



EU ETS Update

January 2012

Please contact us if you would like to receive our EU ETS update in the future (only for airlines)

Topics

- Airlines will face a collective shortfall of 56 million emissions allowances in 2012
- Banking of 2012 EUAs and borrowing of 2013-2020 EUAs
- Opening of a operator holding account in the new single European registry
- EUROCONTROL will open support function in January for all Aircraft Operators
- Upcoming events

Airlines will face a collective shortfall of 56 million emissions allowances in 2012

According to our most recent estimate airlines will face a collective shortfall of 56 million emissions allowances in 2012 under the sector's inclusion in the European Union's Emissions Trading Scheme (ETS). Our estimation is based on our own database, data recently released by the UK department for Environment DEFRA, the growth of the sector and fuel efficiency improvements since the calculation of the 2004-06 average emissions by EUROCONTROL as well as some cross checks.

We estimate that aviation allowances free of charge will cover only 77% of the total emissions in 2012 and that the sector will have to buy about 56 million additional allowances. This equates to €392 million at a spot price of €7.

More than nine hundred airlines will receive emissions allowances free of charge on their account in the single European registry by February 28, 2012. The allocation was carried out by Member States and is based on the number of verified tonne-kilometres and the available quantity of free allowances for the aviation sector, for which the European Commission has set a benchmark on 26 September 2011.

The actual cost for airlines will depend on the carbon price and the specific shortfall per airline. There are large differences between airlines. For some large airlines the allowances received free of charge will only cover 60 to 70 % of their emissions in 2012 but some others have a much smaller shortfall or even a long position.

A (limited) list of free allowances per airline including 2010 tonne kms and fuel baseline covered by free allowances is available on our website www.airets.org and the full list will be an annex to our Guidelines for ETS managers in the aviation sector that will be released in February. This publication "Nothing wrong with being smart in the EU Emissions Trading System - Tips and tricks for EU ETS managers in the aviation sector" gives in-depth information and recommendations from leading experts in the EU ETS to reduce costs and to make use of financial opportunities in the EU ETS.

Banking of 2012 EUAAs and borrowing of 2013-2020 EUAAs

Banking consists in a possibility, that an allowance may be used to comply with requirements of the scheme not only in the vintage year for the allowance, but also in any calendar year subsequent to the vintage of the allowance. Borrowing means the use of an emission allowance to comply with requirements of the EU ETS in the calendar year immediately preceding the vintage year for the allowance.

Within a trading phase (2008-2012 or 2013-2020), banking and borrowing are allowed. For example, a 2014 EUAA or EUA can be used in 2013.

EUAA and EUAs acquired in 2012 can be banked and used in the 2013-2020 trading phase but 2013 allowances can not be borrowed to surrender against 2012 emissions.

Opening of a operator holding account in the new single European registry

(See also our December 2011 EU ETS update)

Aircraft operators are required to open up an account in one of the national sections of the Single European Registry via their national registry administrator. National administrators handle all administration concerning accounts, i.e. account applications, opening and closing of accounts, transactions and surrenders.

For the time being the Union Registry is only partially active, meaning that the only function of the opening is to allow for the establishment of aircraft operator holding accounts for those operators that will receive allocated aviation allowances for the year 2012. Full activations will not take place before June 2012, until the full activation, the accounts in the Union Registry cannot be used for any transfer with allowances.

Airlines that want to trade and transfer EUAs or Kyoto credits before June 2012 will have to open an additional account in one of the national registries.

When the website of the Single Union Registry is up and running airlines will also have to register as a user through its web application. This website will be available from the 30 January.

EUROCONTROL will open support function in January for all Aircraft Operators

EUROCONTROL will open its ETS-SF/AO support function mid January to provide Aircraft Operators (and other third parties authorised by them such as verifiers and service companies) with information to support them in discharging the ETS obligations.

The information provided by EUROCONTROL for a specific Aircraft Operator consists of a draft annual emissions report for 2011, including the "kilometres" data for the airport pairs contained in the report (for the tonne-kilometre verification); a text file containing the list of the flights attributed to the Aircraft Operator and operating in the ETS area (both included and exempted flights) and the "kilometre" data (departure airport, destination airport, departure date and time, call sign, aircraft registration mark, flown distance, applicable route charge exemption, estimated fuel consumption, upon which the Aircraft Operator's draft annual emissions report is built. Use of the support function will cost 400 EUR.

www.eurocontrol.int/environment/public/faq/ETS_SF.html

Upcoming Events

Webinars

We organise a short webinar on each last Friday of the month

Friday 27th January 2011

- Risks of fraud in the ETS
- How to use the new EU registry
- Appropriate internal security safeguards and procedures

Friday 24th February 2012

- Carbon Exchanges and Over the Counter trade
- Guest speaker: Pierre Guigon from BlueNext

Friday 23rd March 2012

- Futures and options
- Guest speaker: George Waldburg-Wolfegg from ICE Futures Europe

Our ETS trading services

Our services include in-house and web training on efficient trading in the EU ETS, support in the development and implementation of efficient carbon trading strategies, advice and support on purchasing and selling of Aviation Allowances, EU Allowances (EUAs) and Kyoto units and related services such as market research.

We manage a common neutral on-line platform for airlines. This platform is a low cost solution to provide airlines a good insight in all aspects of the EU ETS and an opportunity to anticipate new carbon product developments and a dynamic emissions trading market.

Participation in the platform is restricted to financial, fuel, sustainability or other managers from airlines responsible for the EU ETS and will be supported by our independent experts.

In addition to the learning function, the platform provides support for low cost and secure OTC transaction between participating airlines and creates an opportunity for common initiatives to develop better trading conditions with services providers such as exchanges and brokers. The platform also features links to important background documents and up to date information on the EU ETS.

More information

www.airets.org
www.altimesdes.com

Erik van Agtmaal, Managing Partner, Altimesdes
Email: erik.van.agtmaal@altimesdes.com