



Aviation Global Deal Group

Contribution to a sectoral approach

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Aviation Global Deal Group

AGD Group – Who We Are

- Established in the second half of 2008, publicly launched in February 2009 in Hong Kong
- Members of AGD:

AIRFRANCE 

**KLM**

BAA 
The world's leading airport company

BRITISH AIRWAYS 

THE CLIMATE GROUP

 **CATHAY PACIFIC**

 **atlantic**

- Nimble working group, initially based in London

Aviation Global Deal Group

Objectives of the AGD Group

- Demonstrate that airlines are prepared to engage
- Input to designing a global sectoral approach based on industry's needs
- Avoid poor policy design, layering & patchwork of instruments around the world
- Support industry dialogue on emissions management, specifically through ICAO and IATA
- Develop a policy proposal as contribution to debate

Assumptions of the AGD Group

- Aviation's role in socio-economic development must be balanced with its contribution to climate change
- Environmental costs should be "internalised"
- Despite industry focus on efficiency, future growth means absolute emissions will continue to grow
- As well as technological and operational efforts, economic measures will be needed
- Aviation's emissions can only increase if other industries' emissions reduce

AGD Key Principles

1. Environmental integrity

- Provides positive net effect on environment and avoids carbon leakage

2. A global policy

- Sectoral approach avoids distortion & conflicting / overlapping policies

3. Maintain competitiveness

- Airlines must face equal treatment in all origin-destination markets

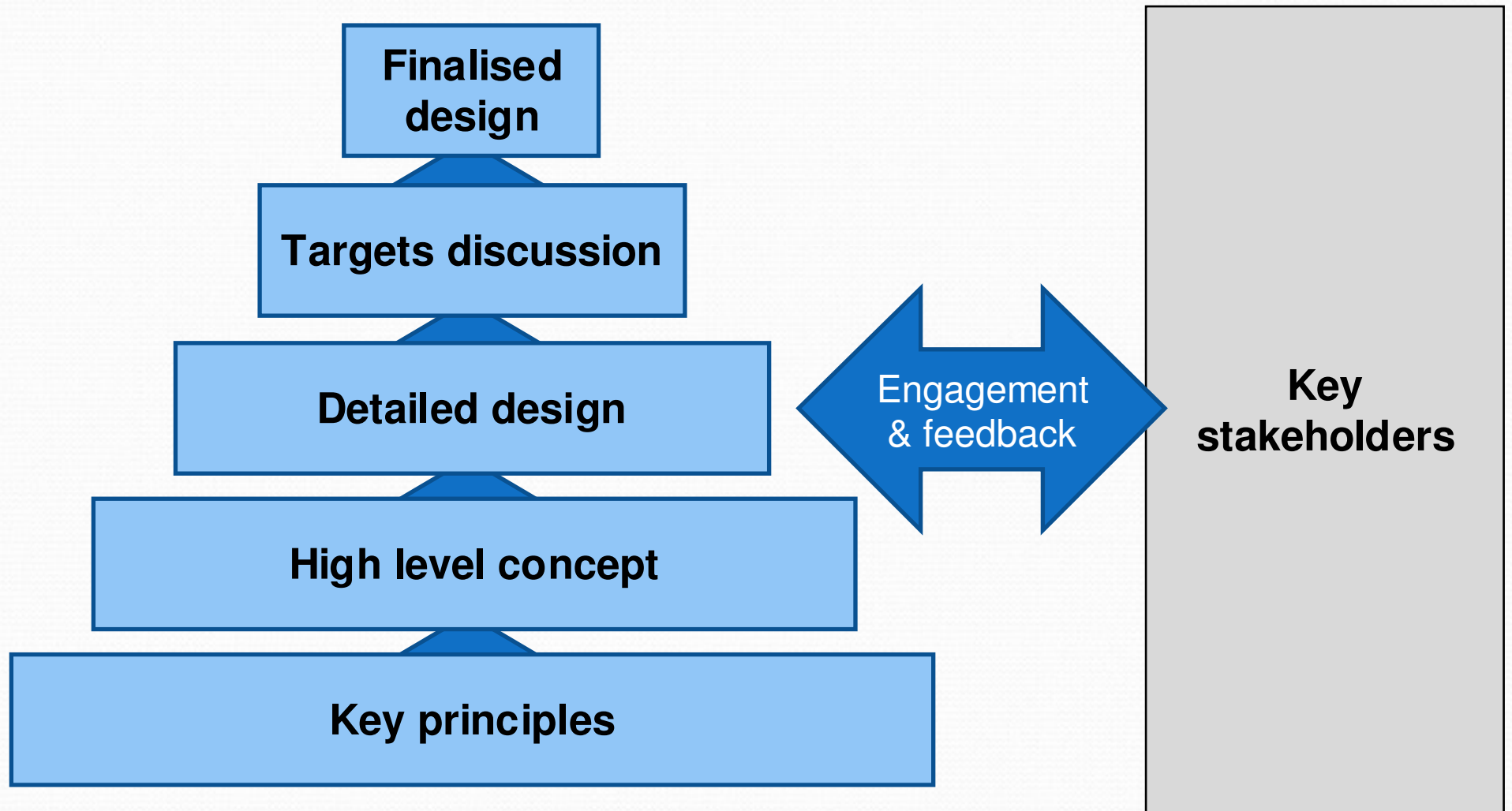
4. Equity between countries

- Reflecting “common but differentiated responsibilities” (CBDR)

5. Economic efficiency

- Integrate with overall climate framework, open access to most cost-effective market-based instruments including carbon trading & CDM

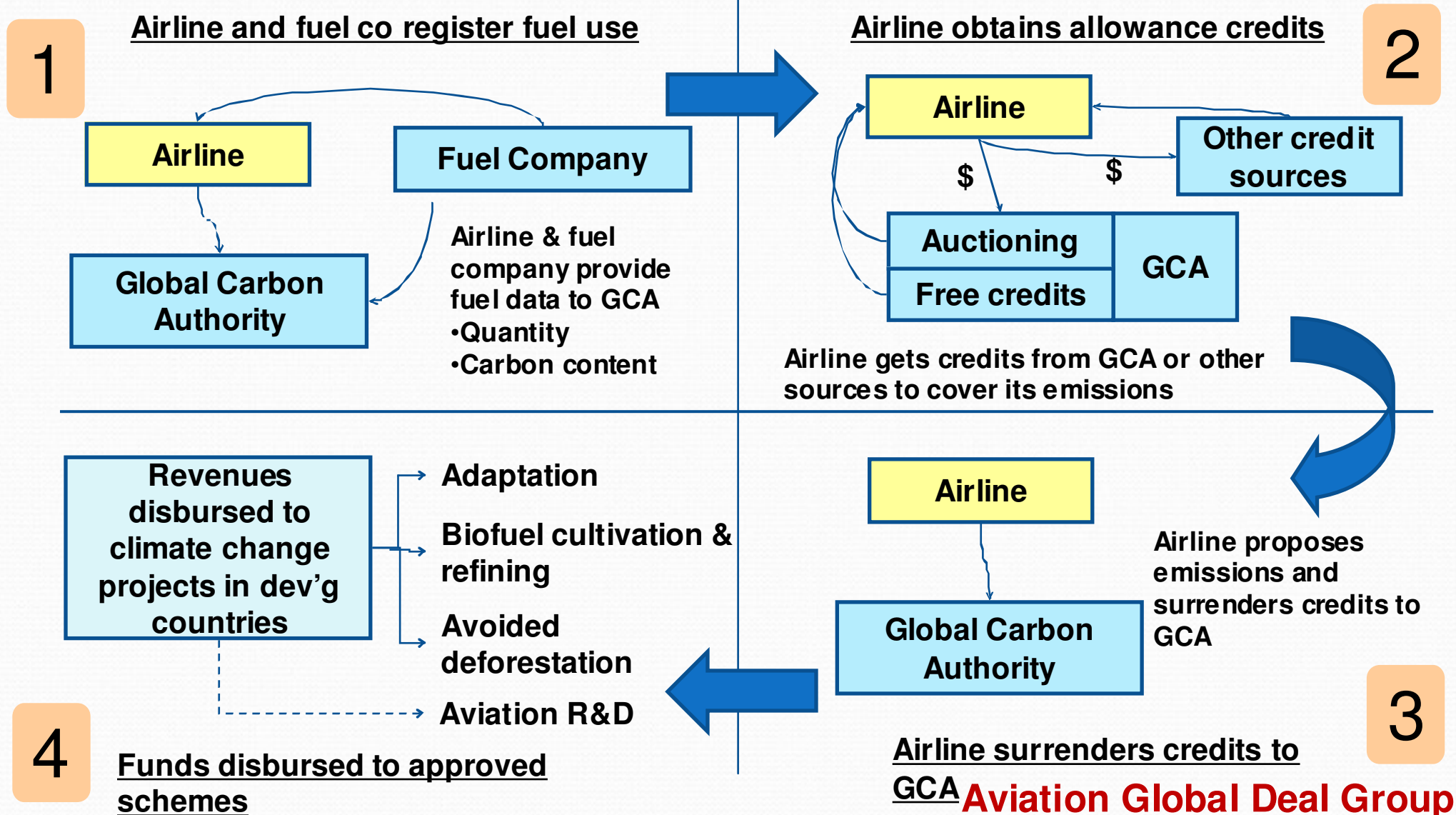
AGD Process



AGD Group Reviewed Possible Models

- **Maldives LDC:** adaptation levy raised from air passengers
- **GETS:** closed scheme for aviation & shipping
- **IMERS:** hybrid approach devised for shipping
- **AEA framework:** global, sectoral approach, differentiated by 'blocks' of markets based on market maturity

AGD Mechanism



AGD Proposal: Towards A Global Approach

- Mandatory sectoral approach
- Equal treatment of airlines, no competitive distortion
 - Airlines compete internationally, carrying international passengers, serving markets beyond their own countries
- Common but differentiated responsibility achieved
 - Through revenue disbursement not at point of obligation
- Open emissions trading system linked to global carbon markets
- Gives incentive to use lower-carbon fuels

Use of Revenues from the Scheme

- Central UN function (“Global Carbon Authority”)
 - New legal entity for credit assignment and compliance
 - Disbursement of funds (potentially UNFCCC role)
- Funds raised by GCA used to finance environmental projects in developing countries (to address CBDR)
- Projects to be UN-approved, criteria assessed
 - Kyoto Protocol’s Adaptation Fund
 - Seed funding for sustainable biofuel feedstock cultivation
 - Deforestation avoidance projects
 - Contestable fund for financing aviation R&D

Key Features

- This is not a tax
 - Trading creates incentives & price of credits set by market
- The scheme is open
 - Aviation can trade credits with other sectors
- Based on the carbon content of fuel purchased
 - Lower lifecycle carbon fuels incentivised
- It applies equally across all airlines AND addresses CBDR
- It avoids market distortions and carbon leakage

Next Steps

- Engagement with UN processes – ICAO, UNFCCC
- Engagement with industry – IATA, airlines
 - Build support from within industry
 - Encourage new airlines to join AGD
- Develop a full proposal with impact assessment
- Continue to seek stakeholder feedback
- Feed into ICAO GIACC process
- Present to key meetings towards Copenhagen