



IATA Position Paper on the 2026–2027 Review of the EU Emissions Trading System

The International Air Transport Association (IATA) represents over 370 airlines and more than 85% of global air traffic. The European Commission is undertaking a review of the EU Emissions Trading System (EU ETS). Given its interaction with ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the review will have tangible implications for the sector's decarbonization ambitions and associated compliance costs. In particular, the review comes at a pivotal time as CORSIA concludes its First Phase (2024 to 2026), during which the sector's compliance will help achieve the International Civil Aviation Organization's (ICAO) Carbon Neutral Growth (CNG) objective. Furthermore, from 2027, several major economies are expected to join CORSIA and bring the amount of annual total international aviation CO₂ emissions covered under the scheme to an estimated 85%.

The review also presents the appropriate platform to consider other solutions that can be adopted to maximize CO₂ emissions reductions and incentivize the production and adoption of sustainable aviation fuels (SAF).

Key asks

IATA looks forward to continuing working with EU authorities, Member States, and other stakeholders to ensure that the current review of the EU ETS, and its related sub-legislations, deliver on the following key industry asks:

1. **Ensure full and unified implementation of CORSIA.** This concerns both:
 - a. **The full implementation of CORSIA on all international routes**, including intra-European Economic Area (EEA) international routes, while also importantly refraining from the expansion of the EU ETS to cover departing flights from Europe, and
 - b. Avoiding the imposition of additional restrictions for use of CORSIA Eligible Emissions Units (EEUs).
2. **Harmonize flexibilities** offered to fuel suppliers to meet their supply obligations under ReFuelEU Aviation (RFEUA) by **allowing purchase-based claiming of SAF** under EU ETS within the EU without geographical attribution.
3. Strengthen the EU's SAF investment, production and use framework by **increasing the volume and duration of the SAF allowances scheme.**

Ensure full and unified implementation of CORSIA on all international routes

IATA reiterates its full support for CORSIA as the **only global market-based measure (MBM)** for international aviation. CORSIA is the result of multilateral negotiations and consensus, designed to ensure environmental integrity while preserving a level playing field in a uniquely global and interconnected industry.

Although both put a price on carbon, it is important to note the key differences between CORSIA and the EU ETS, as well as their respective objectives. CORSIA is designed to deliver ICAO's CNG objective from 2020 by purchasing and canceling verified emissions reductions and removals in the form of CORSIA Eligible Emissions Units (EEUs) through a market-based approach. Naturally, the cost-effectiveness of climate action and the financial impacts it would have on the air transport industry are fundamental design considerations of CORSIA. The industry is expected to offset over 200 million tonnes of CO₂ emissions during CORSIA's First Phase (2024-26) at a cost to airlines of USD 4 to 5 billion. This climate finance funds carbon projects in host countries (where the projects are located) directly and satisfies the rules of the Paris Agreement. The EU ETS, on the other hand, is a cap-and-trade mechanism that puts a price on carbon, which is meant to increase gradually over time. The progressively higher price encourages those subjected to it to find less carbon intensive alternatives in their various activities. However, as SAF is currently only available in very small quantities and at a price at least 3-4 times higher than conventional aviation fuel, airlines are subjected to both the costs under the EU ETS and the cost of the scarce product. The



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higher costs divert funds from the objective of maximizing CO₂ emissions reductions – an outcome that can only be acceptable if the ETS revenue thus collected from airlines is earmarked for programs that increase the availability of SAF and reduce its cost. It is estimated that between 1.2 and 2.1 billion tonnes of CO₂ emissions will be offset through CORSIA until 2035, resulting in climate finance of between USD 70 and 120 billion, paid by airlines. With the right benefit-sharing arrangements, CORSIA can work synergistically with the host countries' climate ambitions under the Paris Agreement. **Failure to implement CORSIA fully on all international routes, in favor of the regional market-based measures like EU ETS, directly puts ICAO's CNG at risk, denies host countries climate finance, deprives them of the synergies with their Nationally Determined Contributions (NDCs), and expunges all socio-economic benefits that accompany these.** Moreover, regional derogations from the approved multilateral system create a fragmented and duplicative regulatory environment that runs counter to the objectives of the Chicago Convention and ICAO's global approach to addressing international aviation emissions, and also is in direct opposition to ICAO's Doc 8632 on ICAO's Policies on Taxation in the Field of International Air Transport. Such fragmentation undermines ICAO's standing as the global overseer of civil aviation, imperils the multilateral rule-based system governing international air transport, and will shrink the global air transport network.

Furthermore, any expansion of the EU ETS to cover departing flights from Europe would reignite long-standing legal concerns about the extraterritorial application of EU law and threaten the competitive position of the EU aviation industry. The EU and its Member States played a key role in establishing CORSIA and actively continue to improve it. Therefore, they also bear the responsibility to implement CORSIA in its entirety, through preserving its effectiveness and universality. This is critical to its overall climate impact, environmental integrity, and success at a critical stage of its delivery.

Avoiding the imposition of additional eligibility restrictions for the use of CORSIA EEU's

Internationally adopted ICAO and United Nations Framework Convention on Climate Change (UNFCCC) standards are fundamental to safeguarding CORSIA's environmental integrity. Introducing additional requirements would imply unilateral European action that risks undermining global confidence in CORSIA and jeopardizing its long-term impact. Creating a system in parallel is to deliberately introduce competitive distortions for European carriers, undermining the level playing field that CORSIA is designed to ensure. Any additional eligibility restrictions that constrain the supply of EEU's and thereby increase their price would affect only European carriers, limiting their ability to comply with CORSIA and raising their exposure to penalty risks. Combined with existing EU ETS compliance obligations, these elevated CORSIA compliance costs would place European carriers at a substantial competitive disadvantage.

Predictable and stable rules are essential to ensuring carbon market liquidity and bringing long-term investment. Carbon projects typically require long development cycles – often four to five years – from initial design and methodology approval to securing financing and ultimately generating and issuing credits. Developers and investors make commitments based on today's rules and their reasonable expectations of future eligibility. When standards, methodologies, or eligibility criteria change unpredictably during this period, projects already underway can become non-viable, undermining both investor confidence and the support that these projects provide to host countries.

Given these considerations, IATA recommends amendments to Article 11a of the EU ETS Directive (2003/87/EC) in its current review to remove the requirements for the Commission to propose additional criteria for CORSIA EEU's. The additional criteria are inconsistent with the need for global harmonization and risk undermining the integrity and effectiveness of CORSIA as an international mechanism. **Given that all EU Member States have adopted CORSIA under ICAO, imposing additional EEA-only requirements would contradict their international commitments and weaken the credibility of the EU's support for globally harmonized climate measures.**



Harmonizing flexibilities between EU ETS and RFEUA by enabling purchase-based claiming of SAF under EU ETS

There is a regulatory asymmetry between the flexibility that fuel suppliers benefit from regarding their obligation to supply SAF under RFEUA, and the lack thereof regarding aircraft operators' ability to claim the environmental attributes associated with SAF supplied under the EU ETS. To correct this disparity, aircraft **operators must be allowed to claim the environmental attributes of SAF physically supplied anywhere within the EU based on purchase records, irrespective of whether the operator physically operates** at the point of supply or not. Allowing this will also help address the practice of fuel suppliers adding a margin relating to their RFEUA costs to the price they charge airlines, observable compared to prevailing market prices. This practice reduces the cost effectiveness of the policy and ultimately also the total amount of emissions reductions. Moreover, airlines pay these higher prices without any guaranteed actual SAF supply, nor any certainty that they will be able to claim the environmental attributes of the SAF they paid for. IATA considers amendments to the EU ETS Directive (Directive 2003/87/EC, for example, Article 3c(6)), as well as the relevant provisions in Implementing Regulation 2018/2066 (Articles 53a and 54a), to be essential. In addition, full extension of the Union Database (UDB) to aircraft operators is needed to allow for simultaneous tracing of both the movement of physical supply of SAF and its environmental attributes.

With these amendments, airlines would be able to purchase SAF with greater confidence, knowing that the associated environmental attributes can be reliably claimed. At the same time, SAF producers and suppliers would gain access to a broader pool of customers, improving offtake certainty and overall bankability. Importantly, purchase-based claiming of SAF is the first step to enable a book-and-claim system for SAF in the EU. Such a system constitutes essential market infrastructure for developing an open, liquid, transparent, effective, and well-governed SAF market in the EU. IATA will proactively continue to collaborate with the European Commission (EC) and other EU institutions to accelerate the delivery of this system in the EU, which has benefits that far exceed those pertaining to the decarbonization of air transport, notably in terms of the region's overall energy security, independence, and supply.

Strengthen the EU's SAF investment, production, and use framework by increasing the volume and duration of the SAF allowances scheme

It has been a welcome acknowledgement of SAF market realities that allowances have been set aside for aircraft operators. However, it is limited in time and size, and fails to provide sufficient financial support to bridge the cost gap between SAF and conventional jet fuel, nor does it offer long-term investment security for SAF producers.

Given the complete phase-out of free allowances from 2026 (which provided nearly 27 million allowances to airlines between 2024 and 2025), the 20 million SAF allowances account for only a small portion of what airlines need to surrender under the EU ETS. For context, airlines acquired over 315 million allowances between 2013 and 2024. In 2025 alone, airlines are expected to have purchased around 50 million allowances, increasing to almost 60 million in 2026 – potentially implying about EUR 5 billion in compliance costs. Consequently, the SAF allowances would cover only 4-7% of estimated annual demand between 2024 and 2030, and less than 5% over the entire scheme period. Therefore, **to enhance the potential of the scheme to strengthen SAF investment, SAF production, and use of SAF in Europe, the overall volume of SAF allowances should be increased, and the duration of the scheme should be extended. Further benefits would be derived from a simplified system for claiming the SAF allowance. These enhancements would support the increased airline purchases of SAF beyond RFEUA.**