What to expect from ICAO’s General Assembly to establish a global market-based measure for international aviation emissions by 2020?

The International Civil Aviation Organization agreed at its last General Assembly in 2013 to develop a global market-based mechanism for international aviation emissions by its next Assembly which runs from 27th September to 7th October 2016. This briefing provides an overview of where things stand in ICAO ahead of the General Assembly, the main elements of the proposed mechanism, as well as the controversial aspects.

Status update on the GMBM proposal in ICAO

The draft Resolution text has been amended a few times over the last few months. The latest version (dated 1 September 2016) going into the General Assembly is available here. ICAO’s General Assembly only meets every 3 years, hence the importance of reaching an agreement this year.

The positive news is that over the last few weeks, momentum has grown. Various large countries have committed to voluntarily participate in the proposed global market-based mechanism (GMBM), also called the Carbon Offset and Reduction Scheme for International Aviation (CORSIA). To date, 52 countries have indicated they will participate from the start in 2021, according to ICAO’s tracker.

What’s in the proposal?

The proposal aims to offset the growth of international aviation emissions above 2020 levels. It only affects emissions on international routes, which are not covered by countries’ domestic commitments under the Paris Agreement. International flights currently amount to 2% of global emissions, so the ICAO deal therefore complements what was agreed at COP21.

The proposal foresees a voluntary mechanism until 2026. In 2027, the GMBM would then become mandatory, except for countries that are explicitly exempted (landlocked countries, small island developing states, least-developed countries, and countries with very limited aviation activity).

The offset obligation for aircrafts will begin with the average growth in emissions for the sector as a whole, and would gradually phase in aircrafts’ individual share. Until 2029, the offset obligation for airlines would be based on 100% sectoral share, and between 2030-32, it will also include an individual share of 20% of an aircraft’s own growth in emissions. This individual share is due to increase to 70% when determining the offsetting obligations of an airline between 2033 to 2035.

Other elements in the proposal:

- A review is foreseen every three years, starting in 2022, and an additional review will take place in 2032 to consider whether or not to extend the GMBM beyond 2035. For the time being, the mechanism is foreseen to be in operation for 15 years: 2021-35.
- Exempted emissions are not redistributed to other carriers or countries – they’re simply left out of the programme.
- A route-based approach is foreseen (state to state), which means all operators operating on the same route are treated equally and will have the same offsetting obligations, regardless of the nationality of the aircraft.
- Cost safeguards are being considered: in case of high price spikes of the eligible units in the GMBM, the ICAO Council would review the parameters of the mechanism.
- Provisions for MRV, emission unit criteria, and registries are included in the Resolution, but the details will be worked out at a later stage.
- The compliance cycle would be every 3 years – e.g. the first compliance cycle will be from 2021 to 2023 and offsets will need to be surrendered in 2024.
- The baseline for emissions will be 2019-2020 emissions.
- An opt-out appears in the text: with 6 months’ notice, a country that voluntarily chooses to participate in the GMBM can decide to opt-out until 2026.

Divisive issues

The Carbon Neutral Growth target must still be agreed by all countries. We expect that this will be included in the final Resolution, but some countries have expressed reservation.
Some countries also have questions about a global offsetting mechanism, but the GMBM discussions have focused on this option so it is likely to be part of the final proposal.

**Coverage of the scheme:** The coverage of the GMBM is uncertain as it depends on countries’ voluntary participation to opt-into the mechanism and the criteria for excluding small countries. Recent announcements by countries with large international aviation emissions, such as the US, China, EU, etc. have helped build momentum. However, some countries’ intentions remain unclear, including some with a large share of international aviation emissions (UAE, Qatar, South Korea, Russia, India, etc.). If the coverage of the GMBM represents less than 100% (which is highly likely), then this mechanism will not meet the Carbon Neutral Growth target.

**Assigning offsetting obligations:** The distinction between sectoral vs individual share for the offsetting obligations determines the amounts to offset. Under an individual share approach, an operator would have to offset the growth in emissions compared to its own levels in 2020. This could disadvantage small carriers and fast movers, whose emissions are likely to grow faster post-2020. A sectoral share, which is what will be in place for the first few years of the GMBM, means that all operators will have to offset emissions equivalent to the sectors’ average growth since 2020 (regardless of the level of emissions of the individual carrier).

**The no redistribution clause of exempted emissions** puts into question the Carbon Neutral Growth target of limiting international aviation emissions to 2020 levels.

**The Opt-out clause** risks causing a lack of certainty for airlines and participants in the GMBM, and risks changing the coverage, which is seen as problematic from an environmental standpoint.

**What won’t be included in ICAO’s Resolution?**

Many technical elements will be worked out at a later stage, namely the MRV rules, the Emission Unit Criteria (EUC), and the Registries. Technical meetings on these elements are scheduled in October 2016, after ICAO’s General Assembly. This should then lead to guidance on the standards and recommended practices (SARPs) to follow. These SARPs are to be agreed by the ICAO Council by 2018, for states to implement by 2019.

Regarding Emission Unit Criteria, the expectation is that the ICAO Resolution will adopt broad principles that would incentivise “good-quality offsets”, which are compatible with a post-2020 world and exclude the “worst quality offsets”. No specific criteria are expected to be adopted in the Resolution but a timeline detailing the next steps is likely.

After ICAO’s General Assembly, the Emission Unit Criteria will need to be approved by its Committee on Aviation Environment Protection (CAEP) and adopted as standards. An assessment group would then assess the programmes that have applied to create eligible units, according to these standards. It remains unclear who would be included in this assessment group or how it would be governed.

**Future challenges**

**What will this mean for regional approaches introduced to reduce domestic aviation emissions?**

ICAO is only mandated to cover international aviation emissions. Domestic aviation emissions can still be regulated by regional or national measures after 2020. China and the EU both intend to cover domestic aviation emissions in their emissions trading systems. The amendment to the EU ETS to exempt international flights from its scope will expire by the end of 2016, and in case no legislative amendment is adopted by EU policy-makers by March 2018, international flights would automatically have to comply with the EU ETS obligations for 2017 emissions. There is a risk of a patchwork of approaches emerging rather than a global solution to reducing GHG emissions from aviation.

**European politicians have concerns with the level of ambition being negotiated in ICAO**

Members of the European Parliament have expressed concern over the limited ambition that is targeted in ICAO, and whether the outcome of the General Assembly is sufficient to change the EU ETS rules to cover international flights. MEPs have publicly criticised the voluntary approach of the GMBM and the limited coverage of the mechanism, which means the Carbon Neutral Growth target will not be met. There are also concerns over the MRV rules and the types of offset credits that will be eligible. If insufficient progress is delivered at this year’s General Assembly, there will be political objections from many MEPs to change the EU ETS rules again.

**What options may be on the table for the EU?**

- Continue the current system of a limited scope of application of the EUETS
- Reinroduce the idea of an airspace approach, whereby each Member State would cover a certain percentage of European airspace
- Cover half the total emissions of international flights from third countries arriving into the EU.
- If no legislative proposal is put forward, the default option is to return to full scope, meaning all flights to and from Europe would be covered by the EU ETS.

**IETA Briefing - 20 September 2016**