

China Bars Its Airlines From Paying Carbon Tax

Joe McDonald, AP Business Writer

BEIJING (AP) — China announced Monday it will prohibit its airlines from paying European Union charges on carbon emissions, ratcheting up a global dispute over the cost of combating climate change.

The charges are aimed at curbing emissions of climate-changing gases but governments including China, the United States and Russia oppose them. The ratings agency Fitch warned in December the conflict could spiral into a global trade dispute.

The Chinese air regulator said China's carriers are barred from paying the charges or other fees without government permission, the official Xinhua News Agency reported. It said Beijing will consider unspecified measures in response to protect Chinese companies.

There was no indication there would be any immediate impact on flights between China and Europe or penalties for Chinese airlines. The charges took effect in January but money will not be collected until next year.

The dispute highlights Beijing's complicated status in global climate efforts.

China is the biggest source of climate-changing gases but as a developing country is exempt from Kyoto Protocol emission limits. Owners of Chinese power plants and factories have received billions of dollars from a European system that pays developing countries to curb emissions but Beijing has resisted binding limits.

Under the European system, airlines flying to or from Europe must obtain certificates for carbon dioxide emissions. They will get free credits to cover most flights this year but must buy or trade for credits to cover the rest.

"China objects to the EU's decision to impose the scheme on non-EU airlines," Xinhua quoted a statement by the Civil Aviation Administration of China as saying.

The European Union ambassador to Beijing, Markus Ederer, defended the charges as consistent with Europe's efforts to be a "green leader" in curbing climate change and said they treat European and foreign carriers equally.

Ederer said it was too early to consider questions such as whether Chinese carriers might be compelled to pay. He said EU regulations include a provision to exempt carriers from countries with "equivalent measures" to curb carbon emissions.

"We are ready to engage in a discussion on recognizing the equivalent measures which would then exempt those airlines of those countries from the necessary dues that would have to be paid," he said at a previously scheduled news conference on

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EU relations with China.

Ederer said that with free credits taken into account, the added cost per passenger on a flight from Beijing to Brussels, the EU capital, would be 17.50 yuan or 1.90 euros (\$2.70).

"I leave it to you to make a judgment on whether this is too much for saving the Earth, combating climate change and making headway together," he said.

In Brussels, spokesman for the EU's climate agency, Isaac Valero-Ladron, said he was confident Chinese airlines would eventually comply and said the agency remained open to talks with Chinese officials over their concerns.

"We are telling them that this is our environmental legislation. It applies in Europe. If you want to do business in Europe you have to respect the law," Valero-Ladron said.

Environmentalists welcomed the European program, one of the most far-reaching measures adopted by any government to regulate greenhouse gas emissions. Although only 3 percent of total human-caused carbon emissions come from aircraft, aviation is the fastest-growing source of carbon pollution.

U.S. airlines, supported by governments including China and India, filed a legal challenge to the charges but the EU's highest court upheld them in December.

Beijing could have unusually strong leverage in a possible dispute because its state-owned airlines carry large numbers of Chinese and other Asian tourists to Europe. Any disruption would hurt Europe's travel industry when the continent is struggling with a debt crisis and high unemployment.

The International Air Transport Association has criticized the charges as "market distorting." It says the EU should negotiate through the International Civil Aviation Organization to reach a global agreement.

IATA, which represents about 240 airlines that carry 84 percent of global air traffic, estimates the new rules will cost airlines up to 900 million euros (\$1.2 billion) this year and rise to 2.8 billion euros in 2020.

Ederer said the EU was open to discussing the issue through ICAO.

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