



**CARBON  
MARKET  
WATCH**

# **FLIGHTS OF FANCY**

**Preventing European airlines from  
making far-fetched climate claims**

OCTOBER 2022





# INTRODUCTION

A study commissioned by Carbon Market Watch and conducted by the Öko-Institut analysed the action or investments that eight major European airlines were taking outside their value chains. These include activities that supposedly avoid or reduce greenhouse gas emissions and those that remove and store greenhouse gases from the atmosphere. The eight selected airlines are some of the largest in Europe and were collectively responsible for over half of the total CO<sub>2</sub> emissions of the EU aviation sector in 2019<sup>1</sup>.

The study provides a broad assessment of the scale and the quality of these airlines' efforts.

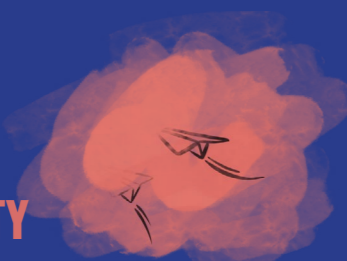
Öko-Institut own calculation based on EUTL dataset in July 2022.

1



## Main findings:

### LOW VISIBILITY



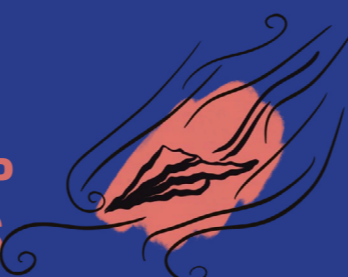
There is a major lack of transparency by airlines when it comes to reporting their voluntary actions, which sends misleading signals to policymakers and other stakeholders and undermines consumer confidence.

### ECONOMY CLASS



Nearly all airlines rely on relatively cheap forestry projects in developing countries that are unsuitable for offsetting fossil fuel emissions due to the non-permanence of carbon storage.

### CHEAP DEALS



The estimated average price customers pay for the purchase of a carbon credit by airlines varies, ranging between €9 (Wizz Air) and €30 (Air France). Some Air France customers paid four times more for their credits than the airline paid as a corporation, and EasyJet paid a corporate price as shockingly low as €4 per tonne of CO<sub>2</sub>. All these prices are far lower than the true cost of emissions reductions in the aviation sector.

### OFF THE RADAR



Several airlines are still ignoring the effects of non-CO<sub>2</sub> emissions, such as nitrogen oxides and water vapour, which, at high altitudes, cause a warming effect up to three times worse than carbon dioxide.

### FAULTY SIGNALLING



The airlines provided misleading signals that carbon offsets significantly reduce or eliminate the climate impact of flying, which could incentivise further growth in air travel when we should, instead, be reducing it.



# EXECUTIVE SUMMARY

Greenhouse gas emissions from the aviation sector are covered by two different systems in two different ways. First, flights within the European Economic Area (EEA) - which comprises the 27 EU member states, Norway, Iceland and Liechtenstein - are covered by the EU's Emission Trading System (EU ETS), which is currently being reformed. The ongoing revision could potentially expand the scope of the EU ETS to include flights between the EEA and other parts of the world.

Second, emissions from international flights are covered by the International Civil Aviation Organisation's (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Through this system, airlines are required to offset a small portion of their CO2 emissions, determined by a historical baseline which has been the subject of intense political negotiations at ICAO following heavy lobbying from the aviation industry to lower their offsetting requirements. As it stands, CORSIA will cover a very small fraction (less than 10%) of total aviation emissions and is unlikely to have any meaningful effect to address the sector's climate impacts.

In addition to the two systems, airlines have started to facilitate the offsetting of emissions, both at customer and corporate level, through the voluntary purchase of carbon credits, sometimes referred to as beyond value chain mitigation (BVCM).

The aim of the study, commissioned by Carbon Market Watch, is to assess the BVCM approaches of some of the largest European airlines (EasyJet, Ryanair, Lufthansa, British Airways, Air France, KLM, Wizz Air and SAS Airlines) in order to understand how they vary in terms of scale, quality and effectiveness.

These actions offer a glimpse into the real impact of airlines' voluntary actions. If the sector continues to benefit from special treatment and is exempted from full coverage under the EU ETS, it is likely that airlines will continue to rely on this type of voluntary actions to "green" their image. The lack of impact of these, as described below, should be understood as a call for more and better direct regulation of the industry.



**“If the sector continues to benefit from special treatment and is exempted from full coverage under the EU ETS, it is likely that airlines will continue to rely on this type of voluntary actions to “green” their image”.**



# Lack of Transparency

The study shows how difficult it is to find information on the BVCM approaches pursued by the selected airlines. Of the eight airlines analysed, only EasyJet provided evidence about the carbon credits used to offset its emissions, publishing on their website both numbers and project certificates.

In the case of Air France and KLM, it was somewhat more difficult to find information: the study shows that the details of the carbon credits used by these two airlines could be found only by checking the Gold Standard Registry and not through their websites. In addition, the results were also not consistent with airlines' claims: in the case of Air France, the volume declared via the Gold Standard Registry was different to the level of offsetting claimed. However, as it is not compulsory to provide information on who is retiring credits, it may be that the volume retired by Air France was higher.

Finally, for the other five airlines, it was extremely difficult to find any relevant evidence on the carbon credits and certification schemes used. This makes it impossible to independently assess the quality and truthfulness of the airlines' pledges and claims.

For example, Ryanair stated in its 2021 Sustainability Report that its offsetting scheme raised around €3.5 million,

while not documenting the volume of offsets purchased on behalf of the customers. Another bad example comes from SAS practices. The Scandinavian company offsets emissions for its members, staff and youth. However, limited evidence was provided with regards to the projects used to offset emissions, other than mentioning that offset provider First Climate is the organisation completing the offsetting and the type of project. Without any further information, it was impossible to assess the quality of their actions and to verify the numbers provided.

This means that only one of the eight major European airlines studied, EasyJet, is providing the necessary evidence to evaluate its BVCM claims and approaches.

This makes it extremely difficult to evaluate the quality and effectiveness of the airlines' pledges and actions and to assess whether they are doing what they claim to be doing.



# Cheap credits

Another problem that the study highlights is linked with the cost to the customer per tonne of CO<sub>2</sub> for credits purchased in the aviation sector. The estimated price ranged widely, from €9 for Wizz Air to €30 for Air France. More importantly, the study shows that only two airlines are offsetting at corporate level: EasyJet and Air France. In this case, prices are even lower, with EasyJet having purchased credits at an estimated price of €4 per tonne of CO<sub>2</sub> and Air France at €8 per tonne of CO<sub>2</sub>, with the latter selling customers an offsetting option almost four times more expensive. However, EasyJet recently took a step in the right direction when it announced that, starting from December 2022, they will no longer buy offsets.

Moreover, even the highest of the prices paid was way below the cost of reducing actual emissions in the aviation sector through such measures as fewer flights, enhancing efficiency and implementing new clean technologies. However, these offsets were not only cheaper but far less effective. Airlines urgently need to implement dramatic reductions in their own emissions rather than paying others to do so. Unfortunately, the availability of this cheaper and more convenient alternative, which requires no changes to the way they work or business model, could end up delaying or derailing more serious action.

Moreover, five of the eight airlines analysed in the study did not take into account the major impact of non-CO<sub>2</sub> emissions at higher altitudes. These effects are caused primarily from emissions of nitrogen oxides, soot particles and water vapour, which can change the chemical composition of the global atmosphere and cloudiness. The

only airlines that proactively considered the environmental impact of nitrogen oxides and water vapour emissions were Wizz Air, EasyJet and British Airways, by converting these emissions into CO<sub>2</sub> equivalent (CO<sub>2</sub>e) when retiring carbon credits.

Some airlines were also found to be giving customers the opportunity to choose an alternative to offsetting with the option to support the development of Sustainable Aviation Fuels (SAF). This was at a price much higher than the offsetting option: the abatement costs associated with alternative fuels were between €200 and €5,000 per tonne of CO<sub>2</sub>e. However, even this option presents some major problems relating to the issue of additionality, i.e. does this lead to action that would not otherwise have been taken? Airlines claim that through the purchase of the SAF option by customers, they will be able to buy more SAF than they would have bought otherwise. But this looks doubtful, as airlines will soon be required to use a certain amount of SAF in their fuel mix (5% by 2030) helping the market to grow, with or without customers' help. This means that these airlines may be handing their customers some of the cost of the actions they are obliged to take.

Finally, two of the airlines analysed in the study (Lufthansa and British Airways) were marketing so-called "carbon-neutral flying" through the purchase of carbon credits. This is not only misleading, since purchasing an offset does not make a flight carbon neutral, but also concerning, as it could encourage further growth in air travel when we should instead be looking to fly less.





# Low Quality Credits



The second major finding of the study relates to the projects issuing the carbon credits that are in the airlines' portfolios: almost all airlines rely on low quality projects.

invested in REDD+ projects that have already experienced difficulties in determining the amount of greenhouse gas reductions they bring about, and they run a high risk of not being able to store the carbon permanently, which is a core requirement for effective offsetting.

The study shows that every airline had in its own portfolio at least one forestry project of uncertain environmental integrity. Several of the selected airlines

## Summary of results from study

see full results and comments in the report

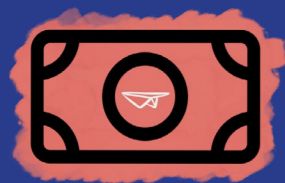
	All emissions offset?	Provided enough information for voluntary climate action to reliably assessed?	Customer offsetting based on CO2 and non CO2 emissions?	Estimated average offset cost of a tonne of CO2		Tonnes of CO2 offset between 2019-2021 (estimates made from limited data)	Provided evidence of offsets retired?	Low-quality offsetting projects included in portfolio
				Paid by customer	Paid by airline			
AIR FRANCE	✗	✗	✗	€30	€8	500,000	✓	✓
BRITISH AIRWAYS	✗	✗	✓	€12	-	365,000	✗	✓
EASYJET	✓	✓	✓	-	€4	5,269,476	✓	✓
KLM	✗	✗	✗	€16	-	203,000	✓	✓
LUFTHANSA	✗	✗	✗	€17	-	150,060	✗	✓
RYANAIR	✗	✗	✗	€28	-	105,855	✗	✓
SAS	✗	✗	✗	-	-	2,400,000	✗	-
WIZZ AIR	✗	✗	✓	€9	-	105	✗	✓





# POLICY RECOMMENDATIONS

This study clearly underscores that voluntary climate action is not working in the aviation sector. If we are to bring emissions from the aviation sector down to sustainable levels, then governments must step in and put binding regulations in place. Carbon Market Watch makes the following recommendations to EU governments and policymakers.



## POLLUTERS PAY

As the EU institutions embark on the so-called trilogue to find common ground for a final deal on the revision of the EU Emissions Trading System for aviation, they should seize this opportunity to end the reliance on airlines' voluntary actions to mitigate the negative impacts of their emissions, by expanding the EU ETS scope to cover all flights departing and arriving in the EEA, leaving fewer uncovered emissions.



## CLEAR SKIES

The EU should require clear and complete disclosure of information from airlines regarding their purchase of carbon credits, as well as any other voluntary actions they take. This can be achieved through the EU corporate sustainability reporting standards being developed by the European Financial Reporting Advisory Group (EFRAG).



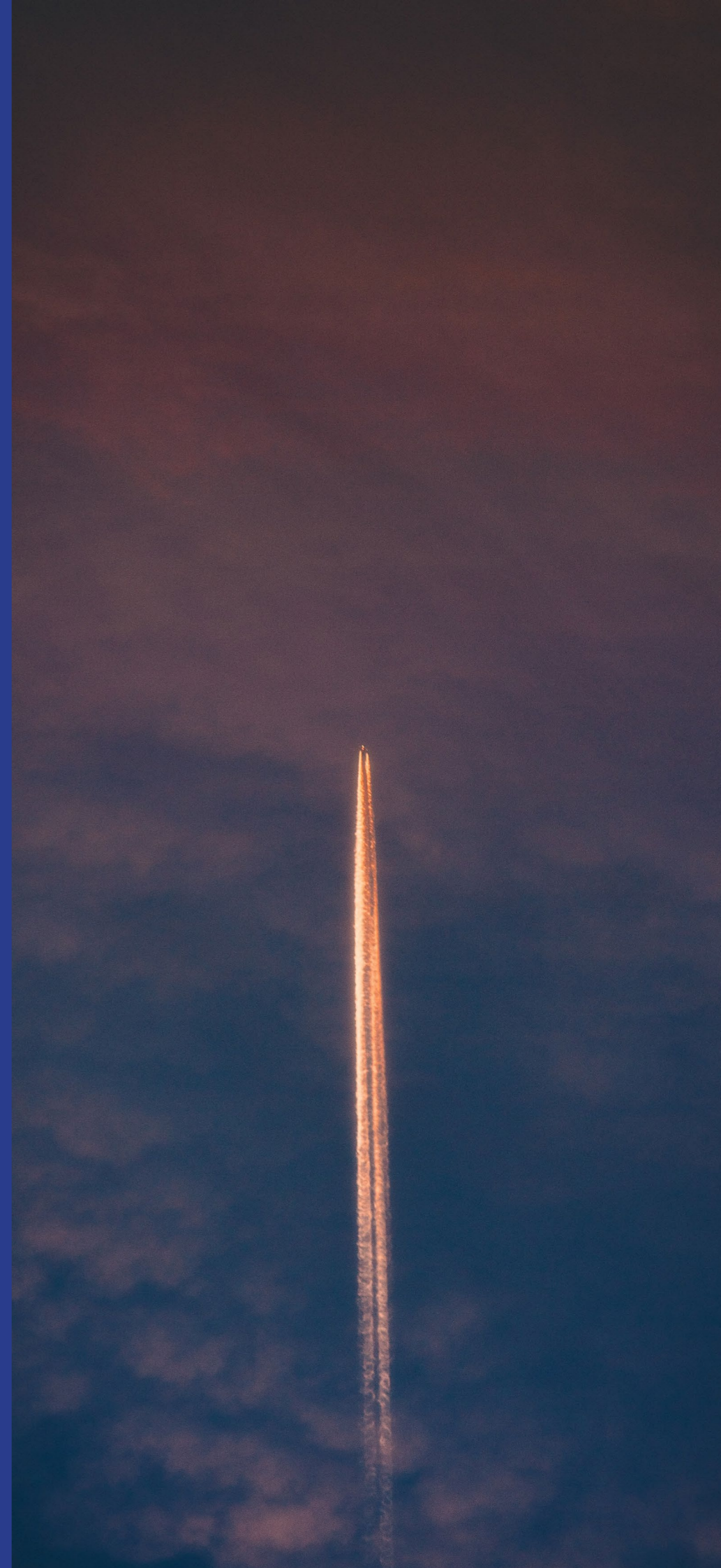
## END MISLEADING ADVERTISING

The EU should also ban misleading advertisements, such as carbon neutral flights, through its review of the Unfair Commercial Practices directive.



## COMING IN TO LAND

Guidance on how to make informative, rather than misleading, claims should be provided by EU regulatory bodies, for example through the European Commission's Green Claim initiative.







# CARBON MARKET WATCH

## CONTACT

**Daniele Rao**

Expert on decarbonisation of aviation and shipping

[daniele.rao@carbonmarketwatch.org](mailto:daniele.rao@carbonmarketwatch.org)



This project action has received funding from the European Commission through a LIFE grant. The content of this section reflects only the author's view. The Commission is not responsible for any use that may be made of the information it contains.