



## CPMR and Aviation: ready for take-off

### BACKGROUND

In December 2015, the European Commission published COM(2015) 598 [An Aviation Strategy for Europe](#). The Strategy sets out a comprehensive road map for the European aviation sector with four major policy priorities:

- 1) An ambitious EU external aviation policy;
- 2) Tackling limits to growth both in the air and on the ground;
- 3) Maintaining high EU standards;
- 4) Innovation, investments and digital technologies.

Within the Strategy, a number of specific policy actions have been identified as a priority and/or of interest by the CPMR members in the [46<sup>th</sup> General Assembly Final Declaration](#) and were validated in the 2017 CPMR Technical Paper '[CPMR and aviation: Summary of the member Regions' priorities and next steps](#)'.

The aim of this Technical Note is to provide an overview and an update on the work of the European Institutions, as well as to define next steps for CPMR's activities in aviation.

## In a nutshell:

The Technical Note will address the following topics:

- **Section 1**, the Public Service Obligations regulation and its revision;
- **Section 2**, state aid to airlines and airports and the General block exemption Regulation;
- **Section 3**, measures and instruments for a more sustainable aviation sector;
- **Section 4**, the airport slots regulation;
- **Section 5**, the contingency measures to ensure basic connectivity in case of a hard Brexit.

## 1. Public Service Obligations (PSOs)

### 1.1. PSOs: what next in the European agenda?

As stated in point 75 of the 46<sup>th</sup> CPMR General Assembly of 2018, the CPMR “*underlines its intention to take part in the debates of the forthcoming review of legislation on State aid to airlines and airports, and on Public Service Obligation mechanisms*”. Furthermore, in the 2017 Technical Paper, PSOs have been identified as a key priority topic.

PSOs conditions and requirements are set out by articles 16-18 of [Regulation No 1008/2008](#) on common rules for the operation of air services in the Community. In June 2017, the European Commission presented the [Interpretative Guidelines on Regulation \(EC\) No 1008/2008 – Public Service Obligations \(PSOs\)](#) aiming at a sound interpretation and implementation of the Regulation.

In November 2017, an Evaluation Roadmap was published on the Regulation. Even though the evaluation – supported by a public consultation and an external study – is still ongoing, the European Commission is conducting an impact assessment. The impact assessment is expected shortly after the evaluation in the beginning of 2019. The impact assessment will probably elicit ‘soft’ and/or ‘hard’ law that could change PSOs conditions and requirements.

### 1.2. PSOs: a likely change to its conditions and requirements

In the [Inception Impact Assessment](#), among the problems the initiative aims to tackle there is the “*Inconsistent application of existing rules, notably on [...] public service obligations. The main reason is that some important definitions are missing or are difficult to implement in practice, for example definitions of [...] ‘thin routes’ in the context of PSOs*”.

In the ‘Objectives and Policy options’ the Commission has identified a set of potential measures related to PSOs:

- “*Measures likely to clarify certain provisions/procedures and lead to a more homogenous regulatory framework in relation to rules on [...] PSOs*”;
- “*[...] reviewing the criteria for imposing PSOs and the level of intervention of the European Commission*”.

As for the ‘Preliminary Assessment of Expected Impacts’, the Commission states that “[t]o the extent that criteria to grant PSO are reviewed, the number of PSOs could decrease or increase with an impact on carriers and passengers flying on affected routes”.

It appears clear that the impact assessment policy options will lead to changes to the PSOs provisions. Therefore, close attention should be paid to the Commission’s proposal given the important role that PSOs have in terms of accessibility, connectivity and social and economic development. Furthermore, PSOs are not only a fundamental instrument to ensure development for islands but also for a large number of mainland regions.

Thus, there is the need to ensure that regions’ interests and needs are taken into account in the revision of the rules governing PSOs, in order to ensure that PSOs remain an efficient instrument for regional development, and that such revision will not have a negative impact on regions’ social and economic growth and on their citizens mobility.

### Suggested action:

- Follow-up on the European Commission proposal;
- Meeting with DG MOVE and a CPMR delegation of aviation theme leaders;
- Technical paper on PSOs;
- Seminar on aviation (including PSOs) at the end of 2019.

## 2. State aid to airports and airlines

### 2.1. Guidelines on State aid to airports and airlines

State aid for airports and airlines has been identified as a key topic in both point 75 of the 46<sup>th</sup> CPMR General Assembly of 2018 and the 2017 Technical Paper.

The relevant legislation on state aid policy in the aviation sector is the European Commission Communication [Guidelines on State aid to airports and airlines](#) of 2014. Point 5 sets out the compatibility for aid requirements and conditions with the internal market, and comprises:

- Aid to airports (point 5.1);
- Investment aid to airports (point 5.1.1);
- Operating aid to airports (point 5.1.2);
- Start-up aid to airlines (point 5.2).

As for point 6, it sets out the compatibility conditions with the internal market for social aid in air transport services.

A summary of the compatibility conditions for aid to airports, for start-up aid to airlines and for social aid can be found in the Communication’s annex (respectively, Table 1, Table 2 and Table 3).

## 2.2. General Block Exemption Regulation (GBER)

In 2017, the European Commission [Regulation \(EU\) 2017/1084](#) extended the General block exemption Regulation (GBER), by amending [Regulation \(EU\) No 651/2014](#), to aid for airport infrastructure. The GBER extension exempts investment aid for regional airports handling up to 3 million passengers per year (under specific conditions) from prior notification to the European Commission. Furthermore, it allows for simplified rules for investment aid and operating aid for airports that handle up to 200 000 passengers per year.

## 2.3 GBER and State aid to airport and airlines: what next?

In January 2019, the European Commission announced that it envisages to [prolong the GBER for two years](#) (until 2022). Furthermore, a [fitness check](#) will be conducted, in order to determine whether to prolong or update the GBER provisions as well as the Guideline on State aid to airports and airlines. The fitness check results are expected by the beginning of 2020.

### Suggested action:

- Follow-up on the European Commission evaluation;
- Participation to the evaluation process;
- Seminar on aviation (including state aid) at the end of 2019.

## 3. A more sustainable and greener aviation

### 3.1. The European Union steps towards a more sustainable aviation sector

In the 46<sup>th</sup> General Assembly, the CPMR General Secretariat emphasised the need to reduce transport's carbon footprint. Moreover, in the 2017 Technical Paper, a more sustainable and greener aviation was considered a topic to focus on.

In 2016, aviation accounted for 3.6% of total EU greenhouse gas emissions and for the 13.4% of the total emission from the transport sector. Even though emissions and air pollutants (nitrogen oxides and particulate matter) shares from aviation increase compared to other transport modes, one has to take into account that emissions reduction is more difficult in aviation.

However, as stated by Commissioner Bulc in the [European Aviation Environmental Report 2019](#) “*the European Commission considers it a priority that the future growth of aviation goes hand in hand with sustainability policies*”. For instance, the EU has enacted a number of policy actions to curb emissions and make aviation more sustainable. For instance, approximately €5 billion have been invested in different programmes and measures in the past years.

For example, market-based measures have been and are going to be implemented:

- The [EU Emission Trading System \(ETS\)](#) – a cap and trade system – that only applies to flights in the EEA and aims at CO<sub>2</sub> reduction through trading of allowances between sectors.
- The [Carbon Offsetting and Reduction Scheme for International Aviation \(CORSIA\)](#) – an offsetting scheme – that will start with a pilot phase in 2021. It will apply to ICAO members and aims to ensure that emissions from international aviation do not exceed the 2020 levels.

Under the updated [Renewable Energy Directive](#), suppliers have to ensure that 14% of energy used by the EU transport sector has to come from renewable sources by 2030. Therefore, Sustainable Aviation Fuels (SAF) and electro-fuels could play an important role to mitigate aviation's environmental impact. However, SAFs and electro-fuels remain less competitive than kerosene.

Furthermore, operational and air traffic management improvements can have a positive impact by mitigating the environmental impact from aviation, such as the [Single European Sky \(SES\)](#) initiative by the European Commission. Its technological pillar – the Single European Sky ATM Research (SEASR) – will play a major role in the next years through several measures, such as by reducing air route inefficiencies or reducing gate to gate time.

Airports can also play a role by levying environmental charges to incentivise the use of fuel-efficient aircrafts accordingly to [Directive 2009/12/EC on Airport Charges](#). Even though their increase on the total share of airport charges is increasing, they are still low and unlikely to impact on the fleet operating costs. However, airports can reduce the environmental impact from aviation by, for example, upgrading and greening their infrastructure, using 'clean vehicles' and renewable energy, and by easing their access by public transport.

### Suggested action:

- Monitoring and follow-up on European and international regulation and measures aiming at a more sustainable aviation sector.
- Seminar on aviation (including a session on aviation greening) at the end of 2019.

## 4. Airport slot allocation

### 4.1. Waiting for adoption

Airport slot allocation was identified as a priority theme in the 2017 Technical Paper. Council [Regulation 95/93](#) (amended by Regulations 793/2004 and 545/2009) determines rules for the allocation of slots in the EU. In 2011, a recast of the Regulation was proposed to tackle increasing airport congestion and ensure operators competitiveness but is currently blocked.

### Suggested action:

- Monitoring and follow-up on the airport slot allocation regulation recast.

## 5. Brexit

### 5.1. The European Union measures to ensure basic connectivity

A no-deal Brexit would have a disruptive impact on the aviation industry, and consequently on other areas, such as tourism but also on connectivity and on our way to fly.

Given the uncertainty on the Withdrawal Agreement ratification, the European Commission has adopted two measures in its [contingency plan](#) to ensure air traffic and basic connectivity between the European Union and the United Kingdom. The first proposal for Regulation, envisages a 12 months period to ensure the provision of certain services between the EU and the UK. As for the second, it envisages to temporarily extend for 9 months the validity of certain existing licences.

### **Suggested action:**

- Monitoring and follow-up on future developments on aviation related to Brexit



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**The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.**

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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