Air France-KLM position on the upcoming revision of the EU Emission Trading System (EU ETS)

MAY 2026

Executive Summary

The upcoming revision of the EU ETS should be seen as an opportunity to ensure that the system continues to contribute effectively and cost-efficiently to the EU's overarching objective of climate neutrality by 2050, while better reflecting the specific decarbonisation pathways of the aviation sector.

For AFKL, this means an EU ETS that:

- **maintain the current geographical scope and supports CORSIA as the only relevant mechanism for international aviation.**
- **extends and strengthens the FEETS mechanism.**
- **channels aviation EU ETS revenues back into the aviation decarbonisation.**
- **includes safeguards such as free allowances if no effective level playing field mechanism is enforced.**
- **ensures coherent implementation between EU ETS and CORSIA, including SAF dual compliance.**
- **refrains from including non-CO_2 effects.**
- **maintains the exemption for the outermost regions.**
- **and improves carbon market predictability through adjustments to the MSR.**

The EU ETS should help decarbonise European aviation without undermining its competitiveness, necessary to invest in the different decarbonisation levers. This balance between decarbonation and competitiveness must be at the core of the forthcoming revision.
AFKL stands ready to engage with the EC and MS to help shape a revised EU ETS framework that combines climate ambition, regulatory coherence and fair competition, while effectively supporting aviation decarbonisation and preserving the competitiveness and connectivity of European air transport.

Air France-KLM (AFKL) welcomes the possibility to provide insights to the ongoing European Commission's (EC) revision of the EU Emission Trading System (EU ETS). We note the EC's objective to align the ETS with the EU's 2040 climate targets while reinforcing its role as an investment, innovation and decarbonization engine.

As a hard-to-abate[1] and low margin sector, aviation needs a policy framework that supports both credible decarbonisation pathways without undermining the competitiveness of European operators. AFKL is fully committed to the transition, including through SAF uptake, accelerated fleet renewal, operational measures, supporting research in innovative aircraft design and air-rail intermodal offer. Yet the current EU ETS framework still presents major shortcomings for aviation, insufficient safeguards against competitive distortions, the absence of ETS revenue recycling, and a lack of long-term predictability. In this context, AFKL considers that the following priorities should be reflected in the forthcoming revision:

[1] As qualified by the IPCC in its 6th assessment cycle (ENVReport2022_Art46.pdf)

Maintain the current geographical scope

AFKL firmly opposes any extension of the EU ETS to all flights departing from the EEA, including to extra-EEA destinations.

Such an **extension would further increase the already uneven decarbonisation cost burden borne by EU carriers, deepen market distortions vis-à-vis non-EU competitors, and risk triggering retaliation from third countries**. It would also run counter to the multilateral approach that has prevailed since the 2012 "stop-the-clock" decision and undermine the role of CORSIA as the global market-based measure for international aviation. Extending the EU ETS extra-EU flights would:

- fragment global decarbonisation efforts, by weakening the international framework agreed at ICAO level for extra-EEA aviation emissions.
- create a serious risk of retaliatory measures by third countries, as already seen during the 2011 EU ETS aviation crisis.[2]
- further distort competition in favour of airlines operating via third-country hubs, while reducing European airlines' ability to pass through additional costs undermining capacity to invest in key decarbonisation levers.

At current scope, the EU ETS already represents a very significant and volatile cost for European airlines. **Extending it to long-haul flights may risk adding further disproportionate burden with limited environmental value, while directly undermining the investment capacity needed to decarbonise the sector**. In this context, AFKL reiterates its call for a strengthened CORSIA framework.

Also, **the revision should maintain the existing exemption for flights involving the EU Outermost Regions (OMRs)**, in line with the recognition in Directive (EU) 2023/958 that special consideration must be given to promoting their accessibility. For these OMRs territories, aviation is not simply a transport option but a vital economic and social lifeline. **Removing or weakening this exemption would disproportionately affect connectivity, territorial cohesion and accessibility, without delivering proportionate climate benefits.**

Extend and strengthen the SAF Allowances mechanism (FEETS)

AFKL welcomes the FEETS mechanism that was established to stimulate SAF uptake and recognise airlines' environmental efforts by reducing their carbon compliance costs. By providing 20 million SAF allowances between 2024 and 2030, FEETS plays a key role in accelerating aviation decarbonisation. In 2025, the Group's use of eligible SAF received financial support under this mechanism, helping to offset part of the price gap with conventional kerosene and supporting additional SAF uptake. However, **in its current form, FEETS remains too limited to provide the investment certainty needed for large-scale SAF deployment**. Improving FEETS mechanism mean:

- **extend it beyond 2030 and significantly increasing its** volume, in line with the sector's long-term decarbonisation needs.
- **ensure a more technological neutrality approach across all SAF pathways**, between bio and e-SAF but also among synthetic fuel pathways, so that RFNBO and LCFNBO are supported on an equal basis.
- **keep the mechanism geographically origin-agnostic**, so as not to constrain SAF supply or increase costs.
- and **better reflect the operational reality of network carriers**, for whom the current design does not adequately incentivise SAF uptake from their EU operating hubs. **The airport proportionality rule should at the very least be removed for voluntary SAF uplifts.**

---

[2] United States EU ETS Prohibition Act : COMPS-10048.pdf

- **improve short-term predictability**, as the current late ex-post calculation methodology and dependence on volatile ETS and SAF price benchmarks make the final level of support difficult to anticipate.

On top of supporting SAF, **AFKL suggests extending this allowance mechanism to intermodal practices that enable the Group's hubs airports at Paris Charles de Gaulle and Amsterdam Schiphol to be fed by rail passengers connecting to long-haul flights, in substitution for short- and medium-haul feeder flights covered by the EU ETS**. These solutions provide a credible lower-carbon alternative to short-feeder flights. Extending FEETS to intermodal practices would reward concrete emissions reduction efforts already undertaken by European airlines, support the development of integrated multimodal connectivity, encourage lower-carbon alternatives where operationally available.

Turn the EU ETS into a genuine investment tool for aviation decarbonisation

AFKL supports the EU ETS's ambition as a tool to address the emissions of the air transport sector. However, it should not be made at the expense of the EU aviation industry which operates in a fiercely competitive global environment. For hard-to-abate sectors such as aviation, this objective is particularly important: the system should not function solely as a cost burden, but also as a framework that creates favourable conditions for decarbonisation investment while preserving competitiveness. To this end, we call on the Commission to:

- **provide stronger and more direct guidance to Member States (MS) to ensure that EU ETS revenues generated from aviation emissions are invested into support aviation sector decarbonisation** by improving transparency and accountability on the use of auctioning revenues.
- **ensure that the EU ETS better supports investments in aviation decarbonisation and contributes to the implementation of the Sustainable Transport Investment Plan**, including SAF uptake, fleet renewal, operational efficiency, infrastructure and innovation.
- **strengthen aviation-specific support under the Innovation Fund**, for SAF production projects notably, through a simple, transparent and effective approach to redirecting ETS value back into the sector.

To remain credible and effective, the EU ETS must better reflect the reality of sectors where mitigation solutions are still emerging, and investment needs are particularly high.

Reintroduce free allowances in absence of an effective level playing field mechanism

If no effective level playing field mechanism, such as a SAF Border Adjustment Mechanism (SAFBAM), is proposed and implemented in the context of the upcoming revision of Regulation 1008/2008 later this year, the EU should consider the reintroduction of free allowances for aviation.

In the absence of a robust instrument addressing competitive distortions linked to ReFuelEU and the EU ETS, EU carriers are facing an exacerbate structural competitive distortion with non-EU competitors operating from third-country hubs and not subject to equivalent requirements from these hubs. AFKL therefore considers that:

- the phase-out of free allocation cannot be dissociated from the existence of effective measures to prevent competitive distortions and carbon leakage.
- **free allowances should be reinstated as a safeguard measure if no credible level playing field mechanism is adopted.**

Support CORSIA and ensure coherence between international and EU frameworks

AFKL calls on the EU to support a coherent and proportionate implementation of CORSIA as the appropriate multilateral framework for international aviation emissions.

This requires, first**, postponing the EC's CORSIA assessment until the start of its mandatory phase, rather than assessing the scheme during its voluntary phase against conditions that are structurally difficult to meet**. A premature assessment would risk predetermining a negative outcome and reopening the debate on extending the EU ETS to extra-EEA flights before CORSIA has had a fair opportunity to demonstrate its effectiveness.

It also requires **avoiding EU-specific rules on the eligibility of CORSIA Eligible Emission Units (EEUs) that would go beyond ICAO standards and place EU carriers at a disadvantage compared with non-EU competitors**. The EC should therefore:

- pursue full alignment with ICAO CORSIA standards.
- ensure the full eligibility of ICAO-approved units for EU-based airlines, as for foreign operators.
- adopt a pragmatic approach recognising Article 6.4 units and credible Article 6.2 equivalents, to preserve a broad and liquid market for high-integrity credits.
- and conduct a robust diplomatic, environmental, financial and supply impact assessment before considering any implementing act.

A coherent interaction between EU ETS and CORSIA is also essential to **ensure the effective implementation of the dual eligibility of SAF under both frameworks**. The EU should therefore accelerate the operationalisation of this principle, provide full regulatory clarity on the accounting treatment of SAF under both systems, and ensure a coherent approach that strengthens, rather than weakens, incentives for SAF deployment.

Refrain from introducing allowance surrender obligations for non-CO_2 effects

AFKL does not support the inclusion of non-CO_2 effects in the EU ETS. While the issue warrants continued scientific research and policy attention, **incorporating non-CO_2 effects into a market-based instrument would be premature given the remaining uncertainties** related to:

- scientific robustness.
- monitoring, reporting and verification methodologies.
- operational feasibility.
- legal certainty and regulatory predictability.

Any future policy approach should be based on sound science, internationally recognised methodologies and a comprehensive impact assessment.

Adjust Market Stability Reserve (MSR) to improve visibility and reduce price volatility

The current functioning of the MSR barely contributes to provide market price visibility and prevent too high price volatility in the EU ETS carbon market. AFKL calls for an adjustment of the MSR mechanism to:

- provide greater visibility and predictability for market participants.
- reduce excessive price variability.
- improve the capacity of airlines to plan and finance long-term decarbonisation investments.

Aviation decarbonisation requires multi-year investment decisions. These cannot be supported effectively in an environment of excessive carbon price volatility.

---end of the document---