

PRIME MINISTER
ICELAND

Reykjavík, 15 June 2022.

Excellency,

Dear Ursula!

Iceland participates in the joint fulfilment of the Paris Climate goals, cooperates closely with the EU in fighting climate change and has set itself an independent goal, reaching carbon neutrality by 2040. However, while solidly supporting the objectives of the Fit for 55 programme and recognising the need to increase the rate of decarbonisation in all transport modes, Iceland has grave concerns regarding the proposals on ETS and aviation and Refuel EU aviation.

These proposals will, if realised, have an overly disproportionate effect on Iceland and severe consequences for our aviation industry and economy. Our situation is in fact unique: Iceland will be the most negatively hit by these proposals compared to any other EEA State as depicted in the graphs attached.

The combined regulatory costs of the proposals place airlines based in Iceland at a substantial competitive disadvantage and will deprive our international airport in Keflavík – a major hub for transatlantic flights – of a level playing field. The impact this will have on the level of connectivity, and subsequently on the offer and price of airline fares, is even more serious considering that Icelanders have no other mode of transport for external travel.

As an island in the North Atlantic, Iceland is heavily dependent on aviation, which contributes to around 14% of Iceland's GDP. Keflavík airport offers connections with a multitude of destinations in Europe and North America. This is now at risk, with serious consequences for our economy and our connectivity with other countries.

Moreover, there are also major concerns regarding carbon leakage which will result from the shift in travel choices to less costly air fares with carriers outside the scope of the proposals.

In order to mitigate this effect and prevent carbon leakage, we have proposed to put in place a corrective mechanism to balance the competitive disadvantage for external EEA flights induced by ETS and the blending mandate, in form of free allowances. Furthermore, in order to mitigate the cost effect on remote island states, Iceland proposes that the extra regulatory costs incurred by the proposals be cancelled after 500 km journey destined to or from a remote island state.

As both proposals are being discussed this month in Council and the European Parliament, I kindly ask for your support in adjusting the proposals during the ongoing legislative process.

Yours sincerely,



Katrín Jakobsdóttir

H.E. Mrs. Ursula von der Leyen
President of the European Commission
Brussels

CC:

The President and Members of the European Council

Enclosures:

1. Estimated Average Cost of „Fit for 55“ pr. Flight for Individual EEA State in 2025
2. Estimated Average Cost of „Fit for 55“ pr. Flight for Individual EEA State in 2050
3. Estimated Regulatory Costs of „Fit for 55“ pr. Passenger on a Return Journey from Milan to JFK via different hubs 2025 - 2050

Iceland Position on ETS Aviation and RefuelEU Aviation

Estimated Average Cost pr. flight in 2025 – ETS Aviation cost predominant

Estimated Average Cost pr. flight in 2025

18:27

Search

SAF Price(USD/kg)

2.50

JetA1 Price(USD/kg)

0.81

Blending (%)

2

Tax rate(EURO/GJ)

2.15

ETS Price(EURO/tn)

120

Emissions (%)

70

Projection Year

2025

GDP Growth(%)

1.09

☒ Include Return Leg

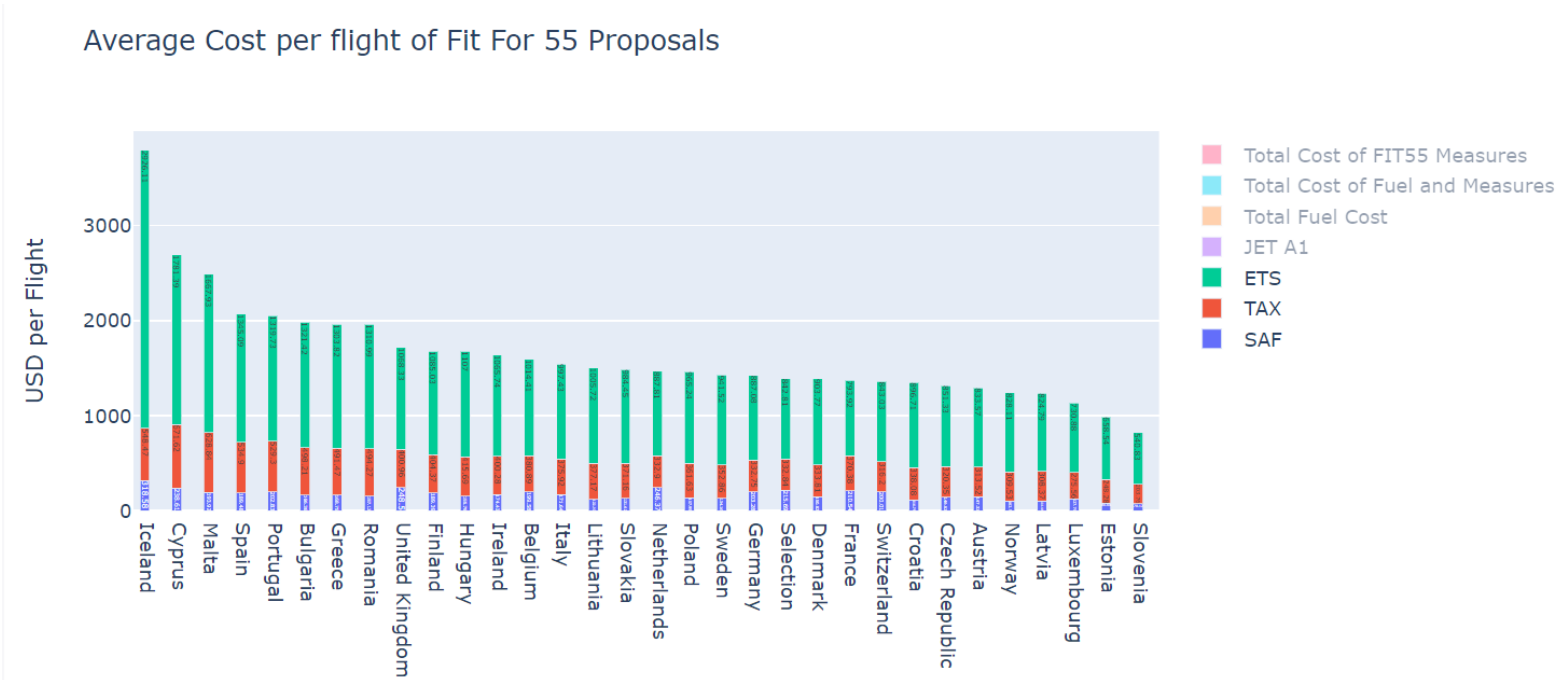
Flight Growth(%)

1.9

Emissions Growth(%)

1

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Iceland Position on ETS Aviation and RefuelEU Aviation

Estimated Average Cost pr. flight in 2050 – RefuelEU Aviation cost predominant

Estimated Average Cost pr. Flight in 2050

SAF Price(USD/kg)

JetA1 Price(USD/kg)

Blending (%)

Tax rate(EURO/GJ)

ETS Price(EURO/tn)

Emissions (%)

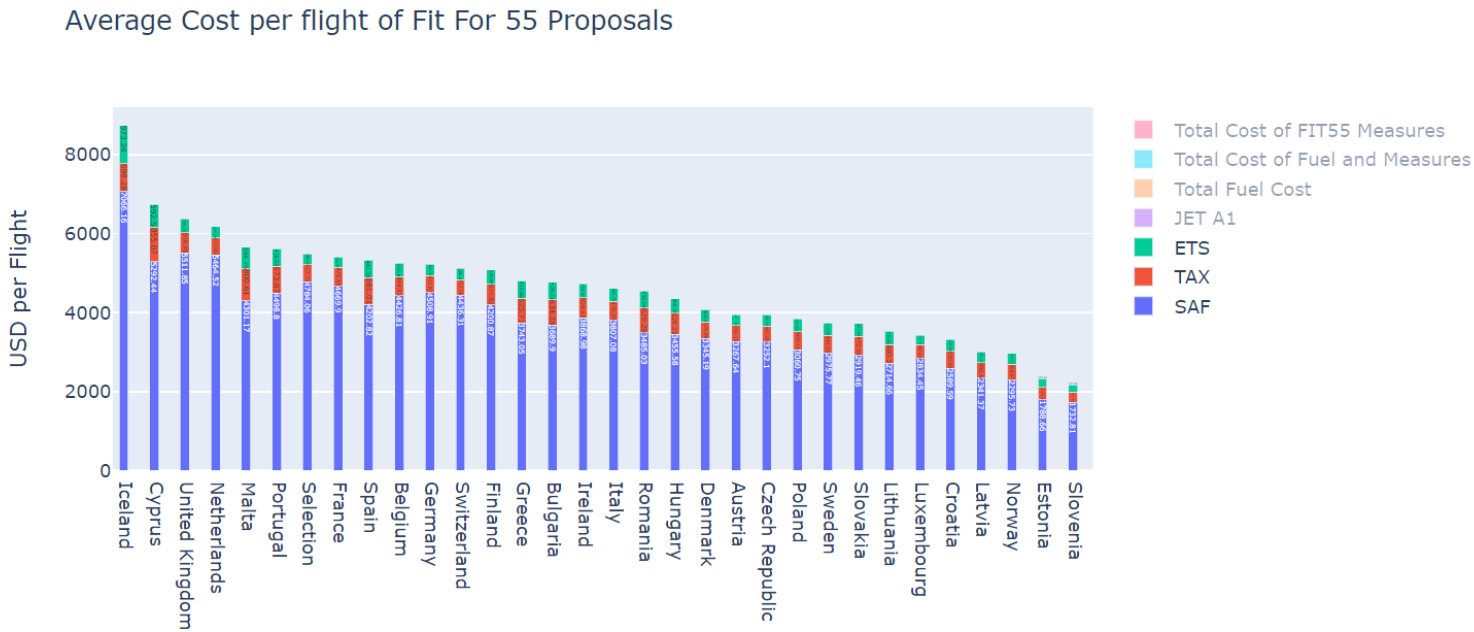
Projection Year

GDP Growth(%)

☒ Include Return Leg

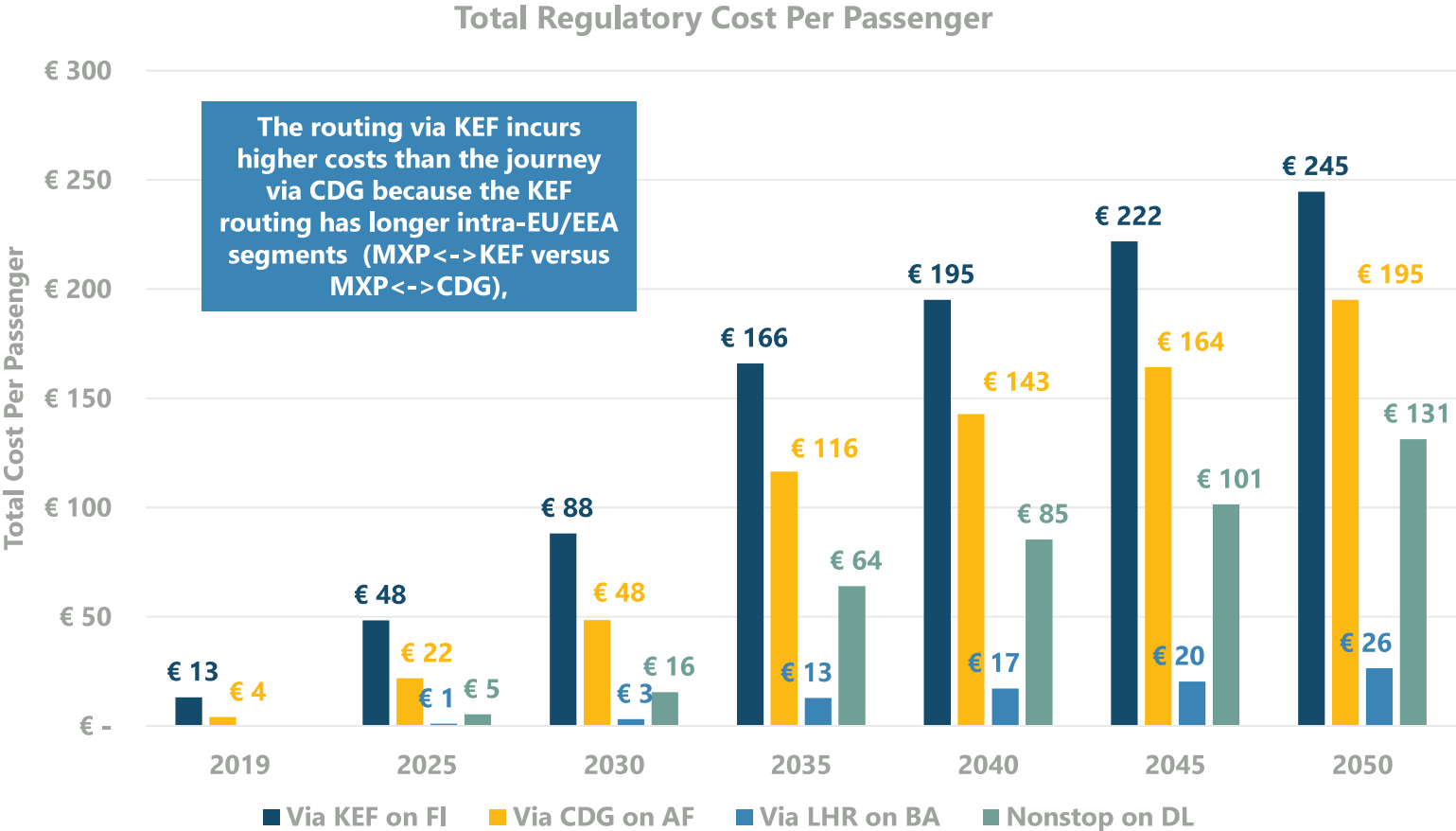
Flight Growth(%)

Emissions Growth(%)



5 MXP to/from JFK Total Cost

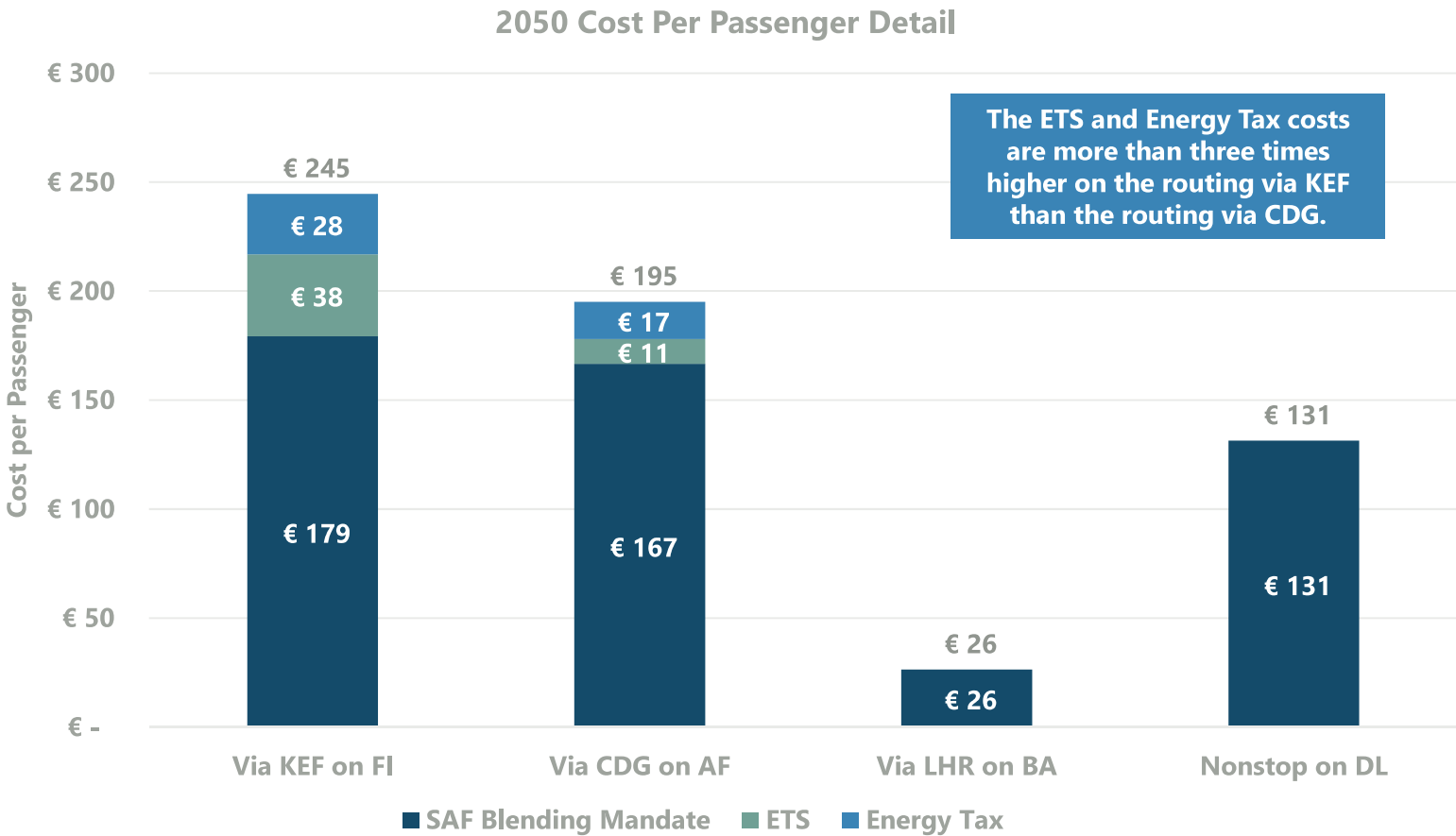
- A. Via KEF on FI
 - MXP to KEF on 737-8
 - KEF to JFK on 737-8
 - JFK to KEF on 737-8
 - KEF to MXP on 737-8
- B. Via CDG on AF
 - MXP to CDG on A220-300
 - CDG to JFK on 787-9
 - JFK to CDG on 787-9
 - CDG to MXP on A220-300
- C. Via LHR on BA
 - MXP to LHR on A320neo
 - LHR to JFK on 787-9
 - JFK to LHR on 787-9
 - LHR to MXP on A320neo
- D. Nonstop on DL
 - MXP to JFK on A350
 - JFK to MXP on A350



SOURCE: Ricondo & Associates, Inc., May 2022

5 MXP to/from JFK 2050 Cost Detail

- A. Via KEF on FI
 1. MXP to KEF on 737-8
 2. KEF to JFK on 737-8
 3. JFK to KEF on 737-8
 4. KEF to MXP on 737-8
- B. Via CDG on AF
 1. MXP to CDG on A220-300
 2. CDG to JFK on 787-9
 3. JFK to CDG on 787-9
 4. CDG to MXP on A220-300
- C. Via LHR on BA
 1. MXP to LHR on A320neo
 2. LHR to JFK on 787-9
 3. JFK to LHR on 787-9
 4. LHR to MXP on A320neo
- D. Nonstop on DL
 1. MXP to JFK on A350
 2. JFK to MXP on A350



SOURCE: Ricondo & Associates, Inc., May 2022