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## Carbon compensation, easy way out or true ecological tool?

The decisions made at the European environmental summit in Brussels on December 12<sup>th</sup> 2008 confirmed the fact that it is now mandatory for companies in the transportation industry to help reduce energy consumption by 20%, increase the use of renewable energy by 20% and reduce greenhouse gas emissions (GHG) by 20%. Air transportation, which had the highest increase in CO<sub>2</sub> emissions over the past few years, is supposed to enter into the quota trading market by 2012.

Over a two year time period, the increasing number of companies in the transportation industry, not only air transport, which are compensating for their CO<sub>2</sub> emissions is a sign of a certain increase of awareness, or even of an acquired knowledge of ways to best enter into the CO<sub>2</sub> market, and thus reassure investors who are more and more aware of the economic and legal risks of not complying with requirements to fight global warming.

However, six companies out of the twenty that were examined by Ernst & Young are capable of guaranteeing that the carbon compensation measures they offer to their clients meet the proper criteria making them eligible for CO<sub>2</sub> trading as stipulated in the Kyoto protocol.

For a number of experts and ecological organisations carbon compensation appears to be an easy solution which places the responsibility of reducing emissions on others, and not on the company itself. In this case... on the client. These limits, and the increase in the number of organisations proposing compensation packages to the public, have pushed the French Environment and Energy Management Agency (Ademe) to come up with a “compensation charter” in order to regulate the offers.

In order for compensation to be a useful tool, notes Christophe Schmeitzky, consultant in the sustainable development department at Ernst & Young, it first must be mandatory, and not optional. Companies have remained silent about the number of “green” passengers: the rare polls that are available only indicate a small percentage of volunteers... Techniques such as those used by Royal Mail, which compensates CO<sub>2</sub> emissions linked to their unaddressed mail distribution service, or the Parisian taxi company Verture, which includes the price of carbon compensation in the fare, or Smart, which is going to sell a vehicle whose price includes compensation of the first 50,000 kilometres, are still rare.

<b>AIR TRANSPORTATION</b>	Take into account GHG emissions (A)	Compensation perimeter (B) <sup>1</sup>	Quality of carbon credits (C)
Air France (France)	2	2	2
KLM (Netherlands)	2	2	3
Lufthansa (Germany)	2	2	3
Delta Airlines (USA)	2	2	1
Continental Airlines (USA)	2	2	3
British Airways (UK)	2	2	3
Iberia (Spain)	2	0	0
Alitalia (Italy)	0	0	0
EasyJet (UK)	2	2	3
Ryanair (Ireland)	2	0	0
Vueling (Spain)	0	0	0
German Wings (Germany)	0	0	0
My Air (Italy)	0	0	0
<b>GROUND PASSENGER TRANSPORTATION</b>			
Veolia Transport (France)	2	0	0
Keolis SA (France)	2	1	2
<b>CAR RENTALS</b>			
Hertz (USA)	0	0	0
Avis (USA)	2	2	3
Budget (USA)	0	0	0
Europcar (Europe)	2	0	0
National Citer (France)	2	2	2
<p>A Take into account GHG emissions: 0: No action; 1: Measure greenhouse gas emissions (GHG); 2: Measure and compensate GHG emissions.            B Compensation perimeter: 0: No compensation; 1: Administrative or employee trips; 2: Compensation offered to the client; 3: Compensation mandatory for client.            C Quality of carbon credits: 0: No compensation; 1: Non-certified unlabeled credits; 2: Labelled credits. Voluntary Carbon Standards (VCS); 3: Kyoto certified credits: Clean Development Mechanism or Joint Implementation, labelled credits: Gold Standard.</p>			
Source : Ernst & Young, based on information published by companies			

### **PUBLIC DATA**

Data published in the table has been collected by Ernst & Young from different documents released by companies (annual reports, corporate social responsibility report, "corporate" websites). The study was carried out on the largest (in sales figures) companies in each sector per country, as well as the largest low-cost airline companies.

## Karsten Benz, European vice-president at Lufthansa: “We are investing in the most fuel-efficient fleet”



GREGORSCHLAGER/LUFTHANSA

### When did you implement a carbon compensation scheme?

Since the end of 2007, Lufthansa offers its customers the possibility of compensating their CO<sub>2</sub> emissions from their flight by giving a financial donation to a Swiss non-profit organisation, Myclimate, via a link on our website to myclimate.com. This money is used by a climate protection fund whose operations allow for a direct reduction in greenhouse gas emissions. The passengers who purchase their ticket in a travel agency or at the counter in an airport can then use the link on the homepage of our website.

### How many customers use this system?

We know they appreciate the offer, but it is still too early to see any global tendencies developing. The calculator put into place by Myclimate provides suggestions for donations, but each donation is an individual's choice.

### Is it difficult to stand out from the competition in this domain?

We know that other companies have chosen the same path as us, which is also today the easiest for the customers. That doesn't mean that we are not doing anything else to reduce our CO<sub>2</sub> emissions. Today, Lufthansa invests in the youngest and most efficient fleet in Europe, in particular with the Airbus A380 and the Boeing 747-8. The consumption of kerosene per passenger/kilometre will be reduced by 30% compared to what it was five years ago. We have also reduced the weight carried on board our planes, we clean the motors more often, and we optimise the routes we use.

### How do you see the entry of the air transportation industry into the CO<sub>2</sub> quota trading market for 2012?

The effectiveness of this market is based on how largely it is applied. And yet today, we still don't know how the non-European airline companies will be able to pay a carbon tax, when the European companies, including Lufthansa, have to pass these costs on to the passengers. In the future, passengers travelling between the United States and Asia could prefer to fly via the Gulf states – with all the negative consequences that this extension can have on the environment – because the price of these flights will not include these extra costs. However, intercontinental relations are how the biggest European hubs make their money (correspondence platforms) such as Frankfurt, London and Paris. The fear of massive losses in sales in this area is very real. And the billions that could have been invested in a more fuel-efficient plane will no longer be available to do so. It's absurd to combat a global problem with a local solution.

### In your opinion, what would be the most efficient way to reduce emissions in the air transport industry?

It would be to immediately set up the “European only skies” idea! Currently, the different air spaces above Europe form a vast patchwork of 27 air regulation authorities and more than 60 control centres. Their size makes them inefficient, and most of all it is extremely expensive and complex to coordinate them. Airline companies are rarely capable of flying in the most advantageous way when crossing European air spaces. According to the Commission in Brussels, this outdated system requires airline companies to make a detour of at least 49 kilometres on average per flight. That costs the air transport industry, and thus its passengers, over 4 billion euros per year, and creates 16 million tons of extra carbon in the atmosphere each year.

Interview by François Bostnavaron

#### CV

**2005** Karsten Benzest appointed vice-president of European sales and services for Lufthansa Passage Airline, the most important activity for the Lufthansa group.

**2000** He is head of coordination and planning of Lufthansa flights.

**1990** He begins his career with Lufthansa where he fills many positions within the financial controller department.