

Public Consultation on EU emissions trading system - updated rules for aviation

Fields marked with * are mandatory.

Introduction

Transport accounts for a quarter of the EU's greenhouse gas emissions, and is still growing. As stated in the 2019 [European Green Deal](#) communication, to achieve climate neutrality, a 90% reduction in transport emissions is needed by 2050. All transport sectors, including aviation, have to contribute to the required reduction.

Aviation in 2019 accounted for 2-3% of global CO₂ emissions. At EU-level, aviation made up 3.8% of total CO₂ emissions, or 13.9% of CO₂ transport emissions in 2017. In addition, aviation is also an important source of non-CO₂ climate impacts with significant warming on climate. Notwithstanding the recent reduction in emissions as a consequence of the COVID-19 pandemic, these impacts could grow further given the sector's historically consistent and enduring over-average growth relative to other economic sectors, including in the EU. While at the global level, CO₂ emissions have been increasing by around 3% per year, aviation's emissions in Europe have increased on average by 5% year-on-year between 2013 and 2018¹. Pre-COVID-19 estimates by Eurocontrol projected an increase in European aviation emissions by 53% until 2040 compared to 2017 in the scenario deemed most likely². Given the impact of the pandemic, the airline industry does not expect air travel demand to return to pre-COVID-19 levels before 2024. Eurocontrol or the International Civil Aviation Organization (ICAO) have yet to publish any revised longer-term estimates taking into account the impacts of COVID-19.

Based on the policy that all sectors should contribute to the EU's emission reduction commitments, the aviation sector has been included in the EU's Emissions Trading System (EU ETS) since 2012, and, up until 2019, has purchased around 160 million allowances from other sectors to cover its growing emissions. Since the inclusion of the aviation sector in the EU ETS, Article 3d of the Directive provides that 15% of aviation allowances are auctioned based on airlines' historical emissions. While the EU ETS covers emissions from flights landing in and departing from the European Economic Area (EEA), including to and from third countries, the EU has adopted temporary derogations to limit the geographical scope to intra-EEA flights (with the exception of flights to and from EU outermost regions), in order to encourage the development of an effective global carbon pricing scheme by the ICAO.

Following the adoption and entry into force of the Paris Agreement, the 2016 ICAO Assembly adopted a Resolution for a global measure to offset growth in international aviation emissions above 2020 levels³, known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to offset emissions through cancellations of international credits.

Pending the development of the rules and modalities for CORSIA, the EU ETS Directive was revised in 2017 to extend the current geographic scope derogation until the end of 2023. The 2017 revision notably requests the Commission to address the specific issues identified in Articles 3d and 28b of the EU ETS

Directive in a report. According to the Directive, the Commission is to present a report to the European Parliament and to the Council (a) assessing CORSIA in relation to a set of features, (b) regarding an increase of the percentage of the auctioning share from the current level and (c) considering ways to implement CORSIA in Union law through the EU ETS Directive. Where appropriate, a legislative proposal should be made that is consistent with the Union economy-wide greenhouse gas emission reduction commitment for 2030, with the aim of preserving the environmental integrity and effectiveness of Union climate action. This work will be considered in the context of the European Green Deal and the objective of enhanced climate ambition for 2030 and climate-neutrality by 2050.

This public consultation invites citizens and organisations to contribute to the assessment of how to revise the EU ETS Directive as regards aviation. Please note that relevant questions and topics may also be covered under other public consultations, in particular the ones for the [EU climate ambition for 2030](#) and for the design of certain climate and energy policies of the European Green Deal and the [Sustainable and Smart Mobility Strategy](#).

¹ Those emissions covered by the EU ETS, not including flights to/from outermost regions, dependencies and territories.

² Eurocontrol (2018), European Aviation in 2040.

³ Due to the COVID-19 crisis, the ICAO Council decided that 2019 emissions shall be used as baseline in the pilot phase instead of the average between 2019 and 2020 emissions. <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-and-Covid-19.aspx>

Guidance on the questionnaire

This public consultation consists of some introductory questions related to your profile, followed by a questionnaire split into two parts. **Please note that you do not need to respond to both parts of the questionnaire, and can choose to fill in only one of the two. In addition, not all questions in the questionnaire need to be answered.**

The first part of the questionnaire deals with implementation of CORSIA through the EU ETS Directive, including the interaction between CORSIA and the EU ETS for aviation. The second part addresses possible policy changes on free allocation and auctioning of allowances in the EU ETS for aviation. At the end of the questionnaire, you are invited to provide any additional comments and to upload additional information, position papers or policy briefs that express your position or views or those of your organisation. If you select to fill in both parts of the questionnaire, please upload any position papers or policy briefs only once.

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English

- Estonian
- Finnish
- French
- Gaelic
- German
- Greek
- Hungarian
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Lea

* Surname

Weisbrod

* Email (this won't be published)

lea.weisbrod@shell.com

* Organisation name

255 character(s) maximum

Shell

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

05032108616-26

* Country of origin

Please add your country of origin, or that of your organisation.

- | | | | |
|--------------------------------------|--|-------------------------------------|--|
| <input type="radio"/> Afghanistan | <input type="radio"/> Djibouti | <input type="radio"/> Libya | <input type="radio"/> Saint Martin |
| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
| <input type="radio"/> Algeria | <input type="radio"/> Ecuador | <input type="radio"/> Luxembourg | <input type="radio"/> Samoa |
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| <input type="radio"/> Andorra | <input type="radio"/> El Salvador | <input type="radio"/> Madagascar | <input type="radio"/> São Tomé and Príncipe |

- Angola
- Anguilla
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- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
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- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria

- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay

- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena, Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

Public

Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

I agree with the [personal data protection provisions](#)

PART I: Market-based measures: EU ETS and CORSIA

While the EU ETS and CORSIA are both market-based measures, they differ in various respects, including:

- **Geographic scope:** the EU ETS is a route-based system that includes any flight to or from an EEA¹ aerodrome (with certain exceptions), whereas CORSIA is an operator-based system that covers international flights between participating countries operated by an airline from any country, excluding domestic flights (being defined as flights within a State).
- **Objectives and ambition level:** for the EU ETS the objective is domestic emissions reductions in line with the EU climate objectives, while for CORSIA stabilization of emissions at the level of the baseline through the use of international offsets is the goal.
- **Governance and timeline:** the EU ETS is already legally binding in Union law, and in force since 2012, whereas for CORSIA, whose first phase starts in 2021, States need to develop binding provisions in their domestic legal systems. One of the objectives of the revision of the ETS Directive is to develop these provisions.
- **Type of measure:** the EU ETS is a cap-and-trade system (allowances, a financial instrument, have to be surrendered covering all CO₂ emitted or else, a fine is due) while CORSIA is an offsetting scheme (emissions of CO₂ above a certain level should be compensated by offsets generated by an approved programme).

Against this backdrop, the Commission is considering ways for CORSIA to be implemented in the EU through the EU ETS Directive. Therefore, this questionnaire enquires on the relationship between the two measures.

It should be recalled that in the absence of an amendment legislative act adopted by the European Parliament and the Council of the EU by the end of 2023, the EU ETS will revert to its originally intended scope, covering flights departing from the EEA as of 2024 and, unless exempted, incoming flights to the EEA (see, for example, [Commission Delegated Decision \(EU\) 2020/1071 so as to exclude incoming flights from Switzerland](#)).

¹ Note that the options below refer to EU/EFTA to simplify analysis. However the EU and Switzerland have two distinct emissions trading systems linked since 2020, each system covering the outgoing flights to the other.

1) Do you think that aviation should contribute more to climate action than it presently does?

- Yes
- No
- No opinion

Please explain:

1000 character(s) maximum

Shell fully supports the EU's aim to decarbonise the aviation sector in line with EU's 2050 climate neutrality ambition and believes that a sectoral approach is needed to deliver significant investments and change across the whole value chain of aircraft OEMs, airlines, fuel suppliers, fuel producers, airports and, most importantly, consumers. However, the current EU regulatory framework isn't adequate to incentivize investments in SAF needed to deliver NZE by 2050 across the EU. Going forward, policies will need to drive greater efficiency improvements, demand management /behaviour change. Furthermore, the policy framework will need to address both supply side and demand side incentives to commercialise and deploy low/no carbon aviation fuels and ensure that support levels are sufficient to reduce the cost gap between conventional jet fuels and more advanced technologies. In particular, time-limited financial support will be needed to overcome obstacles to first SAF plants.

2) Do you think that market-based measures can be effective means of tackling aviation emissions in line with the European Green Deal?

- Yes
 No
 No opinion

Please explain:

1000 character(s) maximum

Market-based measures, such as the EU ETS, in combination with other policies, such as SAF blending mandates and a removal of the exemption of aviation under the revised Energy Taxation Directive, can be effective within the EU policy framework to reduce GHG emissions from aviation. The 2018 Energy Transitions Commission "Mission Possible" Report estimates that aviation will require a carbon price in the range of \$115-230/tCO₂e to decarbonize. Until carbon prices reach this range globally, Shell supports additional policy measures to help develop low carbon technologies and fuels for aviation. Please see our response to Q7 for more details.

3) The European Commission is assessing six policy options of whether and how to implement CORSIA by the EU. These are namely:

- **Option 1 - EU ETS full legal scope:** In case no amendment to the ETS Directive is adopted by the European Parliament and Council by December 2023, the EU ETS for aviation would cover flights departing from airports in the EU/EFTA and arriving to other airports in EU/EFTA or to third countries and, if not exempted through delegated acts, incoming flights to airports in the EU/EFTA from third countries (exercising empowerment in Article 25a of the EU ETS Directive). Flights to, from and within outermost regions would be covered.
- **Option 2 - Intra-EU/EFTA ETS only:** Maintaining the status quo, the EU ETS would be applied exclusively and confined to the geographical scope of the system as currently applied: allowance surrendering obligations for aircraft operators would be based solely on emissions from flights between aerodromes located in the EU/EFTA, with the exception of flights between EU outermost regions and other regions of the EU/EFTA (including other outermost regions), while including flights within any given outermost region¹ (NB: in this option, CORSIA is neither applied to ETS-exempted routes).

- **Option 3 - CORSIA only:** Only CORSIA would be applied to international flights, non-domestic intra-EU/EFTA flights, flights to and from the EU/EFTA States (including their outermost regions) and third countries. As domestic flights are not covered by CORSIA, flights within a Member State would not be covered at all.
- **Option 4 - ETS-CORSIA “clean cut”:** The EU ETS would continue to apply to the current intra-EU /EFTA scope, as in option 2 above, and CORSIA would be introduced for extra-EU/EFTA flights, i.e. flights to and from EU/EFTA States (including their outermost regions) and third countries. In other words, the EU ETS would be applied as at present and CORSIA would be applied to all other flights (to the extent that CORSIA is applicable to them).
- **Option 5 - ETS-CORSIA “mix”:** Regarding non-domestic intra-EU/EFTA flights, the EU ETS would apply up to each operator’s 2020 emissions². Above the 2020 emissions, CORSIA would apply. Regarding flights between EU/EFTA States (including their outermost regions) and third countries, CORSIA would apply on emissions above 2020 levels. This option would cover domestic flights.
- **Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators,** as a variant of option 5: The EU ETS would apply to non-domestic, intra-EU/EFTA flights, operated by operators with licences issued by Member States. For operators with licences issued by third countries, only CORSIA would apply on those non-domestic intra-EU/EFTA flights and flights between EU/EFTA States (including their outermost regions) and third countries. Also contrary to option 5, this option would not cover domestic flights.

¹ Without prejudice to the exemption in Annex I of Directive 2003/87/EC: “(i) flights performed in the framework of public service obligations imposed in accordance with Regulation (EEC) No 2408/92 on routes within outermost regions, as specified in Article 299(2) of the Treaty, or on routes where the capacity offered does not exceed 30 000 seats per year”

² Due to COVID-19 impacts, the ICAO Council decided that [2019 emissions shall be used as baseline in CORSIA’s pilot phase](#) (2021-2023) instead of the originally planned average of 2019-2020 emissions.

3.1) Which option(s) among these six would be most preferable in your view?

- Option 1 - EU ETS full legal scope
- Option 2 - Intra-EU/EFTA ETS only
- Option 3 - CORSIA only
- Option 4 - ETS-CORSIA “clean cut”
- Option 5 - ETS-CORSIA “mix”
- Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators

Please explain:

1000 character(s) maximum

Shell supports option 4 the “ETS-CORSIA clean cut option”. This results in the EU ETS continuing to be applicable to intra-EU aviation, and CORSIA to apply to all other flights. Ideally, aviation emissions should be tackled through a global approach applicable to all international flights. However, CORSIA will unlikely deliver the required policy framework to support investments in SAF development given the limited incentive to encourage SAF developments (see further information under question 4.1). We therefore support the EU ETS obligation on aviation to remain, alongside a potential SAF mandate to create the market for SAF. Should option 4 be pursued, then the EU will need to seek clarity from the International Civil Aviation

Organisation (ICAO) on obligations for airlines operating international flights between EU Member States to avoid or mitigate against any potential overlap between CORSIA and the EU ETS.

3.2) Which option(s) among these six would be least preferable in your view?

- Option 1 - EU ETS full legal scope
- Option 2 - Intra-EU/EFTA ETS only
- Option 3 - CORSIA only
- Option 4 - ETS-CORSIA “clean cut”
- Option 5 - ETS-CORSIA “mix”
- Option 6 - ETS-CORSIA “mix” according to licence of aircraft operators

Please explain:

1000 character(s) maximum

3.3) Is there any other option (or variant of one of the six assessed) that you would prefer instead of the above six and why?

1000 character(s) maximum

4) The EU ETS Directive refers to various aspects that are to be examined in relation to the ambition and overall environmental integrity of CORSIA.

4.1) How would you assess the CORSIA aspects referred to in the EU ETS Directive and listed in the table below?

	Very Positive	Rather positive	Neither positive nor negative	Rather negative	Very negative	No opinion
General ambition in relation to targets under the Paris Agreement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of participation and implementation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enforceability and penalties for non-compliance	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transparency and processes for public input	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Quality of offset credits (i.e. the ability to achieve the effective compensation of CO ₂ emissions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring, reporting and verification of emissions (e.g. robustness of the monitoring and verification system)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Registries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accounting (e.g. avoidance of double counting)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rules for the use of eligible fuels: sustainable aviation fuels (biofuels) and lower carbon aviation fuels (fossil fuels) to contribute to emission reductions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Assurance of equal treatment of airlines operating on the same routes	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4.2) Would you like to elaborate on one or more of the aspects listed above regarding the ambition and overall environmental integrity of CORSIA?

5000 character(s) maximum

[Max. 500 characters per aspect, i.e. ambition in relation to the Paris Agreement, level of participation, enforceability, etc.]

Shell supports CORSIA as an international market-based measure for decarbonisation of aviation. We also recognise that global measures will be challenging to implement. As such, we support the EU's initiative to progress regulations to support decarbonisation of aviation activity within the EU. With respect to the ambition and overall environmental integrity of CORSIA, we would like to make the following observations:

- CORSIA compliance options exhibit potential strong reliance on carbon credits offsets until 2040 as the market for SAF grows and these fuels start to be commercialised.
- Alignment of the sustainability criteria for SAF under CORSIA with REDII would improve investment clarity.
- The recent decision by the ICAO Technical Advisory Board to disallow non-jurisdictional Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD+) projects in developing countries, while allowing the same type of offsets from developed countries to comply, raises considerable uncertainty.

5) Flights to and from [outermost regions](#) are exempt from the current scope of the EU ETS (see Questions 4 and 5 in the [FAQ on Regulation 421/2014](#)), while flights within a given outermost region are included. The CORSIA rules, in contrast, expect States to regulate non-domestic flights to and from outermost regions.

In your view, how should flights regarding outermost regions be covered? Please indicate any of the following reflecting your preference:

	Agree	Disagree	No opinion
Flights within an outermost region: inclusion under the EU ETS (i.e. current situation)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Domestic flights to or from outermost regions: inclusion under the EU ETS (currently excluded until end of 2023)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-domestic flights to or from outermost regions: inclusion under the EU ETS (currently excluded until end of 2023)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
International flights to or from outermost regions: inclusion under CORSIA	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your choice considering Art. 349 TFEU that lists the specific constraints of the outermost regions

1000 character(s) maximum

The above ensures a clear separation between the applicable market-based systems for domestic/intra-EU flights to the EU ETS and international/extra-EU flights under CORSIA.

6) Considering the European Green Deal, the EU's climate neutrality objective for 2050 and a green recovery...

6.1) ...do you think that market-based measures such as the EU ETS and CORSIA should be combined with other policies such as support for innovative aviation technologies, operational (ATM) improvements, [taxation](#), and the [production and use of sustainable aviation fuels](#)?

- Yes
- No
- No opinion

Please explain:

1000 character(s) maximum

Yes, achieving net zero emissions in the aviation sector and to address existing barriers to decarbonisation will require a sectoral approach. The EU ETS also will not deliver alone. We therefore support a combination of policy elements stated in the answer to Question 7.

6.2) ...what level of effort to fight climate change should the aviation sector itself contribute and how should this develop over time?

1000 character(s) maximum

7) Are there any other comments you would like to share?

2000 character(s) maximum

The European Commission should implement a sectoral approach that ensures that supply side and demand side measures go hand in hand to allow the large-scale availability of SAF in the medium to long term.

- 1.) Scaling up SAF will require time-limited financial support to reduce costs and help emerging advanced technologies become ready for commercial deployment. This time-limited support should enable investment in novel production pathways of SAF and encourage the construction of a first wave of manufacturing plants in Europe in the 2020s.
- 2.) Shell supports an EU wide mandate for the use of SAF, as this will strengthen the long-term certainty for investors. In complement to other demand side policy measures, this mandate should have fuel suppliers as obligated parties.
- 3.) Ensure stability of the regulatory environments impacting feedstocks availability to drive confidence to invest in the production of SAF. Shell sees a need for consistent sustainability criteria of feedstocks for alternative fuels across the transport sector.
- 4.) Tighten the EU ETS cap in line with EU NZE 2050 and reduce the free allowances given to airlines in line with the updated linear reduction factor. A robust and rising government led carbon pricing will contribute to balancing out the higher purchase costs of SAF.
- 5.) The current excise duty exemption for aviation fuels under the Energy Taxation Directive (ETD) should be removed. The rate of excise duty should be linked to the CO₂ intensity of the fuel and based on a Tank to Wheel (TtW) approach with a full exemption for SAF to provide an additional incentive for low/ no carbon aviation fuels.
- 6.) Establishing rules and conditionality around the role of carbon offsetting. During the transition to net zero and in a net-zero world, carbon offsets will be needed. However, they should only be used in a way that does not undermine or substitute for making emission reductions.

PART II: Free allocation and auctioning

Currently, under the EU ETS, airlines receive a share of the allowances they have to surrender for free, the so-called free allocation. While emitting 68.1 million tonnes of CO₂ emissions in 2019, airlines received free allowances covering 31.3 million tonnes of emissions, or 46% of the total. The remaining 54% were covered by allowances acquired from auctions (approx. 5 million) or from other sectors. (These numbers differ from the percentage of 85% provided for in the EU ETS Directive because the sector's actual emissions have increased and because not all airlines are eligible to receive the allocation, resulting in large variations of the share of free allocation among individual airlines).

The [Political Guidelines](#) for the European Commission 2019-2023 state that there will be a proposal to reduce the free allowances allocated to airlines. This was re-stated in the recent [Communication](#) on a European Green Deal: “the Commission will propose ... to reduce the EU Emissions Trading System allowances allocated for free to airlines”. The EU ETS Directive, as revised in 2017, requests the Commission to present a report on the cost pass-through of the aviation sector with the intention of making a proposal to increase the percentage of auctioning, considering alignment with other sectors and the competitiveness between different modes of transport. In this context, cost pass-through refers to the ability of airlines to transfer the cost of required emission units to their passengers (or cargo clients). Among the

other sectors under the EU ETS, full auctioning is the method used for allocating allowances in the power sector, while free allocation based on sector benchmarks continues to be used to various degrees for industrial sectors exposed to carbon leakage.

8) Do you agree with the statements that reducing or removing the free allocation of allowances to airlines would...

	Yes	No	Don't know
...increase the climate change mitigation impact by the EU ETS	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...increase fairness between those airlines eligible to receive the allocation and those that are not	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...improve the level playing field among transport modes	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...increase the cost of flying for operators and consumers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9) The European Commission is assessing five policy options as regards the modulation of the share of free allocation, relative to the current situation (a de jure 85% free allocation):

0. Status quo: The current legal situation is perpetuated until 2030, i.e. the 15% auctioning share.
1. Immediate phase-out: 100% auctioning from the entry into force of the revision.
2. Swift phase-out: Full auctioning by 2025, starting with an auctioning share of 60% in 2023, and a share of 80% in 2024.
3. Slow phase-out: A linear increase year-by-year to full auctioning by 2030 starting from 20% in 2023.
4. Slow reduction: A linear increase year-by-year starting with an auctioning share of 20% in 2023 and ending at 55% in 2030.

9.1) Which option(s) among these five would be most preferable in your view?

- Status quo
- Immediate phase-out
- Swift phase-out
- Slow phase-out
- Slow reduction

Please explain:

1000 character(s) maximum

Tighten the EU ETS cap in line with EU 2050 climate neutrality target and reduce the free allowances given to airlines in line with the updated linear reduction factor. A robust and rising government led carbon pricing will contribute to balancing out the higher purchase costs of SAF.

9.2) Which option(s) among these five would be least preferable in your view?

- Status quo
- Immediate phase-out

- Swift phase-out
- Slow phase-out
- Slow reduction

Please explain:

1000 character(s) maximum

9.3) Is there any other option (or variant of one of the five assessed) that you would prefer instead of the abovementioned five and why?

1000 character(s) maximum

10) The conclusions of the European Council in July 2020 invited the Commission to put forward a revised proposal on the ETS, possibly extending it to aviation and maritime sectors in the context of creating new own resources for the EU budget. What are your views on the best use of the revenues from the auctioning of aviation allowances to foster climate neutrality?

1000 character(s) maximum

Revenues from auctioning of aviation allowances should be used to support technology development / infrastructure deployment, and capacity building for sustainable sources of biofuel feedstock in supply countries. Scaling up SAF will require time-limited financial support to reduce costs and help emerging advanced technologies become ready for commercial deployment. This time-limited support should enable investment in novel production pathways of SAF and encourage the construction of a first wave of manufacturing plants in Europe in the 2020s.

11) Are there any other comments you would like to share?

2000 character(s) maximum

Regulatory stability and clear compliance requirements will support investment. The LCA methodology and sustainability criteria for SAF should be aligned with the revised REDII.

Final remarks

Should you wish to provide additional information (for example a position paper) or raise specific points not covered by the questionnaire, you can upload your additional document here.

Please note that the uploaded document will be published alongside your response to the questionnaire which is the essential input to this public consultation. The document is an optional complement and serves as additional background reading to better understand your position.

Please upload your file

The maximum file size is 1 MB

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Please provide your hyperlinks:

The Clean Skies for Tomorrow (CST) initiative, of which Shell is a founding member, has published a European joint policy proposal on increasing the uptake of sustainable aviation fuels (SAFs) over the next decade.

http://www3.weforum.org/docs/WEF_CST_Policy_European_Commission_SAF_2020.pdf

The CST is a coalition of leading airlines, airports, manufacturers, and fuel providers working together to find solutions for reaching net-zero emissions from global aviation by mid-century. The key policy proposals include:

- 1.) Support innovation to bring lignocellulosic/bio-waste and power-to-liquid pathways to market.
- 2.) Support SAF provision through price floors guaranteed by government during the early stages of deployment.
- 3.) Support early deployment by de-risking investment in the first wave of production facilities.
- 4.) Announce in 2021 a SAF blending mandate for European aviation to be enforced by no later than 2025 with a blending level increasing progressively over time to 2050

Contact

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