



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

COMMENTS ON ISSUES FOR CONSIDERATION

(Presented by the International Air Transport Association)

EXECUTIVE SUMMARY

This paper sets out IATA's observations on some aspects of paragraphs 7 and 9 of the draft ICAO Assembly Resolution on a global market-based measure (GMBM) scheme set out at the Appendix to HLM/GMBM/WP/2.

Action by the HLM-GMBM is in paragraph 5.

1. INTRODUCTION

1.1 Paragraph 7 of the draft ICAO Assembly Resolution text set out at the Appendix to HLM/GMBM/WP/2 provides for the implementation of the GMBM in two phases. The proposal further differentiates between routes based on a classification of States according to two criteria: 1) the gross national income (GNI) per capita in 2018 and 2) the share of individual or cumulative aviation activities defined in Revenue Tonne Kilometres (RTK).

1.2 Paragraph 9 of the draft Resolution sets out the formula for calculating the amount of CO₂ emissions required to be offset by an aircraft operator in a given year from 2021. That formula uses a 2020 baseline and assumes that obligations would be distributed using a 100% sectoral rate, without adjustments for fast growth or early mover operators.

1.3 While the provisions set out in paragraph 7 and paragraph 9 are obviously interdependent, three aspects require further clarification:

- Which emissions are considered to be “in scope” when determining CO₂ offset requirements for aircraft operators in a given year in accordance with paragraph 9?;

- Which baseline year is chosen to determine CO₂ offset requirements associated with routes introduced in Phase 2 in accordance with paragraph 9?; and
- Which method is used for calculating RTKs to determine international aviation activities in 2018 in accordance with paragraph 7?

2. DETERMINATION OF “IN-SCOPE” EMISSIONS

2.1 To calculate the CO₂ offset requirements for aircraft operators in a given year, using the formula set out in paragraph 9, the emissions which are included in “an operator’s emissions covered by COSIA in a given year” must be determined.

2.2 Whilst paragraph 9 states that the “*total emissions* in a given year do not include emissions exempted from the scheme in that year”, similar language with regard to the *operator’s emissions* does not appear in the text.

2.3 We therefore suggest that language should be included in paragraph 9 which specifies the need to re-calculate an operator’s emissions at the start of Phase 2 to distinguish clearly between each operator’s emissions covered in Phase 1 and those covered in Phase 2. These are likely to differ as a result of changes to the scope of included routes under COSIA or indeed operational changes implemented by the operator.

2.4 In a similar vein, the proposed text does not specify that emissions associated with flights on routes to/from States listed in paragraph 7 c) fall outside the scope of “an operator’s emissions covered by COSIA in a given year” for the purposes of the calculation under paragraph 9. We again suggest that such language should be included.

3. CHOICE OF BASELINE YEAR IN PARAGRAPH 9

3.1 Paragraph 9 of the draft Resolution implies that CO₂ offset requirements for aircraft operators would be calculated using a 2020 baseline. However, the text does not specify whether the baseline for routes introduced in Phase 2 would be 2020 or 2025.

3.2 Using 2025 instead of 2020 as the baseline for routes introduced in 2026 in Phase 2 would likely reduce the quantity of CO₂ emissions that would need to be offset in Phase 2. This would undermine the environmental integrity of the scheme post-2026.

3.3 This effect has been supported by indicative analysis undertaken by IATA which suggests that the share of emissions growth above 2020 levels to be offset in 2026 would be 80% if 2025 is used as baseline, compared to 93% with a 2020 baseline¹.

3.4 We would therefore suggest that language be added to paragraph 9 to specify the use of a 2020 baseline to calculate CO₂ offset requirements associated with routes introduced in Phase 2.

¹ This assumes that aviation activities as defined in paragraph 7 would be determined on the basis of departing/arriving flights and not AOC-holders. If the 2025 baseline was applied in conjunction with aviation activities being based on AOC-holders, the coverage would drop further to 68% of the industry’s growth in 2026.

4. **CALCULATION OF RTKS IN PARAGRAPH 7**

4.1 Paragraph 7 proposes to use RTKs as the metric to determine the share of international aviation emissions as part of the phased implementation approach. Whilst considering RTKs to be a reasonable proxy for this purpose, IATA would welcome future consideration of the use of CO₂ emissions as the preferred metric. It should be borne in mind that this type of data will become more readily available over time through the reporting requirements under COSIA.

4.2 The current text does not, however, specify whether the share of aviation activities under paragraph 7 would be calculated using RTKs from Air Operator Certificate (AOC) holders registered in each State or using RTKs from flights arriving and departing from each State.

4.3 IATA considers that the use of AOC-holders has a number of significant disadvantages in this respect. First, the environmental integrity of the scheme would be reduced significantly when calculating RTKs on the basis of AOC-holders. Our analysis suggests that the approach using AOC-holders would reduce the share of CO₂ emissions to be offset from 80% to 69% in Phase 1. In Phase 2, the coverage would be reduced from 93% to 88%.

4.4 Second, as confirmed by CAEP GMTF, the AOC does not appear to be the optimum means for identifying accountable entities under the GMBM. Whilst aircraft operators engaged in commercial air transport must hold an AOC, there is no AOC requirement for non-commercial operators such as non-commercial business jet and other general aviation operations.

4.5 We therefore strongly suggest that the RTKs to determine the share of international aviation emissions under paragraph 7 be based on departing/arriving flights rather than on AOC-holders.

5. **ACTION BY THE HLM-GMBM**

5.1 The HLM-GMBM is invited to consider the above observations.

— END —