



WORKING PAPER

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

Montréal, 11 to 13 May 2016

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

**EUROPEAN PERSPECTIVE ON A GLOBAL MBM SCHEME FOR
INTERNATIONAL AVIATION**

(Presented by the Netherlands on behalf of the European Union and its Member States¹ and the other Member States of the European Civil Aviation Conference²)

EXECUTIVE SUMMARY

Climate change is a defining challenge of our times. All Parties, as well as international aviation, alongside all economy sectors, must contribute to achieving the Paris Agreement objectives to limit the global temperature increase well below 2°C compared to pre-industrial levels. A Global Market Based Measure (GMBM) should be decided by the 39th Assembly as a key element of the basket of measures to tackle CO₂ emissions from international aviation. Europe supports the proposal of the President of the Council as the basis for discussions on the GMBM. This paper describes the European position on the core principles, namely—environmental integrity, SCRC, non-discrimination and key elements that a GMBM should meet for Europe to support it.

Action by the HLM-GMBM is in paragraph 4.

1. INTRODUCTION

1.1 Climate change is a defining challenge of our times that remains to be controlled if we want to avoid devastating consequences not only on the environment but also on our economies and development. Consistent with the reports from the Intergovernmental Panel on Climate Change (IPCC), the international community agreed in Paris to make all necessary efforts so as to limit the global temperature increase well below 2°C compared to pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. This can only be achieved through adequate and urgent action by all Parties and by all sectors generating green-house gas emissions, including international aviation. Following the dynamics of the COP21 process, the air sector must be able to mobilize for the fight against climate change by ensuring the sustainable development of civil aviation.

¹ Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

² Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Iceland, Republic of Moldova, Monaco, Montenegro, Norway, San Marino, Serbia, Switzerland, The former Yugoslav Republic of Macedonia, Turkey and Ukraine.

1.2 International civil aviation contributes to global CO₂ emissions by roughly 2% and this share will necessarily grow considering the forecasted development and growth of the sector. To address the climate impacts of aviation, ICAO has agreed on a so called "basket of measures" including technology, operational and economic measures, as well as sustainable alternative fuels. The first CO₂ standard for aircraft that was recently approved by ICAO's Committee for Aviation Environmental Protection (CAEP) is welcome. But this will not, in itself, bring about the necessary emission reductions. Assembly Resolution A38-18 reaffirmed in 2013 the global aspirational goal of keeping international aviation emissions at 2020 levels and agreed on the development of a Global Market-Based Measure (GMBM) to achieve this. A GMBM was recognised as a cost-effective tool to reduce CO₂ emissions and to achieve the goal, which, as demonstrated by substantial analysis undertaken by the CAEP, cannot be met without it.

1.3 The United Nations Secretary General reinforced that message on 12 February 2016 during his visit to ICAO. He reminded ICAO that, following up on COP 21 in Paris, "the eyes of the world are now on airlines, and on ICAO, to drive substantial, concrete progress on reducing emissions". He urged States to finalize a market-based mechanism to ensure carbon-neutral growth after 2020. Europe is fully committed to achieving this.

2. BASIC PRINCIPLES FOR THE GMBM

2.1 If well designed, the GMBM can make a meaningful contribution to climate change mitigation, in particular with respect to stabilising emissions from international aviation from 2020. Europe strongly supports the development of a GMBM that can keep net CO₂ emissions from international aviation at 2020 levels while allowing for the sustainable growth of international aviation. Europe believes these two objectives can be reconciled and should support each other.

2.2 In addition to living up to its climate ambition, the design of the GMBM should take into account two basic principles: the principle of non-discrimination between aircraft operators and the need to accommodate the Special Circumstances and Respective Capabilities (SCRC) of ICAO States in a balanced manner. Europe believes it is possible for the GMBM to respect these principles, at the same time keeping the system administratively simple and fit for purpose.

3. EUROPEAN POSITION ON KEY ELEMENTS OF THE PRESIDENT'S PROPOSAL

3.1 Europe welcomes the substantial progress made on the GMBM by the Environmental Advisory Group and the High Level Group and expresses its sincere gratitude to the President of the ICAO Council for his active involvement and support to the GMBM process with a view to reaching a positive outcome at the Assembly. The draft proposal for an Assembly resolution on a GMBM builds on extensive discussions and technical assessments and is a solid draft of a global CO₂ offsetting system for international aviation. This draft should remain the basis for the ICAO negotiations. Europe has a number of observations to share on key aspects as a contribution to the ICAO negotiations on a GMBM.

3.2 First and foremost, we underline the importance of creating a global system with common standards that are agreeable to all and will be applied consistently by all and in a non-discriminatory manner to ensure a level playing field to all participants. Achieving the climate objective of carbon neutral growth from 2020, while complying with the key principles of SCRC and non-discrimination, would not be possible without common governing rules agreed by ICAO. A global measure for international aviation cannot be designed using the concept of NDCs put forward by States under the Paris Agreement, as it would not guarantee to reach these objectives.

3.3 For a successful agreement to be reached at the 39th ICAO Assembly in September, the GMBM will need to contain a number of important components. The most important elements for Europe are addressed below.

3.4 Reaching the Global Objective

3.4.1 It is essential that the GMBM effectively delivers on its climate objective. The GMBM must be designed to address all emissions from international aviation beyond the level reached in 2020. The extensive analysis performed by CAEP and supported by the aviation industry has demonstrated that a global offsetting measure would achieve the common goal at an affordable cost.

3.4.2 The current proposal with phased implementation appears to leave out a part of the emissions that should in principle be addressed and thereby creates a "gap". If left unaddressed, this gap would put at risk the achievement of the climate objective. Europe stresses the need to improve the design so that the emissions gap is minimised and addressed.

3.5 Special Circumstances and Respective Capabilities

3.5.1 While having ideally a preference for an encompassing GMBM without exemptions, Europe recognises the different economic and development situation of States and considers that Special Circumstances and Respective Capabilities addressed in a non-discriminatory manner will be among the core elements of the Assembly Resolution. The draft resolution lives up to this objective by including a number of measures to address differentiation. Europe believes that the phased implementation as proposed in the draft resolution can accommodate SCRC. It allows for the delayed entry into the system to some States with moderate aviation activity or medium income, while exempting States with the least resources and the lowest aviation activity. These criteria strike a right balance between the economic situation of a State and the development of its aviation sector.

3.5.2 Support and capacity building is an appropriate way to address SCRC and provide targeted help to States, especially to facilitate the efficient implementation of the GMBM. Europe is already supporting an important project through ICAO that supports the development of State Action Plans and agrees that more assistance will be needed for the timely implementation of the GMBM.

3.6 Non-discrimination and equal treatment

3.6.1 An equally important core principle to be respected in the Assembly Resolution on GMBM is non-discrimination. The draft resolution requires equal treatment of operators on the same route. We strongly welcome the fact that exemptions and phase-in provisions would be implemented on a route basis, which is essential to guarantee equal treatment of operators flying on the same route and ensuring a level playing field amongst operators, irrespective of their nationality, as required by the Chicago Convention.

3.6.2 Equal treatment and a level playing field will also need to be assured via the transparent governance and uniform application of the implementation rules.

3.7 Sharing the burden

3.7.1 The proposed mechanism to distribute the offset obligations fully (100%) based on the growth of the sector's emissions is sound. It is a simple method that is easy to implement because it avoids complicated adjustments, such as for early movers or fast growers. It will benefit airlines growing above average, and will thus help operators from countries whose aviation sector is catching up with the rest of the world. Furthermore, since each operator offsets the same percentage of its emissions in scope under the 100% sectoral approach, each operator's obligation would be proportional to the size of its emissions. Recognising the benefits of this approach Europe remains being supportive to it.

3.8 **Review of the GMBM**

3.8.1 Europe considers that the global offsetting system needs to be periodically reviewed. The performance and effectiveness of the GMBM will need to be periodically assessed and improved to ensure that it remains effective over time and that its ambition keeps pace with the overall ambition agreed in the Paris Agreement and its future development, to guarantee international aviation's contribution to emissions reductions.

3.8.2 The reviews may also be suitable opportunities to assess the need for additional elements such as cost safeguards and the duration of the system. These may become relevant in the longer run of the system, and it would be most efficient to consider them at a time when there is a better understanding of their need, instead of fixing the provisions at the start of the system.

3.9 **Governance and implementation**

3.9.1 Robust monitoring, reporting and verification rules and transparent and sound eligibility criteria allowing for the use of high quality emissions units are two important cornerstones of the GMBM determining the environmental integrity of the system. Transparency and accountability of the GMBM will also need to be ensured via a robust central registry. Relevant expertise will be required to precede with the eligibility of emissions units. CAEP has made important progress working out the technical details of these three elements and Europe underlines the importance for CAEP - through the ICAO Council - to finalise these elements in a timely manner as referred to in the "implementation roadmap" of the draft resolution. It reaffirms its commitment to an active expert participation in CAEP work.

3.9.2 Support to the use of UNFCCC credits to offset international aviation emissions is another element to ensure environmental integrity and to address SCRC. It can foster clean projects, programmes and sectoral approaches, notably in developing countries. Generation of offsets include co-benefits with positive social and economic aspects like local employment generation, poverty reduction and technology transfer.

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

4.1 The HLM-GMBM is invited to:

- a) reaffirm ICAO States' commitment to deliver on a Global Market Based Measure at the 39th Assembly,
- b) continue discussions on the basis of the proposal tabled by the President of the Council, which respects the principles of environmental integrity, SCRC and non-discrimination; and
- c) agree the main design elements of the Global Market Based Measure taking into account the core principles and key observations described in this paper (global system, environmental integrity, non-discrimination between operators, SCRC, periodic review, robust MRV and high-quality emission units).