

# EFFECTS OF INCLUDING THE AVIATION SECTOR IN EU ETS FOR UKRAINE

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In 2003 the European Emissions Trading System (EU ETS) was implemented. But despite the fact that this scheme imposed tough duties on European industrial enterprises, it was blamed for supporting such polluting areas as maritime and aviation sectors which were not included in the EU ETS [1, 2]. Today the aviation contributes only about 3% of overall greenhouse gas emissions but it is important to take into consideration the fact that aviation is developing rapidly. The report Reducing the Climate Change Impact of Aviation forecasts that emissions from all international flights from European airports will increase by 150% since 1990 until 2012 [1].

In our research we have analyzed the potential effect of the including aviation sector into the European Union Emissions Trading System for Ukraine.

In order to reach 20% decrease of greenhouse gas emissions reduction within EU it was decided to include aviation into the Community scheme for greenhouse gas allowances trading. A new document was issued in 2008: Directive 2008/101/EC (the Directive), that was an amendment to Directive 2003/87/EC, which established a scheme for greenhouse gas emission allowance trading in EU. In 2009 the EU Directive 2008/101/EC was adopted and led to the implementation of the EU ETS principles in the aviation area. It was considered that aircraft operators have the most influence and control over the aviation operations and types of planes used. Therefore, they should be responsible for imposed obligations and such actions as preparing monitoring plans and monitoring greenhouse gas emissions according to submitted documents.

Under the rules of the Directive, from the year 2012 all commercial flights departing from and arriving at EU airports will be included in the European Emissions Trading System [2]. There are some exceptions such as commercial operators which perform fewer than 243 flights per year or with total annual emissions lower than 10 000 tonnes [2]. Each aircraft operator is to be regulated by a Member State in questions of all their activities and operations to, from and within the EU. At that it is important to mention that each Member State is responsible after a number of aircraft operators whose emissions in a base year were the most attributable to the EU Member State.

The quantity of allowances for aviation is counted on the base of the mean average of the annual greenhouse gas emissions from the aviation activity within the EU in 2004, 2005 and 2006 years. Two periods of ETS are indicated: the first one refers to the last year of the first Kyoto's protocol commitment period, 2012, and next period will begin from 1 January 2013. Consequently, for the first period there will be allocated 97% of the historical aviation emissions; whereas, for the next periods the amount shall be 95% of the historical aviation emissions multiplied by the number of years in the period [2]. Though, in the future the total quantity of allowances is supposed to be diminished, at least the Commission saved its right to review the percentage. The allocation of allowances for aviation will be done through auctioning: in the first period there will be auctioned 15% of allowances (this amount can be substituted with CERs and ERUs in 2012) and in the next periods the percentage of allowances may be increased and almost for sure will be. Another 3% of allowances constitute a special reserve for specified objectives, such as new players and large increase in aviation activity.

Another important step for aircraft operators is to apply for allocation of free of charge allowances through submitting the verified information for the monitoring year. The monitoring plan should have been submitted until 31 August 2009. There is a large probability that small Ukrainian operators failed to submit documents on time as some part of the European aircraft operators did. To avoid too complicated situation with late monitoring plans Member States' authorities put off deadlines to give another chance to aircraft operators who were late.

More than 40 Ukrainian aircraft operators are to be involved in EU ETS, unless some of them could prove that their activities fall under allowed exceptions. Thus, Ukrainian aviation will also have to comply with the Directive 2008/101/EC and participate in the EU ETS.

From the 1<sup>st</sup> January 2010 a monitoring period has started. Therefore, aircraft operators had to start monitoring according to the submitted plan. Results of specialized interviews conducted for this study, showed that the effects of the introduction of Ukrainian aviation sector to the EU ETS will be the following:

- Update of the Ukrainian aircraft fleet;
- Improvement of the greenhouse gas emissions monitoring system;
- Increase of flight efficiency within aircraft operators flights (raise of number of passengers per flight);
- Raising up the amount of interline agreements between different aircraft operators;
- Some raising up of prices of flights and consequently of ticket prices;
- Decrease of number of flights to EU airports;
- Growth of number of international flights in the Ukrainian airports as intermediary stopping for long distance flights.

Therefore, introduction of the aviation sector in EU ETS will significantly effect Ukrainian aviation sector and requires today attention not only from the business but from the government as well.

## References

1. Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the regions. Reducing the climate change impact of aviation. – Brussels, 27.9.2005.

2. Directive 2008/101/EC of the European Parliament and of the Council of 19 November 2008 amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community.