

Oral Testimony of Annie Petsonk, International Counsel, Environmental Defense Fund (EDF), before the Committee on Commerce, Science, and Transportation, U.S. Senate
June 6, 2012

Hearing on the European Union Emissions Trading System (EU ETS) and S. 1956, a bill to give the Secretary of Transportation authority to prohibit U.S. air carriers from participating in the EU ETS, and direct the Secretary to ensure that U.S. carriers are held harmless

Good afternoon Mr. Chairman and distinguished members of the Committee. Thank you for your invitation to speak today.

My name is Annie Petsonk. I am international counsel at the Environmental Defense Fund, EDF.

I'd like to make three points regarding the EU ETS for aviation: first, it's modest, effective, and reasonable. Second, it can create jobs here at home, without significant costs to the industry – they may even be able to profit from it. Third, it intrudes into US sovereignty no more than similar US laws intrude into the sovereignty of other countries.

Aviation today emits a fairly small slice of global carbon pollution – about as much as the entire emissions of Canada. But aviation is one of the fastest-growing sources of that pollution. US airlines say they've cut emissions 15%. As this chart shows, emissions dropped with the financial crisis, but they're growing again, and FAA forecasts that growth will continue. As the next chart shows, global aviation emissions are also forecasted to grow. That's the red line on this Chart.

The purple line shows the emissions of flights to, from and within Europe. The ETS cuts emissions 3% the first year and then 5% as shown by the bottom line on this chart. That's modest, but it's still -- the equivalent of taking 30 million cars off the road each year.

Airlines will tell you that because fuel costs money, they have every incentive to save fuel and boost efficiency. But the fact is, as my next chart shows, the efficiency of new jet aircraft has been essentially flat for the past twenty years. As the number of flights increases, total emissions will continue to grow unless they are capped.

My second point is that capping aviation pollution can create good jobs here at home making the technologies and hardware to help planes fly more efficiently. Airbus's decision to source efficient airframes from West Virginia's Ravenswood aluminum plant is just one example.

Compliance with the EU law is cheap. An FAA-financed analysis found that the costs to US carriers will be very small - \$6 on a roundtrip airfare. Here's a chart of the cost of my flight to Denmark in April. (Explain) And this tiny line is the amount by which United raised its fare to cover the EU ETS. That's how much a beer costs on a United flight.

I want to be very clear that under this law, no airline is required to send a nickel to an EU government treasury. Airlines can cut their own emissions or purchase allowances from any of the 12,000 other participants in the EU ETS. None of that sends any money to foreign treasuries.

My third point is that the EU law is no more an intrusion into U.S. sovereignty than America's aviation laws intrude into the sovereignty of other nations. Our country taxes everyone who boards a plane in the US heading overseas, and everyone overseas who comes to the US. Very often our tax is collected on their soil. We're not alone in doing this. EDF

has posted a partial list of these laws on our website. In terms of its intrusion into US sovereignty, the EU law is no different.

To those who say that a better solution would be in the International Civil Aviation Organization, ICAO: we agree! Mr. Chairman, we want to share our ideas about how to get an effective limit on aviation pollution in ICAO. We think it can be done next year. But ICAO has wrangled with this emissions issue for fifteen years. It's only because of the EU ETS that ICAO has made more progress this year than ever before. Until ICAO reaches an agreement, the EU's program is reasonable, it's affordable, and it makes sense.

I want to close with a caution. After the airlines lost their court case against the EU, they came here to ask you to ban their participation in the EU system. That strategy could have some unintended consequences. If you pass a bill authorizing the Secretary to prohibit them from participating, and he does so, that could trigger compliance liabilities for the airlines of \$2 billion a year or more. Their insurance companies very likely won't cover this - we've looked at the policies. S. 1956 directs the Secretary to hold the airlines harmless. How will he do that? Will he ask U.S. taxpayers to foot the bill? I certainly hope not. You might want to ask the Secretary just how he plans to hold the airlines harmless. And you might ask our friends from the airlines whether they want the ban if he can't.

Mr. Chairman, members of the Committee, thank you. I would be happy to answer questions.