Jan Pravda's comment on: EU should abandon its airline-Emissions Cap

"This is a test of whether the EU has learned from its mistakes of leading (by the EU ETS) under all circumstances and at any costs. EU should not view this in isolation and not plough ahead without looking around - this must be viewed in the context of reaching a global accord regarding global warming. The airline episode will either be a valuable geopolitical lesson learned or a first substantial crack showing unsustainability of the EU ETS as a standalone program without global accord." - Jan Pravda

EU Should Abandon Its Airline-Emissions Cap, IATA Chief Says (1) 2012-02-07 15:03:34.615 GMT (Updates with comments from IATA starting in 12th paragraph.) By Jonathan Stearns Feb. 7 (Bloomberg) -- The European Union should abandon its cap on airline emissions tied to climate change and wait for a global agreement to curb such pollution, said the head of the International Air Transport Association. Tony Tyler, chief executive officer of the IATA, said opposition by China, the U.S. and other countries to the inclusion of their airlines in Europe's emissions-trading system this year may lead to troubles for some carriers and shows the EU should have refrained from acting until a worldwide accord. "Airlines from Europe may face some form of retaliatory action," Tyler told a conference today in Brussels. "Some airlines from outside Europe may have to choose whether to obey the law of their own land or that of Europe. This is an intolerable situation." Europe's limits on airline discharges of carbon dioxide, the main greenhouse gas blamed for global warming, are having diplomatic and industry reverberations more than three years after European lawmakers approved the curbs. The EU decided in 2008 to add domestic and foreign carriers to its emissions-trading system, which imposes CO_2 quotas on businesses and requires those exceeding their limits to buy permits from companies that emit less. The caps, which cover internal and external flights to and from the 27-nation EU's airports, began last month. The step followed a doubling of airline emissions in Europe over the previous two decades. Carriers account for about 2 percent of global CO_2 discharges. Chinese Ban The EU says airlines such as Air France-KLM Group, Ryanair Holdings Plc, AMR Corp.'s American Airlines and Singapore Airlines Ltd. should face the same restrictions in the bloc as energy and manufacturing companies, which have been covered by the European emissions-trading system since 2005. China, home to the world's fastest-growing aviation market, this week banned airlines from taking part in the EU program, while the U.S. is considering legislation to protect American carriers from the European system. Both nations say the EU caps on carrier emissions violate international rules. IATA, which represents around 240 airlines accounting for more than four-fifths of total air traffic, favors a global accord through the International Civil Aviation Organization, said Tyler, a former CEO of Cathay Pacific Airways Ltd. "ICAO is on the right track, even if the pace of progress is a bit slow for some European politicians," he said. "What is needed is continued patience for the international process to run its course." Possible Exemptions When it proposed and approved the legislation to cap airline emissions, the EU said ICAO was acting too slowly. The bloc has reacted to the criticism of the caps by pledging to stick to them and pointing out that the law allows for negotiations over possible exemptions for foreign carriers in cases where their countries have equivalent measures. Tyler said he didn't expect the EU to abandon its law "overnight" and said one way forward would be to merge the European system of caps into one developed globally. "Aviation can ill afford to be caught in an escalating political or trade conflict," he said. On another EU regulatory matter, Tyler criticized draft EU legislation under which airlines would face a stricter rule on the use of takeoff and landing slots as part of a push to boost competition. Airport Slots Current EU law requires carriers to use airport slots at least 80 percent of the time in order to retain them the following year -- an "accepted and fundamental principle" for IATA's slot guidelines, according to Tyler. The European Commission, the EU's regulatory arm, in December proposed to raise the use-it-or-lose-it slot obligation to 85 percent. "Changing to 85:15 incentivizes airlines to fly when demand is not there," Tyler said. Regarding the airline industry's outlook, he reiterated an IATA forecast in December that global profit will be $3.5 billion in 2012, for a profit margin of 0.6 percent. He called that a "best-case" scenario and said European carriers would probably lose $600 million. "It's very difficult, probably more difficult for the European airlines," he said. For Related News and Information: Top transport stories: TOP TRN EU airline articles: TNI EU AIR Top consumer news: TOP CONS Top economy articles: TOP ECO Top legal stories: TOP LAW --With assistance from Ewa Krukowska in Brussels. Editors: Andrew Clapham, Jones Hayden To contact the reporter on this story: Jonathan Stearns in Brussels at +32-2-285-4300 or jstearns2@bloomberg.net To contact the editor responsible for this story: James Hertling at +33-1-5365-5075 or jhertling@bloomberg.net