time, focus on SAF technologies that are promising in terms of emissions savings and scalability (feedstock availability). Advanced biofuels (produced from waste and residues, e.g. municipal waste, forestry residues, etc), as well as synthetic fuels (produced from green electricity) combine those 2 important aspects.
- Our impact assessment explores deeply those aspects and indicates that by supporting advanced biofuels and synthetic fuels, we do not run into availability issues.
- Other types of biofuels face availability constraints. For instance, we do not intend to rely on crop-based biofuels, because the objective is not to increase the use of land for biofuel production in the future.

ReFuelEU Aviation: How do you avoid putting EU aviation industry at competitive disadvantage with non-EU industry?

- It is essential that all aviation players (EU and non-EU) contribute to the SAF transition and bear the (financial) effort of using SAF. There should be no difference of treatment depending on the nationality of the airlines. An anti-tankering measure will ensure that all airlines take up SAF.
- [REDACTED]
- We need to continue working at ICAO level towards establishing global binding SAF targets. This will ensure even further a level playing field.

CORSIA/ETS: How to avoid market distortion between EU/EEA and third countries?

- When it comes to airlines, market distortions may in particular arise when policies do not apply equally on routes, and where they are not enforced equally. The EU ETS options should therefore apply uniformly to all airlines so as not to create any distortions.
- When it comes to airport hubs, the largest risk of competitive distortion is between EEA airports and major non-EEA airports close enough geographically to provide an alternative. Our analysis shows that while in the longer-term, a risk is that

airlines could move their operations to less-affected airports, for example in regions close to the EU with lower carbon costs, the carbon costs associated with the options assessed might not have a significant impact on hub choice for passenger airlines.

Background

Fit for 55 package

The following proposals are to be included in the package:

- Emissions Trading System (ETS)
- ETS Aviation
- ReFuelEU Aviation
- Energy Taxation Directive
- Renewable Energy Directive
- Carbon Border Adjustment Mechanism (CBAM)
- Energy Efficiency Directive
- Alternative Fuels Infrastructure Directive
- Fuel EU Maritime
- Effort Sharing Regulation
- LULUCF Regulation
- CO2 cars and vans

ReFuelEU Aviation - Proposal for a Regulation ensuring a level playing field for sustainable air transport

The objective of the proposed Regulation is to maintain a level playing field in the air transport sector while increasing the share of SAF to reduce significantly aviation's carbon footprint by 2030 and 2050.

The proposed Regulation lays down EU-level harmonised rules with the aim to:

- Ensure airlines fair competition when refuelling with sustainable aviation fuels for all departures from all EU airports. This consists of an obligation for airlines to uplift SAF-blended fuel prior to each flight. The measure is essential to ensure that all airlines (EU and non-EU) continue to compete on a level playing field.
- Ensure that aviation fuel suppliers blend increasing shares of sustainable aviation fuels in the aviation fuel supplied to EU airports. This will support the uptake of green and highly innovative fuel technologies such as electro-fuels.

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

A4E positions on ReFuelEU Aviation (Position Paper, 15 April 2021)

To reap the benefits of SAFs, Europe needs a dedicated, innovative aviation fuels industrial strategy, financing and legislation. A4E welcomes the Commission's ReFuel EU Aviation initiative under the European Green Deal to ramp up the production, deployment and supply of affordable, high quality SAF in Europe. It is important to get this legislative initiative right when it comes to fundamental elements such as high sustainability criteria, scope, reporting and obligations, but also regarding the crucial details related to technical standards, certification and the quality and origin of the feedstock.

Guiding Principles:

1. Do not compromise on the sustainability of SAFs.
2. Establish a coherent and stable policy framework.
3. Prevent carbon leakage and distortions to a level playing.
4. Prioritise the aviation sector vis-à-vis sectors with more technological alternatives.
5. Pave the way for the emergence of zero-carbon technologies.
6. Prioritise the use of regional feedstock / raw materials and European production.

Regulatory considerations for an EU SAFs blending mandate

A European blending mandate needs to:

- Supplant national mandates and harmonize all relevant legislation. A Regulation is preferred to a Directive to avoid diverging implementations.

- Avoid market distortions.
- Avoid carbon leakage.
- Guarantee that stringent sustainability criteria are met.
- Foresee strict reporting rules with transparency requirements notably with regards to the sustainability of the fuel provided.
- Obligate first the SAF supplier.
- Ensure that the CO2 saving is claimed by the end-user of the SAF if in scope (not linked to physical use).
- Avoid significant market power or the creation of monopolies.
- Avoid additional cost increase due to lack of market competition or absence of incentives to lower prices (e.g., at smaller airports).

Aviation aspects of the revision of the EU ETS Directive (CdF – CLIMA)

Relevance for transport: ETS will be revised in order to implement CORSIA in the EU and to reduce the share of free allocation of allowances to airlines.

Issue(s) of concern:

- [REDACTED]

[REDACTED]

[REDACTED]

A4E positions on the revision of the EU ETS Directive (Position Paper, 30 March 2021)

The ETS is the most appropriate economic measure to limit and reduce CO2 emissions and price CO2. For the compliance year 2019, A4E airline members purchased CO2 certificates for around 60% of their emissions. For 2019, the value of these purchases under the ETS reached €650 million. This is a significant contribution to the EU's decarbonization effort

coming from an industry currently experiencing one of its worst crises as a result of the COVID-19 pandemic.

All national and regional policy on aviation emissions must now be done with the upmost care to align with and support CORSIA, avoid double regulation of the same CO2 emissions, and avoid international dispute. This applies especially when considering the future of the EU ETS.

Energy and capital-intensive sectors are at a significant risk of carbon leakage. Europe needs to ensure that European airlines remain competitive. This requires the EU ETS reform to include adequate carbon leakage measures. Free allocation and a possible Carbon Border Adjustment Mechanism (CBAM) must be complementary. To ensure such a level playing field and prevent carbon leakage, decisions related to the free allowances must be handled in conjunction with the establishment of mechanisms seeking to address the displacement of traffic flows or the competitive distortion such as a carbon border adjustment mechanism.

Modifying the share of allowances auctioned will have no impact on CO2 emissions. Under a cap-and-trade mechanism, the climate benefit is defined by the cap, not by the level of auctioning. If the auctioning of allowances generates revenues for EU and EFTA Members States, it does not lead to an additional mitigation in CO2 emissions from aviation unless the revenues from such auctioning is reinvested into the development or deployment of aviation decarbonization technologies.

A4E recommends to take into account the current extraordinary circumstances in the drafting of the proposals related to the increase of the auctioning percentage of allowances. The realities of the large structural changes required to enable the aviation sector to decarbonise should also be considered. For these reasons, any future change in the allocation of allowances should take place only after the crisis has passed.

Revision of the Energy Taxation Directive (CdF – TAXUD)

Relevance for transport: The ETD revision aims at aligning taxation of energy products and electricity with EU energy, environment and climate policies under European Green Deal. For transport in particular the use of fuels in aviation, including all alternative fuels, will be taxed at harmonised EU minimum rates as far as intra-EU activities are concerned (currently those are exempted from energy taxation).

Issue(s) of concern:

- [REDACTED]
- [REDACTED]

A4E positions on the revision of the Energy Taxation Directive (Position Paper, Nov. 2020)

A4E's core objective is that aviation can grow sustainably while continuing to benefit the social and economic development of countries across Europe in the coming decades. This requires a coherent policy framework that promotes sustainability while supporting competitiveness. Climate policy regulation in the form of sector-specific taxes, levies or bans are ecologically and economically counterproductive. They reduce the aviation industry's capacity to invest and innovate whilst potentially shifting CO2 emissions to other regions. Carbon pricing is already applied to aviation through the EU Emissions Trading System (ETS), and globally through CORSIA. Moreover, many airports in Europe apply differentiating fees for more polluting aircraft.

Fiscal measures reduce the investment capacity of the aviation industry, and do not reduce emissions per se. They will not help to achieve the objectives of the European Green Deal of increasing welfare whilst at the same time, decarbonise the EU's economy.

The ETD does not currently provide for the EU-wide preferential treatment of SAF, although Member States can apply national rates that do so. As it assesses how the ETD's provisions on taxation of renewable fuels can be amended to align with the EU's energy, climate change and environment policies, and to promote the use of such fuels, the EC should consider the introduction of a tax incentive scheme for SAFs, which could be modelled on the United States' Blender's Tax Credit scheme.

