

## Opinion letter

**Published in the South China Morning Post on Tuesday 27 September 2011**

As we approach 2012 the attention of the aviation world is focused on Europe with its misguided plans to bring international aviation into its emissions trading scheme (ETS). It is a \$1.2 billion mistake that neither the industry nor the environment can afford.

Aviation is committed to environmental responsibility. Alongside safety and security, it is a top priority. In 2009 the aviation value chain agreed to the most ambitious targets of any global industry—improving fuel efficiency by 1.5% annually to 2020, capping net emissions from 2020 and cutting net emissions in half by 2050 compared to 2005.

These targets are challenging. Aviation represents 2% of manmade CO<sub>2</sub>. This year airlines will emit about 650 million tonnes of carbon while safely carrying 2.8 billion passengers and 46 million tonnes of freight. This activity supports 33 million jobs and facilitates \$3.5 trillion of global business. By 2050, we estimate that the global economy will require air transport to handle 16 billion passengers and 400 million tonnes of cargo. We aspire to do that while cutting our carbon footprint in half to some 320 million tonnes.

Green business is good business. Fuel savings, which go hand in hand with emissions reductions, are business critical. Aviation's 2012 fuel bill is expected to top \$200 billion. Saving even 1% reduces costs by \$2 billion. That is considerable motivation given the \$4.9 billion profit forecast for a paltry margin of just 0.8%.

Aviation has a clear plan. The industry has agreed—and the International Civil Aviation Organization (ICAO) has endorsed—a four pillar strategy based on improved technology, efficient infrastructure, better operations and positive economic measures. This is a global approach by a global industry to solve a global problem. A fair and global emissions trading or compensation scheme under the leadership of ICAO could play an important role.

Europe's ETS plans do not measure-up. There is no requirement for any of the monies collected to be invested in environmental initiatives. And the regional approach distorts markets. A non-stop flight from Hong Kong to London would pay ETS costs for its entire journey. But changing planes in Moscow, Dubai or Istanbul means ETS costs only apply to the last leg of the journey.

But the show-stopper could be that many states view this extra-territorial action as an attack on sovereignty that contravenes international law. The colonial days when Europe imposed taxes outside its border are over. China, India and the US are among the states speaking out. Moreover the US is processing a bill to make it illegal for its carriers to participate in the scheme.

Kudos goes to Europe for raising environmental awareness. But the relentless determination to implement a flawed regional ETS is dividing the world just when we need unity. It's time for Europe to focus on a Plan B that supports ICAO's commitment to develop a global framework for economic measures by 2013, the principles for which are already agreed.

While the ETS debate is grabbing headlines, it is important to keep the big picture in mind. Aviation's long-term vision is to reduce emissions, not pay for emissions trading

permits. Economic measures are a medium term tool until technology, operations and infrastructure solutions are fully developed.

Governments share responsibility for success on all four pillars of our strategy. And with respect to economic measures, Airlines should not pay for emissions that could have been avoided with government policies supporting more efficient infrastructure and low-carbon technology.

Hong Kong is home to one example. It is well known that the crowded airspace in the Pearl River Delta could be managed better to save emissions, time and costs. The solution—which is progressing—can only be achieved by governments working together.

We are thinking even bigger. Asia-Pacific is already the biggest aviation market in the world and growing fast. To keep pace, the region's air traffic management system will come under increasing pressure. Europe divides management of its airspace among more than 30 air traffic control fiefdoms. Quite frankly it's a mess that costs the environment over 16 million tonnes of CO<sub>2</sub> annually. Europe is now struggling to deliver a decade's delayed Single European Sky project to rectify the system.

Asia should not repeat the same mistakes. The solution is a Seamless Asian Sky that will accommodate growth with a regional approach to air traffic management. And the time to act is now—before the problem becomes critical.

But the biggest advances on environment will be in technology. Airlines are investing \$1.3 trillion in new aircraft that will bring generational fuel efficiency improvements of 15 to 20%. But even more promising is the potential for sustainable biofuels.

These will be a game changer. Over their lifecycle, sustainable biofuels from crops such as camelina, jatropha and algae could reduce our carbon footprint by up to 80%. Already, through the work of airlines, manufacturers and some entrepreneurial businesses, biofuels have carried commercial passengers on at least six airlines.

Two major hurdles stand in our way of achieving commercialization at competitive prices. First, big oil needs to invest. And second, governments must develop positive economic measures to facilitate the fiscal and legal frameworks for their success. The benefits go well beyond aviation. Sustainable biofuels could provide enormous economic opportunities even in the most desolate of terrains or harshest of climates.

China is moving in the right direction. Air China, Boeing and Petro China are working together on a bio-fuels program. Their combined resources make this a significant step forward and potentially a model of cooperation for others to follow.

Airline leaders are meeting today in Hong Kong at the Greener Skies conference to discuss the way forward. It will surely send a strong message to Europe on the folly of its ETS plans. But the even more important outcome will be furthering the understanding by governments of the need for strategic decisions to support the growth of green economies that build on aviation's ambitious commitments.

Tony Tyler  
Director General and CEO  
International Air Transport Association