



Airlines may face €1bn carbon trading cost from 2012, at today's prices, says Point Carbon

British Airways to face biggest cost among EU airlines

London (22 July 2009)

The aviation sector could face a shortfall of 77 million tonnes of CO₂ when it enters the European Union's emissions trading scheme (EU ETS), according to a forthcoming report to be published by RDC Aviation the leading independent consultancy in aviation data modeling and Point Carbon, the leading provider of market intelligence, news, analysis, forecasting and advisory services for the energy and environmental markets.

To indicate the scale of the possible cost, at today's spot price, €14.40 per tonne of CO₂ (as at 21 July 2009), the cost to the industry would be over one billion euros (€1.1 billion). "Emissions trading will increase cost pressure on airlines. They will look to pass on at least some of this cost to passengers", said Andreas Arvanitakis, co-author of the report and a senior analyst at Point Carbon.

British Airways faces the largest shortfall of the EU-registered airlines at 3 million tonnes of CO₂ in 2012, equivalent to €43m at today's spot price for carbon. This is more than the total shortfall for all Spanish airlines. However, American carriers will face the largest bill. The scheme will cover all flights that land or take off within the EU, including those operated by companies registered elsewhere, so intercontinental flights are covered.

"The American carriers in the scheme will be the first sector in the US to be drawn into mandatory international emissions trading, even though it is implemented by the EU," Mr Arvanitakis said. "This comes just as an emissions trading bill is being considered by Congress and the Administration is engaging in international climate negotiations."

US airlines Delta Air Lines and United Airlines come in ahead of British Airways, with shortfalls of 3.5mt and 3.3mt respectively. Qantas and American Airlines come in with predicted shortfalls of 2.6mt and 1.7mt respectively.

In August the European Commission is due to publish the total number of allowances that will be available to the aviation industry as a whole when it enters the EU ETS in 2012, right up to 2020. The Point Carbon – RDC Aviation report calculates the cap that individual airlines will face and forecasts their CO₂ emissions.

Aviation is the largest new sector to enter the scheme since its inception and it will be the first international transport sector to have had its greenhouse gas emissions regulated in a carbon trading scheme.

Airlines are to be issued allowances based on how much weight they carry – including freight and passengers – and how far. "As low-cost carriers take passengers only and no freight, they face a relatively larger shortfall," said Peter Hind, Managing Director of RDC Aviation. "Many low-cost airlines have aggressive growth plans as well, which could increase that shortfall."

Ryanair alone would face a 2.8mt shortfall in 2012, ahead of all Spanish or all Italian airlines. EasyJet would be 1.8mt short. They come second and third respectively of all the EU registered airlines.

"Low-cost carriers with significant growth plans may be eligible for more allowances from a special reserve for new entrants and fast-growers," Mr Hind said.



The news is not all gloomy for airlines, however, as the bill they face could be considerably reduced if airlines make full use of their quota to import Kyoto offsets, such as Certified Emissions Reductions (CERs), generated by Clean Development Mechanism (CDM) and Emission Reduction Units (ERUs), generated from Joint Implementation projects (JI). Airlines may use up to 39m CERs and ERUs to meet their targets. In today's spot market for CERs, this would be equivalent to a discount of €1.50 per tonne, yielding a saving of €58.5 million. Savings could be even higher if airlines decide to invest in CDM projects directly.

Note to editors

- The Kyoto Protocol on Climate Change, which entered into force in February 2005, resulted in the launch of the EU's Emissions Trading Scheme (ETS). The EU ETS is the world's first international emissions trading scheme. It works on a cap - and - trade basis, where the total allocation is set at the start of a trading period.
- The European Commission is poised to publish its calculation of the baseline against which the cap on airline emissions will be set (by or on 2 August). It will go on to establish individual caps for the airlines in 2011.
- This report follows the methodology the EC will use, as published in the EU directive on the aviation trading scheme, to assess what cap each significant airline will face. As a starting point, it estimates the baseline, being the average of CO2 emissions from all the relevant flights over 2004 to 2006 inclusive. The report puts that baseline at 218 MtCO2.
- Aviation allowances (AEUA) will be created to 97% of that baseline for the year 2012. Then 3% of the allowances will be withheld for new entrants or fast growers. A further 15% of the rump is to be auctioned by governments.
- The Clean Development Mechanism is a function under the Kyoto Protocol where projects to reduce emissions in developing countries are awarded tradable credits, called Certified Emissions Reductions. These 'CERs' can be used by companies to meet their targets under the EU ETS, as well as by governments under the Kyoto Protocol.
- The costs in this press release are based on the spot price for EU allowances on 21 July, €14.40.

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About Point Carbon

Providing critical insights into energy and environmental markets

Point Carbon is a world-leading provider of independent news, analysis and consulting services for European and global power, gas and carbon markets. Point Carbon's comprehensive services provide professionals with market-moving information through monitoring fundamental information, key market players and business and policy developments.

Point Carbon's in-depth knowledge of power, gas and CO2 emissions market dynamics positions us as the number one supplier of unrivalled market intelligence on these markets. Our staff includes experts in international and regional climate policy, mathematical and economic modelling, forecasting methodologies, risk management and market reporting.

Point Carbon now has more than 15,000 clients, including the world's major energy companies, financial institutions, organisations and governments, in over 150 countries. Reports are translated from English into Japanese, Chinese, Portuguese, French, Spanish and Russian.

Every year, Point Carbon's Carbon Market Insights conferences gather thousands of key players for the carbon community's most important annual conferences. Point Carbon also runs a number of high-level networking events, workshops and training courses.

Point Carbon has offices in Oslo (Head Office), Kiev, London, Malmö, Tokyo and Washington D.C.

About RDC Aviation

RDC Aviation is a consultancy and software company whose primary business is in supplying advisory services to the air transport industry.

It was founded in 1999 to help airline and airport clients identify sustainable development opportunities for route networks through modeling of passenger markets, revenue forecasts and operating cost analyses. It now provides a wide range of services to the industry including having strong knowledge of the EU ETS and, in particular, airline emissions.

The company has extensive experience of low cost carriers, having been involved in the sector since 1999 when it advised the British Airways subsidiary Go Fly on route development options, a contract that continued beyond the integration of the carrier with easyJet.

In 2002 it issued the first "Low Cost Monitor" publication, an annual review of low cost airline operations in Europe. The series continues as an annual publication with the 2009 Monitor just released. Current products, services and reports of RDC Aviation are taken by several carriers in the sector including British Airways, KLM, Ryanair, easyJet, Wizz Air, Norwegian, bmibaby, ELFAA, Jet2, Sky Europe, Flybe and XL.de.