



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

PRIVATE MEMBERS' BUSINESS

Aviation

SPEECH

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Questioner
Speaker Truss, Warren, MP

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Mr TRUSS (Wide Bay—Leader of The Nationals) (12:39): The European Union emissions trading scheme operates on a sectoral approach, with different sectors being phased into the scheme over time since 2005. In August 2009 the EU announced that the nearly 4,000 commercial airlines, business jet operators and air forces from around the world that fly into and out of the EU would have to participate in their emissions trading scheme by January 2012. Failure to comply would see companies face fines of 100 euros per tonne of carbon dioxide emitted during a flight. As a last resort the EU could ban airlines from EU airports for noncompliance.

Their emissions trading scheme is levied on the carbon dioxide output from the fuel burnt on flights inbound to and outbound from EU ports not just over European airspace but, extraordinarily, to their first port of call outside of Europe. According to one consultancy firm, the total cost to airlines under the EU scheme will be 10.4 billion euros through to 2020.

Under the EU carbon tax, Qantas will be forced to pay an extra \$2.3 million in 2012 alone and has already announced fare surcharges on travel to and from London and Frankfurt to cover this impost. Qantas has added a surcharge of \$3.50 each way to a fare booked in Australia for Qantas flights to and from London and Frankfurt, and that surcharge will continue to rise. This is on top of Qantas' liability for the Australian carbon tax, which will affect their domestic services. Qantas has estimated that the Australian carbon tax will cost them between \$100 million and \$115 million in 2012-13 and will add between \$1.82 and \$686 to fares, depending on the sector's distance.

Similarly, Virgin's codeshare flights with Etihad will be affected, though only from Abu Dhabi to Europe, as customers bear the brunt of the EU ETS on aviation. The bill for new entrants to the European aviation market such as Jetstar or Virgin Australia will be much higher. Airlines that currently fly into the EU initially receiving a significant share of their carbon permits for free but new participants do not.

In enforcing this scheme the EU is taxing foreign airlines, including Qantas, for flying over non-European airspace. An Australian registered aircraft flying directly from Australia to Europe with an Australian crew and Australian passengers would be charged a European carbon tax for flying over Australian airspace. This is simply contrary to principles of international law and almost certainly in breach of a number of international conventions and open skies agreements.

The EU scheme has been most strongly opposed by most of the world's leading economies and has been opposed by most of the largest aviation nations outside of the EU. Earlier this year China banned its airlines from participating in the EU ETS. The Civil Aviation Administration of China notified all Chinese airlines that they cannot join the EU ETS or charge it to customers without government approval. The government of China has indicated that, if the EU does not back down, they will consider taking action to protect the 'rights of our nationals and our companies'.

It has been reported by Airbus's parent company EADS that in March China blocked purchases of Airbus planes worth US\$12 billion in protest against the EU ETS. The USA air transport association, American Airlines, Continental Airlines and United Airlines initiated a legal challenge to the EU ETS on aviation, stating that it contravened the Chicago convention, the Kyoto protocol and the EU-US Open Skies Agreement and was contrary to principles of international law that stipulate each state has complete and exclusive sovereignty over the airspace of its territory.

In December 2011 the European Court of Justice in the EU rejected the USA's argument—one would wonder about their neutrality on an issue of this nature. After this decision the US Secretary of State wrote to the EU declaring their actions unilateral and saying that:

We strongly object on legal and policy grounds to the EU's plan to subject our operators to the EU's ETS. The EU is increasingly isolated on this issue.

Airlines for America has said:

... our member airlines continue to strongly oppose the application of the EU ETS to US airlines and continue to fight against it.

Earlier this year the US passed the Federal Aviation Administration Bill, calling on the government to use:

... all political, diplomatic, and legal tools at the disposal of the United States to ensure that the European Union's emissions trading scheme is not applied to aircraft registered by the United States or the operators of those aircraft ...

More broadly, many countries have shown their strong and continuing opposition to the scheme, but Australia's weak, divided and paralysed government has barely uttered a whimper.

In September last year, 23 countries signed a declaration stating that the EU ETS was illegal and contravened the 1944 Chicago convention. Those nations included China, Brazil, Singapore, the UAE and the USA. Australia was not one of the signatories. Then, in November last year, 26 countries supported an International Civil Aviation Organisation working paper which was heavily critical of the EU ETS and urged the EU to refrain from including flights by non-EU members in their scheme. Where was Australia? Australia was one of only two non-EU nations from the International Civil Aviation Organisation not to sign the working paper.

Earlier this year, 23 countries concluded talks in Russia by signing a declaration which stated that they have a 'unanimous position that the EU and its member states must cease application of the EU ETS to airlines and aircraft operators'. The signatories included India, Japan, Brazil, Russia, Singapore and the USA. Those countries have indicated that they may consider drastic action including barring participation by airlines and aircraft operators in the EU, reviewing bilateral agreements and imposing additional levies or charges on EU operators as a form of countermeasure. Again, Australia failed to sign the agreement.

The Department of Infrastructure and Transport has stated that the government opposes the EU ETS and has made it clear in very senior representations to the European Commission and to European governments that Australia does not support the unilateral action of the European ETS to Australian airlines nor any unilateral action taken in that form. The government has said, and the member who spoke previously said, that Australia opposed the scheme, but we have not taken any action to try and stop it from happening. Presumably this is because this government is too embarrassed after imposing the world's biggest carbon tax. It has no credit from the European Union for imposing the world's biggest carbon tax on Australia. Our airlines are being taxed by the Europeans as well, even on some occasions when they are flying over Australian airspace. As I mentioned earlier, Australia was one of only two non-EU nations to not support the working paper opposing the EU ETS. Australia did not sign either of the declarations signed by dozens of countries opposing the EU ETS.

The motion that I have moved today reflects the wording of the act passed in the United States of America. It calls on the government to use all political, diplomatic and legal tools at their disposal to ensure that the EU's ETS is not applied to aircraft registered by Australia or to the operators of those aircraft. The motion also calls on the government to immediately assess whether the EU ETS is consistent with WTO agreements and to join any WTO challenge or any other proposed international action to prevent the application of the EU ETS to non-European airspace.

The House should support this motion to clearly state its opposition to the EU ETS and to stand up for our airlines. If it is good enough for the United States congress, why isn't it good enough for Australia? If the rest of the world's aviation community is crying out against this unjust and probably illegal tax, why does Australia remain mute? The Australian aviation industry is already struggling with a higher cost base than many of our international competitors, not to mention the imposition of the world's biggest carbon tax on its domestic operations. It is entitled to the support of its government as it fights against this iniquitous EU tax.