



Analysts say there could be a protracted legal dispute, with the EU unlikely to give way. China has "banned" all airlines in the country from joining the European Union's Emissions Trading Scheme (ETS) aimed at cutting carbon emissions.

The authorities have also barred the airlines from increasing their fares or adding new charges for the scheme.

The ban comes just weeks after the China Air Transport Association said its members did not support the ETS.

The scheme, implemented from 1 January, levies a charge on flights in EU airspace based on carbon emissions.

The scheme has come in for severe criticism not just from China but also from other countries such as the US and Canada.

China has claimed that the plan could cost Chinese airlines 95m euros (\$124m, £79m) in extra annual costs.

Analysts said that given the global economic conditions and an uncertain outlook for the travel industry, airlines were wary of the scheme hurting their profits.

"The sector is already facing quite severe challenges," Chris De Lavigne of Frost & Sullivan told the BBC.

"The airline industry as a whole has already been hit by high fuel costs in the past couple of years and no one wants additional cost factors coming in."

According to EU estimates, the scheme will see the cost of air fares rise by between 2 and 12 euros per passenger.

The move by the Chinese authorities is likely to complicate the issue as the EU will have to decide on what measures it will take from here on.

"It is going to be very tricky. You have to wait and see how the EU will react," Siva Govindasamy of Flightglobal told the BBC.

"They would be able to stop the Chinese airlines from flying to the EU, but that could see retaliatory action by China which will not be good for either side," he added.

Analysts said that given the differences between the various parties involved, the matter may have to be resolved by an international body.

"It could potentially end up on the desk of the World Trade Organization as the countries who are against it have said it is an unfair trade practice," said Frost & Sullivan's Mr Lavigne.

"Both sides have claimed that this is either fair or unfair, so it is very difficult to see how this is going to shape up."