Press Release

U.S.-EU Aviation Carbon-price Battle Ahead?

ALLIE WATSON | JULY 22, 2026

The European Commission recently proposed to expand the bloc's emissions trading scheme (ETS) to cover flights departing from European Union (EU) countries and landing within 5,000 kilometers of Frankfurt, Germany, starting in 2029. In a new insight, Director of Energy and Environmental Policy Shuting Pomerleau discusses the implications of the policy change and its potential to cause trade friction between the United States and the EU.

Key points:

> - *While many direct flights would be affected, the United States and key destinations in Asia and elsewhere fall outside this perimeter—an outcome that some see as intentionally chosen to avoid or delay conflict with key trade partners.*
> - *The EU may expand the ETS scope to include all flights departing these European countries starting in 2032, which would include all direct EU-U.S. commercial flights; this would likely lead to an annual compliance burden of at least €9 billion for U.S. airlines, and some EU-North American flights may see an average increased cost of $48 per passenger, assuming an ETS carbon price of €140/t CO_2 in 2032.*
> - *More than a decade ago, Congress authorized the secretary of Transportation to ban U.S. carriers from complying with the EU ETS in response to the EU's full-scope aviation mandate; a potential return to full-scope coverage in 2032 would worsen U.S.-EU trade tensions and once again put U.S. airlines in a legal gridlock, highlighting the value of bilateral negotiations and a more pragmatic approach to resolve the transatlantic clash.*

Read the analysis.