



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)

OUTSTANDING ISSUES RELATING TO THE DRAFT ASSEMBLY RESOLUTION TEXT ON A GLOBAL MARKET-BASED MEASURE (GMBM) SCHEME

1. This document highlights the key outstanding issues in relation to paragraphs 7 and 9 of the draft Assembly Resolution contained in Flimsy No 2.

Paragraph 7 of the draft Assembly Resolution

2. During the HLM-GMBM, there was consensus that the implementation of the global offsetting scheme (COSIA) would require the identification of two groups of States to support phased implementation. There was general acceptance of the use of RTK as a criterion for the determination of the composition of the two groups of States, and on the removal of GNI per capita as a phase-in criterion. Some States felt that RTK alone would suffice while others felt that an additional criterion was required. A key consideration was ensuring sufficient coverage of the scheme, at least equivalent to the coverage of the original proposal in WP/2. Many States were open to consideration of opportunities to gain experience with the GMBM before its full implementation.
3. The following ideas have been put forward for paragraph 7 as alternative approaches with the support of a few States:
 - a. **Create a pre-implementation phase:** The specific proposal is as follows: “*Decides* to establish a GMBM scheme in the form of a Carbon Offsetting Scheme for International Aviation (COSIA) for use by Member States on a nationally determined contribution basis from 2021 to 2025.”
 - b. **Allow States to set their own offset requirements for their operators during a pre-implementation phase:** The specific proposal is as follows: “*Decides* to establish a GMBM scheme in the form of a Carbon Offsetting Scheme for International Aviation (COSIA) for use by Member States on a nationally determined contribution basis from 2021 to 2025. Developed states and other states having an individual share of international aviation activities in RTKs in year 2018 above 0.5 per cent of total RTKs should communicate their nationally determined contributions (the amount of CO₂ emissions to be offset by aircraft operators registered in the country) to GMBM to ICAO for that period (2021-2025) before June 30th, 2020. Those states having an individual share of international aviation activities in RTKs in year 2018 below 0.5 per cent of total RTKs are

encouraged to do so. {GMBM is Carbon Offsetting Scheme for International Aviation (COSIA))}

Encourages States to participate in the COSIA scheme, particularly the developed states, to take into consideration ICAO's aspiration to keep the global net CO₂ emissions from international aviation from 2020 at the same level when communicating their nationally determined contributions to GMBM to ICAO."

- c. **Do not finalize the implementation details until experience has been gained in pre-implementation:** The specific proposal is as follows:
 "Decides to review the implementation of the GMBM in 2024 and 2025, based on the experiences gained, taking into account the progress made under the UNFCCC, particularly the progress made on cooperative approaches under Article 6 of the Paris Agreement, with a view to exploring the possibility of a phase-in application of the Scheme and reaching a decision at ICAO Assembly 42 in 2025 as follows:
- a) First implementation phase applies from 2026 to 2030 to the following:
 - 1) Developed states,
 - 2) States that either have an individual share of international aviation activities in RTKs in year 2025 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 2031 to the following:
 States that either have an individual share of international aviation activities in RTKs in year 2031 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;"
- d. **Change the approach from "all States are out until they phase in" to one in which "all States are in unless those States identified as allowed to opt out choose to do so":** The specific proposal is as follows:
 "7. *Decides* that all ICAO Member States are to be included in COSIA.
 7bis. *Decides* to provide for flexibility in the implementation of the COSIA for some ICAO Member States, in order to accommodate the special circumstances and respective capabilities of States, in particular developing States, while minimizing market distortion, as follows:
- a) Any State that meets neither of the following criteria may opt to delay inclusion in COSIA until the second implementation cycle:
 - 1) [Additional criteria to be determined;] nor
 - 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 among of RTKs reaches 80 per cent of total RTKs;]
 - b) Any State that meets neither of the following criteria may opt to delay inclusion in COSIA until such time that the State determines that it has the necessary capacity to participate:
 - 1) [Additional criteria to be determined;] nor
 - 2) [States that either have an individual share of international aviation activities in Revenue Tonnes Kilometers (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 among of RTKs reaches 95 per cent of total RTKs;]
 - c) Any State that is classified as a Least Developed Country (LDC), Small Island Developing State (SIDS) or Landlocked Developing Country (LLDC) may opt to delay

- inclusion in COSIA until such time that the State determines that it has the necessary capacity to participate, unless it meets both criteria 1) and 2) in either subparagraph a) or b) above,
- d) States that are eligible to opt out of COSIA pursuant to subparagraphs a) – c) above are nonetheless encouraged to participate,
- e) States that choose to opt out of COSIA pursuant to subparagraphs a) – c) above are requested to communicate their decision to opt out to the [ICAO Secretariat] at least one year prior to the beginning of each three year implementation cycle in which they choose to opt out.”
- e. **Align the phase in cycle with the compliance cycle:** It has been suggested that there is an inconsistency between the duration of the first phase of current draft of paragraph 7 (5 years from 2001 to 2025) and the 3-year compliance cycle. It has been proposed to improve the alignment of the two periods.
- f. **Change the current basis for the calculation of RTKs (AOC) to one based on departing flights:** The phase-in criteria used in paragraph 7 are based on RTK activity of all States in 2018. Some States have suggested changing the RTK data by calculating it on the basis of departing flights from each State.

Paragraph 9 of the draft Assembly Resolution

4. Many States were comfortable with the 100% sectoral approach in the proposed text in WP/2.
5. The following ideas have been put forward for paragraph 9 as alternative approaches:
- a. **Some States prefer a more dynamic approach with the use of individual; rates to incentivize emission reductions by operators:** A specific proposal made is as follows: “Decides that the amount of CO₂ emissions to be offset by an aircraft operator in a given year is calculated every year, relative to a 2020 baseline, as follows:
- The applicable 2020 baseline of the sector is calculated for each implementation cycle by averaging the total annual emissions between 2018-2020 from flights covered by the COSIA during the relevant implementation cycle. The 2020 baseline of each operator is calculated by averaging its annual emissions between 2018-2020 from flights covered by the COSIA during the relevant implementation cycle;
 - The sectoral growth factor is calculated every year by dividing the increase in the total emissions from flights covered by the COSIA in that year from the applicable 2020 baseline by the sector’s total emissions from flights covered by COSIA in that year;
 - The individual growth factor is calculated every year by dividing the increase in the operator’s total emissions from flights covered by the COSIA in that year from its applicable 2020 baseline by the operator’s emissions from flights covered by COSIA in that year;
 - These two factors are applied to the operator’s emissions for each implementation cycle according to the following proportions:
 - 2021-2023: 100% Sectoral
 - 2024-2026: 75% Sectoral/ 25% Individual
 - 2027-2030: 50% Sectoral/ 50% Individual
 - 2030-2032: 25% Sectoral/75% Individual
 - 2033-2035: 100% Individual.”
- b. **Others support having developed country based operators responsible for offsetting a larger multiple of their share of reduction requirements than those operators based in developing countries.** The specific proposal is as follows:

“The amount of CO₂ emissions required to be offset by an aircraft operator registered in a developed State in a given year from 2026 is calculated every year by multiplying its annual emissions in the given year with a higher percentage (e.g., 120%-to be decided in future negotiation and to be adjusted every 5 years) of the growth rate of the international aviation sector's total emissions in the given year compared to the 2020 levels, while the amount of CO₂ emissions required to be offset by an aircraft operator registered in a developing State in a given year from 2026 is calculated every year by multiplying its annual emissions in the given year with a lower percentage (e.g., 80%-to be decided in future negotiation and to be adjusted every 5 years) of the growth rate of the international aviation sector's total emissions in the given year compared to the 2020 levels.”

— END —