

**STATEMENT OF THE
NATIONAL BUSINESS AVIATION ASSOCIATION**

**ED BOLEN
PRESIDENT AND CEO**

**BEFORE
THE COMMITTEE ON COMMERCE, SCIENCE AND
TRANSPORTATION
U.S. SENATE**

**REGARDING
THE EUROPEAN UNION'S EMISSIONS TRADING
SCHEME AND S. 1956, THE EUROPEAN UNION
EMISSIONS TRADING SCHEME PROHIBITION ACT
OF 2011**

JUNE 6, 2012

Chairman Rockefeller, Ranking Member Hutchison, members of the Committee, on behalf of the more than 9,000 members of the National Business Aviation Association (NBAA), we appreciate this opportunity to provide our views on the European Union's Emissions Trading Scheme (EU ETS) and its impact on general aviation aircraft operators based in the United States.

We commend the Committee for holding this important hearing. NBAA and the entire industry believe that when it comes to aviation operations, environmental stewardship is an imperative. The industry continually works to develop reasonable, effective and balanced policies that support the twin goals of promoting the mobility and growth of aviation while safely minimizing its environmental footprint. While business aviation has steadily reduced its emissions and represents only 0.04% of global man-made carbon emissions (as illustrated by the chart below), the industry has developed aggressive and measurable goals to achieve further reductions (which will be described in more detail later in the testimony).

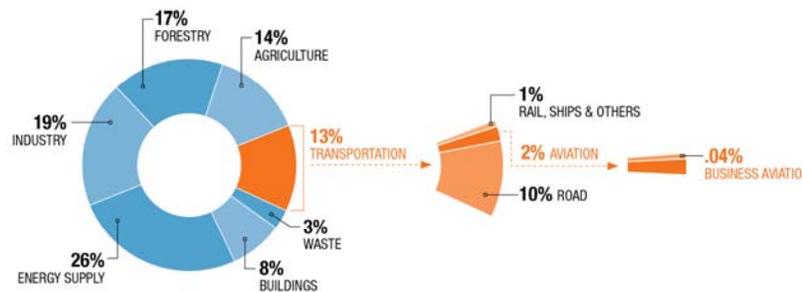


Chart courtesy of IBAC and GAMA

Aviation is an inherently global industry. Aircraft are routinely flown across borders and from continent to continent. Given the global nature of aviation and the prevalence of international operations, a critical need exists for globally harmonized policies, rules and procedures to ensure safe, efficient and balanced operations. A global approach is needed to avoid a costly, cumbersome and divisive patchwork of differing national and regional requirements. The efficient movement of aircraft between countries and the need to globally mitigate the impact of greenhouse gas (GHG) emissions demands a global sectoral approach to further emissions reductions and monitoring.

Despite these facts and the industry's clear progress and environmental commitment, the EU made a decision to move forward in a unilateral and divisive fashion with the ETS. Business aviation is aligned with the rest of the aviation community in strongly opposing the ETS's application to international aviation and in reiterating our belief that resolution through a global sectoral approach will best advance our shared environmental goals. The International Civil Aviation Organization (ICAO) is the appropriate body to establish the targets and mechanisms.

FACTS ABOUT BUSINESS AVIATION

From creating growth opportunities and global connectivity for America's small towns and rural areas to supporting the nation's productivity, business aviation is an important economic engine, creating jobs and investment, while contributing to the world's leading aviation system. Business aviation is absolutely essential as U.S. companies work to compete in a global marketplace. Simply put, business aviation is a vital part of the nation's economy and transportation system.

Business aviation is defined by the FAA as the use of any general aviation aircraft (piston or turbine) for a business purpose. NBAA was founded 67 years ago to represent companies that utilize general aviation aircraft as a tool for meeting some of their transportation challenges. While NBAA member companies purchase billions of dollars per year in commercial airline tickets, there are critical situations where the use of a general aviation aircraft is indispensable. For U.S. companies to be successful in these challenging economic times, every business tool must be available – including general aviation aircraft.

General aviation is an essential economic generator, contributing more than \$150 billion to annual U.S. economic output, and employing more than one million people. Most general aviation aircraft operating around the world are manufactured and/or completed in the U.S., and our industry is continuing to build a strong American manufacturing and employment base that contributes positively to our national balance of trade.

General aviation includes diverse operations, with business uses that range from agriculture, to law enforcement, to fire and rescue services, to varied government, educational, nonprofit organizations and businesses of all sizes. Servicing and supporting these organizations are FBO's, maintenance technicians, suppliers and service providers.

Business aviation is not only an economic lifeline for thousands of our nation's smaller communities; it also supports people and communities in times of crisis in the U.S. and around the world.

General aviation has snapped into action when there's a need to confront floods in the Midwest, fires in the West, or a whole host of other natural disasters. The

business aviation community – working mostly on a volunteer basis – has always been quick to help assess damage, rescue those affected by these disasters, and carry in lifesaving support and supplies to the affected regions.

In addition, hundreds of GA operators carried thousands of passengers and over a million pounds of supplies to and from Haiti after the devastating earthquake there. In fact, Congress passed a resolution commending general aviation for its response to the crisis.

The people who rely on a general aviation aircraft for business are also dedicated to helping provide lifesaving flights to the communities in which they live and work. Operations like the Corporate Angel Network arrange free air transportation for cancer patients traveling to treatment using the empty seats aboard business airplanes. Angel Flight America's seven member organizations and 7,200 volunteer pilots arrange flights to carry patients to medical facilities.

The Veterans Airlift Command uses business airplanes and unused hours of fractional aircraft ownership programs to provide free flights for medical and other purposes for wounded service members, veterans and their families. Veterans Airlift finds volunteers in the business aviation community to fly missions on request and contribute the full cost of their aircraft and fuel for the missions flown.

ECONOMIC CHALLENGES FACING BUSINESS AVIATION

Unfortunately, the people and businesses in general aviation, like other industries, are weathering one of the worst economic storms anyone has ever seen. The impact of the flagging economy on the companies and communities that rely on general aviation is visible in all parts of the country.

Over the past few years, we saw business aviation flying decrease by as much as 35 percent in some locations – which unfortunately led to thousands of layoffs across the industry and country. While we have seen some uptick in flight activity in recent months, activity is still below the 2008 levels and experts agree that the recovery will be slow and gradual over the next several years.

BUSINESS AVIATION'S COMMITMENT ON CLIMATE CHANGE

While much has changed for the industry as a result of the recession, one constant is our commitment reducing the industry's already small environmental footprint. Business aviation's global CO2 emissions are a small fraction of global man-made carbon emissions (less than one half of one percent). Nevertheless, business aviation has established an excellent record of constantly improving fuel efficiency and lowering emissions.

As previously mentioned, business aircraft are operated for specific missions and fly efficient, direct routes between airports. Modern navigation equipment combined with the latest technologies in aircraft and engine design and operational improvements provide for ever-improving fuel

efficiency and reduced GHG emissions.

Business aviation has made substantial progress in lowering emissions, but we are resolved to do more. Together, the business aviation manufacturing and operating communities have developed an aggressive program for further improvement.

To this end, the business aviation community has publicly committed to the following specific targets:

- Carbon-neutral growth by 2020;
- An improvement in fuel efficiency of an average of 2% per year from today until 2020, and;
- A reduction in total CO₂ emissions of 50% by 2050 relative to 2005.

Achieving the above targets will require not only sustained effort on the part of the entire business aviation community, but will also require partnership between industry and government to develop solutions that balance economic growth and environmental goals. We anticipate reaching these objectives through advances in the following areas:

- **Technology:** Improvements in aircraft frames through aerodynamic design changes and weight reductions with composite materials. Engine advances will also reduce emissions.
- **Operational Streamlining:** Through collaboration with air traffic management, fully implement efficient procedures and modernize ATC.
- **Alternative Fuels:** The aviation industry is driving the research, development and deployment of commercially viable, sustainable alternative aviation fuels. Based on current research and the encouraging results already demonstrated in flight, business aviation anticipates a CO₂ reduction of 40% in absolute terms from biofuels by 2050. This is an area that holds huge promise for significant GHG reductions, but will require a sustained commitment to fund research and development.
- **Market-based measures.** The successful achievement of carbon neutral growth by 2020 will be challenging...During this interim period, business aviation operators are open to offsetting their emissions through market-based economic measures. Conceptually, market-based emissions should be limited in their focus and duration. They should not create onerous administrative burdens or excessive costs. These measures should also treat all segments of aviation in equivalent measures (unlike the ETS, which clearly singles out certain segments for punitive and discriminatory treatment). And, most

important, they must be developed in the context of a global sectoral approach to aviation emissions.

NBAA would like to again recognize the efforts of this Committee to complete the important multi-year FAA reauthorization legislation that will undoubtedly expedite the transformation to the Next Generation Air Traffic Control technology – or NextGen. In fact, when implemented, NextGen has been projected to reduce emissions by an additional 12%.

In addition, Section 509 of the FAA reauthorization bill included a Sense of the Congress provision that accurately sums up the issue:

It is the sense of Congress that –

- 1. The European Union directive extending the European Union's emission trading proposal to international civil aviation without working through the International Civil Aviation Organization (in this section referred to as ICAO) in a consensus-based fashion is inconsistent with the Convention on International Civil Aviation, completed in Chicago on December 7, 1944 (TIAS 1591; commonly known as the Chicago Convention), and other relevant air services agreements and antithetical to building international cooperation to address effectively the problem of greenhouse gas emissions by aircraft engaged in international civil aviation;*
- 2. The European Union and its member states should instead work with other contracting states of ICAO to develop consensual approach to addressing aircraft greenhouse gas emissions through ICAO; and*
- 3. Officials of the United States Government, and particularly the Secretary of Transportation and the Administrator of the Federal Aviation Administration, should 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, including the mandates that the United States carriers provide emissions data and purchase emissions allowances from or surrender emissions allowances to the European Union Member States.*

AVIATION REQUIRES A GLOBAL SECTORAL APPROACH

In 1944, the first Convention on International Civil Aviation was convened in Chicago. It was clear that aviation would change the world with its global reach and that the promise of aviation for all countries could only be realized through global coordination and cooperation. At that meeting in Chicago (now referred to as the Chicago Convention), 52 nations formed the International Civil Aviation Organization

(ICAO). According to ICAO's website, "the International Civil Aviation Organization was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world. It sets standards and regulations necessary for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection. The Organization serves as the forum for cooperation in all fields of civil aviation among its 191 Member States."

What was true in 1944 is magnified today – the world is truly a global marketplace, and aviation is the physical connector. And today, aviation is a safer and more secure mode of transportation due to ICAO and its harmonized approach international aviation operations.

ICAO seeks to harmonize aviation regulations from one country to another and facilitate aircraft movements across borders. The ICAO process has a proven track record of success. Just as the ICAO process has worked for safety and security advances; it is working for the environment.

Contrary to almost 70 years of international collaboration, treaties and precedent, the EU's ETS is a unilateral, regional dictate that does not promote harmonization and instead sets in motion a patchwork of separate, distinct and potentially conflicting regulations.

The ETS creates a series of onerous reporting, monitoring and verification requirements that are costly to administer. This also raises serious privacy and business confidentiality concerns, because the scheme requires U.S. companies to provide a huge amount of sensitive data, including bank account information, flight data, personal information and other disclosures – all of which would be made available to the public. These intrusive, administratively burdensome and expensive requirements are all before the actual cost of the ETS is even assessed on operators.

As wrong as the EU ETS is for the airlines, its impact is even more significant and overwhelming for non-commercial operators. Under the ETS structure, non-commercial operators are singled out for discriminatory treatment because businesses that utilize general aviation are not eligible for carbon allowances. As a result, non-commercial GA flights will not receive any allowances and must pay on every flight, while commercial operators will receive 85% of their allowance free of charge.

To illustrate the disproportionate and punitive treatment of business aviation operators, consider that under the ETS, the EU has said that a commercial operator that emits less 25,000 TONS per year of CO₂ or operates fewer than 243 flights in 3 consecutive 4 month periods is classified a "small emitter" with "de minimus" emissions, and is exempted from the ETS – while a single general aviation flight from the U.S. is required to comply with the excessive administrative requirements and pay this extraterritorial tax. According to the European Commission's September, 2011 presentation to ICAO, foreign-based airlines from 23 countries "have commercial operations which fall under the de minimus

provisions in the EU ETS and are thus exempted from EU ETS.”

Contrast this to a US-based non-commercial GA operator with only one flight per year that is required to register, monitor, verify, report and pay for allowances.

And, it is not just commercial airplane operators that are eligible for the “small emitter” exemption. Ground-based emitters in Europe have a 25,000 ton emissions threshold. So if a hypothetical European manufacturer of widgets operates from a facility that annually spews 24,000 tons of emissions through its smoke stack—it is exempt from the EU-ETS requirements. It has been deemed a small emitter—apparently too insignificant to be bothered with the onerous EU ETS requirements.

But, again, any U.S.-based company that uses a general aviation airplane to fly a single non-commercial flight to Europe will be subject to the EU ETS.

Let me be clear. The European factory with its smokestack is putting hundreds of times more emissions into the environment than the U.S. company flying a single non-commercial flight to Europe, but it is the U.S. company that is subject to the EU ETS requirements rather than the European factory.

How does this make sense? It does not. It is unfair. It is discriminatory. It singles out a great American industry for discriminatory treatment.

In addition, the ETS taxes flights outside of EU airspace, which is a clear violation of the U.S. sovereignty and international law. Taxing any activity beyond the EU borders is a dangerous precedent and a violation of the sovereignty of nations across the world.

Finally, in our opinion, the ETS will not advance environmental objectives. The EU has no authority to require member states to reinvest revenues from the ETS into aviation research and development or other emission-abatement initiatives.

In other words, the EU-ETS would have anyone who flies from the U.S. into European airspace directly subsidizing foreign governments at the expense of aviation.

This is an urgent situation with dire consequences for U.S. aircraft operators. While we appreciate the efforts of the U.S. government to date, it is time to intensify and expand our government’s response, protect all U.S. aviation operators and their employees, and return to the appropriate internationally driven process for addressing aviation emissions – ICAO. We again urge the EU to work collectively with the 191 ICAO members to develop worldwide emissions strategies.

NBAA asks the U.S. government to use every tool available to get the EU and its member states to the table at ICAO to develop and implement the global sectoral approach discussed in 2010.

Given that to date, the EU continues to ignore long-standing international procedures and insists on including international aviation in the ETS, NBAA also supports S.1956, The European Union Emissions Trading Scheme Prohibition Act Of 2011. As noted in the legislation, it is important to ensure that operators are not penalized financially or through airspace restrictions when this prohibition takes effect. In addition, we urge that implementation of the legislation clarify that the prohibition extends to the registering, monitoring, reporting and verification requirements, as well as paying the ETS taxes. NBAA thanks the bill's sponsor (Senator Thune) and cosponsors (Senators Boozman, Enzi, Isakson, Johanns, McCaskill, Rubio and Wicker), and we look forward to working with all members of the Senate to expedite consideration of S.1956.

Mr. Chairman, Ranking Member Hutchison and members of the Committee, the general aviation community is grateful for the tremendous leadership this committee has provided as we collectively work to address environmental challenges. We look forward to continuing to work with you to ensure that aviation climate issues are addressed in a constructive and appropriate global forum.

Thank you.