

Statement of

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before the

**Committee on Transportation and Infrastructure
Subcommittee on Aviation
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hearing on

The European Union Emissions Trading Scheme

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Mr. Chairman, Ranking Member Costello, and Members of the Subcommittee:

Thank you for inviting me to testify this morning. I will focus my remarks on our diplomatic efforts to date to prevent the unilateral inclusion of U.S. air operators in the European Union Emissions Trading Scheme (ETS). The Department of State has worked closely with the Department of Transportation, the Federal Aviation Administration, the Environmental Protection Agency, and the Department of Commerce to develop a strategy to advance this goal.

First let me state up front that we support the goal of addressing greenhouse gas emissions, including from the aviation sector. However, unilaterally including our carriers in an emissions trading system is the wrong way to achieve the right objective. We believe the right way is to work with our international partners to develop a multilateral solution through the International Civil Aviation

Organization (ICAO) while allowing the vital aviation sector to continue to grow. No other sector contributes more to the movement of people and goods across great distances and across international borders, and few other sectors are as vital to the growth and stability of the global economy.

We have made progress in developing a solution at the global level through ICAO, and we are eager to continue this progress. At the last Assembly of the International Civil Aviation Organization in 2010, the United States worked with our international partners to achieve agreement on a number of measures to limit or reduce aviation's impact on the environment. They included, for the first time ever, an ambitious, medium-term, global goal of carbon neutral growth from 2020 (that is, that net global international aviation carbon emissions will not rise above 2020 levels beyond 2020), agreement to develop a CO₂ standard, mandatory reporting by all countries of fuel consumption, and agreement that States would submit to ICAO action plans listing the measures they plan to take to contribute to the global goal. Recognizing that the circumstances of each country's aviation industry may differ, no one specific action is required to reach the goal – each country can determine what measures make the most sense for its own industry and economy. For example, the U.S. is seeking even more ambitious goals—carbon neutral growth by 2020 using a 2005 baseline.

Further, at the Assembly a majority of ICAO member States acknowledged that the application of market-based measures to international aviation should be done following good-faith negotiations to reach an agreed way forward, not unilaterally. The Member States of the European Union and the Member States of the European Civil Aviation Conference (44 in all) reserved on this last point.

In the United States, we have a strong record of success in reducing emissions from aviation. Over the past decade, we have seen U.S. aviation emissions shrink by 15% through greater efficiencies and improved technology. We are committed to working with our U.S. government colleagues to enhance that record, in partnership with the aviation industry, and to support our commitments in ICAO.

Europe, as our largest aviation market, is one of our closest partners. As you know, in 2007 the United States signed an air transport agreement with the European Union and its member states (the "U.S. – EU Air Transport Agreement"). We signed a protocol to amend that Agreement, the so-called "Second – Stage Agreement" in 2010, and in June, Norway and Iceland, as members of the European Economic Area, signed an agreement to accede to it as amended. It is a significant agreement that has led to great benefits on both sides of the Atlantic.

Recognizing that the environment is taking on more significance in international aviation, Article 15 of the Agreement, as amended, underscores the Parties' intent to work together to reduce the impact of aviation on the environment and the commitment of both Parties to address questions raised concerning new environmental measures that might affect the exercise of rights. A Joint Committee established under the Agreement – made up of representatives from both Parties and technical experts as required – is charged with seeking to resolve questions related to the interpretation or application of the Agreement, including those arising under Article 15.

To that end, on June 22 in Oslo, Norway, we met with EU officials and delivered this Administration's formal objections to the EU's unilateral inclusion of U.S. air carriers in the ETS. I led the delegation at that meeting, which included representatives from FAA, DOT, EPA, Commerce, the U.S. aviation industry, and U.S. environmental organizations. The EU delegation was headed by the Director of Air Transport from the Directorate-General for Mobility and Transport, and included officials from the Directorate General for Climate and the European External Action Service, and representatives from EU member states, the European aviation industry associations, and environmental organizations.

We objected to the unilateral imposition of the EU's ETS on U.S. air carriers on both legal and policy grounds. We emphasized that unilateral imposition was the wrong way to pursue the right objective. We asked a number of questions about how the Emissions Trading Scheme is expected to work and frankly were disappointed with the answers. In fact, our concerns about the lack of transparency surrounding the EU's plans to determine "equivalency" of other countries' measures and the potential for discrimination in that process were only heightened.

While this was the first time this Administration had rendered a formal objection, the United States – and other members of the international community – have been expressing our concern about the prospect of the EU unilaterally extending its ETS to international aviation for years. It is therefore disappointing to hear statements from European officials that our objections have been raised too late, and that because application of the EU's ETS to all air carriers is a matter of law, not policy, the European Commission is not in a position to delay or modify its implementation or application. In the end, the path the European Union has

chosen will likely hamper progress toward a multilateral solution that could bring about a much more far-reaching and beneficial impact on the climate than the EU ETS alone can achieve.

We will continue to strongly oppose the unilateral application of the EU's ETS to our airlines and will work with the international community to find constructive and collaborative ways to tackle the important issue of aviation and climate change.