

Sixth edition of Eurosif/“Le Monde”, “El Pais” and “La Stampa” indicators for environmental and social performance of international companies

Air transport to enter the CO₂ market

On December 20th, 2006 Stavros Dimas, the European commissioner for the environment, will present a “legislation project” to his colleagues and the president of the commission, aiming to include air transport in the European system of trading CO₂ emissions. This means that after negotiations and back and forth discussion between the Parliament, States and the Commission, which are to start soon, air transport companies could have maximum CO₂ emission quotas imposed on them, which was previously only applied to industrial activities such as energy, steel, cement or paper.

This announcement, along with a requirement to lower quotas given to industrialists by the German and French national attribution schemes, indicates that Brussels counts on extending the field of “carbon compliance”, and in particular to the transportation sector, which was spared up until now. This will remove one of the main arguments used by the industrial sector to minimise their own responsibility: the transportation sector is responsible for 21% of green house gas emissions in the European Union (EU), versus 20% for industrialists, 28% for energy production, 17% for the residential sector and 10% for agriculture.

The sixth edition of Eurosif/Le Monde indicators, published simultaneously with *La Stampa* (Milan) and *El Pais* (Madrid), presents the current state of CO₂ emissions in the different areas of the transportation sector, and in particular shows the importance, in this sector, of large air transport companies.

Even if today this sector only represents 3% of all CO₂ emissions in Europe, and 15% of those in transportation, these numbers should increase to 150% by 2012, along with an increase in traffic. The International Air Transport Association (IATA) recently announced a 5.6% increase of the number of passengers in 2006 totalling 2.13 billion, and they estimate this will increase by 500 million in 2010! “*Contrary to the industrial sector*, explains Pierre Caussade, sustainable development director of Air France, *we do not have an alternative source of energy for jet fuel. We cannot count on the commissioning of airplanes that consume less fuel,*

or on improvements in air control in order to optimise air traffic routes and reduce airport congestion.”

That explains why, during the last four meetings from November 2005 to April 2006 between the Commission and all the stakeholders, the air transport companies insisted on having access to the surplus from quotas for the industrial sector. But on July 4th the European Parliament voted a “resolution” recommending that a market be created only for the air transport sector, and of course with more constraints. Most of all, it would have forced companies with old air fleets, and thus those who consume the most, to buy quotas from companies with more recent fleets and in particular from lowcost companies. This is a competitive disadvantage and resulted in Brussels refusing to follow Parliament’s resolution: the market should thus be open to all sectors.

Another recent discussion was about the area covered by the regulation project. Was it necessary to take into account only the domestic flights within the EU, which represent 52 million tonnes – Mt – of CO₂ emissions per year, as desired by the international companies? Or flights leaving airports in the EU regardless of their destination (131 Mt), as suggested by the Commission? Or add landing flights (208 Mt), as proposed by the Parliament? The more limited the choice is, obviously the less efficient the results will be in reducing emissions, and it increases the distortion of competition in favour of non-European companies, essentially American (the United States have not signed the Kyoto protocol). But, at the same time, it is easier to implement! In any case, the International Civil Aviation Organisation (ICAO) has already let it be known that they would not oppose a market where it is possible to trade quotas. This way Brussels could choose a solution covering the largest area possible. But all depends on negotiations to come between air transport lobbyists, Member States, the Commission and NGOs who would also like their voice to be heard.

A. R.

A highly polluting sector

| Type of transport... | 2004 raw CO2 emissions (million tonnes) | 2004 sales figures (million dollars) | Environmental quality of air park |
|--|--|---|--------------------------------------|
| ...air | | | average age of fleet (in years) |
| Air France (France) | 15.42 | 15,300 | 8.6 |
| British Airways (United Kingdom) | 15.40 | 13,857 | 8.5 |
| Iberia (Spain) | 6.33 | 5,977 | 7.9 |
| Japan Airlines (Japan) | 17.01 | 23,313 | n. c. |
| KLM (The Netherlands) | 8.66 | 7,310 | n. c. |
| Lufthansa (Germany) | 20.58 | 21,103 | 10.2 |
| SAS (Sweden) | 5.95 | 7,917 | n. c. |
| United Airlines (United States) ⁽¹⁾ | n. c. | 17,400 | 11.0 |
| ...sea | | | |
| Nippon Yusen Kabushiki Kaisha (Japan) | 13.43 | 8,544 | n. c. |
| ... passenger land | | | % euro III or IV ⁽²⁾ |
| Connex (France) | 1.40 | 4,602 | n. c. |
| East Japan Railway (Japan) | 2.39 | 23,521 | n. c. |
| First group (United Kingdom) | 1.68 | 4,937 | 26.00 |
| National Express Group (United Kingdom) | 0.93 | 791 | 35.00 |
| RATP (France) | 1.6 ⁽³⁾ | 3,927 | 10.41 |
| SNCF (France) | 0.7 ⁽⁴⁾ | 27,439 | n. c. |
| ... mail | | | |
| La Poste (France) | 0.30 | 23,232 | 51.0 |
| DHL (Germany) ⁽¹⁾ | 6.80 | 43,168 | 61.0 |
| Royal Mail (United Kingdom) | 0.52 | 16,415 | n. c. |
| TNT(The Netherlands) | 1.11 | 11,327 | n. c. |
| UPS (United States) | 6.69 ⁽⁵⁾ | 36,582 | n. c. |
| ... merchandise | | | |
| Norbert Dentressange (France) | n. c. | 1,621 | 85.0 |
| Exel (United Kingdom) ⁽⁶⁾ | 3.92 | 11,627 | 56.9 |
| Geodis (France) | n. c. | 4,192 | n. c. |
| Nippon Express (Japan) | 0.53 | 11,802 | n. c. |
| STEF-TFE (France) | n. c. | 1,810 | n. c. |

(1) 2005 data

(2) Vehicles adhering to European standards for CO2 emissions

(3) In kg CO2/bus/km

(4) Recalculated data. Only concerns diesel locomotives.

(5) Only United States

(6) Branch of DHL

Source: Ernst & Young, based on information published by companies

PUBLIC DATA

Information published in this table was collected and processed by the consulting firm Ernst & Young based on documents published by companies. The companies listed are the biggest in their sector in terms of sales figures for 2005 according to Fortune. However, the main global air transport companies, all American, do not publish any data on their CO2 emissions or on the age of their fleets (only United Airlines communicate their planes are, on average, eleven years old). Also, the main sea transport companies, except one, listed in this table do not publish data. Finally, due to a lack of sufficient detailed information, road transport companies, such as Geodis and STEFTFE were not counted.

Yves Crozet: “Companies prefer to trade quotas rather than have a carbon tax imposed on them”

The European Commission plans to include air transport in their objective to reduce CO2 emissions, starting in 2007. How is this received by those involved?



I think that the companies have understood that they no longer have a choice: the International Air Transport Association (IATA), which regroups them, has accepted the idea of participating in a market where trading CO2 is possible, with certain conditions. The companies know that, in the current context of an increase in traffic, their share in CO2 emissions, which only represents 3% of the total emissions and 10% in the transport sector, will double in the coming years. They prefer to talk about the best ways to participate in the market where permits can be negotiated, rather than have taxes imposed on their emissions in the future. But the text that will be presented to the Commission on December 20th is a project that may be modified several times before being put into effect. In my opinion it is a trial run.

According to the companies what are the “best ways” to participate?

That the quotas be calculated based on domestic flights, that the market not be limited to just the air sector, in order for the companies to have access to the surplus from quotas in the industry sector, and ...that the quotas be free and plentiful.

If these conditions are met, the project will not be very restrictive for the airline companies...

It appears that the project will concern the inter-European flights, which is already a bit more restrictive than domestic flights. But it is clear that the Commission will not hinder a sector that is so vital to international exchanges, and which has a powerful lobby supported by the member states, which are attached to their national company. Having said that, participating in the trade market, even if generous quotas do not give much incentive, could lead the companies to think about possible ways to reduce emissions. For example, cooperating with high speed train companies, rather than competing with them, to limit corresponding flights between large European hubs such as Schipol, Heathrow and Roissy, or domestic flights, for example between Paris and Marseille.

But will this be enough to concretely diminish CO2 emissions in the airline industry?

In the short-term, there will be no reduction. But once the tools are in place it will be possible to slowly reduce the quotas. It's a bit like the Generalised Social Contribution tax [CSG: *contribution sociale généralisée*]: when it was created we were promised that it wouldn't go over 1% to 2%. Today it's at 7.5% for salaries! We are witness to a poker game full of liars: the companies accept that a market is created to trade emissions with unrestrictive conditions in the short-term, and the Commission accepts these conditions by thinking in the medium term. It's obvious that if climate change and the “peak production” for oil – latest predictions place it somewhere between 2015 and 2020 – force us to take stricter measures, rationing will happen. A political choice will have to be made: either we continue to make air transport sacred as we have been doing up until now by forcing other sectors to bear the weight, or we put pressure on the companies so they propose alternatives to the mechanical increase of their emissions.

Interview conducted by Antoine Reverchon



2004 Yves Crozet, associate professor of Economics, runs the professional masters course on Industrial and commercial transportation and logistics at the University of Lyon II.

2002 He is named president of the operational group “Mobility and sustainable development” for the National programme of research and innovation for land transport” [*Programme national de recherche et d'innovation dans les transports terrestres (Predit)*].

1997 He becomes director of the laboratory of Transport economics (CNRS/National School for public works/University of Lyon II).