

**Cleaning up aviation – The Netherland’s Role**

Climate change is a great challenge for the Dutch people, not just from rising seas, but because like my home country Australia, both are very high GHG emitters per capita. Shipping and aviation – my area of focus – comprise about 25% of Dutch emissions. In just a few decades Schiphol has grown to become the biggest airport by movements in Europe and KLM is ranked #12 airline internationally by RPKs – rather surprising for a country whose population ranks #66 globally and when some 460 airports serve Europe’s population of 500 million. KLM’s transit/transfer traffic – up to 80% according to the airline’s website – is a central issue. Profit per passenger in Europe is some €8 – about the price of a coffee in the transit lounge but at a cost of about half a ton of CO2 to get them there and onward. Europe has put outbound aviation emissions in its 2030 NDC under the Paris Agreement. Dutch outbound emissions should be included in your new climate law. “You break it, you own it’ as the saying goes.

But the airline industry, ICAO and successive governments have rigged the system. These “international emissions” no-one wants to own, have been sent over to ICAO for a collective fix – the CORSIA. Offsetting in other sectors is to be the solution leaving aviation and its fuel burn to grow unabated. The CORSIA will at best offset 6%[[1]](#footnote-1) of cumulative CO2 emissions between 2015 and 2050 – evidently a mere detail. ICAO and its member states denied most recently as last June in Singapore that the Paris Agreement applies to aviation, yet the Netherlands supported a landmark agreement at the IMO last April to reduce ship emissions globally by at least 50% by 2050. We need similar ambition on aviation globally and here in Europe to tackle both CO2 and the non CO2 impacts – NOx, contrails and cirrus etc at altitude that daily warm the planet more than all the accumulated aircraft CO2 since the Wright Bros.

There is an immediate challenge about Europe’s ability to act. The aviation sector and some other states are pressing to see the aviation ETS dismantled and replaced by the CORSIA. Such a decision would seriously undermine Europe’s ability to reduce the climate impact of aviation and constitute illegal backsliding under the Paris Agreement. Offsets do not count towards the EU’s 2030 target. EU member states including the Netherlands have until 30 November 2018 to agree and implement a Union proposal that would see Europe reserving its position and filing a difference with ICAO on the CORSIA rules. Only by doing so can Europe - and the Netherlands – maintain the independent legal right to fight aviation climate change. Failure to do so risks airlines sueing the ETS out of existence.

The ETS is not perfect, but it caps aviation emissions and the cap gets progressively lower from 2021. Allowance prices are finally starting to rise and hold the prospect of sending a price signal. The CORSIA aspires to achieve carbon neutral growth but the offsetting and sustainable alternate fuel criteria are seriously lacking and face little prospect of getting better. With CORSIA offsets priced at 25cents there is no signal. Only 2% of CDM projects are likely to have environmental integrity[[2]](#footnote-2). Washington and the Saudis enabled fossil fuel to be classified as sustainable by ICAO if refineries are fitted with solar panels.

So what to do in the Netherlands and specifically at Schiphol?

Firstly, address the growth by stopping the subsidies. $60 billion globally from the fuel tax exemption alone. €40billion in Europe on no fuel taxes or VAT. The CORSIA will hardly cost airlines $2-3 billion. The Commission must ban the countless millions spent every year on state aid to the likes of Ryanair who pull out of Eindhoven when the staff refuse to be pushed around. Consideration is being given in The Hague to an aviation tax. Our strong preference is for a fuel tax in Europe to complement the ETS – it can be done under existing legislation (Energy Tax Directive) by applying a de minimis provision which overcomes the problem of tax exempt foreign carriers. European Governments need to push hard and we hope the Netherlands will be in the forefront. The European rules on VAT are being reformed to agree a definitive VAT regime by 2022. The VAT exemption for aviation could be abolished by then but again it will need countries like the Netherlands to build a concerted political will.

More immediately, a per-plane tax in the Netherlands can address today’s circumstances by incentivizing high load factors, better environmental performance and aircraft phase-outs. The tax can be set to incentivize CO2, noise and NOx reductions adjusted by a distance factor. Ticket taxes on the other hand are essentially a revenue raiser with no environmental impact other than on demand. And the need to exempt transfer/transit traffic weakens such a measure at Schiphol very significantly. Both Sweden and Norway have been applying ticket taxes but are seriously looking at alternatives with a better environmental impact. We urge you to see that a per-plane tax starts in 2020 and that you engage with the Netherlands’ neighbours about doing the same.

Airport expansion across Europe is now heavily constrained on environmental, noise, air quality and climate change grounds. In the Netherlands, the simple fact is that there is ample existing airport capacity to cater for current and future origin/destination demand. Over its long and successful history, KLM has built up an impressive network of connecting traffic when home demand was small. But today’s world calls for a new approach with climate and pollution issues to the fore. Slots are scarce and need to be auctioned and made best use of by deploying larger aircraft. €9.99 low cost fares will generate little profit for the carrier. The Dutch will be the loser - clogged airports, more pollution and lower GDP.

As to the future, addressing aviation’s climate change impacts now rests pretty squarely on governments and legislatures such as yours. Airbus and Boeing have captured ICAO and its member states into taking a purely technology following approach to aircraft standards. IATA and A4E, its European arm, fully support manufacturers in this approach, while Europe incomprehensibly tied its hands from exceeding ICAO environmental standards when needed. Gains from technology and new designs are getting smaller and smaller, harder to achieve and ever more costly. Today’s aircraft designs will essentially still be around for another generation and the focus meanwhile prioritises glorious profits to be made beefing up today’s technology to look like tomorrow’s. Electric aircraft are too speculative and too far into the future. Besides, you wont like the noise one bit.

The solutions are now nearly all political. Price aviation fairly to tackle the growth. Apply the polluter pays principle via the ETS and taxation. Governments need to fix the shambles of air traffic control in Europe. And most importantly, implement a process starting in Europe to decarbonize aviation based on low/zero carbon fuels. There is indeed a role for biofuels in this. Not the stuff we burn irresponsibly in cars today. Not palm oil from Sumatra. Not the greenwash criteria cooked up in ICAO for the CORSIA. But advanced sustainable biofuels from wastes and residues – produced under very strict sustainability criteria agreed in Europe. We estimate 10-15% of future European aviation demand could be supplied by such fuels. But only if people buy the stuff. KLM and others won’t because of the high price. The answer is not more subsidies that the industry love. It’s to have a Europe-wide mandate that requires all aviation fuel suppliers to produce and only sell fuel that has a progressively lower carbon content.

Start with sustainable advanced biofuels and move quickly to mandate drop-in zero-carbon electrofuels if produced according to strict criteria around renewable sources. If KLM and partners lead the way producing the stuff for starters in Amsterdam, all fuel suppliers should be required to buy a share through some sort of a credit system and as production expands around Europe all fuel sold will bear an equal price premium – applied to all carriers fuelling up for outbound flights. Ticket prices will rise slowly and passengers will pay the premium – as they should. Under this scenario, the rising cost of fuel will address demand growth while the sector decarbonizes. There is a role for governments to get this new aviation e-fuel industry off the ground. A good place to start might be the $8billion EU ETS Innovation Fund targeted at refineries and the renewables industry. It gets its revenue from ETS allowances sold by governments – so from polluters. That’s nice. The NER400 starts shortly.

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1. https://icsa-aviation.org/wp-content/uploads/2018/06/ICSA-views-LTG-June-2018.pdf [↑](#footnote-ref-1)
2. Oeko-Institut (2016): „How additional is the Clean Development Mechanism?” study prepared for DG CLIMA - European Commission [↑](#footnote-ref-2)