



## 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**

**Agenda Item 2: Recommendations to the 208th Session of the Council**

(Presented by the Chairperson)

### DRAFT ASSEMBLY RESOLUTION TEXT ON A GLOBAL MARKET-BASED MEASURE (GMBM) SCHEME

*(As of 12 May, PM, to be presented to the High-level Meeting on GMBM)*

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*The Assembly:*

1. *Acknowledges* the progress achieved on all elements of the basket of measures available to address CO<sub>2</sub> 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 CO<sub>2</sub> emissions reductions to address the growth of international air traffic, ~~and-in time~~ to achieve the global aspirational goal of keeping the global net CO<sub>2</sub> 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 instrument an 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 CO<sub>2</sub> emissions from international aviation (i.e. civil aviation 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)}***
- 4.bis *Determines that the COSIA is to be the exclusive market-based measure applying to CO<sub>2</sub> emissions from international aviation; {No duplicative application of MBMs beyond 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 CO<sub>2</sub> emissions from international aviation, and to monitor the progress on implementation of action, and that a mechanism should be developed to ensure that an operator's emissions from flights covered by the COSIA in a given year can be reduced through the use of sustainable alternative fuels; *{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}* – **Support Differentiation**

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}* – **Support Differentiation**

a) First implementation phase applies from 2021 to the following States:

~~1)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; or

~~2)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)–[ possible additional criterion, e.g. ICAO Scales of Assessment, developed/developing countries ];

b) Second implementation phase applies from 2026 to the following additional States:

~~1)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; or

~~2)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)–[ possible additional criterion, e.g. ICAO Scales of Assessment, developed/developing countries ];

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) ~~or and~~ b) above; *{Exemptions of LDCs, SIDS and LLDCs}*

d) ~~nevertheless,~~ States that are not ~~included covered~~ by the provisions ~~in sub-paragraph a) or b)~~ above or classified to be included in the second implementation phase are strongly 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 the COSIA shall apply to all aircraft operators on the same routes between States with a view to minimizing market distortion, as follows:

- a) all international flights on the routes between States, both of which are included in the COSIA by paragraph 7 above, are covered by the offsetting requirements of the COSIA;
- b) all international flights on the routes between a State that is included in the COSIA and another State that is not included in the COSIA by paragraph 7 above are exempted from the offsetting requirements of the COSIA, while retaining simplified reporting requirements; and – **Support Differentiation**
- c) all international flights on the routes between States, both of which are not included in the COSIA by paragraph 7 above, are exempted from the offsetting requirements of the COSIA, while retaining simplified reporting requirements; *{Minimize market distortion}* – **Support Differentiation**

9. *Decides* that the amount of CO<sub>2</sub> emissions required to be offset by an aircraft operator in a given year from 2021 is calculated every year as follows:

- a) *amount of offsets = an operator's emissions covered by COSIA in a given year × sector's growth factor in the given year;*
- b) *where the sector's growth factor = (total emissions covered by COSIA in the given year – total emissions covered by COSIA at the 2020 levels) / total emissions covered by COSIA in the given year; and*
- c) *the operator's emissions and the total emissions covered by COSIA in the given year do not include emissions exempted from the scheme in that year;*
- d) *recognising that the COSIA will apply to additional routes in the second implementation phase, the scope of emissions of those aircraft operators that are subject to offsetting requirements in the first implementation phase will be recalculated at the start of the second implementation phase to take into account each aircraft operator's routes to and from all States that will be included in the second implementation phase; {Distribution with 100% sectoral rate, without adjustments for fast growers or early movers} – **Support Differentiation***

10. *Decides* that a new entrant<sup>1</sup> 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}* – **Support Differentiation**

11. *Decides* that, notwithstanding with the provisions above, the COSIA does not apply to low levels of international aviation activity with a view to avoiding administrative burden: aircraft operators emitting less than 10,000 metric tonnes of CO<sub>2</sub> 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}* – **Support Differentiation**

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<sup>1</sup> 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.

13. *Notes* the work of the Council, with the technical contribution of CAEP, on: a) the monitoring, reporting and verification (MRV) system; b) recommended criteria for emissions units to be purchased by aircraft operators that take into account relevant developments in the UNFCCC process and other international organizations; c) and registries under the COSIA, and requests the Council, with the technical contribution of CAEP, to complete its work including the provision of capacity building and assistance, 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. ~~*Recognizes*~~ ~~*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,~~ and requests the Council to decide on the basis and criteria for triggering such action 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 of the COSIA is undertaken every three years from 2022 to ensure the sustainable development of the international aviation sector and the effective of the scheme. This will involve, inter alia: ~~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~~

- a) assessment of progress towards achieving the global aspirational goal; of the scheme's market and cost impact on aircraft operators; and of the functioning of the scheme's design elements;
- b) recommendations for consequent improvements that may be necessary to ensure the achievement of the goal to support the Paris Agreement and of scientific evidence, to update the scheme's design elements to improve implementation and increase effectiveness, and to minimise market distortion; and
- c) a special review of any extension or termination of the scheme beyond 2035, undertaken by the end 2032, including consideration of the contribution made by aircraft technologies, operational improvements and sustainable alternative fuels towards achieving the ICAO's environmental objectives; {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, for pilot implementation and testing of the MRV system from

1 January 2018, followed by the full implementation from 1 January 2020; {MRV rules implementation}

Regarding the Emissions Unit Criteria (EUC),

- c) the Council to develop, with the technical contribution of CAEP, the SARPs and related necessary guidance material for Emissions Unit Criteria (EUC) to support the purchase of appropriate emissions units by aircraft operators under the scheme, taking into account relevant developments in the UNFCCC process and other international organizations, for adoption by the Council as soon as possible but not later than by 2018; *{EUC guidance development}*
- d) the Council to establish, with the technical contribution of CAEP, a standing technical advisory body on the Emissions Unit Criteria (EUC) to make recommendations to the Council on the eligible emissions units for use by the COSIA ~~support the application of the EUC by Member States~~; *{Eligible programmes }*

Regarding the establishment of Registries,

- e) 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}*
- f) the Council to establish a consolidated central registry under the auspices of ICAO, for operationalization no later than 1 January 2021; *{Central registry establishment }*
- g) 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, or to arrange for participation in the registries of other States, in accordance with the ICAO guidance, ~~for operationalization no later than 1 January 2021~~; *{Registry establishment for 1st phase States}*
- ~~h) 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}~~

Regarding the governance of the COSIA,

- i) 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,

- j) 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. *Decides* that ICAO and Member States take all necessary actions in providing the capacity building and assistance and building partnerships for implementation of the COISA from 2020, including:

– **Support Differentiation**

Regarding the implementation of the MRV system,

- a) 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}*
- b) Member States to build partnerships among themselves to cooperate on the implementation of the MRV system; *{Partnerships on MRV}*

Regarding the establishment of Registries,

- 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 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 }*
- d) 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}*

19. *Decides that the COSIA will use emissions units that meet the Emissions Unit Criteria (EUC), and 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 *domestic* aviation-related projects; *{Further actions on the use of emissions units}* – **Support Differentiation**

20. *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 CO<sub>2</sub> 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 }*