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Comments from the International Air Transport Association (IATA) on the Consultation on the Memorandum Proposal for regulatory amendments to implement changes to the EU ETS

The importance of international alignment and further clarification on technical terms

International Air Transport Association (IATA), the trade association for the world's airlines represents over 300 airline members and accounts for 83% of the total global air traffic. IATA supports many areas of aviation activity and helps to formulate industry policy on critical aviation issues to drive a safe, secure, and a sustainable industry. For more information on IATA and its work, you can visit www.iata.org

Guiding principles on EU ETS revision

IATA understands that the *Proposed regulatory changes to implementing changes to the EU ETS* ("The Sweden EU ETS proposal", hereinafter) under consultation is the national legislative step Sweden takes to implement the EU ETS Directive and reflect the changes adopted in February 2023. Therefore, IATA's position remains unchanged: IATA believes EU ETS should be guided by three main considerations: the compatibility of the EU regime with international commitments of EU Member States; the overall mitigation in CO₂ emissions; and the importance of preserving the competitiveness of airlines and minimizing market distortions. By applying those principles to the Sweden EU ETS proposal, IATA would like to register the following concerns to guide future revisions.



Application scope: No proper implementation of CORSIA

CORSIA should apply to intra-EU international flights

IATA noted that the Sweden EU ETS proposal fails to properly implement CORSIA. This is not aligned with international commitments of Sweden. This will undermine multilateral efforts to deal with emissions from international aviation, and it is discriminatory. It is widely recognized and reiterated in ICAO Assembly Resolutions that CORSIA is the only global market-based measure to address international aviation emissions, which means, CORSIA should be applied to intra-EU international flights, but not EU ETS.

Exemption of international flights between EEA and LLDC and states with low levels of air traffic

In addition, the proposal lacks clarity on the application scope of Sweden's EU ETS post-2026. IATA is concerned to see that the proposal does not mention the EEA flights to and from:

- Land-locked developing countries
- The countries which have less than 0.5% of air traffic

As per CORSIA SARPs, those flights, together with the EEA flights to and from the small island states and least developed countries are exempted from CORSIA applications, unless those countries volunteer to join CORSIA. IATA suggests that the proposal explicitly excludes those flights from the EU ETS application and should be aligned with CORSIA's exemption criteria.

CORSIA-eligible emissions units

For CORSIA compliance, IATA strongly urges Sweden to accept all the credits defined by ICAO Council as CORSIA eligible emissions units recorded in ICAO Document titled "CORSIA eligible emissions units", without any derogation that is included in Art 11 8(a) of the EU ETS Directive.

Phase out of free allocations has no real environmental effects

The phase-out of free allocations will unavoidably increase the compliance cost of aircraft operators under EU ETS. This would divert industry resources that could otherwise be invested to mitigate the overall climate impact of aviation. It is important to underline that modifying the share of allowances auctioned will not have any impact on CO₂ emissions. In a cap-and-trade mechanism, the environmental benefit is defined by the cap, not by the level of auctioning.



Non-CO₂ effects

The Sweden EU ETS proposal requests the aircraft operator to monitor and report non-carbon dioxide effects under EU ETS from 1 January 2025. In IATA's view, including non-CO₂ provisions in the EU ETS at this stage would be premature. There is a high risk of such policy measures creating significant market distortions, adding operational complexity, reducing connectivity, and producing negative climate-related trade-offs and externalities in the absence of accurate measurements and commercially available solutions. For example, derating thrust can reduce NO_x emissions significantly during take-off and climb but reduced climbing gradient can prolong climbing times, causing increased fuel consumption and noise. Any non-CO₂ avoidance needs to ensure that it does not come at the price of higher CO₂ emissions. IATA believes, the primary focus now should be on identifying tools and methods to help improve scientific understanding of non-CO₂ climate impacts and assessing the feasibility of deploying instruments and systems to measure and relay in-flight parameters.

Definition of "eligible aviation fuel"

The Sweden EU ETS proposal revision lacks clarity on the definition of eligible aviation fuel. The proposal shall explicitly list the scope of eligible aviation fuels. Prior to EU ETS amendment, neither the term "sustainable aviation fuel" (SAF) as used by CORSIA nor the term "eligible aviation fuel" were implemented in the EU ETS legislation, particularly in its monitoring and reporting regulation (MRR). From 2022, the EU ETS MRR aligns the requirements on biomass and biofuel monitoring with the requirements of Directive 2018/2001 on the promotion of the use of energy from renewable sources, the so-called REDII. IATA urges the Sweden EU ETS proposal to specify the fuel types that would be identified as "eligible aviation fuel" and its relevance to the biofuel, as regulated in the previous EU ETS Directive. Also, considering the close interlinkage between different pieces of EU legislation on eligible aviation fuel, IATA urges full alignment of eligible aviation fuel under EU ETS with the recently agreed ReFuelEU aviation regulation.

Reporting of eligible aviation fuel under EU ETS

IATA appreciates 20 million of the total quantity of allowances shall be allocated to the use of sustainable aviation fuel under EU ETS. Understanding the intention of those free allocations is to bridge the price differential between the use of fossil kerosene and eligible aviation fuel, we believe the reporting requirements should be further tailored to facilitate aircraft operators' application of free allocation. One of the challenges we foresee is the possibility of disclosing commercially sensitive information, i.e., SAF procurement price. The requirement of such could easily lead to market distortion, especially taking into account that each aircraft operator would have different negotiation power and would end up with a different deal when it comes to SAF procurement. To address this point, IATA is of the view that the allocation of free allocations should be based on the volume the aircraft operator uplifted, irrespective of the price associated therein.



We thank you in advance for taking these comments into account. If you have any questions or concerns, please don't hesitate to contact us at IATA.

A handwritten signature in grey ink, which appears to read "Catrin Mattsson", with a long horizontal flourish extending to the right.

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