

# Airline Strategies to Reduce Environmental Costs

Passenger charges place biggest burden on airlines

The report examined the impact of environmental constraints on operational and strategic decision-making within the aviation industry. It analyzed three environmental instruments: the engine emission charge at Munich airport or EEC, the UK Air Passenger Duty or UK APD and the European Union Emissions Trading Scheme or EU ETS.

The report then compared the costs for the operators and found that the UK APD puts by far the highest burden on airlines. The EU ETS comes second, followed by the engine emission charge at Munich airport.

A poorly designed environmental instrument, such as the UK APD, leaves no scope for lowering compliance costs without decreasing traffic, the report said. The UK loses some of his appeal as tourist destination, since other European spots become relative cheaper.

Under the EU ETS, the competition between European destinations is less distorted, the study noted, but flying into Europe becomes more expensive and so some tourists could be diverted to other continents.

**Airlines are taking more action to reduce their environmental costs when the regulations allow them greater flexibility, the report found.** Under the EU ETS, compliance costs can be decreased by improving the fleet's fuel efficiency, for example. Airlines expected to employ network planning, fleet planning and fleet assignment strategies, the report found.

The survey also found that regional airlines expect the EU ETS will have a limited impact on traffic while charter airlines do not expect any traffic reductions. This implies that regional airlines may have more trouble maintaining revenue yield than charter carriers, the report said.

**Low-cost carriers will be hardest hit by environmental constraints since they carry more price-sensitive passengers, the report found.**