

# Aviation in the ETS

Airline flights within Europe are covered by the EU's emissions trading system (ETS), which is supposed to provide emitters with an incentive to reduce their carbon pollution.

This page explains how the ETS works for aviation. To find out how well it's performing, read T&E's latest analysis of the [state of the aviation ETS](#).

## Regulating emissions at EU level

Aviation was brought into the EU's emission trading system (ETS) in 2012, covering all flights to and from EU airports. Following significant international and industry pressure, the scope was reduced to cover intra-EU flights only (known as "stop the clock"). This was ostensibly to give time for the UN agency which regulates aviation, ICAO, to agree a global measure.

A second stop-the-clock regulation to extend the reduced scope was agreed in 2014 to afford ICAO more time. At its 2016 triennial assembly, ICAO adopted the outline of a global offsetting scheme known as Corsia. However the environmental integrity of that scheme remains unknown, and T&E is among those who have [severe doubts](#) as to its potential effectiveness. As a result, the exemption of flights to and from Europe was extended only until 2024, by which time regulators in Europe will have a better understanding of how Corsia will operate.

## How does the EU ETS work?

Each year, polluters have to surrender a number of permits equivalent to the amount of CO<sub>2</sub> they emitted in the preceding year. Polluters acquire permits through an annual allocation system and some are issued by member states for free. If polluters don't have enough allowances to acquit their previous year's emissions, they can buy additional permits at auction or from other companies having a surplus. The EU puts a maximum cap on the CO<sub>2</sub> emissions that can be emitted by restricting the number of permits available on the market. As issued permits become scarcer due to progressive reductions in the cap, the permit price goes up, providing emitters with an incentive to reduce their emissions where that is cheaper than buying permits.

## Under what terms is aviation included in the EU ETS?

Aviation was incorporated in the EU ETS, effective as of 1 January 2012, and required all airlines departing or arriving at an EU airport to surrender allowances covering the emissions of all EU flights they had operated in a given year. Following an international outcry orchestrated by US carriers against the inclusion of foreign carriers in the scheme, the European Commission limited the scheme's application to airlines operating flights in and between EU airports only ("stop-the-clock"). This was billed as a temporary measure to give ICAO time to agree a global measure. When minimal progress was made at ICAO's 38th assembly in October 2013, the clock was stopped again. After reviewing the 2016 ICAO outcome, when a global market-based measure was agreed, the Commission proposed to extend the exemption indefinitely pending a review of the effectiveness of the Corsia. The co-legislative process eventually settled on an extension to 2024, when further details about Corsia will be known.

## Does the inclusion of aviation in the EU ETS lead to big cuts in actual airline CO2 emissions?

Not at present. Until recently the ETS suffered from a gross over-allocation of permits, causing the price of allowances to crash. This gave airlines effectively unlimited access to cheap ETS credits, the cost of which hardly impacted on growth in any way.

However, [reforms of the ETS](#) in late 2017 resolved some of these issues, and saw prices almost treble in the space of a few months. They're still short of the price level needed to drive significant reductions, so further reforms are needed. For example, the rate at which allowances are removed from the scheme could be sped up.

Read T&E's latest analysis of the [state of the aviation ETS](#).

