

**Keynote address by**

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Thank you for the opportunity to offer some reflections from the vantage point of a tourism minister representing a long-haul destination, here on the eve of taking stock at Rio+20.

I am a firm believer in the need to break out of silo-based thinking about tourism and aviation. These two sectors have, for historical reasons, been institutionalised and regulated in silos. Yet, they both face many cross-cutting policy challenges, which require coordinated action between different government line functions, United Nations agencies and industry bodies. For example, the two sectors are equally exposed to global economic shocks; restrictive travel barriers and the slow uptake of e-visas; archaic legal frameworks, such as those created by the Chicago Convention; global health pandemics and security scares; volatile oil prices, and so on. The two sectors also share a responsibility to address the growing carbon footprint of aviation and tourism.

On the one hand, the aviation industry is extremely vulnerable to climate change response policies, especially when these involve the pricing of carbon emissions. On the other, the industry has to contribute its fair share to efforts to limit the global temperature increase to below 2 °C. This will be no easy task. The growth expected in international tourism and trade flows over the next four decades, the superiority of air transport as enabler of long-haul travel, and the dependence of aviation on fossil fuels all render this a huge challenge.

Let me immediately state: Slowing down aviation and tourism growth simply to reduce carbon emissions will be in no-one's interest. It will destroy jobs and undermine our efforts to reduce poverty. As it stands, tourism sustains one in every 12 jobs globally, and contributes some 9% of worldwide gross domestic product. Furthermore, aviation is not only a key enabler of tourism, but also of trade, investment and global integration.

However, as much as 'slowing down' is not an option, sitting back and 'doing nothing' isn't one either. Business-as-usual growth of emissions will simply not be environmentally, economically or politically sustainable in decades to come. It will contribute to irreversible damage to our ecosystem and the livelihoods that depend on it.

Therefore, the challenge facing every executive in this room today is to decouple aviation growth from emissions growth. If you do not succeed in decarbonising

aviation, this industry will not remain competitive in a carbon-constrained world. However, you cannot be expected to tackle this multi-decade challenge on your own. The intolerable status quo is the result of both a massive market *and* governance failure.

In this respect, I want to recognise IATA for consolidating the industry around a common set of targets for 2020 and 2050. Of course, a comparison of these targets with what is required by science will follow in due course, but, for now, the 'in principle' commitment is an important start.

That said, words on paper can never become an end goal. We are looking to the aviation industry to take these targets more seriously. When I say this, I understand that we are dealing with a long supply chain, and those that need most prompting are often not airlines, but the oil companies that control the production and distribution of kerosene jet fuel. I believe they need to take their environmental stewardship much more seriously. Their lack of investment in developing second-generation drop-in aviation biofuels is of great concern. The immediate challenge is much broader, though. All players in the aviation industry will have to do more to realise the potential of operational and infrastructural improvements, and accelerated uptake of market-ready technologies. Many of these efficiency improvements do not require government intervention, but simply make good business sense: They reduce fuel bills.

However, I understand that governments also have a critical role to play. This includes our contribution to research and development, airspace redesign, optimised flight routes, freeing up the skies for competition as well as more modern airport and air traffic management infrastructure. Also, given that we are faced with market failures of global proportions, introducing stringent carbon dioxide (CO<sub>2</sub>) standards as well as benchmarks for green certification may soon become unavoidable. In addition, we are looking to Europe and the USA to make substantial progress with the implementation of the SESAR (Single European Sky ATM Research) and NextGen (Next-Generation Air Transportation System) initiatives.

But, Chairperson, once the near-term carbon abatement opportunities are optimised, only two long-term options remain, namely the drop-in of sustainable, second-generation biofuels and a global cap-and-trade scheme. For me, this is not an 'either/or' scenario: We need a market-based mechanism *and* the drop-in of biofuels. We cannot place all our eggs in the biofuels basket. The scalability is simply too uncertain. Therefore, an emissions trading scheme must provide offsetting opportunities for unavoidable aviation emissions, but, even more importantly, must create a price incentive for new investment in low-carbon technology.

Once again, I understand that governments have a critical role in de-risking the substantial investment that will be required to kick-start an aviation biofuels industry. Besides research and demonstration partnerships, we have to create the framework conditions for feedstock production. We also have a responsibility to introduce globally harmonised sustainability standards, and to level the playing field with the automotive industry. In time, this may require the phased introduction of fuel-blending mandates. Ultimately, policy signals must be *loud*, in that they should be ambitious and create a viable market; they must be *legal*, in that they should provide

market certainty, and they must be *long-term*, given the long lead times involved in the aviation technology life cycle.

This brings me to a global price on carbon as a game changer. Let's be clear: This is a transnational industry requiring global solutions. The creation of a global, sectoral cap-and-trade emissions trading scheme for aviation is long overdue.

Such a scheme should be underpinned by an ambitious long-term target and mid-term pathways. It should be legally binding, in other words there should be consequences for non-compliance, and, in time, the cap should become more stringent. Carbon pricing would have to be progressive yet foreseeable in order to allow the industry to plan over long time horizons. There are of course also important caveats, including that aviation's burden should not be disproportionate to that of other economic sectors – aviation cannot become the 'cash cow' of the climate regime. Also, to avoid double-counting and double-taxing of emissions, such a global scheme should replace the current patchwork of unilateral emissions trading and green taxation schemes that are spreading like wildfire in Europe.

Take for example the United Kingdom's Air Passenger Duty (APD). What started off as a green tax, has now become a pure revenue-raising mechanism. Its green credentials are long gone. The tax started off at a low level, but it is now a substantial tax on international tourism. And for those of us in the developing world that depend on eco-tourism, it is a tax on our green services exports.

In this context, let me turn to the burning issue of the day, namely the inclusion of aviation in the European Union emissions trading scheme (EU ETS). Without necessarily questioning the underlying principles of this market-based mechanism, I do think it would be fair to say that the aggressive unilateralism associated with its introduction leaves a fairly bitter aftertaste. The strong reaction that it has triggered from across the world, including threats of a trade war, therefore did not come as a big surprise.

From a tourism and aviation vantage point, the potential competitive distortions as well as the potential supply chain disruptions that may result from this kind of unilateralism, counter-threats of a trade war, retaliation and an uncoordinated proliferation of equivalent measures are rather concerning – and remain so, whether you represent an airline with thin operating margins or a long-haul developing-country tourism destination that depends heavily on international airlift to create jobs and reduce poverty.

Now, let me hasten to say, I understand the EU's frustration with 15 years of intransigence and doublespeak in the International Civil Aviation Organisation (ICAO). Progress with negotiations has been too slow, and too many vested interests have frustrated the political process. Ultimately, though, multilateralism must prevail.

So, let me conclude with a firm proposal: **If the EU is committed to a global solution, which I believe they are, and if the rest of the world is seriously committed to providing new political momentum to negotiations under ICAO, which I believe they are, there may be very good reasons for the EU to**

**suspend the inclusion of aviation in the EU ETS for two years. I believe the EU should go the extra mile and give the negotiating parties in ICAO, all of us, a fair chance to conclude negotiations on a global, sectoral emissions trading scheme. Let me repeat: Given that multilateral negotiating options are not yet exhausted, we call on the EU to do the sensible thing and suspend the extension of the EU ETS to aviation for two years.**

**Aggressive unilateralism and extra-territorial measures are not the way to go in an increasingly globalised world. It may look attractive in the short-term, but it will sow seeds that will only reap the whirl wind of confrontation in the medium- to long-term.**

I believe that, with stronger leadership from all sides, it is possible to resolve the outstanding issues, including the seeming clash of principles between the climate change and air transport regimes. **One way to resolve the impasse could be to agree that any market-based mechanism would have 'zero net incidence' for developing countries. In the design of an emissions trading scheme, provision could be made for the ICAO principle of equal treatment to apply at an operator level when revenues are raised. However, when allocations are made from a multilaterally managed fund, differentiated disbursements could be made, for example towards decarbonised infrastructure and sustainable-biofuels industries in developing-country markets. This assumes that a significant portion of revenues from carbon pricing will be re-invested in green growth.**

Chairperson, what started off as an environmental and an aviation issue, has now become an issue with potentially dire consequences for trade and tourism. The issue has moved into a confrontational space, where a political solution is urgently required. I believe a global deal is within reach, but we now need the EU to take a broader view of what the 'atmosphere' needs by creating the space for *bona fide* multilateral negotiations to conclude by 2013. We also need visionary leaders in the rest of the world to rise to the challenge. Let's work together to capture our commitment to clean up our act in a negotiated agreement under a stronger, forward-looking ICAO.