EU Won't Scrap Carbon Tax

Alex Kennedy, Associated Press

SINGAPORE (AP) — Europe is willing to discuss its new carbon emissions tax for airlines with disgruntled governments but has no plans to scrap the levy, top EU officials said Monday.

Airlines and governments have complained the tax is too costly and was implemented without consultation. Industry leaders are warning the disagreement could spark a trade war between Europe and the rest of the world.

"We're ready to negotiate within our framework," Siim Kallas, European Commission vice president and transport commissioner, said at an aviation conference in Singapore. "We aren't trying to dominate the world."

The EU imposed the tax, known as the emissions trading scheme, on Jan. 1 in a bid to curb climate-changing gases but money will not be collected until next year.

Under the 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.

"I'm very worried," said Tom Enders, chief executive of Airbus, the world's largest commercial airplane maker. "What started out as a solution for the environment has become a source of potential trade conflict."

EU officials cite a doubling of aviation carbon emissions in Europe between 1990 and 2006 and the inability of governments to forge a global deal on reducing emissions as reasons that prompted them to act.

"ETS will be implemented," said Matthew Baldwin, director of aviation and international transport affairs for the European Commission. "We recognize just how strong the opposition is. If there's a global deal, we can amend ETS."

Baldwin said the earliest scheduled review of the scheme would be in 2014.

Last week, China barred its carriers from paying the charges or other fees without government permission, and Russia, India and the U.S. have also voiced opposition.

Asian carriers say the carbon tax unfairly penalizes them and favors Middle East rivals because the charge is based on the distance of the flight.

"There's a difference between leadership and bludgeoning, you guys tried the latter and are now discovering it works both ways," said John Slosar, CEO of Hong Kong-based Cathay Pacific Airways.

"It's not surprising you're getting this push-back," Slosar said, addressing Baldwin. "Your scheme was ill-founded and you went ahead with it anyway."

Malaysian long-haul budget carrier AirAsia X said last month it plans to eliminate flights to Europe, in part because the carbon tax would increase costs and make flights less profitable.

"The longer you fly direct, the more you're penalized," AirAsia X Chief Executive Azran Osman-Rani said. "There was hope that the EU would back down but they didn't. Now they have to deal with China, good luck with that."

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.

"If there's no alternative to ETS, we think this is an appropriate action for Europe to be taking," said Tim Johnson, director of the International Coalition for Sustainable Aviation.

The International Air Transport Association, which represents 240 airlines, is urging the EU to negotiate new carbon emissions guidelines through the 191-country International Civil Aviation Organization.

"Non-European governments see this extraterritorial tax collection as an attack on their sovereignty," IATA CEO Tony Tyler said Monday. "Aviation can ill afford to be caught in an escalating political or trade conflict."

Tyler reiterated IATA's forecast that airline profits will likely fall to $3.5 billion this year from $6.9 billion last year as a slowing global economy and high fuel costs pinch earnings.

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