

**U.S. COMMENTS IN THE EXECUTIVE COMMITTEE
OF THE COUNCIL OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION
ON AGENDA ITEM 17 CONCERNING AVIATION EMISSIONS**

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THANK YOU MR. PRESIDENT. THE UNITED STATES THANKS THE MEMBERS OF THIS ASSEMBLY FOR OUR RE-ELECTION TO THE COUNCIL.

THE COMMENTS FROM MY COLLEAGUES THESE LAST TWO DAYS SHOW THAT WE ALL RECOGNIZE THE NEED TO ADDRESS INTERNATIONAL AVIATION'S CONTRIBUTION TO GREENHOUSE GAS EMISSIONS . THE QUESTION AT HAND IS NOT IF, BUT **HOW** WE GO ABOUT DOING SO – WHETHER WE DO SO IN A WAY CONSISTENT WITH ICAO'S MISSION AND INTERNATIONAL LAW, BASED ON SOUND SCIENCE, AND WITH TANGIBLE AND MEASURABLE RESULTS THAT ALLOW AVIATION TO GROW.

MR. PRESIDENT, SOME STATES WOULD HAVE US BELIEVE THAT ICAO WOULD BE ABDICATING LEADERSHIP BY REQUIRING A CONSENSUAL APPROACH TO MEASURES THAT DEAL WITH THE ENVIRONMENT -- INCLUDING EMISSIONS TRADING. THEY ASSERT THAT "ICAO HAS FAILED" AND THUS EACH STATE SHOULD NOW BE FREE TO DICTATE THE TERMS UNDER WHICH EVERY OTHER STATE SHOULD PARTICIPATE IN WHATEVER MEASURES THEY ADOPT

TO DEAL WITH CLIMATE CHANGE. AND THESE STATES SHOULD BE ABLE TO GRANT MISCELLANEOUS EXEMPTIONS FROM THEIR PROGRAMS DEPENDING ON **THEIR** VIEW OF WHETHER OTHER STATES' APPROACHES ARE ADEQUATE – PRESUMABLY SUBJECT TO WHATEVER POLITICAL CONSIDERATIONS MAY ENTER INTO THE BILATERAL RELATIONSHIPS.

LET ME DISAGREE.

THE FACT THAT AVIATION IS MUCH CLEANER AND QUIETER TODAY THAN IT WAS 30 YEARS AGO IS A **TESTAMENT** TO THE STRENGTH OF ICAO. IT IS NOT HAPPENSTANCE THAT TODAY'S NEW AIRCRAFT ARE MORE FUEL EFFICIENT THAN COMPACT CARS AND THAT **INTERNATIONAL** AVIATION REPRESENTS *ONLY* ABOUT 1.5% OF GHG EMISSIONS. ICAO HAS PLAYED A VITAL ROLE IN STANDARD SETTING AND IN PUSHING FORWARD INITIATIVES THAT ALLOWED THESE ACHIEVEMENTS. ICAO'S WORK HAS FACILITATED APPROPRIATE MARKET-BASED SOLUTIONS, TANGIBLE OPERATIONAL EFFICIENCIES, TECHNICAL IMPROVEMENTS, ALTERNATIVE POWER SOURCES FOR AVIATION, AND BETTER UNDERSTANDING OF THE SCIENCE OF AVIATION EMISSIONS. ANYONE WHO BOTHERS TO ACTUALLY *READ* THE WORKING PAPERS DOCUMENTING THESE ACTIVITIES WILL QUICKLY OBSERVE ICAO'S MANY SUCCESSES. REFUSAL TO ENDORSE UNILATERAL EMISSIONS TRADING SCHEMES IS NOT A FAILURE.

AVIATION EMISSIONS ARE GROWING -- BUT NOT BECAUSE OF INACTION BY ICAO. AVIATION EMISSIONS ARE GROWING BECAUSE **AVIATION IS GROWING**. BECOMING SAFER. MORE EFFICIENT. AND MORE ENVIRONMENTALLY FRIENDLY. AND NONE OF US SHOULD BE EMBARRASSED ABOUT THESE FACTS.

COLLABORATION AND CONSENT IN ICAO **DOES** WORK.

NOW, WE KNOW THAT MORE NEEDS TO BE DONE. IN THE U.S. WE ARE FOCUSED ON PRACTICAL PROGRAMS THAT ARE ALREADY CAUSING EMISSIONS REDUCTIONS. THE U.S. INDUSTRY IS PRODUCING 10 MILLION TONS LESS OF CO2 TODAY THAN IN 2000. THAT'S A FACT – NOT JUST A HOPE. HOW? THROUGH INNOVATION IN TECHNOLOGY ... AIR TRAFFIC TRAFFIC MANAGEMENT ...INFRASTRUCTURE. OF COURSE, THE MOST EFFECTIVE MARKET-BASED MEASURE HAS BEEN THE HIGH PRICE OF FUEL, WHICH COMBINED WITH A DOMESTIC FUEL TAX IN PLACE FOR DECADES, HAS GIVEN AIRLINES EVERY REASON THEY NEED TO REDUCE FUEL BURN AND EMISSIONS.

THE U.S. PIONEERED EMISSIONS TRADING AS A WAY TO DEAL WITH POLLUTION. BUT WE HAVE DECIDED THAT EMISSIONS TRADING DOES NOT MAKE SENSE FOR OUR DOMESTIC AVIATION SECTOR, PARTLY BECAUSE WE KNOW THAT ANY SCHEME THAT RAISES TICKET PRICES WILL DRIVE

PASSENGERS AWAY FROM THE AIRLINES AND ONTO THE HIGHWAYS IN THEIR CARS, WHICH IS FAR WORSE FOR THE ENVIRONMENT. I'D LIKE TO EXPLAIN WHY THE EU PROPOSAL MAKES EVEN LESS SENSE FOR INTERNATIONAL AVIATION.

MORE SO THAN ANY OTHER INDUSTRY, AVIATION RELIES ON **MOBILE ASSETS**. THE WORLD'S BIG AIRLINES HAVE MIXED FLEETS WITH BOTH NEWER, FUEL-EFFICIENT AIRPLANES AND LEGACY LESS-EFFICIENT AIRCRAFT. TO THE EXTENT EMISSIONS TRADING OR CHARGES DRIVE UP AIR CARRIER OPERATING COSTS-- THE AVOWED GOAL OF SOME "GREEN" GROUPS--AIRLINES WILL SHIFT LEGACY AIRCRAFT TO DOMESTIC AND INTERNATIONAL ROUTES WHERE NO PERMITS ARE REQUIRED OR CHARGES ARE LEVIED. THE NET RESULT IS TO INCREASE TICKET PRICES FOR INTERNATIONAL AIR TRANSPORTATION – WITHOUT NECESSARILY REDUCING EMISSIONS ONE WHIT.

INDEED, IT GETS WORSE THAN THAT. LET'S ASSUME THAT THE EU PROCEEDS TO IMPLEMENT ITS TRADING SCHEME ON INTERNATIONAL FLIGHTS. WHAT'S LIKELY TO HAPPEN IN PRACTICE? BECAUSE A LARGE PERCENTAGE OF TRAFFIC TO/FROM THE EU IS ACTUALLY CONNECTING TRAFFIC BETWEEN POINTS ENTIRELY OUTSIDE EUROPE (SUCH AS A FLIGHT FROM SYDNEY TO MONTREAL VIA LONDON HEATHROW), AS PRICES FOR EU AIR TRANSPORT RISE DUE TO EMISSIONS CAPS, PASSENGERS WILL CHOOSE

OTHER MORE AFFORDABLE CONNECTING FLIGHTS – LIKE THE GROWING HUBS IN THE MIDDLE EAST THAT ALREADY COMPETE WITH EUROPEAN HUBS. AGAIN, HIGHER PRICES FOR SOME PASSENGERS, NO CLEAR BENEFIT FOR THE CLIMATE .

EVEN THE “EXPERTS” HAVE **NO REAL IDEA** OF WHAT THE EU SCHEME WILL ACTUALLY COST. THE EU COMMISSION SAYS IT WILL COST AIRLINE PASSENGERS NEXT TO NOTHING. YET BEFORE THE EUROPEAN PARLIAMENT THEIR OWN INDUSTRY SUBMITTED DATA SHOWING THAT THE ANNUAL EXPENSE WILL BE TWICE THE CUMULATIVE PROFIT OF EU AIRLINES OVER THE LAST DECADE. AND THEN THE WORLD WILDLIFE FEDERATION STUDY ASSERTS THAT THE AVIATION SECTOR WILL MAKE WINDFALL PROFITS OF \$3.5 BILLION A YEAR. SURELY, MORE **RIGOROUS ECONOMIC ANALYSIS** MUST PRECEDE ANY CONSIDERATION OF IMPOSING TRADING IN THE INTERNATIONAL SECTOR.

ANY SYSTEM THAT APPOINTS THE REGULATORS OF ONE STATE AS THE ADMINISTRATORS OF A CHARGING SCHEME AFFECTING OPERATORS IN ANOTHER STATE IS, OF COURSE, INHERENTLY SUBJECT TO **COMPETITIVE MANIPULATION**. UNDER THE EU PLAN, EACH NON-EU AIRLINE'S PARTICIPATION WILL BE REGULATED BY THE SO CALLED “ADMINISTERING STATE,” WHICH IS WHEREVER IT FLIES THE MOST. THAT COUNTRY WILL THEN DOLE OUT ALLOWANCES TO THE FOREIGN AIRLINE, THUS

DETERMINING HOW MANY PERMITS THE AIRLINE MUST PURCHASE. PRESUMABLY, THAT STATE ALSO DECIDES WHOSE EMISSIONS ARE DE MINIMIS AND WHOSE MEASURES ARE "EQUIVALENT." THIS COULD EMPOWER EACH SUCH STATE TO DISCRIMINATE AGAINST FOREIGN AIRLINES IN FAVOR OF THEIR OWN.

AS YOU KNOW, THE U.S. POSITION HAS BEEN THAT AIR TRAFFIC REFORM, WHICH HAS THE DUAL BENEFIT OF REDUCING CONGESTION AND EMISSIONS, IS A VITAL ELEMENT OF A COMPREHENSIVE APPROACH. YET A STATE-RUN EMISSIONS TRADING SCHEMES WORK AGAINST THIS. BY REWARDING GOVERNMENTS WITH REVENUES FROM THE INITIAL SALES OF EMISSION PERMITS, THE SCHEME WILL CREATE A **FINANCIAL DISINCENTIVE** FOR THOSE GOVERNMENTS TO REFORM TODAY'S **HIGHLY INEFFICIENT AIR TRAFFIC SYSTEMS**, WHICH GENERATE EXCESS FUEL BURN AND DRIVES UP PERMIT PRICES.

FINALLY, EVEN THOSE IN EUROPE HAVE ACKNOWLEDGED THE IMPLEMENTATION OF THEIR ETS HAS BEEN FLAWED. THE SYSTEM NEARLY COLLAPSED IN ITS FIRST YEARS OF OPERATION AS GOVERNMENTS FLOODED THE MARKET WITH PERMITS FOR FAVORED INDUSTRIES, DRIVING DOWN THE PRICE OF PERMITS AND CREATING WINDFALL PROFITS FOR RECIPIENTS.

THE EU OBVIOUSLY VIEWS THINGS QUITE DIFFERENTLY AND HAS MADE A

DECISION TO IMPLEMENT EMISSIONS TRADING FOR AVIATION. LET ME BE CLEAR. THE U.S. HAS NO DESIRE TO PREVENT THE EU OR ANY OTHER ENTITY FROM CHOOSING ITS OWN POLICIES, INCLUDING EMISSIONS TRADING, FOR ITS OWN DOMESTIC INDUSTRY. WE WELCOME THE EUROPEAN COMMISSION FIRST IMPLEMENTING AN TRADING SCHEME FOR ITS CARRIERS IN DOMESTIC MARKETS AND THEN BRINGING ANY LESSONS BACK INTO ICAO.

BUT THE UNITED STATES, LIKE THE THE VAST MAJORITY OF STATES ASSEMBLED HERE, HAS REPEATEDLY SAID THAT EMISSIONS TRADING SCHEMES COVERING INTERNATIONAL AVIATION CAN ONLY PROCEED WITH THE **CONSENT** OF THE STATES INVOLVED. THAT IS WHY IN 2004 THE ASSEMBLY DECIDED THAT STATES SHOULD REFRAIN FROM UNILATERAL ACTION. THIS IS AN ISSUE OF STATE RIGHTS UNDER THE CHICAGO CONVENTION. IT IS NOT SOMETHING THAT SHOULD BE TRADED AWAY FOR POLITICAL REASONS. THAT CONVENTION IS CLEAR ON THIS POINT: NO STATE MAY CONDITION THE RIGHT OF TRANSIT OVER OR ENTRY INTO OR EXIT FROM ITS TERRITORY OF ANY AIRCRAFT OF ANOTHER STATE ON THEIR OPERATOR'S PAYMENT OF FEES, DUES, OR OTHER CHARGES. THAT IS PRECISELY WHAT A MANDATORY PROGRAM OF EMISSIONS PERMITS DOES.

IT HAS BEEN SUGGESTED THAT DEVELOPING COUNTRIES NEED NOT BE CONCERNED ABOUT THE EU ETS PLAN BECAUSE THEY WILL BE PROTECTED

BY THE NOTION OF “COMMON BUT DIFFERENTIATED RESPONSIBILITIES.” THIS IS MISLEADING. THERE IS NO WAY AN EMISSIONS TRADING SCHEME THAT EXEMPTS DEVELOPING COUNTRIES CAN BE APPLIED UNDER THE CHICAGO CONVENTION WITHOUT VIOLATING ITS PRINCIPLE OF **NON-DISCRIMINATION**. THE CHICAGO CONVENTION AND UNFCCC ARE SEPARATE LEGAL INSTRUMENTS, AND ONE DOES NOT PREVAIL OVER THE OTHER. THUS AGREEING TO ACCEPT THE UNILATERAL IMPOSITION OF SUCH A SCHEME ON THE HOPE THAT IT WILL NEVER APPLY TO YOU IS WISHFUL THINKING AT BEST.

I KNOW THERE IS ALSO CONCERN AMONG DEVELOPING COUNTRIES AS TO WHAT AN ICAO COMPREHENSIVE APPROACH MEANS FOR YOU, WHAT BURDENS WILL BE PLACED ON YOU, AND HOW YOU WILL BE PROTECTED FROM UNILATERAL CHARGING SCHEMES. WE STRONGLY ENDORSE THE COMMENTS OF HER EXCELLENCY, MRS. ALISON-MADUEKE OF NIGERIA, ON THIS POINT, WHEN SHE STATED THAT “EMPHASIS SHOULD BE ON THOSE MEASURES WHICH WILL REDUCE AIRCRAFT ENGINE EMISSIONS WITHOUT AT THE SAME TIME NEGATIVELY IMPACTING THE GROWTH OF AIR TRANSPORTATION, PARTICULARLY IN THE DEVELOPING AND EMERGING ECONOMIES.”

WE BELIEVE THAT ICAO, LIKE OTHER U.N. AGENCIES, MUST TAKE INTO ACCOUNT THE SPECIAL POSITION OF DEVELOPING STATES – BUT THROUGH

A POSITIVE PROGRAM OF ACTION, NOT SIMPLY MAKING PROMISES TO EXCUSE COUNTRIES FROM PARTICIPATING IN EMISSION TRADING SYSTEMS. WE RECOGNIZE THE IMPORTANCE OF ACKNOWLEDGING “COMMON BUT DIFFERENTIATED RESPONSIBILITIES” UNDER THE KYOTO PROTOCOL AND UNFCCC. WHILE DOING SO, WE MUST ALSO ENSURE STRONG INTERNATIONAL OPPOSITION TO UNILATERAL ACTION.

MR. PRESIDENT, THE U.S. IS COMMITTED TO FINDING A WAY FORWARD ON THIS ISSUE BASED ON COLLABORATION, PRAGMATISM, AND FACTUAL INFORMATION. THE US SUPPORTS THIS ASSEMBLY ADOPTING THE PROPOSED RESOLUTION PROVIDING A COMPREHENSIVE APPROACH TO ADDRESSING EMISSIONS. WE STRONGLY SUPPORT THE ISSUANCE OF GUIDANCE ON EMISSIONS TRADING REQUIRING MUTUAL CONSENT AND WE LOOK FORWARD TO PRODUCTIVE CONVERSATIONS OVER THE COMING DAYS. WE BELIEVE MULTILATERAL ACTION IS THE BEST PATH TOWARD FINDING SOLUTIONS THAT WILL FACILITATE SUSTAINABLE AVIATION GROWTH.