

EU Own Goal on Airline Emissions

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€ In the escalating row over the EU's attempts to extend its Emissions Trading Scheme to non-EU airlines, [China has now suspended aircraft orders](#) worth \$12 billion with Airbus, the EU's aircraft manufacturing company. Airbus estimates that 1000 jobs with the company, and another 1000 down the supply chain, are at risk. Airbus wings are built at Filton near Bristol, so this could cost UK jobs.

A couple of weeks ago, I wrote to the Ambassador of China, with copies to other Ambassadors involved, congratulating them on their firm opposition to the EU's proposals. China has been the leading player in a "Coalition of the unwilling" which is resisting the EU's move. Others involved include the BRICs and Japan. [I wrote about it in February](#). The EU Commission has only itself to blame for the adverse global reaction.

First of all, increasing numbers of scientists are questioning the underlying assumptions of the IPCC and the EU with regard to emissions and climate. But even if CO2 emissions are driving climate change, the EU's ETS is a hugely cumbersome, bureaucratic and inefficient way of addressing it. And the idea of imposing ETS on parts of a global industry like aviation creates an economic and diplomatic dog's breakfast. The Commission's approach is arguably illegal, and contravenes the Warsaw Convention governing international air transport.

China's reaction could perhaps have been predicted, and it raises the stakes enormously. Any Chinese cancellation of aircraft orders would be disastrous for Airbus, and would have its major international competitor Boeing rubbing its hands with glee over in Seattle. But I remain thankful to the Chinese. If the Commission insists on following such misguided and counterproductive policies, we should be grateful to anyone who can force them to think again.

But from a UK perspective, it's not only the European Commission that threatens the industry. There is the issue of airport capacity in the South East, which risks strangling the City of London, and the whole of the UK economy. Foreign investors are unlikely to come to a country where they can't get flights and airlines can't get slots " or where airport facilities are so old-fashioned and crowded that it seems like a trip back to the 1970s. [Sir Richard Branson has called on the government](#) to re-open the question of a third Heathrow runway, and has offered £5 billion of new investment if it will. So far, the government isn't biting. But it's not just Branson's £5 billion. If one company will invest that amount, then other will invest too. The third runway could bring in many tens of billions to the British economy. But business will be driven away by lack of capacity.

I'm not necessarily arguing for the third Heathrow runway, which I know is highly contentious. I'm not qualified to judge between Heathrow, Stansted, Gatwick, Boris Island, Foster Island or Maplin Sands. Those are technical decisions that require massive technical and economic analysis. But I do know for sure that the status quo is unsustainable, and that the government's failure to act will cost us all dearly. We must have more capacity in the South East.

One final blow to the UK industry. According to industry spokesmen, the UK imposes the highest aviation taxes in the world, and Air Passenger Duty could add £500 per family per trip for long-haul journeys by 2016. There is little pretence that this has anything to do with the climate. It's a straightforward revenue-grab, and it's damaging a major industry. This is not a good time to ask George Osborne to moderate his tax demands, but with all the headwinds that the industry is facing, it could do without draconian increases in Air Passenger Duty.

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