



AEF response to BEIS consultation on the future of UK carbon pricing

July 2019

The Aviation Environment Federation (AEF) campaigns for effective limits on the environmental impacts of the aviation sector. In responding to this consultation, we have confined our comments to the issues relating to aviation's proposed inclusion in a UK ETS. The aviation questions in Chapter 3 relate largely to the MRV provisions of a linked scheme. We note that BEIS is not seeking comments at this time on the consideration of wider issues such as allowing aircraft operators to use CORSIA offset units to meet all or part of their UK ETS obligations. We acknowledge that some international policy uncertainty still exists, but believe the relationship between aviation's inclusion in a UK ETS and ICAO's CORSIA warrants an early discussion and should be considered now. As the online template limits our ability to express these views, we have opted to set our comments in this written submission.

AEF supports UK carbon pricing as part of a package of measures needed to achieve emissions reductions in the aviation sector. We note that the Department for Transport already includes the BEIS cost of carbon figures in its aviation passenger and CO₂ forecasting, and that this is responsible for 10% of the estimated UK sectoral emissions reduction by 2050. Market forces alone will not drive the necessary carbon mitigation technologies and sustainable low carbon fuels that are required for aviation to play its role in a net zero future. In fact, there is strong evidence that aviation carbon prices will need to increase significantly to drive change at the pace required to meet our commitments under the Paris Agreement and our own domestic targets under the Climate Change Act, and that other measures, including new domestic policy, will be needed in parallel.

Overall, AEF is supportive of the Government's preference to create a UK ETS linked to the EU ETS, with the aim of being at least as ambitious as the EU ETS. In line with this, we are pleased that the consultation recognises that the EU ETS provides a higher level of ambition than CORSIA, and that complementary carbon pricing options will still be needed to work alongside ICAO's scheme from 2021. As the consultation notes, EU ETS applies to domestic as well as international (intra-EU) routes; has a more stringent, and from 2020 a declining, cap on emissions; focuses effort on emission reductions within the capped sectors rather than relying on international offset credits (in line with the CCC's advice on how the UK should deliver net zero); and using auctioning, applies a carbon price to a proportion of the emissions below the cap.

There is also uncertainty about the finalisation of the CORSIA package, notably the agreement of the list of eligible offset units. Through our role with the International Coalition for Sustainable Aviation (ICSA) we have been closely involved in CAEP's development of CORSIA's criteria for unit eligibility and are aware of the potential political

challenges ahead in getting Council to reach agreement on the Technical Advisory Board's recommendations later this year. In advance of this agreement, and the outcome of UNFCCC's Article 6 negotiations, it is difficult to form conclusions about the robustness and integrity of the offset units that airlines will be able to purchase, and whether we can be confident that these will be as effective in supporting climate ambition as allowances generated under the UK ETS.

Although the European Commission will review aviation's inclusion in the EU ETS after CORSIA's details have been finalised and agreed, AEF advocates that UK and EU carbon pricing policy should favour the continuation of ETS until such time as CORSIA can demonstrate that it has the same level of stringency.

We have no comment on the alignment of ETS and CORSIA provisions with regard to MRV arrangements and compliance periods. However, we note that the consultation states that BEIS *"will also consider whether an aircraft operator can use CORSIA eligible offset units to meet all or part of its UK ETS obligations once the international community has decided the list of programmes whose emissions units will be permitted for compliance under CORSIA."* This raises several concerns.

Policy developments in the EU ETS have sought to limit and subsequently exclude international offset credits as a means of compliance. This protects the climate ambition and avoids the cap being weakened. Similarly, the CCC has also advised that the UK's own net zero target should be met through domestic effort without reliance on international offset credits. The Government has indicated that it is minded to formally include the UK's share of international aviation and shipping emissions in carbon budgets at a future date. If the UK ETS permits the use of international offset units from CORSIA, these should not be counted for compliance purposes with carbon budgets.

Furthermore, any future consideration of CORSIA offset units should be undertaken in conjunction with the European Commission and EU member states. With EUAs currently trading at over 25 Euros per tonne, and CORSIA offset units likely to command a price below 5 Euros per tonne, any unilateral decision by the UK to include CORSIA offset units in the UK ETS would produce a significantly lower compliance cost for airlines when compared with the EU ETS. Given our earlier comments about the importance of maintaining an effective carbon price, such a move would clearly represent less ambition, and would certainly be seen as a backward step compared to today's carbon prices.

Looking beyond this consultation to the treatment of aviation emissions more broadly, for as long as international aviation emissions are not included in UK carbon budgets, a cap on actual emissions needs to be pursued through the DfT's forthcoming Aviation Strategy White Paper and other policies.