

## Airlines

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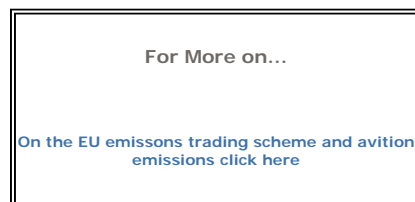
### Airlines urged to speed up preparations for EU emissions trading

By [Kerry Reals](#)

Emissions trading is thundering down the track and will land on airlines' doorsteps before they know it. But there are concerns many carriers are leaving preparations for their inclusion in the European Union's emissions trading system, which enters force from 2012, to the last minute. The message from those specialising in this area is clear: you can't run, you can't hide and the sooner you get on with preparing for emissions trading, the better off you'll be.

"We're very worried airlines are leaving it because of IATA's opposition and the [US Air Transport Association's] [legal challenge](#), in the hope it will go away. It won't," says Antony Barrett, market engagement manager at BSI, one of a handful of UK companies offering independent verification services for airline emissions data. The EU ETS scheme requires airlines to submit independently verified tonne per kilometre data along with an emissions report for the whole of 2010 by the end of next March.

"Most airlines have a reasonable understanding of what they have to do, but they need to start finding a verifier now," says Andrew Morris, BSI's director of business development. Barrett adds leaving it until the end of the year will create a scramble to get the verification done in time.



Monarch, [has already chosen BSI](#) as its verifier, and Mike Smith, the UK carrier's director of external and industry affairs, explains why it acted early: "There are not that many verifiers out there so we were keen to ensure the verification services that are required were in place. It also allows us to approach this in bite-sized chunks so if there is an issue we have time to correct it."

It is not only signing up a verifier where airlines seem to be dragging their heels, says Christian Lambertus, managing partner at consultancy [Aviation Experts](#), "The first thing we ask an airline is whether they've thought of emissions trading costs in their five-year plans and, from what we've seen so far, they haven't. Airlines have a certain amount of control over the [carbon credit] price, in that they can decide when to buy," he says. "We evaluate the five-year plan of an airline and how they want to grow, then we advise on which channels [to buy permits through], whether it's a broker, certificate exchange or investing in environmental projects."

One company which aims to simplify the process of preparing for emissions trading is [ETS Aviation](#), which has teamed with software firm Aerobytes for an online solution. The system enables airlines to collect and store the information automatically and then submit it to ETS Aviation's "Aviation Footprinter" online system.

"Our vision is that gradually, as verification bodies become familiar with the airline business, they'll see the advantage of being able to remotely access and verify data," says ETS Aviation chief executive David Carlisle. It has signed up Eurocypria as its first customer for the Aviation Footprinter system and is in "final negotiations with a number of other airlines".

Carlisle says the importance of submitting accurate emissions data cannot be underestimated because of the potential for airlines to secure free carbon credits: "Companies which have not prepared adequately could face lengthy and costly verifications or lose out on significant benefits of free carbon credits."



"We've been seeing a little bit of lateness on preparation and planning for emissions trading in the airline industry, which is understandable given the recession and the volcanic ash cloud," he adds. "In the airline business there's always something more important to do, but the underlying aspect of this is that it's a regulatory requirement and there are severe fines [for not complying]. However, these fines are chicken feed next to the potential for free emissions permits due to submitting accurate data."

Perhaps some of the heel-dragging can be attributed to a "wait and see" policy as airlines await the outcome of a legal challenge launched by the US Air Transport Association and three of its members - American, Continental and United Airlines - which argues that the inclusion of international aviation in the EU ETS is contrary to international law. The challenge is headed for the European Court of Justice, although no date has been set for a hearing.

### Key Court Decision

Simon Holden, an associate specialising in climate change legislation at law firm **Faegre & Benson**, says it is "50/50" which way the court decision will go. If the ECJ rules in favour of the US challenge, he believes this would delay the inclusion of US carriers in the EU ETS by "a minimum of two years, although it could take several years". He sees the challenge as a delay tactic: "The US is delaying things until they work out in their own mind where they fit - this is a breathing space tactic." If the challenge is successful, Holden believes that "rather than the EU trying to capture the US with legislation, there will be a big diplomatic effort".

Holden does not think similar legal challenges will be launched by other non-EU countries in the future, but this is disputed by Nancy Young, vice-president of environmental affairs at the ATA. "While it is very difficult to speculate on the outcome of litigation, we have a very strong case," she says. "And it is not only the airlines that hold this view; several countries from around the world have advised the EU that they too believe the unilateral application of the EU ETS to non-EU airlines violates international law."

The ATA is hoping the matter will be resolved by January 2012, the date from which aviation is to be included in the EU scheme. "Although our airlines already have had to take significant action to comply with the monitoring and reporting portions of the EU ETS requirements and have incurred and will continue to incur significant costs for that, the trading obligation will be many times more onerous," she says.

The ATA sees the EU's "extraterritorial action" as standing in the way of finding a global framework of measures and targets to reduce the impact of aviation on climate change. Young says emissions trading "may be one tool within" that, but points to a variety of other measures, including ATC modernisation, which can significantly cut emissions.

While the legal challenge rumbles on, Young says ATA member airlines are complying with the requirements, but have made clear "this is 'under protest' given the significant legal concerns".

Speaking at the recent ICAO Colloquium on Aviation and Climate Change in Montreal, Cathay Pacific Airways head of environmental affairs Mark Watson noted the significant work airlines have had to do to comply with the EU scheme. He says the rise of regional approaches to emissions trading "gives us cause for concern around things like added complexity and bureaucracy, just in terms of legal compliance and the management, reporting and verification effort required".

One of the concerns about the regional patchwork of emissions trading systems that appears to be emerging around the world is that airlines will be charged more than once for their emissions. Paul Steele, IATA's director aviation environment, and head of the **Air Transport Action Group**, says: "We are now looking for the legal framework for states so when they put together economic measures they are aligned and emissions from aviation are accounted for only once." ATAG continues to press for a global approach to tackle aviation emissions through ICAO.

Whether ICAO manages to obtain the global consensus needed to forge a worldwide emissions trading system remains to be seen. In the meantime, the inclusion of aviation in the EU ETS is less than two years away and airlines are being strongly advised to make sure they are as prepared as they can be if they want to minimise the impact.

As Carlisle points out: "No airline can afford to lose a penny more than it needs to. Some airlines will rely for their survival on free [emissions] credits and I'm not sure it's wise to leave it until the end of the year."

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