

Annex II - Specification of Market Based Measures for international aviation and modelling assumptions.

Design elements / assumptions	Market Based Measures for international aviation		
	GETS medium CO ₂ price	GCO medium CO ₂ price	EU-ETS medium CO ₂ price
	Global Emission Trading Scheme	Global Carbon Offset and Revenue Generation Mechanism	EU - Emission Trading Scheme
Design elements - Resulting from decisions made in international policy making forums			
Target / Cap	10% below CO ₂ emission level 2005	10% below CO ₂ emission level 2005	95% of average CO ₂ levels 2004-2006
Geographical Coverage	International traffic by commercial operators	International traffic by commercial operators	Traffic to / from / within the EEA
Free allocation / auctioning of allowances under the cap	100% auctioned	n.a.	15% auctioned 85% allocated for free
Price level set by policy makers	n.a.	CO ₂ levy to generate revenues: 10% of offset price	n.a.
Assumptions - Resulting from assumed market circumstances			
Price level set by the market	30 US\$* per allowance for a ton of CO ₂	30 US\$* for offsetting a ton of CO ₂	30 US\$* per allowance for a ton of CO ₂
Pass through of real costs (expenditures on allowances, credits and levies)	100%	100%	100%
Pass through opportunity costs for freely allocated allowances	100%	n.a.	100%
BAU scenario			
Reference BAU Scenario	CAEP Medium Growth scenario	CAEP Medium Growth scenario	CAEP Medium Growth scenario
BAU Scenario Year	2025	2025	2025
* This price is in US\$2010. Inputs to the AERO-MS are in US\$2006.			

In order to allow for sensitivity analysis for international aviation in total 12 cases are investigated:

GETS medium CO ₂ price	Specification as in table above.
GETS medium CO ₂ price, free allocation, pass-through	15% of allowances under the cap will be auctioned and hence 85% will be allocated freely. All other assumptions as in table above for GETS medium CO ₂ price.
GETS medium CO ₂ price, free allocation, no pass-through	15% of allowances under the cap will be auctioned and hence 85% will be allocated freely; none of the opportunity costs for freely allocated allowances will be passed on (0%). All other assumptions as in table above for GETS medium CO ₂ price.
GETS low CO ₂ price	10 US\$ per allowance for a ton of CO ₂ . All other assumptions as in table above for GETS medium CO ₂ price.
GETS high CO ₂ price	50 US\$ per allowance for a ton of CO ₂ . All other assumptions as in table above for GETS medium CO ₂ price.
GCO medium CO ₂ price	Specification as in table above.
GCO low CO ₂ price	10 US\$ for offsetting a ton of CO ₂ . All other assumptions as in table above for GCO low CO ₂ price.
GCO high CO ₂ price	50 US\$ for offsetting a ton of CO ₂ . All other assumptions as in table above for GCO low CO ₂ price.
EU-ETS medium CO ₂ price	Specification as in table above.
EU-ETS medium CO ₂ price, no pass-through	None of the opportunity costs for freely allocated allowances will be passed on (0%). All other assumptions as in table above for EU-ETS medium CO ₂ price.
EU-ETS low CO ₂ price	10 US\$ for offsetting a ton of CO ₂ . All other assumptions as in table above for EU-ETS medium CO ₂ price.
EU-ETS high CO ₂ price	50 US\$ for offsetting a ton of CO ₂ . All other assumptions as in table above for EU-ETS medium CO ₂ price.