

# **British Airports Authority (BAA)**

## **[Check against delivery]**

Thank you Mike [Clasper] for inviting me here.

We are focussing on climate change today. But I want to stress that our White Paper, which we are committed to publish by the end of this year, will be looking at the whole package. It will include issues like surface access, housing, and employment.

And air quality. New standards are set to apply from 2005 and 2010. The contribution of the aviation sector to meeting these standards, whether new capacity is provided or not, will be important - and it will not be easy.

## **Climate change**

But for today I would like to commend BAA on getting us all together to discuss the issue of aviation and climate change.

This event is a sign in itself of how the aviation industry is facing up to the challenge of climate change.

It underlines that if we are to tackle climate change, then the aviation industry has a very important role to play - working with us in Government to reduce green house gas emissions, now and in the long-term.

There is now strong scientific evidence that climate change is happening. It is a challenge for the whole world and it is clear that doing nothing is not an option.

Fortunately, governments around the world are now beginning to face up to the problem.

## **UK Target Commitments**

The UN Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol shows the importance of global agreement to act.

And I'm pleased to say that the UK has taken a world lead.

We've made a commitment under the Protocol that by 2012, UK greenhouse gas emissions will be reduced to 12½% below 1990 levels.

And we have said that we want to move towards a 20% reduction in UK carbon dioxide emissions below current levels by 2010.

By 2050, as set out in our Energy White Paper, we want to move towards a 60% reduction below current levels.

We need to decide how to treat a growing international industry in the context of these domestic goals, and our leadership role in combating climate change.

## **Aviation's Contribution**

However you cut it, the environment is central to the future development of the aviation industry.

The industry's energy consumption is forecast to grow. Aviation's contribution to global warming is forecast to grow.

Improvements in aircraft fuel efficiency won't be enough to stop the increases in carbon dioxide emissions.

By 2050, the International Panel on Climate Change believes that aviation will produce up to 15% of man made global warming.

And as the Johannesburg Declaration says "the polluter should in principle bear the costs of pollution, with due regard to the public interest and without distorting international trade and investment." That is a heavy-weight message.

We are responding to that message.

### **UK Emissions Trading Scheme**

Last year, we introduced the world's first economy-wide greenhouse gas trading scheme. Larry Whitty spoke to you about it earlier this year. The latest news is it's going well.

It's a voluntary scheme. One major airline - British Airways - and one major aerospace company - Rolls Royce - are taking part in it.

All told, participants in the first year have reduced their emissions by the equivalent of over four and a half million tonnes of carbon dioxide.

This alone is around six per cent of the UK's Kyoto target.

The benefits of the UK emissions trading scheme go beyond the emission reductions secured.

The cost associated with emitting carbon dioxide appears on the balance sheet.

This has been a powerful spur to finance directors and board members to buy into the climate change agenda!

The emissions trading scheme is an example of what can be achieved by Government and industry working in partnership.

But there is a lot more we can both do.

### **International Action**

For us in Government, a big challenge is securing a co-ordinated international approach to addressing aviation's contribution to climate change.

We are working on two main fronts.

First, through ICAO, we are pressing for tougher international technical standards to reduce aircraft emissions and noise, as well as the development of market-based measures to encourage airlines to purchase cleaner aircraft.

Options include emissions trading or charging and voluntary agreements.

We are putting money up to help ICAO develop a credible open emission trading scheme, which many think is the best way forward.

In fact senior officials from my Department are in discussions about this right now, at ICAO headquarters in Montreal.

### **European Action**

Secondly, Europe offers us a potential interim step.

The EU's own emissions trading scheme should start in 2005 - and could include aviation from 2008.

Some EU member states and accession countries may need persuading that this is an economically and environmentally sound option.

I particularly welcome BAA's initiative in looking at the impact of adding aviation to the EU trading scheme. Your consultants' report is a useful contribution to the debate.

There are difficult design issues, since aviation is a very different industry to those such as energy production or the mineral industry that are covered by the first phase of the scheme.

There are other big issues - like the impact of emissions at high altitude, and how we allocate emissions from international aviation.

This last point is important for us in the UK - using some allocation models, around 90 per cent of UK aviation emissions would come from international flights, many of those operated by non-UK carriers. We need to study this further.

### **Industry Commitment**

As a whole, the industry wants more capacity. And of course everyone is awaiting the outcome of our White Paper very eagerly.

But I would say - whatever the outcome - the industry must grasp the environmental agenda really firmly.

Sustainable development principles need to be built into the base of all operations.

I welcome Mike's announcement today that BAA is committed to reducing emissions at BAA airports by 15% by 2010, compared to 1990. It is an encouraging step.

The industry needs to demonstrate a continuing commitment to meeting environmental targets - whether that means stretching fuel efficiency, or offering passengers the opportunity to buy 'carbon offsets' for example.

This is going to be an important year for aviation.

Our responsibility in government is great - to map out a framework that balances our environmental responsibilities with what the aviation industry needs to maximise its potential.

One thing is certain - finding the right answers will not be easy.

Thank you for listening to me today.