

Newsletter – January 5, 2012

The Aviation Sector is Now Effectively under the EU ETS

Latest Events in the Aviation Sector:

- Despite the strong objections to the operation of the EU ETS with respect to flights arriving on and departing from European airports to third countries, the European Court of Justice (ECJ) found 'no factors' that question the validity of the emissions trading scheme. Accordingly, all airlines that land on or take off at European airports shall be liable to pay for their carbon emissions. The judgment of the ECJ is final and authoritative on national courts of the EU Member States.
[read the judgment in English]
- The Bulgarian Ministry of Environment and Waters (MEW) published the total number of allowances that will be distributed for free to individual aircraft operators just a week ahead of including the aviation sector into the EU ETS. The quantities of allowances for the period starting in 2012 and the one following from 2013 to 2020 have been announced on the MEW's web-site.
[read the announcement in Bulgarian]
- The excise duty on kerosene under CN Codes 2710 19 21 (jet fuel) and 2710 19 25 (other purposes) have been increased effectively from BGN 615 to BGN 630 per 1,000 liters. This is approximately EUR 323.07 per 1,000 liters. The increase was made effective by amending Article 32 of the Law on Excise Duties and Tax Warehouses. The underlying reason for the amendment is the achievement of a gradual increase of the excise duty in accordance with the commitments undertaken in the Accession Agreement of Bulgaria to the EU.
[read the amendment in Bulgarian]

Free allowances are allocated only to aircraft operators that had submitted an application therefor by March 31, 2011. Evidently, only four aircraft operators administered by the Bulgarian authorities have elected this option. These aircraft operators will be allocated allowances for free by February 28, 2012 and by February 28 each year thereafter for the respective year. All other aircraft operators falling within the scope of the EU ETS, for whom Bulgaria is the administering country, shall procure the required allowances by purchasing them on the carbon market.

Aviation operators may now trade and they shall surrender aviation allowances on an annual basis starting from 1 January 2012. At this stage, the emissions trading scheme remains 'semi-open' to the aviation sector, i.e. aircraft operators may use European Union Allowances (EUAs) or other credits for compliance, but Aviation Allowances (AAs) cannot be used by other participants for compliance purposes.

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