



AEF response to extending the UK ETS cap beyond 2030

April 2025

Introduction

Aviation Environment Federation (AEF) campaigns on aviation for people and the environment. Our focus is on aviation policy, relating primarily to climate change, noise and air pollution. Internationally, we are a lead member and representative of the NGO grouping ICASA (the International Coalition for Sustainable Aviation), which has observer status to the UN's International Civil Aviation Organisation (ICAO). We have played an active role in the discussions and agreement on CORSIA, and in the development of the EU and UK emissions trading systems.

Q1.1 Do you agree with the Authority's minded to position, as presented above, that the UK Emissions Trading Scheme should be extended into a Phase II to follow directly on from Phase I? - (Y/N) Please explain your answer.

Yes - We agree with the comments in the consultation that outline the importance of the ETS for incentivising decarbonisation across the UK.

For aviation, the UK ETS is the only current means of applying a more effective carbon price on the sector - carbon pricing is important to aviation's decarbonisation pathway both directly through increasing ticket prices, and as an incentive for investment in sustainable aviation fuel, zero/low emission aircraft and greenhouse gas removals.

Q2.1 Do you have a preference regarding the length of the post 2030-phase? - (Y/N) Please explain your answer.

Yes - 7 years. We see it as preferable to align the ETS with the timelines of the UK's carbon budgets. We would therefore be inclined to support a 7-year second phase with subsequent 5 or 10-year phases. Aligning with carbon budgets should make emissions reductions trajectories clearer and simplify the process of setting the ETS cap. For aviation, the sector is already indicating there are going to be major challenges around meeting the sustainable aviation fuel mandate, one of a limited number of government policies designed to reduce the sector's emissions. It is therefore important that the contribution of aviation to meeting carbon budgets is carefully monitored and the ETS is a key mechanism for this.

A 12-year phase would also align the ETS with carbon budgets, however a period this long would reduce the flexibility of the scheme and leave little room for adjustment prior to 2050. This is especially important for aviation, given that there is currently little sign of the sector's

emissions falling and under the Climate Change Committee's Carbon Budget 7 advice, aviation is expected to be the most polluting sector alongside agriculture. A shorter second phase is necessary to ensure that aviation emissions reductions are brought in line with an appropriate trajectory.

Q2.2 Beside the options outlined, are there other durations that should be considered for the length of Phase II? - (Y/N) Please explain your answer.

No - see reasons above

Q3.1 Do you agree with the Authority's minded to position to allow banking of allowances between phases of the Scheme? - (Y/N) Please explain your answer.

Yes - Following the case study of the EU ETS, allowing banking of allowances appears to be a sensible approach to preserve market stability. We agree with the concern outlined in the consultation that inter-phase banking could result in increased emissions during Phase II. We are pleased to see that the cap 'will tighten significantly' before the end of Phase I to combat this and welcome the approach of attempting to mitigate residual risk by accounting for banking when setting the Phase II cap. We would also suggest adding time conditions to banked allowances to decrease the risk of Phase I allowances significantly reducing the decarbonisation incentive in the long-term, whilst maintaining price stability.