Greener skies ahead?

In her column in this issue, Margaret Giugliano ponders on the EU Emissions Trading System.

The European Union Emissions Trading System (or EU ETS) is part of the European Union's environmental policy, focused on pricing and limiting carbon-dioxide emissions. Its goal is to encourage companies to invest in cleaner technologies and reduce the long-term emission of greenhouse gas.

Effective January 1, 2012, international aviation was added to the EU ETS trading scheme and as a result of a European Court of Justice ruling, the EU's cap-and-trade program will apply to all flights operated to and from European airports, including those operated by non-EU carriers. Under the system, the European Union will allow a certain percentage of emission allowances to all carriers. However, if emissions exceed the allowable percentages, carriers must obtain permits. Additional emission allowances may be bought and sold between holders, which could be costly for carriers who intend to comply with the new regulations while maintaining their current flight schedules.

Burden

The scheme places a particular burden on long international flights, as emissions are calculated based on an aircraft's entire route from take-off to touch down. As such, many foreign nations are reluctant to comply. The China Air Transport Association announced that Chinese carriers would not be participating, surrendering permits, or paying penalties for non-compliance. India and Russia have also threatened action if the European Union proceeds as planned. In October 2011, the House of Representatives passed the European Emissions Trading Scheme Prohibition Act of 2011, banning US airlines from taking part in the ETS. Other retaliatory measures may be carried out under the authority of the International Air Transportation Fair Competitive Practices Act of 1974. However, the statute's impact on the non-discriminatory application of EU ETS' across the board policy is questionable.

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Less traffic?

So where does this leave the ground handling industry? As with all new regulations that impose additional operating costs, will the added costs mean less traffic and less business? Secondary effects could reasonably find their way down to the ground service providers. In an effort to minimize the effects of these new regulations, air carriers might make intermediate stops instead of flying direct to particular destinations, as the correlation between payload and fuel consumption could lead to greater carbon emissions and the need to buy additional emission allowances. To maintain existing flight schedules and recover emissions costs, airlines are likely to pass these costs on to their passengers and freight customers. In fact, airlines are already adding fees to international ticket prices for flights to and from Europe. Cargo and freight surcharges are just as likely - and this may lead to decreases in freight shipments, at least on passenger aircraft.

Criticism in conclusion

Any such additional costs are being met with considerable criticism because airlines are not required to account for their emissions until the end of the year, making it less foreseeable that the additional charge will be a true estimate of the total cost to the airlines. In the meantime, some believe the International Civil Aviation Organization (the ICAO) may establish international standards for carbon emissions, ending any political controversy between the European Union and the rest of the world.

However, until then, air operations to and from the European Union will remain under the auspices of the EU ETS.

You have been warned!