

The EU Emissions Trading System & Aviation Support

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Sala Cappella - Villa Schifanoia, Via Boccaccio 121 - Florence

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Introduction

The EU's aviation climate action framework is entering a new phase in which delivery and implementation matter as much as the overall design of the policy package. Under the European Green Deal and the wider 'Fit for 55' package, the policy mix combines a tightening carbon constraint with an explicit fuel-switching strategy. The EU Emissions Trading System (ETS) provides the price signal and revenue base, while ReFuelEU Aviation creates a predictable, long-term market for sustainable aviation fuels (SAF) through steadily rising blending mandates at EU airports.

Two milestones make the 23rd Florence Air Forum particularly timely. First, aviation in the ETS is undergoing a comprehensive transition to full auctioning of aviation allowances, finalising the phase-out of 'free' allowances that were reduced in 2024 and 2025 before ending. In parallel, the revised framework includes an ETS-financed SAF support mechanism, reserving allowances from the aviation cap to help close the price gap between eligible alternative aviation fuels and conventional kerosene. This creates a major opportunity but also a practical challenge: how to ensure that support is additional, targeted, can be administered, and is resistant to gaming, while maximising emissions reductions per euro of foregone allowance value.

Second, the European Commission's forthcoming ETS review will revisit aspects of aviation ETS design, including the interface with ICAO's CORSIA and the scope. While these questions frame the broader context, the central added value of this Forum is to focus on what can be improved now, in practice, thus: how ETS-linked support, especially for SAF, can be implemented as effectively and efficiently as possible, and how interactions with ReFuelEU and complementary instruments can be simplified without undermining market integrity.

The Commission is due to propose this summer an ETS update package. Against this backdrop, the Forum, co-organised by the Transport Area of the Florence School of Regulation and DG CLIMA, will structure discussion around three sessions and their underlying question:

- **Making ETS-financed SAF support work in practice:** *How can ETS-linked SAF support be enhanced to deliver cost-effective, efficient assistance in developing the SAF industry? How can long-term SAF adoption by airlines be encouraged, for example, through incentivisation schemes for early adopters? What eligibility and prioritisation criteria are most effective in driving additional SAF production and preventing over-compensation? How should support balance physical supply with greater flexibility while maintaining traceability and credibility? In book-and-claim systems, how is long-term decarbonisation ensured when (e)SAF is only available at certain locations? What considerations are necessary for geographic balance? How can sustainable results be achieved? Specifically, how can a support mechanism be designed that will ultimately become unnecessary?*
- **Integrity, MRV, efficiency and alignment across EU instruments:** *What MRV, certification, and chain-of-custody requirements are necessary and proportionate? How can the system*

prevent fraud, double-counting and weak claims? How should ETS support interact with ReFuelEU compliance and penalties so that public value is not spent on activities that would occur anyway? How can 'stacking' across EU and national instruments be managed transparently while still enabling finance at scale, and avoiding unnecessary complexity?

- **Beyond SAF: Possible new ETS-linked support mechanisms:** *What ETS-linked mechanisms could help to reduce aviation climate impact beyond SAF incentives (e.g., support for the uptake of electric and hydrogen-powered aircraft technologies)?*

DRAFT

At FSR, we actively work to achieve gender-balanced representation at all of our events. As a platform that connects diverse voices and perspectives in the sector, we firmly value inclusive and gender-balanced panel debates and training courses.



- 9:00 – 9:30 **Setting the scene**
Steven Truxal | Transport Area FSR, EUI
Polona Gregorin | DG CLIMA, European Commission
- 9:30 -11:00 **SESSION A**
Making ETS-financed SAF support work in practice
Discussion Questions: How can ETS-linked SAF support be enhanced to deliver cost-effective, efficient assistance in developing the SAF industry? How can long-term SAF adoption by airlines be encouraged, for example, through incentivisation schemes for early adopters? What eligibility and prioritisation criteria are most effective in driving additional SAF production and preventing over-compensation? How should support balance physical supply with greater flexibility while maintaining traceability and credibility? In book-and-claim systems, how is long-term decarbonisation ensured when (e)SAF is only available at certain locations? What considerations are necessary for geographic balance? How can sustainable results be achieved? Specifically, how can a support mechanism be designed that will ultimately become unnecessary?

Roundtable discussion
- 11:00-11:30 *Coffee break*
- 11:30-13:00 **SESSION B**
Integrity, MRV, efficiency and alignment across EU instruments
Discussion Questions: What MRV, certification, and chain-of-custody requirements are necessary and proportionate? How can the system prevent fraud, double-counting and weak claims? How should ETS support interact with ReFuelEU compliance and penalties so that public value is not spent on activities that would occur anyway? How can 'stacking' across EU and national instruments be managed transparently while still enabling finance at scale?

Roundtable discussion
- 13:00 – 14:00 *Lunch Break*
- 14:00 - 15:30 **SESSION C**
Beyond SAF: Possible new ETS-Linked Mechanisms
Discussion Questions: What ETS-linked mechanisms could help to reduce aviation climate impact beyond SAF incentives (e.g., support for the uptake of electric and hydrogen-powered aircraft technologies)?

Roundtable discussion
- 15:30-15:50 **Synthesis and Concluding Remarks**
Juan Montero | Transport Area FSR, EUI
Steven Truxal | Transport Area FSR, EUI
Beatriz Yordi | DG CLIMA, European Commission