

## **AEF submission to CCC in the context of its call for evidence on the Fifth Carbon Budget**



1<sup>st</sup> June 2015

AEF works exclusively on the environmental impacts of aviation and our comments on this consultation are therefore limited to the future treatment of aviation emissions. CCC has, we believe, a critical role in the debate about the future sustainability of the aviation sector and we have always drawn heavily on CCC's analysis in our own messaging about aviation and climate change policy. The new Government will need to take a decision on two important issues in relation to aviation: whether or not to approve the construction of a new runway in the South East and whether or not emissions from international aviation and shipping should be included in carbon budgets. Consideration about how to account for aviation emissions has important implications for the discussion about airport capacity.

### Aviation emissions and the 2050 target

Perhaps the key advantage of including international aviation in carbon budgets would be to provide certainty in relation to what is currently a working assumption namely that aviation must be included in the 2050 160 Mt emissions target for the UK as a whole. This assumption forms the basis both of:

- (i) the CCC's advice that the Government should make a planning assumption that aviation emissions in 2050 are no higher in 2005 in gross terms than in 2005, and that the Airports Commission should conduct its analysis, specifically its economic analysis, on the basis of an assumption that air passenger growth does not exceed 60% of the level in 2005, and
- (ii) the need to include international aviation in carbon budgets as soon as practicable.

While the two recommendations are separate, they are therefore mutually reinforcing.

While currently legislated carbon budgets reflect the CCC's advice to allow headroom for aviation emissions in the long-term target, there are several reasons why it does not appear safe to us to assume that this assumption will hold in future.

- 1) Wording in the Government's Aviation Policy Framework, supposed to set out the environmental and economic framing principles within which future decisions including on airport capacity will be taken, states that aviation is not part of the long term target:

The Climate Change Act 2008 commits the UK to reducing its net greenhouse gas emissions by at least 80% below the baseline by 2050 ('the target'), and requires the Government to set five-yearly carbon budgets, establishing a path towards meeting that target. Emissions from international

aviation (and international shipping) currently do not form part of the target, as defined by the Act.

- 2) Carbon leakage concerns could, we fear, easily be cited as a reason to exclude aviation from the UK's 2050 target. The Aviation Policy Framework argues against taking action only at a national or regional level on the basis that this "has the potential to create the risk of carbon leakage with passengers travelling via other countries and increasing emissions elsewhere". The Airports Commission has similarly advanced arguments in relation to carbon leakage, namely that any restriction on UK airport capacity could in fact increase global aviation emissions as a result of people travelling more indirectly.
- 3) If approval were to be granted to a new South East runway – a question likely to be addressed by Government prior to consideration of the issue of aviation's inclusion in carbon budgets, the scale of the challenge in bringing UK aviation emissions to a level compatible with the long term emissions target is forecast to increase significantly, potentially increasing the attractiveness of seeking a reinterpretation of how to 'account for' aviation emissions under the Act.

The carbon leakage argument is, in fact, flawed on two levels we believe.

- (i) It assumes that other states fail to take commensurate action on aviation emissions at a national level (despite the focus of the upcoming UNFCCC talks on action by individual states, and despite all members of both the EU and the G8 having made long term economy-wide CO<sub>2</sub> commitments at least as stringent as those in the UK), and
- (ii) It could be applied as much to other sectors that are unambiguously covered by the Climate Change Act (such as manufacturing, which is traded, and agriculture, which is non-traded) as to aviation.

Regardless of how the CCC decides to proceed in relation to the potential inclusion of aviation in the fifth and future carbon budgets, we consider it critical that CCC clearly restates:

- the importance of aviation being included in the 2050 target,
- the fact that a 2050 emissions level of 37.5 Mt in gross terms is the maximum feasible level for aviation, and
- the value of including aviation emissions in carbon budgets as soon as possible.

Since Government approval for a new South East runway (which could come within months) would, the Airports Commission makes clear, make achieving these outcomes significantly more expensive and/or difficult, we very much hope that the CCC will make its views on these issues clear to the new Government as soon as possible. While we understand that the CCC is reluctant to become involved in what it considers a political question about new runways, we are currently concerned that the debate about new capacity is taking place

outside of the necessary climate framework and feel that the CCC's voice in this debate is critical.

### Inclusion of aviation in the fifth and future carbon budgets

We have always strongly supported the inclusion of international aviation emissions in carbon budgets and note that CCC made a strong and detailed case for inclusion in 2012 on the basis of the UK's share of the EU ETS cap. Following the introduction of 'stop the clock' legislation, which suspended application of EU ETS for all but intra-EU flights, the Government postponed a decision on inclusion of aviation and shipping until its consideration of the fifth carbon budget. We were therefore surprised not to see any questions on this issue in your current call for evidence.

We understand that the current policy situation complicates the question of an appropriate methodology for accounting for aviation in carbon budgets, although it is our view that these complications will have been removed prior to the commencement of the fifth carbon budget which begins in 2028. In fact, whatever the outcome of current policy discussions a solution can be drawn up to tackle emissions so there is no reason not to take a decision now to include them from 2028.

International aviation emissions are currently reported to UNFCCC annually as a memo to the UK's national total, based on emissions from all departing flights. UK domestic aviation emissions are already reported in the national totals. This reporting, consistent with the IPCC's guidelines, has always provided a potential basis for the inclusion of international aviation in carbon budgets. The methodology is complicated only by the need to account for any emissions that have been offset through a market-based measure (MBM). At the current time, this is likely to be the result of aviation's continued inclusion, in some form, in the EU emissions trading system (EU ETS), or ICAO's introduction of a global MBM. The following scenarios address potential approaches to accounting for aviation's net emissions in carbon budgets.

#### *Scenario 1: A global market-based measure*

ICAO is currently negotiating a global MBM with a proposal expected to go before the Assembly in 2016. If successful, emissions could be included in carbon budgets on the basis of the UK's share of the international baseline. (The UK's share can be determined by calculating UK emissions as a percentage of all international aviation emissions for any given year). UK data can be taken from the UNFCCC reporting requirements (which distinguish between domestic and international emissions – necessary because a global MBM will apply to international aviation only) and global data will be available from ICAO.

#### *Scenario 2: EU ETS continues and resumes its original coverage*

The current limitation of the EU ETS to intra-EU flights is due to end on 1 January 2017 when coverage will revert to emissions from all flights arriving and/or

departing from EU airports (pending a review and taking the outcome of the ICAO Assembly into account). If the ETS does “snap back” to its original coverage, emissions could be included in carbon budgets as planned by the CCC in 2012.

*Scenario 3: EU ETS continues with limited coverage*

In a situation where the EU ETS applies partially to flights departing from the EU, separate emissions data will be required for each component of the total emissions. For example, under the “stop the clock” rules, the EU ETS provisions apply to intra-EU departures only between 2013-2016. This will require a distinction in the data to be entered in carbon budgets between the proportion of UK departures for intra-EU flights and all other flights. In the absence of any specific emissions data, the intra-EU proportion for the baseline year can be modelled using actual flight data.

*Scenario 4: No market-based measure*

If no MBM exists in 2028, the need to account for net emissions is removed. The methodology for including emissions in carbon budgets should in this case reflect actual emissions based on all departing flights. As noted this is already the reporting requirement for the UNFCCC based on IPCC reporting methodologies and is already the basis for aviation’s inclusion in the Scottish Climate Change Act.