

30th October 2006 – Stern Review on the Economics of Climate Change

The Stern Review on the Economics of Climate Change has been published and states that there does not need to be a trade-off between economic growth, such as airport development, and the protection of the environment. The review identifies carbon trading, technology policy and energy efficiency as the three best methods for providing an effective response to climate change.

Stern says that limiting airport capacity and preventing expansion is an inefficient way of regulating demand whilst carbon trading would be an effective way of pricing emissions. The review recommends that aviation should pay the full costs of its climate change emissions by being included in the EU Emissions Trading Scheme (EU ETS).

Aviation is on course to join the EU ETS in 2011 and emissions trading is a deliverable and efficient way of dealing with aviation CO₂, recognising that some activities will reduce emissions more than others. With emissions trading airlines and their passengers will have to cut emissions or pay to offset growth.

Airlines believe that taxation would have negative social and economic consequences with limited environmental benefits. Emissions trading would ensure that total emissions in the economy reduce at a known rate, whereas taxation simply makes it more expensive for people to fly and offers no guarantee of a reduction in emissions.