

# EASYJET

Presentation to the Council of the European Union – EU ETS and CORSIA

August 2022

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# EASYJET IN EUROPE

- > 2<sup>nd</sup> largest airline in Europe in 2022\*
- > 9.7% share seat capacity of intra-EEA + UK flights
- > 77 million seat capacity for 2022
- > Airbus-only fleet of over 300 aircraft
- > Nearly 1000 routes to over 150 airports in Europe
- > Over 300 million European citizens live within 1 hour's drive of an easyJet airport

\*Share of EU-touching seat capacity, OAG data 22 August 2022

# SUSTAINABILITY AT EASYJET

## nextGen sustainability

Pioneering positive change for our planet, communities & people. Getting one step closer to net-zero every day.

### Reducing our impact today for a better tomorrow

We work tirelessly to minimise the environmental impact across our operations.



### Pioneering future travel

Through our "Net-Zero by 2050" commitment and by supporting the development of zero carbon emission technologies, we are shaping the future of flying.



### Driving positive change in society

Positively impacting our people, customers and communities and maximising the positive social and economic benefits of travel and tourism.



Underpinned by strong governance and monitoring at board level to drive delivery of this strategy

# EASYJET AND CARBON PRICING

easyJet were the first airline to support the inclusion of aviation within the ETS.

We support carbon pricing because it:

- ✓ Upholds the 'polluter pays' principle - cost reflects emissions
- ✓ Incentives airlines to be efficient
- ✓ Is fair, effective, reasonable, and non-discriminatory
- ✓ Protects consumer choice over destinations, routes, and carriers
- ✓ Carbon price moves according to **a cap**, thereby aligning with EU climate objectives, ensuring aviation's emissions eventually reach net zero.

# SUMMARY OF POSITIONS ON ETS

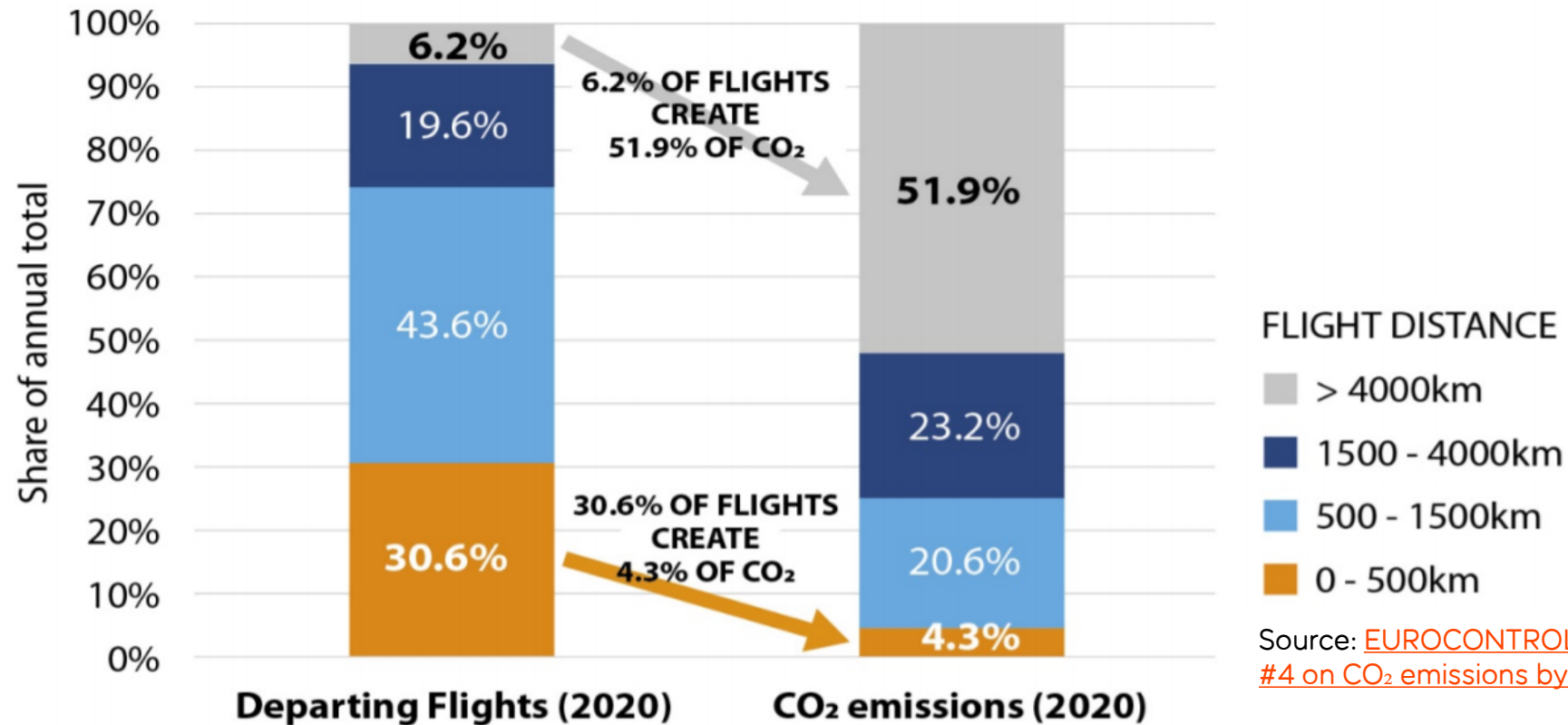
## Key ask:

- ✓ Council should place the EU ETS on all intra-EEA + EEA departing flights, instead of just intra-EEA flights (*note: not the original 'full'/Stop the Clock ETS scope*)
- ✓ This will cover **100%** of EEA departure emissions with an effective carbon price, instead of just 40.5% - by adding a small number of flights (13% more flights)
- ✓ This will apply the 'polluter pays' principle
- ✓ This is aligned with EU approach to maritime emissions

## Other issues:

- ✓ Update allocation mechanism to most up-to-date year (e.g. 2023)
- ✓ Later phase-out of free allowances
- ✓ Apportion allowances to cargo operators based on revenues, not weight or TKM

# EMISSIONS PROFILES – DOMINATED BY LONG-HAUL



- Long haul accounts for just 6.2% of flights but creates 51.9% of emissions.
- Short haul (under 500KM) accounts for 30.6% of flights but just 4.3% of emissions.

*The top 0.62% of flights create more emissions (5.19%) than the bottom 30.6% of flights.*

# ENVIRONMENTAL REGULATIONS

**Policy environment** is disproportionately anti-short haul.

- Emissions Trading System – only intra-EEA
- Ticket taxes – overtax short haul relative to emissions (should be 20-30x higher for long-haul economy)
- Ticket tax exemptions – transfer flights for long haul journeys often exempt
- Minimum ticket prices – only short haul
- Switch to rail policies – only short haul
- Fuel tax – only intra-EEA
- SAFs mandates – some airlines tried to make them only intra-EEA

**In many EU countries, public discourse is focused on misguided notion** that cutting back “frivolous short flights” will solve aviation’s climate impact.

- Reason to believe this idea is promoted by some airlines. Long-haul airlines remain excluded from climate policies if the policies focus only on short-haul flights (e.g. minimum ticket prices, rail promotion)
- This leads to bad regulatory outcomes. The policies do little to reduce aviation’s emissions (most are left unregulated) – focusing only on rail substitution, for example, will mean 98%+ of EU aviation emissions will never be addressed.
- This creates ever-greater pressure on the sector, and a negative image for all airlines.
- The climate needs measures which tackle all of aviation emissions, not a subset. No such thing as a ‘necessary’ or ‘unnecessary’ flight: it depends entirely on individual circumstances.
- The solution is to internalize carbon cost, leaving the choice to each individual. But for this to work, pricing must cover all flights/all sources of emissions. The world is divided over a hundred countries, so each country should price the carbon for its own departures.



# ETS SCOPE IS HIGHLY INEFFICIENT AND UNFAIR ON CITIZENS

Only intra-EEA flights are covered by an effective carbon price (EU ETS):

- > Intra-EEA flights = **40.5%** of emissions from EEA departures (source: [European Commission IA](#), page 23) [and just 25.3% of the emissions from intra-EEA + arrivals + departures]
- > But they account for circa **87%** of the EEA-departing flights (source: [Eurocontrol](#) figures)
- > In other words: the EU is taxing millions of normal, everyday travellers flying on low fares in Europe: *millions of students, pensioners, workers on all incomes*
- > Each passenger has a tiny footprint, and in total they create less than half the carbon: a tax on the many, who pollute little
- > Price they will pay per tonne of carbon ~ **€91**, and rising

Extra-EEA flights are exempt from EU ETS and covered by CORSIA:

- > These represent a small number of flights. Just **13%** of EEA departures
- > But the majority of the emissions – **59.5%** of emissions (!) from all EEA departures
- > Passengers with much higher footprints – up to 20-30 times higher than low-costs, even more for first-class passengers
- > These flights are funded by extremely expensive business/first-class fares
- > Price they will pay per tonne of carbon ~ **less than €1**
- > This is **absurd**.

Disclosure: circa **15%** of easyJet's emissions are extra-EEA and under no effective carbon price or cap.

See Annex 1, slide 21, showing absurdity of carbon cost per passenger vs journey length/emissions

# SHARE OF EMISSIONS VERSUS SHARE OF FLIGHTS

Scope	Share of flights departing from EEA airports^	Share of emissions from all EEA departures*
Intra-EEA flights	87%	40.5%
Extra-EEA departures	13%	59.5%

\*Calculated using [European Commission IA](#): EEA departures represents 62.4% of total EU aviation emissions (all intra-EEA + incoming + departing flights), while intra-EEA represents 25.3%. Long-haul departures alone represent 51.9% of EEA departure emissions.

^Calculated using [Eurocontrol](#) figures: long-haul represents 6.2% of departing flights, plus an estimated 6.8% of extra-EEA medium-haul departing flights.

*Expanding the ETS to all EEA departures will impact a small number of movements & passengers, many of whom are on high fares, while addressing 59.5% of the emissions. Incoming long-haul should be left to be regulated by the jurisdictions they depart from.*

# PROBLEMS WITH CORSIA

## Why is CORSIA ineffective?

- > CORSIA only applies to **growth** in emissions after baseline year, not the **stock of emissions**.
- > Therefore, it impacts less than 3% or 4% of emissions (in a good growth year) instead of 100%.
- > Within this 3% or 4% the cost per tonne emitted is \$3 to \$5 USD, instead of €91 (roughly one twentieth (1/20) of the cost).
- > One twentieth of 4% is 0.2%. Therefore, CORSIA will cost roughly 0.2% of what the EU ETS would cost for same routes.
- > This is less emissions impact than if easyJet changed the trolleys on its aircraft.

## How ICAO discussions are preventing climate action:

- > The only tangible effect ICAO/CORSIA has had on aviation is to **prevent any other (national or European) measures** being applied to extra-EEA emissions.
- > Discussions are **interminable** – have taken a decade. Discussions **never fully collapse** allowing space for other measures. Instead, they continue year after year at snail's pace – but always 'fragile'/at risk of countries leaving.
- > Any attempt to regulate long-haul via other means is criticized for 'jeopardising' the discussions, or 'provoking' other countries to leave ICAO/CORSIA – and are stopped.
- > Agreement found in CORSIA, after a decade, is utterly ineffective. But since CORSIA discussions are over, a new project has started (LTAGs).
- > Governments are urged to stop all other climate measures on long-haul to "make space" for LTAGs.
- > We fully expect LTAG discussions to be interminable, thereby blocking any regulation of extra-EEA emissions for more years/decades, because countries will be 'provoked' into rejecting LTAGs if there is unilateral EU action.

# MISUSE OF THE ICAO PROCESS

## Why we question ICAO and CORSIA

- > We believe ICAO discussions are being misused by some groups to stop governments regulating departing long-haul flights.
  - *See IATA [press release](#): “EU Parliament Damages International Climate Change Cooperation”, where the ICAO process is being used to discourage EU regulation*
  - *See push from airlines/associations to bring the maximum number of small/developing countries into ICAO agreements, which will lower ambition to rock bottom and maximize length of discussions*
  - *No reason why e.g. Gambia should determine the price of the carbon on a flight from Brussels to New York. EU/UK/US bear greater responsibility to decarbonize than most nations*
  - *Risk that EU governments are being manipulated. Would be relatively easy for non-EU carriers to tell their governments to threaten to leave ICAO if the EU regulated its departing flights via EU measures: this ensures all of long-haul is excluded from any carbon regulations for decades, using ICAO talks as a hostage. The industry could be playing countries against each other: UK/EU carriers tell their governments to prioritise ICAO, while non-EU carriers tell their govts to continually threaten to leave - holding everyone hostage*
  - *No logical connection between the EU regulating its own departures (putting other countries’ airports & carriers at a relative competitive advantage) and this ‘provoking’ these countries into abandoning ICAO. Seems to be coordinated to stop climate regulation*
- > ICAO process requires consent from countries less willing to tackle climate change - ‘set up to fail’.
- > Result is anti-environmental, distortive, and wrong. No pricing of any extra-EEA emissions for over a decade. The agreements made so far in ICAO are completely ineffective.
- > It directly impacts carriers such as easyJet:
  - Creates negative publicity for all airlines.
  - **No one distinguishes between short vs long-haul emissions.** Public/governments just notice that “aviation emissions have grown, they are now at 3% of total emissions, etc.” and in response they tighten the ETS – which disproportionately impacts us.
  - This leads to over-regulation of short-haul carriers in response to sector-wide emissions.
- > We are paying a cost for the lack of effective regulation of extra-EEA emissions.

# ETS ON EEA DEPARTURES IS FAR BETTER THAN CORSIA

EU ETS on departures will have (much) greater impact on global emissions, even if CORSIA fails as a result of unilateral EU action.

- > EU aviation market is very large (circa 20% of global market).
  - Applying EU ETS to all EEA departing flights – which will ensure these emissions have an effective carbon price and are covered by a cap, meaning they reach targets by 2030, 2035, 2040, etc. – will have a *much greater* impact on total emissions than CORSIA (est. 0.2% of the EU's effective carbon price) applied globally to the EU emissions plus the remaining 80% of world emissions.
  - 20% of X is much greater than 100% of 0.2% of X. It is **100 times greater**.
  - EU ETS applied just to the EU market would have **100 times more impact** on global emissions than CORSIA.
- > Furthermore - EU ETS will reach 0 by 2050, and 55% reduction by 2030, etc. CORSIA currently scheduled to end in 2035.

# EU ETS ON DEPARTURES IS FAR BETTER THAN CORSIA

## Calculations:

- > EU ETS carbon price = €91 per tonne
  - > CORSIA carbon price = circa 0.2% of ETS, or €0.182 per tonne
  - > EU is 20% of global departures
  - > 20% market with €91 price = **18.2 cost impact**
  - > 100% market with €0.182 price = **0.182 cost impact** (100 times less\*)
- EU ETS applied to just the EU's 20% share of global market is **100 times greater\*** than CORSIA, which is 0.2% of the cost of the ETS, even when CORSIA is applied to all participating countries.

Therefore, the climate would benefit from EU ETS on all EEA departures – many, many times over - even if this caused CORSIA to collapse.

\**Note:* this figures over-estimates CORSIA's impact to keep this calculation simple. In reality, CORSIA excludes domestic emissions and certain states. This means that far less than 100% of global emissions are included in CORSIA. The [ICCT](#) estimates just **36%** of global emissions will be covered by CORSIA from 2021 – 2026. Then just **52%** from 2027 – 2035. The real cost impact of CORSIA is therefore about **150-300 times** less than EU ETS, depending on which Phase of CORSIA you look at.

See Annex, slide 22, for calculations on the conditions required for CORSIA to equal the benefits of the EU ETS.

# ENSURING THE ICAO PROCESS IS CONSTRUCTIVE

ICAO process must be secondary to European and national measures:

- > Key point: ICAO must not prevent effective EU measures being applied to EEA-departing long-haul flights.
- > The ICAO process needs to go in addition to / alongside European measures to decarbonize EEA departing flights.
- > ICAO will do no harm as long as it is kept as a supplementary measure: a “nice-to-have” after European measures are applied to all intra-EA + EEA-departing flights.
- > If ICAO or CORSIA fails as a result of EU unilateral action, the climate will still benefit greatly (100 times more impact).
- > If an ICAO agreement is made, its costs should simply be subtracted from the EU’s systems to ensure no double regulation for air carriers.

# EXPANDED SCOPE = GREATER ETS REVENUES

*Expanding the ETS to cover the remaining 13% of flights will generate €9.4 billion additional government revenues from the EU ETS every year*

## Current scope:

- > 40.5% of EEA departure emissions / circa 70 million tonnes CO2 = €6.3 billion\*

## ETS on all EEA departures:

- > 100% of EEA departure emissions / circa 173 million tonnes CO2 = €15.7 billion\*
- > This equals €9.4 billion additional revenue annually.

*Note: portion of this should be re-invested into the sector, as outlined in current legislative texts*


- > **Key point:** most extra-EEA passengers are on higher fares. Some are on elite business-class/first-class tickets costing thousands of euros per journey. **If a student flying home from Erasmus can pay for their carbon, so can these long-haul passengers.**

*\*Using current carbon price (€91), and assuming all free allowances are removed*



# DISTORTIONS UNDER EXISTING ETS SCOPE


## Major distortions in current approach:

1. Destination-switching carbon leakage: tourists will switch to destinations outside the scope of ETS
  - EEA to EEA airport carbon price:  EEA to non-EEA airport carbon price: ??
  - **Very significant carbon leakage risk (see two Steer studies, already released)**
    - Eurocontrol data shows 1 flight over 4000km = same emissions as 60 flights under 500km, or 17 flights under 1500km
  - Distortion against short-haul operators, because EEA destinations become non-competitive
  - Gets worse as time goes on / ETS cost goes up
2. Two regulatory spheres creates distortions between network and short-haul carriers:
  - Revenues from extra-EEA activities can be **redirected into Europe by network carriers, to subsidise feeder flight operations within the EEA**, and preventing normal market dynamics (e.g. loss of slots).
  - Creates an uneven playing field. Network carriers have access to unregulated market with no carbon price and higher profits – then redirect these profits back into Europe to subsidise flights that compete against easyJet.
  - Many European network carriers run feeder flights at loss/low profitability, how is this possible without extra-EEA revenues? To reduce this distortion, all departures need to follow the same rules.

# DESTINATION-SWITCHING CARBON LEAKAGE

## The problem:

> Brussels – Barcelona CO2 per pax = 92kg\*  Price per tonne = €91 and *rising*

> Brussels – Havana CO2 per pax (economy)= 672kg\*  Price per tonne = less than €1

Long-haul economy are selling for €250-€350 return. This (easily) competes with intra-EEA holidays.

*\*Calculated using Eurocontrol's Small Emitters Tool: see slide 20 for details*

## Destination-switching carbon leakage:

> **Estimated 75%** of emissions savings 'Fit for 55' could be lost due to passengers changing to longer flights/extra-EEA destinations. This is across all policies, of which ETS is a significant portion.

> Two types of switches:

- “Like for like” distortions – flying outside EEA periphery, e.g. people fly to Turkey instead of Greece
- Long-haul distortions – flying to competing long-haul destinations, particularly where total cost of holiday (hotels, food) is lower – e.g. Cuba instead of Spain

> Destination-switching not encouraged by policies which apply equally to all destinations, since all departing flights incur same regulatory costs.

# SOLUTION: ETS ON ALL EEA DEPARTING FLIGHTS

## Proposed solution:

- > Apply EU ETS to intra-EEA plus all EEA departing flights
- > Subtract costs of CORSIA from EEA-departing routes, to avoid double regulation

## Benefits

- ✓ Includes **100%** of EEA departing emissions under effective price and cap (instead of just 40.5%), by including just 13% more flights
- ✓ Much fairer system for passengers on all incomes: everyone pays for their carbon
- ✓ Protecting European tourism from unfair competition: reduced distortion vis-à-vis non-EEA holiday destinations for coastal states **Croatia, Cyprus, France, Greece, Italy, Malta, Portugal, and Spain**
- ✓ Greatly reduce destination-switching carbon leakage: all destinations apply same rules
- ✓ **€9.4 billion** additional revenues for governments from EU ETS annually, portion of which should be reinvested in decarbonization
- ✓ Reduce distortions between short/long-haul business models
- ✓ Demonstrate EU taking leading role in the world by truly tackling all of aviation's emissions

# RATIONALE FOR ETS ON ALL EEA DEPARTING FLIGHTS

EU would take **leading role in the world**, breaking the current ICAO-led deadlock and giving all countries the **freedom** to start decarbonizing their departing flights – instead of wasting more decades waiting for an effective global agreement that is never going to happen.

## Diplomacy:

- ❖ Covering EEA departures splits emissions responsibility 50 – 50 between EU and third countries
  - ❖ This is **fair & equitable**, leaving each country to regulate its own departing emissions when it chooses to – with no double regulation (note: EU **must exclude** incoming flights, or risk far greater diplomatic issues)
  - ❖ This is **not** the original ‘Stop the Clock’/full-scope ETS – this approach is fair: 50 - 50 split
  - ❖ 50-50 split is the solution EU is proposing for regulating maritime emissions (50% of intercontinental maritime emissions are to be covered by EU ETS)
  - ❖ EU maritime proposal not expected to cause diplomatic issues with non-EU countries
  - ❖ This approach (intra-EEA + EEA departures) is also used for EU and UK SAFs mandates, and for the interplay of EU and UK ETS
  - ❖ **No reason why this solution** (regulating all EEA departures) **cannot work for the EU ETS**
- ICAO process would continue as normal. Any costs from any ICAO-related system would be subtracted from EU ETS, ensuring no double regulation.

# ANNEX 1 – WHY LIMITED ETS SCOPE IS ABSURD

Route	Carbon emissions per passenger over entire journey*	Price per tonne of carbon	Carbon price paid by the passenger over entire journey
Charleroi – Luton	48 kg	€91 and rising (ETS)	€4.4
Brussels – Malaga	131 kg	€91 and rising (ETS)	€11.9
Brussels – Sydney (economy)	1,353 kg	Circa €0.182 (CORSA)	€0.24
Brussels – Sydney (business - x2.5)	3,384 kg	Circa €0.182 (CORSA)	€0.62
Brussels – Sydney (first - up to x9^)	12,182 kg	Circa €0.182 (CORSA)	€2.22

*Economy class from Charleroi to Luton (48kg CO2) pays more for their carbon than first class Brussels to Sydney (12,182kg CO2) – **absurd**.*

\*Calculated using Eurocontrol's [Small Emitters Tool](#). Assumed load factor of 93% on all routes while excluding 10% of pax as children. Short-haul is on 186-seater A320 CEO, while Brussels to Sydney is non-stop on a 290-seater Boeing Dreamliner (787-10). A stopover in Singapore would increase total emissions by 5.8% (or 19,347kg).

^[World Bank report](#) estimates emissions from first class up to 9 times higher than economy.

- > Intra-EEA = 40.5% of total emissions from EEA departures, but 87% of the flights. This is a tax on the many ordinary people who pollute little per person, and little in total.
- > Extra-EEA = 59.5% of total emissions from EEA departures, but just 13% of the flights. This is an exemption for the rich elite responsible for most of aviation's emissions. The first-class passenger to Sydney is receiving a hidden €1,108 subsidy by evading the tax/cost of carbon.

# ANNEX 2 – CONDITIONS FOR CORSIA TO EQUAL EU ETS

**Question:** what needs to happen to CORSIA for it to have the same impact on global emission that the EU ETS would already have today, if the ETS were applied to all EEA departures?

Calculations:

Market-based mechanism	Cost of one credit (1 tonne of CO2)	Share of emissions with a price (for CORSIA this equals the assumed market growth rate above the baseline)	Share of global aviation emissions covered by the scheme (%)	Total impact on global emissions
CORSIA	€4.55	4%	36% (Phase 1)	CORSIA Phase 1: $€4.55 \times 4\% \times 36\% = 0.06552$
			52% (Phase 2)	CORSIA Phase 2: $€4.55 \times 4\% \times 52\% = 0.09464$
EU ETS	€91	100%	20%	$€91 \times 100\% \times 20\% = 18.2$

EU ETS already has:

- 277.7x more impact than CORSIA Phase 1
- 192.3x more impact than CORSIA Phase 2

Trajectories:

Differential in impact between CORSIA and EU ETS in 2022	Required cost of one credit, to equal today's ETS impact	Required growth rate of market above baseline, to equal today's ETS impact
x277.7 (CORSIA Phase 1)	€1,263 (€4.55 x 277.7)	1,111% (4% x 277.7)
x192.3 (CORSIA Phase 2)	€875 (€4.55 x 192.3)	769% (4% x 192.3)

To equal the impact that the EU ETS would already have today:

- CORSIA Phase 1 needs to cost **€1,263** per tonne, or emissions growth needs to be **1,111%** above baseline
- CORSIA Phase 2 needs to cost **€875** per tonne, or market needs to be **769%** above (new) Phase 2 baseline(s)
- Or combination of the two, e.g. **€75.82 / €63** per tonne, plus market growth of **66.65% / 55.5%** above baseline.

*Are these things really going to happen? We do not think CORSIA credits will ever cost that much. And new, higher baselines are introduced into CORSIA, eroding its impact. And all of the above has to happen by 2035. And this is only comparing ETS price today.*

# ANNEX 2 – RATIONALE FOR ETS ON EEA DEPARTURES

**Reminder:** all these changes (1000+% growth of market, credits costing hundreds of €) need to happen just for CORSIA to match the impact that the EU ETS already has today, in 2022, if applied only to the EU's share of departures.

Those growth rates in global emissions, and those growth rates in the cost of CORSIA credits, are **never** realistically going to happen. ICCT, for example, estimates that CORSIA credits could cost just **\$0.7 - 12 USD in 2035**. Moreover, the 2019/2020 baseline could be moved in September, while new baselines are introduced into CORSIA over time, continually lowering the ambition. Meanwhile, **the EU ETS price will continue increasing over time**, making it virtually impossible for CORSIA to catch up in terms of benefit for the climate.

EU ETS is likely to surpass the decarbonization potential of CORSIA at every point in time – now and forever into the future. And the EU ETS is certain – controlled by the EU - while CORSIA has far less certainty because it requires consent from third countries.

❖ More importantly ❖

❖ The EU would break the global ICAO-led deadlock by being the first jurisdiction to regulate all its departing flights in the EU ETS. This will give other countries the **green light** to do the same. This will finally lead to effective environmental regulation in all international aviation – because every country will decarbonize **its own departures**. This is the only sensible way to regulate intercontinental emissions.

❖ Finally, we will start to see progress: we will have effective environmental regulation – for both short and long-haul.

❖ This is much better for the planet, rather than wasting another decade waiting for an effective multilateral agreement that is never going to happen.