

EU ETS AVIATION (EMISSIONS TRADING SYSTEM)

Failing to address the bulk of aviation emissions

Context

The EU ETS is a cap and trade system under which airlines (as well as industry and energy sectors) need to buy allowances to pay for their CO₂ emissions. The system has a decreasing amount of allowances to buy in order to encourage sectors to decarbonise. Only intra-EU flights were included in the scheme to give the UN aviation agency, ICAO, time to develop an international offsetting scheme ([Corsia](#)) to address extra-EU emissions. But the scheme [fails to encourage](#) emission reductions. Under EU ETS, airlines also get a number of free allowances, reducing the amount they need to pay for their emissions. In 2019, airlines received nearly half of their emission permits for free. This resulted in a benefit to airlines of around [€900 million](#).

What has the European Commission proposed?

The Commission is proposing to reform the EU ETS rules for aviation to try and address some unfair privileges the sector was benefiting from and start applying a more effective price on aviation emissions. But it unfortunately continues to implement Corsia, despite its lack of economic and environmental integrity.

- Phasing out free allowances for airlines by 2027 and reducing the number of allowances auctioned as of 2023 by applying an increased Linear Reduction Factor (LRF) of 4.2% (instead of 2.1%).
- Continuing to restrict the scope of the EU ETS to intra-EU flights, with outermost regions partially reintegrated in the scope (domestic flights to outermost regions are still exempt).
- Reintegrating as of 2027 emissions from flights to and from countries that don't apply Corsia when the mandatory phase starts.
- Applying Corsia on extra-EU routes and attempting to apply sustainability safeguards such as ensuring offsets are generated by countries party to the Paris Agreement and Corsia and not double counted towards their climate target.
- But these safeguards only apply to EU airlines and can be waived for routes to countries that don't respect these sustainability criteria.

What's good? What's not?

Despite removing some unfair pricing advantages, it fails to properly address the

bulk of aviation emissions – [over 60% of emissions](#) – which take place on extra-EU flights. [Corsia is the worst option for the climate](#) and should not be the main tool to regulate emissions on extra-EU flights. It's a cheap offsetting scheme that continues to allow aviation emissions to grow. It includes credits that don't actually deliver emissions reductions, risk being double counted and are mostly priced under €1. Even with the sustainability safeguards proposed, it still exempts some airlines from paying an effective price for over [80% of their emissions](#).

It also gives a free pass to airlines on flights to and from third countries that don't implement Corsia properly and therefore allows the EU to lower its own sustainability standards and climate commitments.

How should it be improved?

1) **Reintegrate extra-EU emissions**, at least departing flights, within the scope of the EU ETS. This would align with the scope of the Sustainable Advanced Fuels (SAF) mandate proposed in [ReFuelEU](#) and starts to address the biggest chunk of aviation emissions.

2) **Strengthen the price signal** applied to aviation by limiting the number of credits airlines can buy from the stationary ETS and applying CO₂ multipliers to compensate for non-CO₂ effects or the potential lack of a kerosene tax if the Energy Taxation Directive revision stalls.

3) **Ensure the revenue from auctioned allowances** as of 2026 is used to finance the deployment of e-kerosene

Don't forget...

Non-CO₂ emissions [represent two thirds of aviation's climate impact](#) but are not addressed in the proposal. By putting an effective price on aviation non-CO₂ effects, airlines and air traffic managers will be incentivised to use cleaner fuels that reduce these effects or climate optimise their route to avoid areas of the atmosphere with the highest risk of non-CO₂ effects.

What next?

The Directive must now be adopted by the Council and the European Parliament before becoming law, which should occur over the coming 12–18 months. Pressure from the aviation sector (EU-wide and globally) to water down the progressive parts of the proposal will be high. Third countries will also pressure European policy makers to not change the scope of the emissions covered by the ETS and have Corsia's cheap offsetting scheme apply on as many routes as possible.

Further information

Jo Dardenne, Aviation Manager
jo.dardenne@transportenvironment.org
Mobile: +32(0)475768431

