

Draft Assembly Resolution text on a Global Market-based Measure (GMBM) Scheme

(As of 11 March 2016, for use at the second round of Global Aviation Dialogues (GLADs) from 20 March to 8 April 2016 in five venues)

Whereas Assembly Resolution A38-18 decided to develop a global market-based measure (GMBM) scheme for international aviation, for decision by the 39th Session of the Assembly; ***{Existing text from A38-18, paragraph 18}***

Recalling that Assembly Resolution A38-18 requested the Council, with the support of Member States, to finalize the work on the technical aspects, environmental and economic impacts and modalities of the possible options for a GMBM scheme, including on its feasibility and practicability, taking into account the need for development of international aviation, the proposal of the aviation industry and other international developments, as appropriate, and without prejudice to the negotiations under the UNFCCC; ***{Existing text from A38-18, paragraph 19 a)}***

Also recalling that Assembly Resolution A38-18 requested the Council, with the support of Member States, to identify the major issues and problems, including for Member States, and make a recommendation on a GMBM scheme that appropriately addresses them and key design elements, including a means to take into account special circumstances and respective capabilities, and the mechanisms for the implementation of the scheme from 2020 as part of a basket of measures which also include technologies, operational improvements and sustainable alternative fuels to achieve ICAO's global aspirational goals; ***{Existing text from A38-18, paragraph 19 c)}***

Recognizing the significant amount of work undertaken by the Council, its Environment Advisory Group (EAG) and its Committee on Aviation Environmental Protection (CAEP) to develop a recommendation for a GMBM scheme and its design elements and implementation mechanisms, including the analyses of various approaches for distribution of obligations; ***{New text to reflect the work since A38}***

Further recalling that Assembly Resolution A38-18 requested the Council, with the support of Member States, to organize seminars, workshops on a GMBM scheme for international aviation participated by officials and experts of Member States as well as relevant organizations; ***{Existing text from A38-18, paragraph 19 b)}***

Recognizing the convening of two rounds of Global Aviation Dialogues (GLADs) seminars held in 2015 and 2016 for all regions; ***{New text to reflect the work since A38}***

Noting the support of the aviation industry for a single global carbon offsetting scheme, as opposed to a patchwork of State and regional MBMs, as a cost effective measure to complement a broader package of measures including technology, operations and infrastructure measures; ***{Existing text from A38-18 preamble}***

Recognizing that MBMs should not be duplicative and international aviation CO₂ emissions should be offset only once; ***{Based on text from A38-18, Annex paragraph f)}***

Emphasizing that the decision by the 38th Session of the Assembly to develop a global MBM scheme for international aviation reflects the strong support of Member States for a global solution for the international aviation industry, as opposed to a possible patchwork of State and regional MBMs; ***{Reflecting the background for a global solution compared to patchwork of MBMs}***

Acknowledging the principles and provisions on common but differentiated responsibilities and respective capabilities, and with developed countries taking the lead under the UNFCCC and the Kyoto

Protocol; *{Existing text from A38-18 preamble}*

Also acknowledging the principles of non-discrimination and equal and fair opportunities to develop international aviation set forth in the Chicago Convention; *{Existing text from A38-18 preamble}*

Whereas the Kyoto Protocol provides for different flexible instruments (such as the Clean Development Mechanism — CDM) which would benefit projects involving developing States; *{Existing text from A38-18 preamble}*

Whereas the UNFCCC COP21 Paris Agreement provides for a new market mechanism to contribute to the mitigation of GHG emission to support sustainable development, which would benefit projects involving developing States; *{New text reflecting Paris Agreement}*

Welcoming the cooperation between the United Nations Framework Convention on Climate Change (UNFCCC) and ICAO Secretariats on the development of CDM methodologies for aviation; *{New text on CDM methodologies}*

The Assembly:

1. *Acknowledges* the progress achieved on all elements of the basket of measures available to address CO₂ emissions from international aviation, including aircraft technologies, operational improvements, sustainable alternative fuels and a GMBM scheme and any other measures, and *affirms* the preference for the use of aircraft technologies, operational improvements and sustainable alternative fuels that provide the environmental benefits within the aviation sector; *{Basket of measures and preference for non-MBM measures}*

2. *Also acknowledges* that, despite this progress, the environmental benefits from aircraft technologies, operational improvements and sustainable alternative fuels may not deliver sufficient CO₂ emissions reductions to address the growth of international air traffic, and to achieve the global aspirational goal of keeping the global net CO₂ emissions from international aviation from 2020 at the same level; *{Recognition of not achieving CNG 2020 by non-MBM measures}*

3. *Emphasizes* the complementary role of a GMBM scheme to the other elements of a basket of measures, as a temporary emissions gap filler to achieve the global aspirational goal, without imposing inappropriate economic burden on international aviation; *{Complementary role of GMBM to achieve CNG 2020}*

4. *Decides* to implement a GMBM scheme in the form of the Carbon Offsetting Scheme for International Aviation (COSIA) to address any annual increase in total CO₂ emissions from international aviation (i.e. flights that depart in one country and arrive in a different country) above the 2020 levels, taking into account special circumstances and respective capabilities; *{GMBM is Carbon Offsetting Scheme for International Aviation (COSIA)}*

5. *Requests* the Council to continue to ensure all efforts to make further progress on aircraft technologies, operational improvements and sustainable alternative fuels be taken by Member States and reflected in their action plans to address CO₂ emissions from international aviation, and to monitor the progress on implementation of action; *{Further progress on non-MBM measures}*

6. *Acknowledges* special circumstances and respective capabilities of States, in particular developing States, in terms of vulnerability to the impacts of climate change, economic development levels, and contributions to international aviation emissions, while minimizing market distortion; *{Recognition of special circumstances of States}*

7. *Decides* the use of a phased implementation for the COSIA to accommodate the special circumstances and respective capabilities of States, in particular developing States, while minimizing market distortion, as follows: ***{Phased implementation}***

- a) First implementation phase applies from 2021 to the following:
 - 1) States that are classified as high income States in terms of gross national income (GNI) per capita in year 2018 (as calculated and published by the World Bank method); or
 - 2) States that either have an individual share of international aviation activities in Revenue Tonnes Kilometers (RTKs) in year 2018 above 1.0 per cent of total RTKs, or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 80 per cent of total RTKs;
- b) Second implementation phase applies from 2026 to the following:
 - 1) States that are classified as upper middle income States in terms of GNI per capita in year 2018 (as calculated and published by the World Bank method); or
 - 2) States that either have an individual share of international aviation activities in RTKs in year 2018 above 0.5 per cent of total RTKs, or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 95 per cent of total RTKs;
- c) the COSIA does not apply to States which are classified as the Least Developed Countries (LDCs), Small Island Developing States (SIDS) or Landlocked Developing Countries (LLDCs), unless those States meet both criteria 1) and 2) in sub-paragraphs a) and b) above; ***{Exemptions of LDCs, SIDS and LLDCs}***
- d) nevertheless, States that are not covered by the provisions in sub-paragraph a) or b) above are encouraged to voluntarily determine to participate in the scheme, in particular those States that are members of a regional economic integration organization; ***{Voluntary participation}***

8. *Decides* that same requirements and rules shall apply to all aircraft operators on the same routes between States in the COSIA with a view to minimizing market distortion, and all international flights on the routes to and from a State that is not included in the COSIA by paragraph 7 above are exempted from the offsetting requirements of the COSIA, but would retain simplified reporting requirements; ***{Minimize market distortion}***

9. *Decides* that the amount of CO₂ emissions required to be offset by an aircraft operator in a given year from 2021 is calculated every year by multiplying its annual emissions in the given year with the growth rate of the international aviation sector's total emissions in the given year compared to the 2020 levels; ***{Distribution with 100% sectoral rate, without adjustments for fast growers or early movers}***

10. *Decides* that a new entrant¹ is exempted from the application of the COSIA for three years or until the year in which its annual emissions exceed 0.1 per cent of total emissions in 2020, whichever occurs earlier. From the subsequent year, the new entrant is included in the scheme and treated in the same way as the other operators. ***{New entrants }***

11. *Decides* that, notwithstanding with the provisions above, the COSIA does not apply to low levels

¹ A new entrant is defined as any aircraft operator that commences an aviation activity falling within the scope of the scheme on or after its entry into force and whose activity is not in whole or in part a continuation of an aviation activity previously performed by another aircraft operator.

of international aviation activity with a view to avoiding administrative burden: aircraft operators emitting less than 10,000 metric tonnes of CO₂ emissions from international aviation per year; aircraft with less than 5,700 kg of Maximum Take Off Mass (MTOM); or humanitarian, medical and firefighting operations; ***{Technical exemptions}***

12. *Decides* that the emissions that are not covered by the scheme, as the results of phased implementation and exemptions, are not assigned as offsetting requirements of any operators included in the scheme; ***{No redistribution of exempted emissions}***

13. *Notes* the work of the Council, with the technical contribution of CAEP, on the monitoring, reporting and verification (MRV) system, criteria for emissions units to be purchased by aircraft operators, and registries under the COSIA, and *requests* the Council, with the technical contribution of CAEP, to complete its work so as to enable the full implementation of the COSIA from 2020; ***{MRV, EUC, Registries – CAEP recommendations }***

14. *Decides* a three year compliance cycle, starting with the first cycle from 2021 to 2023, within which aircraft operators reconcile their offsetting requirements under the scheme, while they report the required data to a single State authority every year; ***{Compliance cycle}***

15. *Decides* the need to provide for safeguards in the COSIA to ensure the sustainable development of the international aviation sector and against inappropriate economic burden on international aviation due to market failure, such as excessive pricing of emissions units or restrictions to carbon market access; where under such circumstances, the Council should intervene to review the COSIA and consider possible means to address these issues; ***{Cost safeguard}***

16. *Decides* that the design elements of the COSIA apply until the end of 2035, with a periodic review every three years including the need for suspension of the scheme as a result of achieving the global aspirational goals through non-MBM measures, and the cost impact of the scheme such that it may affect the sustainable development of the aviation industry, and a review for any extension of the scheme beyond 2035 is undertaken by end 2032; ***{Duration and Review}***

17. *Requests* the following actions be taken, with a view to establishing necessary mechanisms for implementation of the COSIA from 2020:

Regarding the implementation of the MRV system,

- a) the Council to develop, with the technical contribution of CAEP, the SARPs and related guidance material for the implementation of the MRV system under the COSIA, for adoption by the Council by June 2017; ***{MRV rules development}***
- b) all Member States whose aircraft operator undertakes international flights to develop the necessary arrangements for the implementation of the MRV system from 1 January 2018, in accordance with the MRV SARPs ; ***{MRV rules implementation}***
- c) the Council to take necessary action to expand the provision of capacity building and assistance for the preparation and implementation on Member States' action plans, in order to accommodate capacity building and assistance for implementation of the MRV system by Member States from 1 January 2018, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed; ***{Capacity building on MRV}***
- d) Member States to build partnerships among themselves to cooperate on the implementation of the MRV system; ***{Partnerships on MRV}***

Regarding the Emissions Unit Criteria (EUC),

- e) the Council to develop, with the technical contribution of CAEP, necessary guidance material for Emissions Unit Criteria (EUC) to support the purchase of appropriate emissions units by aircraft operators under the scheme, for adoption by the Council by 2018; ***{EUC guidance development}***
- f) the Council to establish, with the technical contribution of CAEP, a standing technical advisory body on the Emissions Unit Criteria (EUC) to support the application of the EUC by Member States; ***{Eligible programmes }***

Regarding the establishment of Registries,

- g) the Council to develop, with the technical contribution of CAEP, necessary guidance material to support the establishment of registries under the scheme, for adoption by the Council by 2018; ***{Registry guidance development}***
- h) the Council to establish a consolidated central registry under the auspices of ICAO, for operationalization no later than 1 January 2021; ***{Central registry establishment }***
- i) Member States included in the scheme at the first implementation phase to develop necessary arrangements for the establishment of their own registries or group registries established by groups of States, in accordance with the ICAO guidance, for operationalization no later than 1 January 2021; ***{Registry establishment for 1st phase States}***
- j) Member States newly included in the scheme at the second implementation phase to develop necessary arrangements for the establishment of their own registries or group registries established by groups of States, in accordance with the ICAO guidance, for operationalization no later than 1 January 2026; ***{Registry establishment for 2nd phase States}***
- k) the Council to take necessary action to expand the provision of capacity building and assistance for the preparation and implementation on Member States' action plans, in order to accommodate capacity building and assistance for establishment of registries by States, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed; ***{Capacity building on Registry }***
- l) Member States to build partnerships among themselves to cooperate on the establishment of their own registries or group registries established by groups of States, and possible pilot implementation; ***{Partnerships on Registry}***

Regarding the governance of the COSIA,

- m) the Council to oversee the functioning of the COSIA, with support provided by the standing technical advisory body and CAEP, as needed, including the review of the design elements of the scheme; ***{Governance}***

Regarding the regulatory framework,

- n) Member States to take necessary action to ensure that the necessary national regulatory framework be established for the compliance and enforcement of the scheme by 2020. ***{Regulatory framework}***

18. *Requests* the Council to promote the use of emissions units generated from programmes that meet

the Emissions Unit Criteria (EUC) and would benefit projects involving developing States by the COSIA, including emissions units generated from the CDM, new market mechanisms or other programmes under the UNFCCC, and *encourages* States to develop aviation-related projects; ***{Further actions on the use of emissions units}***

19. *Requests* the Council to explore further development of aviation-related methodologies for use in offsetting programmes, including mechanisms or other programmes under the UNFCCC, and *encourages* States to use such methodologies in taking actions to reduce aviation CO₂ emissions, which could further enable the use of credits generated from the implementation of such programmes by the COSIA, without double-counting of emissions reduction; ***{Further actions on aviation-related methodologies }***

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