

# CORSIA – En Route and On Time

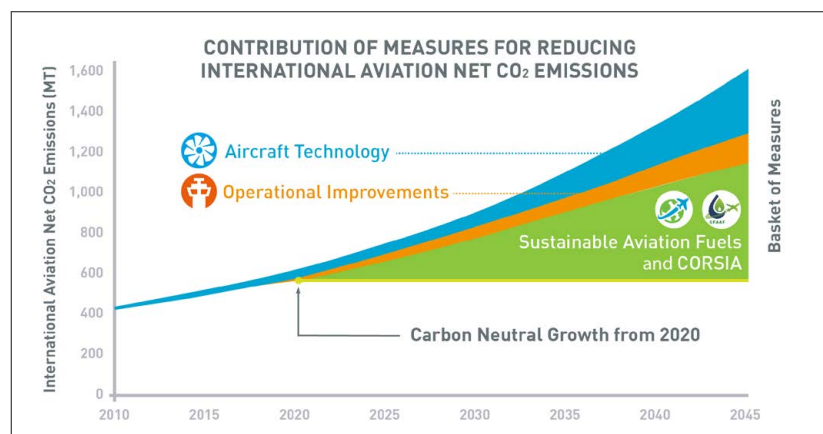
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The adoption of the Carbon Offsetting and Reduction System for International Aviation (CORSIA), the world's first global sector-wide emissions reduction system, was hailed as a great step towards tackling aviation's rising emissions. Carbon market participants and stakeholders have kept an even closer eye on developments since then. Now the key question everyone wants to know the answer to remains unanswered: what kind of emissions units will be eligible for CORSIA compliance.

CORSIA has been developed in order to achieve ICAO's aspirational goal of carbon neutral growth in the aviation sector from 2020. It represents only one part of a so-called basket of measures, which also includes improved aircraft technology, operational improvements, and the use of sustainable aviation fuels. These three are sometimes referred to as the non-market-based measures. While ICAO has been clear that the non-market-based measures are the preferred long term tools to ensure carbon neutral growth, it has also accepted that in the next 15 years they may not be sufficient. That is why a market-based mechanism, CORSIA, is needed.

Over the last couple of years, ICAO has assisted both states and aircraft operators with preparations for CORSIA. The main focus has so far been on getting the monitoring, reporting and verification (MRV) requirements in place. This is crucial as the baseline will be determined by emissions in 2019 and 2020. Aircraft operators that exceed this baseline in subsequent years will have to buy emissions units to offset this increase.

The CORSIA discussions are taking place at the same time that international carbon markets have seen increased interest, following the adoption of the Paris Agreement in December 2015. Article 6 of that Agreement allows for the cross-border trade of reduction units as well as establishing a new emissions mitigation mechanism to encourage sustainable development. In December last year, governments gathered in Poland to finalise the Paris Agreement Rulebook but, despite the best efforts, the rules for Article 6 remained unfinished. However, despite the disappointment there is a silver lining: Article 6 will receive negotiators' full attention and will play a key role at the UN talks later this year in Chile. IETA feels optimistic that an agreement can be reached.



SOURCE: ICAO website, [www.icao.int](http://www.icao.int)

CORSIA has provided another reason for optimism. In March 2019, the ICAO Council announced the approval of the emissions unit criteria (EUC) and establishment of the Technical Advisory Body (TAB). Both are critical steps in defining what kind of emissions units will be eligible under CORSIA. EUC provide principles which will help determine the eligible emissions units under CORSIA. The TAB will assess candidate programmes seeking to supply such emissions units to the CORSIA market against these criteria. These announcements did not come as a surprise, as both are envisaged in the Assembly resolution itself. However, it sent an encouraging signal to market participants to see things staying on track for a timely completion.

The published EUC consist of two parts. The Program Design Elements refer to the rules and procedures expected to be in place by programmes that will apply

to become CORSIA-eligible emissions units providers, while the Carbon Offsets Credit Integrity Assessment Criteria define the qualities that ICAO expects the eligible emissions units to have. The aim is to ensure delivery of real and verifiable emissions reductions, as well as preventing the double-counting of reductions. The criteria are robust enough to provide the confidence of environmental groups as well as market participants. Now it is the TAB's task to make the assessments of programmes in achieving the criteria.

But the clock is ticking. Generating emissions reductions often takes years – from the start of construction of a project through to the first issuance of carbon credits – and time is in increasingly short supply as far as climate change is concerned.

### CORSIA EMISSIONS UNITS CRITERIA (EUC)

In March 2019, the ICAO Council approved the CORSIA emissions unit eligibility criteria, consisting of **Program Design Elements** and **Carbon Offset Credit Integrity Assessment Criteria**. The CORSIA emissions unit eligibility criteria should apply at the program level.

#### Program Design Elements:

1. *Clear Methodologies and Protocols, and their Development Process*
2. *Scope Considerations*
3. *Offset Credit Issuance and Retirement Procedures*
4. *Identification and Tracking*
5. *Legal Nature and Transfer of Units*
6. *Validation and Verification procedures*
7. *Program Governance*
8. *Transparency and Public Participation Provisions*
9. *Safeguards System*
10. *Sustainable Development Criteria*
11. *Avoidance of Double Counting, Issuance and Claiming*

#### Carbon Offset Credit Integrity Assessment Criteria:

1. *Carbon offset programs must generate units that represent emissions reductions, avoidance, or removals that are additional*
2. *Carbon offset credits must be based on a realistic and credible baseline*
3. *Carbon offset credits must be quantified, monitored, reported and verified*
4. *Carbon offset credits must have a clear and transparent chain of custody within the offset program*
5. *Permanence*
6. *A system must have measures in place to assess and mitigate incidences of material leakage*
7. *Are only counted once towards a mitigation obligation*
8. *Carbon offset credits must represent emissions reductions, avoidance, or carbon sequestration from projects that do no net harm*

**SOURCE:** ICAO's CORSIA At a Glance Series,

There is a steady supply of emissions units from projects developed in accordance with programmes around the world, some of which are already accepted for compliance markets. These systems have been developed over many years and apply a level of rigour comparable to the EUC. Allowing airlines access to these markets for CORSIA compliance would help keep down compliance costs, provide a ready-made stream of credits, and support innovative projects which benefit those most in need.

Tapping an existing market for emissions units instead of designing a new system, with all the accompanying methodologies, rules and procedures, would also allow for more energy to be spent on the more technical issues, such as calculating the industry baseline based on reported emissions. This will be critical in firming up the market's understanding of the amount of demand they will need to satisfy. But this will change over time, as the system begins to operate. Project developers are keenly focused on the TAB's progress, because it will signal the types of supply they need to produce.

Market analysts are beginning to assess these supply and demand dynamics for CORSIA, but they cite a number of variables involved and many uncertainties to evaluate. Are there going to be restrictions on project types? Will some emissions units only be eligible for compliance in the Pilot/First phase? How well will the other measures work to deliver efficiency improvements and biofuels? These are common themes in any emissions market analysis. But importantly, once the market gets clarity on these fundamentals, participants will respond with investment, project development and emissions units deliveries.

When the Kyoto Protocol's Clean Development Mechanism (CDM) was developed, it took several years to finalise the rules. But the first project developers started looking at early project opportunities far sooner. This meant that, once the rules were adopted and the institutions started operations, projects developed rapidly. The service sector around the project development – like project verification and legal drafting – also became vibrant. In those early days, it could take more than a year to get the project approved by a government, implemented, verified by a third party and registered.

This project cycle should be better for CORSIA. It can benefit from the lessons of the CDM and other markets; we're no longer starting anew, but with two decades of experience under our belts. During this time, carbon markets have evolved significantly and adapted to the user's needs, from the EU's cap-and-trade system to Colombia's tax and offset programme. The inherent flexibility of market mechanisms enables them to achieve real emissions reductions, quickly and at lowest cost. IETA itself is celebrating its 20th anniversary this year and, despite the occasional bump in the road since our inception, we are confident that market-based mechanisms are the right tool to deliver the climate ambition the world needs.

Ensuring sufficient supply of emissions units while maintaining the environmental integrity of the market system is a fine, but achievable, balancing act. The elements are all there – the experience, the robustness, the project pipeline, the investment. Time is of the essence to ensure CORSIA achieves what it is intended to.