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Public Consultation on EU emissions trading system - updated rules for aviation

Fields marked with * are mandatory.

Introduction

Transport accounts for a quarter of the EU's greenhouse gas emissions, and is still growing. As stated in the 2019 European Green Deal communication, to achieve climate neutrality, a 90% reduction in transport emissions is needed by 2050. All transport sectors, including aviation, have to contribute to the required reduction.

Aviation in 2019 accounted for 2-3% of global CO_2 emissions. At EU-level, aviation made up 3.8% of total CO_2 emissions, or 13.9% of CO_2 transport emissions in 2017. In addition, aviation is also an important source of non-CO_2 climate impacts with significant warming on climate. Notwithstanding the recent reduction in emissions as a consequence of the COVID-19 pandemic, these impacts could grow further given the sector's historically consistent and enduring over-average growth relative to other economic sectors, including in the EU. While at the global level, CO_2 emissions have been increasing by around 3% per year, aviation's emissions in Europe have increased on average by 5% year-on-year between 2013 and 2018[1]. Pre-COVID-19 estimates by Eurocontrol projected an increase in European aviation emissions by 53% until 2040 compared to 2017 in the scenario deemed most likely[2]. Given the impact of the pandemic, the airline industry does not expect air travel demand to return to pre-COVID-19 levels before 2024. Eurocontrol or the International Civil Aviation Organization (ICAO) have yet to publish any revised longer-term estimates taking into account the impacts of COVID-19.

Based on the policy that all sectors should contribute to the EU's emission reduction commitments, the aviation sector has been included in the EU's Emissions Trading System (EU ETS) since 2012, and, up until 2019, has purchased around 160 million allowances from other sectors to cover its growing emissions. Since the inclusion of the aviation sector in the EU ETS, Article 3d of the Directive provides that 15% of aviation allowances are auctioned based on airlines' historical emissions. While the EU ETS covers emissions from flights landing in and departing from the European Economic Area (EEA), including to and from third countries, the EU has adopted temporary derogations to limit the geographical scope to intra-EEA flights (with the exception of flights to and from EU outermost regions), in order to encourage the development of an effective global carbon pricing scheme by the ICAO.

Following the adoption and entry into force of the Paris Agreement, the 2016 ICAO Assembly adopted a Resolution for a global measure to offset growth in international aviation emissions above 2020 levels[3], known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to offset emissions through cancellations of international credits.

Pending the development of the rules and modalities for CORSIA, the EU ETS Directive was revised in 2017 to extend the current geographic scope derogation until the end of 2023. The 2017 revision notably requests the Commission to address the specific issues identified in Articles 3d and 28b of the EU ETS

Directive in a report. According to the Directive, the Commission is to present a report to the European Parliament and to the Council (a) assessing CORSIA in relation to a set of features, (b) regarding an increase of the percentage of the auctioning share from the current level and (c) considering ways to implement CORSIA in Union law through the EU ETS Directive. Where appropriate, a legislative proposal should be made that is consistent with the Union economy-wide greenhouse gas emission reduction commitment for 2030, with the aim of preserving the environmental integrity and effectiveness of Union climate action. This work will be considered in the context of the European Green Deal and the objective of enhanced climate ambition for 2030 and climate-neutrality by 2050.
This public consultation invites citizens and organisations to contribute to the assessment of how to revise the EU ETS Directive as regards aviation. Please note that relevant questions and topics may also be covered under other public consultations, in particular the ones for the EU climate ambition for 2030 and for the design of certain climate and energy policies of the European Green Deal and the Sustainable and Smart Mobility Strategy.

[1] Those emissions covered by the EU ETS, not including flights to/from outermost regions, dependencies and territories.

[2] Eurocontrol (2018), European Aviation in 2040.

[3] Due to the COVID-19 crisis, the ICAO Council decided that 2019 emissions shall be used as baseline in the pilot phase instead of the average between 2019 and 2020 emissions. https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-and-Covid-19.aspx

Guidance on the questionnaire

This public consultation consists of some introductory questions related to your profile, followed by a questionnaire split into two parts. **Please note that you do not need to respond to both parts of the questionnaire, and can choose to fill in only one of the two. In addition, not all questions in the questionnaire need to be answered.**
The first part of the questionnaire deals with implementation of CORSIA through the EU ETS Directive, including the interaction between CORSIA and the EU ETS for aviation. The second part addresses possible policy changes on free allocation and auctioning of allowances in the EU ETS for aviation.
At the end of the questionnaire, you are invited to provide any additional comments and to upload additional information, position papers or policy briefs that express your position or views or those of your organisation. If you select to fill in both parts of the questionnaire, please upload any position papers or policy briefs only once.

About you

* Language of my contribution

- ○ Bulgarian
- ○ Croatian
- ○ Czech
- ○ Danish
- ○ Dutch
- ◉ English

- Estonian
- Finnish
- French
- Gaelic
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- Polish
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* I am giving my contribution as

- Academic/research institution
- Business association
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- Non-EU citizen
- Non-governmental organisation (NGO)
- (•) Public authority
- Trade union
- Other

* First name

* Surname

* Email (this won't be published)

* Scope

- (•) International
- ( ) Local
- ( ) National
- ( ) Regional

* Organisation name

255 character(s) maximum

Ministry of Infrastructure and Water Management

* Organisation size

- ( ) Micro (1 to 9 employees)
- ( ) Small (10 to 49 employees)
- ( ) Medium (50 to 249 employees)
- (•) Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

* Country of origin

Please add your country of origin, or that of your organisation.

( ) Afghanistan	( ) Djibouti	( ) Libya	( ) Saint Martin
( ) Åland Islands	( ) Dominica	( ) Liechtenstein	( ) Saint Pierre and Miquelon
( ) Albania	( ) Dominican Republic	( ) Lithuania	( ) Saint Vincent and the Grenadines

- Algeria
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- Barbados
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- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden

- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom

- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- **Anonymous**
  Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.
- **Public**
  Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

☑ I agree with the personal data protection provisions

PART I: Market-based measures: EU ETS and CORSIA

While the EU ETS and CORSIA are both market-based measures, they differ in various respects, including:

- **Geographic scope:** the EU ETS is a route-based system that includes any flight to or from an EEA[1] aerodrome (with certain exceptions), whereas CORSIA is an operator-based system that covers international flights between participating countries operated by an airline from any country, excluding domestic flights (being defined as flights within a State).
- **Objectives and ambition level:** for the EU ETS the objective is domestic emissions reductions in line with the EU climate objectives, while for CORSIA stabilization of emissions at the level of the baseline through the use of international offsets is the goal.
- **Governance and timeline:** the EU ETS is already legally binding in Union law, and in force since 2012, whereas for CORSIA, whose first phase starts in 2021, States need to develop binding provisions in their domestic legal systems. One of the objectives of the revision of the ETS Directive is to develop these provisions.
- **Type of measure:** the EU ETS is a cap-and-trade system (allowances, a financial instrument, have to be surrendered covering all CO_2 emitted or else, a fine is due) while CORSIA is an offsetting scheme (emissions of CO_2 above a certain level should be compensated by offsets generated by an approved programme).

Against this backdrop, the Commission is considering ways for CORSIA to be implemented in the EU through the EU ETS Directive. Therefore, this questionnaire enquires on the relationship between the two measures.
It should be recalled that in the absence of an amendment legislative act adopted by the European Parliament and the Council of the EU by the end of 2023, the EU ETS will revert to its originally intended scope, covering flights departing from the EEA as of 2024 and, unless exempted, incoming flights to the EEA (see, for example, Commission Delegated Decision (EU) 2020/1071 so as to exclude incoming flights from Switzerland).

[1] Note that the options below refer to EU/EFTA to simplify analysis. However the EU and Switzerland have two distinct emissions trading systems linked since 2020, each system covering the outgoing flights to the other.

1) Do you think that aviation should contribute more to climate action than it presently does?

- ◉ Yes
- ○ No
- ○ No opinion

Please explain:

1000 character(s) maximum

A more sustainable aviation sector can be achieved by using a broad pallet of instruments. There are several instruments to reduce CO2 emissions, but it is key to look at effectiveness, cost-efficiency and interaction between the instruments. In the long term it is most important to achieve CO2-reductions within the sector itself. These reductions can be obtained by technological innovations, such as hybrid-electrical flying or a fuel transition, in which sustainable aviation fuels play a role. The production and development of these measures are costly and need relatively more time for implementation. Therefore, additional measures are needed to contribute to climate action. Such measures include reductions outside the sector (EU ETS or CORSIA) or behavioral change. Market based measures, such as the EU ETS and CORSIA, are measures that realize CO2-reductions, but not specifically within the sector itself. Cost-efficient CO2-reductions are made by influencing the price of CO2.

2) Do you think that market-based measures can be effective means of tackling aviation emissions in line with the European Green Deal?

- (●) Yes
- ( ) No
- ( ) No opinion

Please explain:

1000 character(s) maximum

The last years of the EU ETS have shown that market-based measures can be effective means of tackling aviation emissions. The effectiveness of the EU ETS, however, depends on the allowances that are bought by airlines to realise reductions. Lastly, as explained under question 1, it is essential to keep in mind that the goal is to realise an energy transition within the sector. This can primarily be achieved by realizing in-sector reductions. Market based measures complement this under the right conditions, by creating a stimulation to innovate by influencing the price of CO2 and realizing CO2-reductions outside of the sector.

3) The European Commission is assessing six policy options of whether and how to implement CORSIA by the EU. These are namely:

- **Option 1 - EU ETS full legal scope:** In case no amendment to the ETS Directive is adopted by the European Parliament and Council by December 2023, the EU ETS for aviation would cover flights departing from airports in the EU/EFTA and arriving to other airports in EU/EFTA or to third countries and, if not exempted through delegated acts, incoming flights to airports in the EU/EFTA from third countries (exercising empowerment in Article 25a of the EU ETS Directive). Flights to, from and within outermost regions would be covered.
- **Option 2 - Intra-EU/EFTA ETS only:** Maintaining the status quo, the EU ETS would be applied exclusively and confined to the geographical scope of the system as currently applied: allowance surrendering obligations for aircraft operators would be based solely on emissions from flights between aerodromes located in the EU/EFTA, with the exception of flights between EU outermost regions and other regions of the EU/EFTA (including other outermost regions), while including flights within any given outermost region[1] (NB: in this option, CORSIA is neither applied to ETS-exempted routes).
- **Option 3 - CORSIA only:** Only CORSIA would be applied to international flights, non-domestic intra-EU/EFTA flights, flights to and from the EU/EFTA States (including their outermost regions) and third

countries. As domestic flights are not covered by CORSIA, flights within a Member State would not be covered at all.

- **Option 4 - ETS-CORSIA "clean cut":** The EU ETS would continue to apply to the current intra-EU /EFTA scope, as in option 2 above, and CORSIA would be introduced for extra-EU/EFTA flights, i.e. flights to and from EU/EFTA States (including their outermost regions) and third countries. In other words, the EU ETS would be applied as at present and CORSIA would be applied to all other flights (to the extent that CORSIA is applicable to them).
- **Option 5 - ETS-CORSIA "mix":** Regarding non-domestic intra-EU/EFTA flights, the EU ETS would apply up to each operator's 2020 emissions[2]. Above the 2020 emissions, CORSIA would apply. Regarding flights between EU/EFTA States (including their outermost regions) and third countries, CORSIA would apply on emissions above 2020 levels. This option would cover domestic flights.
- **Option 6 - ETS-CORSIA "mix" according to licence of aircraft operators**, as a variant of option 5: The EU ETS would apply to non-domestic, intra-EU/EFTA flights, operated by operators with licences issued by Member States. For operators with licences issued by third countries, only CORSIA would apply on those non-domestic intra-EU/EFTA flights and flights between EU/EFTA States (including their outermost regions) and third countries. Also contrary to option 5, this option would not cover domestic flights.

[1] Without prejudice to the exemption in Annex I of Directive 2003/87/EC: "(i) flights performed in the framework of public service obligations imposed in accordance with Regulation (EEC) No 2408/92 on routes within outermost regions, as specified in Article 299(2) of the Treaty, or on routes where the capacity offered does not exceed 30 000 seats per year"

[2] Due to COVID-19 impacts, the ICAO Council decided that 2019 emissions shall be used as baseline in CORSIA's pilot phase (2021-2023) instead of the originally planned average of 2019-2020 emissions.

3.1) Which option(s) among these six would be most preferable in your view?

- [ ] Option 1 - EU ETS full legal scope
- [ ] Option 2 - Intra-EU/EFTA ETS only
- [ ] Option 3 - CORSIA only
- [x] Option 4 - ETS-CORSIA "clean cut"
- [x] Option 5 - ETS-CORSIA "mix"
- [ ] Option 6 - ETS-CORSIA "mix" according to licence of aircraft operators

Please explain:

1000 character(s) maximum

Option 4: Within the clean-cut version, double payments for emissions are avoided, but at the same time the two systems can coexist. The option allows airlines to be treated similarly. Compared to option 5, it has the largest reduction potential. Airlines from outside Europe might have to report their emissions twice: under the EU ETS and CORSIA.
Option 5: Avoids double payments, as well as double counting of emissions. Compared to option 4, however the reduction potential is somewhat lesser than the above.

For both options it is important that both systems will treat the use of SAFs similar to avoid complexities.

3.2) Which option(s) among these six would be least preferable in your view?

- [x] Option 1 - EU ETS full legal scope
- [x] Option 2 - Intra-EU/EFTA ETS only
- [x] Option 3 - CORSIA only
- [ ] Option 4 - ETS-CORSIA “clean cut”
- [ ] Option 5 - ETS-CORSIA “mix”
- [x] Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators

Please explain:

1000 character(s) maximum

Option 1: the EU ETS full legal scope scores high on the reduction potential of CO2 emissions. However, a full legal scope has low political feasibility.
Option 2: Same applied as above.
Option 3: CORSIA will turn into force as of the first of January 2021. This is still only the pilot phase, which lasts until 2023. The future of CORSIA, therefore, is still somewhat uncertain. Therefore, an option is preferred in which the EU ETS and CORSIA, for the time being, co-exist.
Option 6: Due to the global nature of the aviation sector, aiming for a level playing field is desirable for the competitiveness of airlines. For this option, there will by higher standards in the EU for European airlines, compared to other airlines. This may cause routes within the EU to become pricier for European airlines, as CORSIA prices are expected to be lower than EU ETS prices for the near future.

3.3) Is there any other option (or variant of one of the six assessed) that you would prefer instead of the above six and why?

1000 character(s) maximum

Not applicable

4) The EU ETS Directive refers to various aspects that are to be examined in relation to the ambition and overall environmental integrity of CORSIA.

4.1) How would you assess the CORSIA aspects referred to in the EU ETS Directive and listed in the table below?

	Very Positive	Rather positive	Neither positive nor negative	Rather negative	Very negative	No opinion
General ambition in relation to targets under the Paris Agreement	○	○	◉	○	○	○
Level of participation and implementation	○	◉	○	○	○	○

Enforceability and penalties for non-compliance	○	○	○	○	◉	○
Transparency and processes for public input	○	○	○	◉	○	○
Quality of offset credits (i.e. the ability to achieve the effective compensation of CO_2 emissions)	○	◉	○	○	○	○
Monitoring, reporting and verification of emissions (e.g. robustness of the monitoring and verification system)	◉	○	○	○	○	○
Registries	○	◉	○	○	○	○
Accounting (e.g. avoidance of double counting)	○	◉	○	○	○	○
Rules for the use of eligible fuels: sustainable aviation fuels (biofuels) and lower carbon aviation fuels (fossil fuels) to contribute to emission reductions	○	○	○	◉	○	○
Assurance of equal treatment of airlines operating on the same routes	◉	○	○	○	○	○

4.2) Would you like to elaborate on one or more of the aspects listed above regarding the ambition and overall environmental integrity of CORSIA?

5000 character(s) maximum

[Max. 500 characters per aspect, i.e. ambition in relation to the Paris Agreement, level of participation, enforceability, etc.]

The elements of CORSIA listed in the table were assessed against the background of the scheme still in the process of implementation and based on the rules provided in Annex 16, Volume IV, to the Chicago Convention. The assessment is made based on assumptions about the (theoretical) working of some of the current provisions in Volume IV. E.g. the provisions to prevent double counting should be sufficient, but it will be unknown until practical application will be given to the relevant provisions.

The proper assessment of CORSIA for the larger part can be done once the different elements are actually put into practice.Theoretically the rules have been development aiming at the highest level of accuracy and environmental integrity. However, also here the proof of the pudding is in the eating. In light of the developments in the UNFCCC concerning new rules for markets post-2020 and the establishment of a new mechanism as successor to the CDM, further assessment of the quality of offsets credits is needed. A big concern is the potential eligibility of LCAF under CORSIA. This is still under consideration, however experiences strong diverting views globally. Finally, an assessment of CORSIA against EU ETS should take into account the fact that double counting should be avoided when accounting and reporting of the CO2-emissions reductions from international aviation.

5) Flights to and from outermost regions are exempt from the current scope of the EU ETS (see Questions 4 and 5 in the FAQ on Regulation 421/2014), while flights within a given outermost region are included. The CORSIA rules, in contrast, expect States to regulate non-domestic flights to and from outermost regions.
In your view, how should flights regarding outermost regions be covered? Please indicate any of the following reflecting your preference:

	Agree	Disagree	No opinion
Flights within an outermost region: inclusion under the EU ETS (i.e. current situation)	◉	○	○
Domestic flights to or from outermost regions: inclusion under the EU ETS (currently excluded until end of 2023)	◉	○	○
Non-domestic flights to or from outermost regions: inclusion under the EU ETS (currently excluded until end of 2023)	○	○	◉
International flights to or from outermost regions: inclusion under CORSIA	○	○	◉

Please explain your choice considering Art. 349 TFEU that lists the specific constraints of the outermost regions

1000 character(s) maximum

6) Considering the European Green Deal, the EU's climate neutrality objective for 2050 and a green recovery…

6.1) …do you think that market-based measures such as the EU ETS and CORSIA should be combined with other policies such as support for innovative aviation technologies, operational (ATM) improvements, taxation, and the production and use of sustainable aviation fuels?

- (●) Yes
- ( ) No
- ( ) No opinion

Please explain:

1000 character(s) maximum

As explained in question 1, a mix of instruments is necessary for an effective energy transition within the aviation sector. Within this mix of policies, those policies that aim at reduction of CO2 within the sector should in principle be the heart of the contribution to climate change and can be implemented in combination with other (market-based)measures. Policies other than MBM's are needed to directly set the pace for clean technology development, both for avation technology and clean fuel technology. MBM's and other financial measures (e.g. taxation) put a price on emissions and can improve the business case of clean technologies and operational improvements, if implemented with the right design and under the right conditions as financial resources are scarce in the aviation sector. It could be considered to use part of the available budget within the MFF 2021-2027 for investments benefiting the transition of the aviation sector.

6.2) …what level of effort to fight climate change should the aviation sector itself contribute and how should this develop over time?

1000 character(s) maximum

The aviation sector is aware of the need to develop in a sustainable way and the importance of reducing its CO2 emissions. Simultaneously, states and governments must also contribute in the fight against climate change. The essential goal is climate neutrality. For this, in-sector reductions are essential which ultimately must be undertaken by the sector itself. As explained under Q1, these developments are costly and take relatively more time. Government policies should therefore support and encourage the development of technologies that create in-sector reductions. At the sime time, additional policies can stimulate the business case of these technologies.

7) Are there any other comments you would like to share?

2000 character(s) maximum

As announced in our Civil Aviation Policy Memorandum 2020-2050, the Netherlands is currently developing a CO2 emissions ceiling for aviation. This will be a binding instrument to ensure that our national targets for the in-sector reduction of CO2 from flights departing from the Netherlands are met: 2030 emissions equal to or below 2005 levels, at least 50% reduction in 2050 compared to 2005 and zero emissions in 2070. Currently only article 193 TFEU provides a legal basis for more stringent national measures to address the environmental impacts of aviation, and the jurisprudence is complex. In the spirit of the Green Deal, we ask the Commission to clarify in the revised ETS directive that member states have the authority to establish national measures for aviation greenhouse gas emissions beyond the EU ETS.

PART II: Free allocation and auctioning

Currently, under the EU ETS, airlines receive a share of the allowances they have to surrender for free, the so-called free allocation. While emitting 68.1 million tonnes of CO_2 emissions in 2019, airlines received free allowances covering 31.3 million tonnes of emissions, or 46% of the total. The remaining 54% were covered by allowances acquired from auctions (approx. 5 million) or from other sectors. (These numbers differ from the percentage of 85% provided for in the EU ETS Directive because the sector's actual emissions have increased and because not all airlines are eligible to receive the allocation, resulting in large variations of the share of free allocation among individual airlines).
The Political Guidelines for the European Commission 2019-2023 state that there will be a proposal to reduce the free allowances allocated to airlines. This was re-stated in the recent Communication on a European Green Deal: "the Commission will propose … to reduce the EU Emissions Trading System allowances allocated for free to airlines". The EU ETS Directive, as revised in 2017, requests the Commission to present a report on the cost pass-through of the aviation sector with the intention of making a proposal to increase the percentage of auctioning, considering alignment with other sectors and the competitiveness between different modes of transport. In this context, cost pass-through refers to the ability of airlines to transfer the cost of required emission units to their passengers (or cargo clients). Among the other sectors under the EU ETS, full auctioning is the method used for allocating allowances in the power sector, while free allocation based on sector benchmarks continues to be used to various degrees for industrial sectors exposed to carbon leakage.

8) Do you agree with the statements that reducing or removing the free allocation of allowances to airlines would…

	Yes	No	Don't know
…increase the climate change mitigation impact by the EU ETS	◉	○	○
…increase fairness between those airlines eligible to receive the allocation and those that are not	◉	○	○
…improve the level playing field among transport modes	○	◉	○
…increase the cost of flying for operators and consumers	◉	○	○

9) The European Commission is assessing five policy options as regards the modulation of the share of free allocation, relative to the current situation (a de jure 85% free allocation):

0. Status quo: The current legal situation is perpetuated until 2030, i.e. the 15% auctioning share.
1. Immediate phase-out: 100% auctioning from the entry into force of the revision.
2. Swift phase-out: Full auctioning by 2025, starting with an auctioning share of 60% in 2023, and a share of 80% in 2024.
3. Slow phase-out: A linear increase year-by-year to full auctioning by 2030 starting from 20% in 2023.
4. Slow reduction: A linear increase year-by-year starting with an auctioning share of 20% in 2023 and ending at 55% in 2030.

9.1) Which option(s) among these five would be most preferable in your view?

☐ Status quo

- [ ] Immediate phase-out
- [ ] Swift phase-out
- [ ] Slow phase-out
- [ ] Slow reduction

Please explain:

1000 character(s) maximum

A phase-out of free allowances for aviation is supported, ensuring that the sector contributes to the transition towards climate neutrality. This should however be considered within a wider context. In light of the Paris Agreement and a sustainable future for the sector, in-sector reduction measures for the short and medium term (up to 2035), as well as a fundamental energy transition for the mid- to long term (from 2035 onwards) should be focused on. The functioning of MBM's should be assessed against this approach. Also, the linkage between cost-effectiveness of a MBM and other (in-sector) measures are frequently debated, when EU ETS related costs are expected to increase due to the reduction of free allowances. Therefore, It could be considered to use part of the available budget within the MFF 2021-2027 for investments benefiting the transition of the sector.

9.2) Which option(s) among these five would be least preferable in your view?

- [x] Status quo
- [ ] Immediate phase-out
- [ ] Swift phase-out
- [ ] Slow phase-out
- [x] Slow reduction

Please explain:

1000 character(s) maximum

The Netherlands has advocated several times that we are in favour of reducing the allocation of free allowances. For the effectiveness of the system and in line with stationary installations, a phase-out is desirable. Therefore, perpetuating the status quo and a slow reduction are least preferable.

9.3) Is there any other option (or variant of one of the five assessed) that you would prefer instead of the abovementioned five and why?

1000 character(s) maximum

Not applicable.

10) The conclusions of the European Council in July 2020 invited the Commission to put forward a revised proposal on the ETS, possibly extending it to aviation and

maritime sectors in the context of creating new own resources for the EU budget. What are your views on the best use of the revenues from the auctioning of aviation allowances to foster climate neutrality?

1000 character(s) maximum

The EU ETS Directive provides that at least 50% of the revenues must be used for climate and energy. The Netherlands will assess this question once the Impact Assessment has been put forward.

11) Are there any other comments you would like to share?

2000 character(s) maximum

Not applicable.

Final remarks

Should you wish to provide additional information (for example a position paper) or raise specific points not covered by the questionnaire, you can upload your additional document here.
Please note that the uploaded document will be published alongside your response to the questionnaire which is the essential input to this public consultation. The document is an optional complement and serves as additional background reading to better understand your position.
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