



Members of the European Parliament

European Parliament
60 rue Wiertz / Wiertzstraat 60
B-1047 Brussels

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BusinessEurope recommendations for the trilogues on ReFuel EU and ETS aviation

Dear Member of the European Parliament,

With the Fit-for-55 package, the EU is positioning itself as a global leader in climate action. In order for other jurisdictions to engage in similarly ambitious policy, it is essential that the EU can show that climate action and competitiveness in global markets are reconcilable. Due to the inherently international nature of the aviation industry in particular, effective incentives for the use of climate neutral technologies and regulations that maintain a level playing field are especially important in this sector. With this in mind, we would like to draw your attention to the following issues of concern in the ongoing trilogue negotiations on the ReFuel and EU ETS Aviation files:

ReFuelEU Aviation

- **Set ambitious but achievable quotas for SAF:** Synthetic low-carbon fuels (together with other established routes) can play a significant role in decarbonising aviation. Therefore, in accordance with the Council's position, low-carbon synthetic fuels should be included in the synthetic aviation fuel share (Art. 4.1).

Since the introduction of sustainable aviation fuels will not only make intra-European flights but also long-haul flights from EU airports significantly more expensive, distortions of competition and carbon leakage must be prevented by mechanisms cushioning the additional costs for European airlines. To prevent fragmentation of the internal market, higher national targets should be avoided – therefore we oppose the Council's General Approach on Art. 4.3. Instead, member states should set up the necessary incentives to achieve higher SAF shares voluntarily. Alternatively, member states must be given the opportunity to compensate for additional costs, if higher national mandates do materialise.

Eligibility of feedstock, including non-Annex IX materials, is a precondition to fulfil the ambitious blending mandates. As long as they meet the sustainability and GHG savings criteria of the RED, all raw materials (with the exception of food and feed crops), accounting of renewable shares of fuels produced through co-processing, and using RFNBOs as an intermediate must be recognised. Only a reliable supply of readily available feedstocks ensures that sufficient production of SAF at manageable prices can be guaranteed.



- Introduce an effective SAF flexibility mechanism: The provision of sustainable fuels is costly, especially at the beginning of the market ramp-up. In this regard, the 10-year transitional period/flexibility mechanism suggested by the Council and EP are a good addition. In this, the European Parliament's proposal for the addition of a delegated act implementing a book-and-claim approach by 2025, allowing for an efficient SAF supply and distribution, is a key factor for a fast market ramp-up of SAF.
- Implement a focussed review clause: To ensure a level playing field in international aviation, the formulations for the review clause (Art. 14) proposed by the European Parliament and the Council must form part of the final agreement. The final review clause should oblige the Commission to take further measures against carbon leakage, if no international framework for the uptake is in place by 2030.

EU ETS Aviation

- Maintain the intra-European scope: The extension proposed by the European Parliament (EP) (AM 45) poses the real risk of displacing flights to hubs outside the EU and thereby increase carbon leakage. It would also undermine the commitment of the member states to the internationally agreed climate protection instrument CORSIA as well as the process to defined in the new long-term aspirational goal for aviation (LTAG) agreed at ICAO. Such a change might provoke significant countermeasures from the EU's international partners.
- Introduce SAF-allowances and maintain some free allowances until 2027: The aviation industry relies on free allocation until 2027 to facilitate the acquisition of modern and efficient aircraft which is currently the most effective means for CO2 reduction in aviation. Therefore, the Council position on Art. 3d is to be preferred over the EP's approach.
 To compensate for the additional costs of SAF, SAF-allowances are an effective lever to provide incentives for the market ramp-up of SAF and avoid carbon leakage. The 20 million additional allowances envisaged by the Council (Art. 3c.5a) should be seen as a floor to be increased following the Council's objective to cover at least 70% of the price difference between regular kerosene and SAF. It should also be applicable for SAF uplifted beyond the mandate. The early years of the EU SAF mandate will focus on the uplift of biogenic SAF – HEFA. It is therefore crucial that HEFA-derived fuels are included in the scope of the SAF allowances scheme.
 While the provision of SAF-allowances is a good initiative to bridge the cost gap between sustainable aviation fuels and conventional kerosene, the effect on the overall ETS price (including for stationary installations) should be monitored closely.
- Avoid prematurely determining the effects of non-CO2 emissions: The proposal of the European Parliament for a flat-rate consideration of non-CO2 effects (AM 51) prejudices the proper analytic work needed by the Commission before such an inclusion. Such an approach will not have a steering effect on the reduction of such emissions. A precise quantification of the non-CO2 effects of aviation on the climate



requires the consideration of many factors including flight altitude, humidity, and the time of day, which is why a more thorough approach is needed.

As negotiations enter the decisive phase, we hope that you can keep the points mentioned above front of mind to help avoid competitive distortion and carbon leakage and to ensure that Europe stays well-connected through the air in future decades. Feel free to reach out in case of any questions.

Yours sincerely,

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