



HIGH-LEVEL MEETING ON A GLOBAL MARKET-BASED MEASURE SCHEME

Montréal, 11 to 13 May 2016

Agenda Item 1: Review of draft Assembly Resolution text on a global MBM scheme for international aviation

ALTERNATIVE PROPOSAL TO DRAFT ASSEMBLY RESOLUTION TEXT ON A GLOBAL MBM SCHEME FOR INTERNATIONAL AVIATION: A BRAZILIAN CONTRIBUTION

(Presented by Brazil)

EXECUTIVE SUMMARY

This paper further elaborates on the draft of the Assembly resolution text on MBM, as presented by the Council President. Brazil has expressed its concerns in relation to key aspects, in particular the provisions for Emissions Unit Criteria suggested to be implemented within the GMBM Scheme. Brazil also offers a possible approach for the "phase in" differentiation criteria in manner that is coherent with both ICAO and the Paris Agreement.

Action by the HLM-GMBM is in paragraph 4.

1. BACKGROUND

1.1 The 38th Assembly resolution requested the Council to develop the work on the technical aspects, environmental and economic impacts, and modalities of the possible options for a global MBM scheme, while taking into account the non-discrimination principle and the special circumstances and respective capabilities of Member States. Brazil has been actively and constructively engaging in the shaping of a consensus solution around this theme and welcomes the initiative taken by the President of the Council in presenting the draft Assembly resolution text on MBM.

1.2 Brazil welcomes the Paris Agreement under the United Nations Framework Convention on Climate Change and related decisions adopted by the Paris Conference on Climate Change. This historical agreement was possible mainly due to an innovative approach that was centred on nationally determined contributions, while reaffirming the principle of common but differentiated responsibilities and respective capabilities and the differentiation between developed and developing countries. The work of ICAO related to a GMBM scheme and its implementation must be fully aligned with and support the implementation of the Paris Agreement, with a view to avoid possible incoherence between two intergovernmental organizations under the United Nations.

2. DISCUSSION

2.1 Brazil understands that key criteria must be fulfilled for the GMBM scheme to be meaningful and successful in the global effort against climate change. Among these criteria, the scheme must seek to achieve environmental integrity, simplicity, cost-effectiveness, differentiation without discrimination, and to avoid excessive cost/administrative burdens. It is Brazil's belief that a route-based approach grounded on a Phase In implementation can reach those objectives, as long as the differentiation and the offset responsibilities distribution among the participant airlines takes into account States different responsibilities, capabilities and circumstances, while minimizing market distortions. Brazil offers a possible approach to accommodate the different views of Member States that includes the countries classification based on capabilities and individual contribution to the cumulative RTK.

2.2 In relation to the emission unit criteria, all clauses of article 17 must be developed in a manner that is consistent with Article 6 of the Paris Agreement. The Brazilian government is concerned that among the units evaluated by CAEP as potentially eligible for GMBM are standards whose environmental integrity is questionable or that adopt approaches that were rejected under the UNFCCC or who are not subject to authorization by host national States.. Brazil would like to underline, in line with its iNDC, that "Brazil will not recognize the use by other Parties of any units from mitigation results achieved in Brazil that are acquired through any mechanism , instrument or arrangement that has not been established under the Convention , its Kyoto Protocol or its agreement to Paris. " The Brazilian Government also emphasizes that "any transfer of units from mitigation results achieved in Brazil shall be subject to prior and informed consent of the Federal Government". From the outset, Brazil expresses reservation towards the use of any units that do not meet such conditions.

2.3 In this context, Brazil believes it would not be appropriate to endorse CAEP's work in relation to EUC at this moment. Since the work done by CAEP was developed prior to the adoption of Paris Agreement, it is logical that CAEP's work should be revisited in light of Article 6 of the Agreement. Brazil encourages CAEP to further refine their recommendations on this issue, with a view to be fully consistent with Article 6 of the Paris Agreement and avoid possible incoherences between COSIA and the Paris Agreement.

2.4 Finally, it is of the utmost importance that the GMBM is seen as a **temporary** emissions gap filler to address emissions from international aviation and shall not be treated as the only solution to all sector emissions problems.

3. PROPOSED AMENDMENTS TO THE ASSEMBLY RESOLUTION TEXT

3.1 The following additions and edits are proposed to the preamble paragraphs of the draft of the Assembly resolution:

Recognizing; {New text to reflect the work since A38}

Welcoming the adoption of the Paris Agreement under the United Nations Framework Convention on Climate Change and recognizing that the work related to a GMBM scheme and its implementation should support the implementation of the Paris Agreement. {New text proposal to reflect that GMBM and P.A. should be mutually supportive}

Further recalling ...; {Existing text from A38-18, paragraph 19 b)}

Recognizing the ...; {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, regional MBMs and private standards, as a cost effective measure to complement a broader package of measures including technology, operations and infrastructure measures; {Existing text from A38-18 preamble, with adjustments}

Recognizing that MBMs ...; {Based on text from A38-18, Annex paragraph f} }

Whereas the Kyoto Protocol ...; {Existing text from A38-18 preamble}

Whereas the UNFCCC COP21 Paris Agreement establishes a mechanism to contribute to the mitigation of GHG emissions and support sustainable development, which would benefit projects involving developing States; {New text reflecting Paris Agreement}

3.2 For the operative paragraphs the following edits are proposed to the draft of the Assembly resolution:

3. *Emphasizes the complementary role of a GMBM scheme to the other elements of a basket of measures, as a temporary instrument to address emissions from international aviation, without imposing inappropriate economic burden; {Complementary role of GMBM }*

7. *Decides on the use of a phased implementation for the COSIA recognizing common but differentiated responsibilities and respective capabilities, in light of the specific circumstances of the international aviation sector, while minimizing market distortion, as follows. : {Phased implementation; differentiation; avoid market distortions}*

a) The first implementation phase applies from 2021 to routes between participant States. Developed states should take the lead by joining COSIA in the first implementation phase and other States should join COSIA during the first implementation phase until the cumulative share in the list of participant States from the highest to lowest amount of RTK in 2018 reaches [80] [85] per cent of total RTKs.

b) The second implementation phase applies from 2026 to routes between participant States. In addition to States that joined COSIA in the first implementation phase, other states should join COSIA during the second implementation phase until the cumulative share in the list of participant States from highest to lowest amount of RTK in 20[18][23] reaches 95 per cent of total RTKs.

c) Emissions from routes to/from States that are outside of 7 a) and 7 b) would not be offset in order to recognize the specific circumstances of the Least Developed Countries (LDCs), Small Island Developing States (SIDS) and Landlocked Developing Countries (LLDCs) ; {Exemptions of LDCs, SIDS and LLDCs}

d) States are encouraged to wherever possible voluntarily include their routes in an earlier phase of implementation or in the scheme as a whole; {Voluntary participation}

8. *Decides that same requirements and rules shall apply to all aircraft operators on the same routes between participant 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 on routes covered in accordance with paragraph 7 in a given year is calculated as follows:*

Amount of emissions to offset = emissions of an operator on its covered routes in a given year × sector's growth on covered routes in the given year

Where the sector's growth factor = (total emissions covered by COSIA in the given year – sector's covered emissions for the given year during the baseline period) / total emissions covered by COSIA in the given year.

Where the baseline emissions represent the average of emissions on covered routes for a 3 year period around 2020 which does not delay implementation of the scheme

[9bis The Council shall revise the method to calculate the amount of CO₂ emissions required to be offset by an aircraft operator on routes covered in accordance with paragraph 7 in a given year on 20[XX], with a view to make a recommendation to the [41][42] Assembly]

13. *Takes note of 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 continue its work so as to enable the full implementation of the COSIA from 2020 in a manner that is consistent with related issues in the Paris Agreement; *{MRV, EUC, Registries – CAEP recommendations }**

15. *Recognizes 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; and decides that, 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 consideration of the need for suspension of the scheme ; and that a review for any extension of the scheme beyond 2035 should be undertaken by end 2032; *{Duration and Review}**

*16. bis Agrees that units originated from the Clean Development Mechanism established under the Kyoto Protocol and from the Sustainable Development Mechanism established under the Paris Agreement are automatically eligible and should be given preference in the implementation of the COSIA, particularly those units from activities in the aviation sector. *{As the modalities, procedures and methodologies of CDM and SDM are multilaterally agreed, there is no need for ICAO do duplicate work that will be carried under the UNFCCC}**

17. *Requests the following actions...*

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 in a manner that is consistent with related guidance developed under the Paris Agreement; *{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 and any related arrangements under the Paris Agreement ; {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, particularly for developing countries, from 1 January 2018, including organization of seminars and training in all regions from 2017, and facilitation of financial support for developing countries; {Capacity building on MRV}

e) the Council to develop, with the technical contribution of CAEP, necessary guidance material for Emissions Unit Criteria (EUC) to support the purchase by aircraft operators under the scheme of appropriate emissions units originated from cooperative approaches not listed in paragraph 16bis above, when authorized by both participant States in the relevant route, in a manner that is consistent with Article 6 of the Paris Agreement, for adoption by the Council by 2020; {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 in a manner that is consistent with Article 6 of the Paris Agreement, noting that a State may choose to establish further criteria to apply to the units to be eligible to all international flights on routes to and from said State, with a view to enhance the environmental integrity of these units; {Eligible programmes }

g) the Council to develop, with the technical contribution of CAEP, necessary guidance material to support the establishment of registries under the scheme in a manner that is consistent with article 6 of the Paris Agreement; {Registry guidance development}

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 and related guidance under Article 6 of the Paris Agreement, for operationalization no later than 1 January 2021; {Registry establishment for 1st 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, particularly for developing countries, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed; {Capacity building on Registry }

l) bis Member States may choose to establish their registries in conjunction with their respective registries or similar instruments developed for the implementation of Article 6 of the Paris Agreement;

18. Requests the Council to promote the use of emissions units generated from projects involving developing States by the COSIA, especially emissions units generated from the CDM and the SDM, and encourages States to develop aviation-related projects; {Further actions on the use of emissions units}

4. **ACTION BY THE HIGH-LEVEL MEETING**

4.1 The HLM-GMBM is invited to:

- a) note the support offered by Brazil in the development of the ICAO GMBM Scheme;
- b) note the positions presented by Brazil in this paper with regards to the draft of the Assembly resolution on the GMBM, as presented by the Council President; and
- c) register in its report the reservation expressed in paragraph 2.2 above.

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