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Agenda Item 22: Environmental Protection – International Aviation and Climate Change – Policy, Standardization and Implementation Support

INDUSTRY VIEWS ON A GLOBAL MARKET-BASED MEASURE FOR INTERNATIONAL AVIATION

(Presented by the Airports Council International (ACI), the Civil Air Navigation Services Organisation (CANSO), the International Air Transport Association (IATA), the International Business Aviation Council (IBAC) and the International Coordinating Council of Aerospace Industries Associations (ICCAIA))

EXECUTIVE SUMMARY

The aviation industry has taken a proactive approach to address its contribution to the urgent global challenge of climate change. In 2009, the industry set three ambitious targets to reduce CO₂ emissions from international aviation and put in place a four pillar strategy to achieve those goals. The industry remains confident that technology, operations and infrastructure measures will provide long term solutions to ensure the sustainable growth of the aviation industry through partnership between industry and government. However, we also acknowledge that a global market-based measure (GMBM) will be needed to fill any remaining emission gap in the period until those other measures have taken full effect.

Action: The Assembly is invited to adopt a single GMBM for international aviation, taking into consideration the recommended design elements set out at paragraph 2.4.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective E – <i>Environmental Protection</i>
<i>Financial implications:</i>	No additional resources requested.
<i>References:</i>	

¹ English, Arabic, Chinese, French, Russian and Spanish versions provided by IATA.

1. INTRODUCTION

- 1.1 In 2009, the civil aviation industry set three global goals to address its climate impact:
- a) a short-term efficiency improvement goal of 1.5% per annum;
 - b) a mid-term goal to cap net CO₂ emissions through carbon-neutral growth; and
 - c) a long-term goal to halve net aviation CO₂ emissions by 2050 when compared with 2005 levels.
- 1.2 In 2010, the 37th Session of the ICAO Assembly itself adopted the following goals for aviation:
- a) a global annual average fuel efficiency improvement rate of 2 per cent until 2020;
 - b) an aspirational global fuel efficiency improvement rate of 2 per cent per annum from 2021 to 2050; and
 - c) a collective medium-term global aspirational goal of maintaining global net CO₂ emissions from international aviation from 2020 at the same level.
- 1.3 We believe that ICAO must continue to play the leading role in the efforts to address international aviation's CO₂ emissions impact through technology improvements, including sustainable alternative fuels, operational improvements, infrastructure measures and a properly-designed GMBM to address any remaining emissions gap.
- 1.2 The industry for its part is committed to achieving those goals and has committed considerable resources to the development of fuel efficient technology, such as lighter weight materials and advanced engine technologies, improving operational efficiency, supporting the deployment of modernized infrastructure and the commercialisation of sustainable alternative fuels.²
- 1.3 Since 2010, the industry has also contributed significant expertise in support of the work of ICAO's Committee on Aviation Environmental Protection (CAEP) and, in particular, on a CO₂ certification standard for new aircraft types.
- 1.4 In 2013, the 38th Session of the ICAO Assembly decided to develop a GMBM scheme for international aviation for decision by the 39th Session of the Assembly. The industry has given its full support to the work on development of the GMBM scheme, contributing to the discussions in the Council's Environment Advisory Group and High Level Group, the Global Aviation Dialogues, the High Level Meeting which was held from 11-13 May 2016, as well as the work of the CAEP Global Market-Based Measure Technical Task Force.
- 1.5 At the 2015 ATAG Global Sustainable Aviation Summit, held one year before this Assembly, 29 industry Directors General and Chief Executives representing over 90 per cent of commercial aviation wrote an open letter to governments, committing to continued climate action and supporting the process to develop the GMBM for aviation.³

² For instance, airports have demonstrated their commitment through the worldwide implementation of Airport Carbon Accreditation, which currently has 156 airports accredited in 40 countries, representing almost 32% of the global air passenger traffic.

³ See www.enviro.aero/openletter

2. DISCUSSION

2.1 The industry is confident that technology, operations and infrastructure measures will provide the long-term solution for aviation's sustainable growth. Due to the time required for new technologies and infrastructure to deploy their full effect, a GMBM will be needed as a "gap-filler" in the interim.

2.2 A GMBM for international aviation should only be considered as part of a broader package of measures to address aviation's CO₂ emissions that cannot be achieved by cost-effective in-sector reduction measures.

2.3 We believe that the following general principles⁴ should guide States at ICAO in their decision on the adoption of the GMBM at this Assembly:

- a) It should not be designed or used to raise general revenues or to suppress demand for air travel.
- b) It must be global in scope and preserve fair competition.
- c) It must avoid adoption of unilateral measures which would create an unsustainable regulatory patchwork, leading to increased complexity, cost and market distortion
- d) It should be simple to administer, with each operator only reporting its emissions to one State.

2.4 We further note that at the 72nd IATA Annual General Meeting held in Dublin, on 2-3 June 2016, the airline industry overwhelmingly adopted a Resolution⁵ on the development of a GMBM for international aviation. That Resolution sets out a series of recommended design elements for a global carbon offsetting scheme:

- 1) Phased implementation – a phased approach to the inclusion of routes between certain States could address differentiation between States by taking into account their special circumstances and respective capabilities in a practical way, thus recognizing the different levels of maturity of aviation markets, as long as the criteria adopted to classify States do not cause market distortions and all operators on the same route are treated equally, irrespective of their State of origin.
- 2) Technical exemptions - for very small aircraft, small operators and specific types of operations, technical exemptions should be included. This limits the administrative burden on some operators that only account for a negligible share of CO₂ emissions from international aviation. A time-limited exemption for new entrant operators should also be included.
- 3) Baseline calculation - using a single year to determine the baseline ignores the risk that the industry's measured emissions in 2020 could be affected by extraordinary circumstances that disrupt the level of aviation activities in that one year. Using an average of emissions over a period of 2 or 3 years would allow any potential unforeseen fluctuations that may occur to be evened out.
- 4) Distribution of obligations – this should be determined by States at this Assembly giving due consideration to an appropriate weighting between a sectoral and an individual component, recognizing that the weighting may change over the lifetime of the GMBM scheme. Part of the overall package to be agreed by States could also

⁴ See also the guiding principles set out in the Annex to Assembly Resolution A38-18

⁵ See <https://www.iata.org/pressroom/pr/Documents/iata-agm-2016-resolution-mbm.pdf>

include specific adjustments for fast growing airlines or those who have taken CO₂ reduction measures prior to the entry into force of the GMBM in 2020.

- 5) To ensure clarity and certainty for operators, clear methodologies for the calculation of the distribution of obligations should be agreed at this Assembly.
- 6) Pre-implementation phase – if States agree that the GMBM should include a pre-implementation (or pilot) phase for an initial period prior to full implementation, this should focus on gaining experience with standardized monitoring, reporting and verification processes without delaying the planned GMBM start date.
- 7) Re-distribution – emissions which are not covered by the scheme, as the result of phased implementation or exemptions, should not be re-distributed to those operators which are subject to the scheme.
- 8) No duplicative measures – the GMBM should be the sole, global mechanism to address CO₂ emissions from international aviation, obviating the need for any duplicative regional or national measures.
- 9) Reporting and compliance cycle – the monitoring and reporting of emissions should be done on a yearly basis, with a three-year compliance cycle for the surrendering of carbon offsets, in order to give operators maximum flexibility for the acquisition of carbon offsets to cover their offset obligations.
- 10) Review of the scheme – the inclusion of a detailed, specific and regular review clause would allow for any issues that may arise during the implementation of the scheme to be addressed.
- 11) Carbon units – aircraft operators should have as broad access as possible to the carbon markets and be able to use any carbon emissions units that meet the environmental integrity and other eligibility criteria to be agreed by States at ICAO. These should include, but not be limited to, all emissions units currently or to be accepted under the United Nations Framework Convention on Climate Change, including from REDD+ activities.
- 12) Cost safeguard – a provision to trigger a fundamental review of the GMBM if certain cost parameters are exceeded may be considered appropriate by States but this should not directly interfere with natural carbon market dynamics nor influence the price or availability of emissions units.

2.5 The signatories of this Working Paper fully endorse the recommended design elements.

3. CONCLUSION

3.1 The united, global aviation industry represented by the signatories of this Working Paper is committed to reducing its contribution to climate change and, in particular, to stabilising its net emissions through carbon neutral growth for the sector from 2020 onwards. The adoption by the Assembly of a single GMBM for international aviation is a key element achieving that goal. However, in order to be implemented in an effective and timely manner, agreement on the key elements of the GMBM is needed at this Assembly.

3.2 The Assembly is invited to adopt a single GMBM for international aviation, taking into consideration the recommended design elements set out at paragraph 2.4.