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EXECUTIVE COMMITTEE

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

PHASED IMPLEMENTATION UNDER THE GLOBAL MBM

(Presented by the International Air Transport Association (IATA))

REVISION NO. 1

EXECUTIVE SUMMARY

In response to the ICAO Council's proposal for an Assembly Resolution text relating to a global market-based measure (MBM) scheme *Consolidated statement of continuing ICAO policies and practices related to environmental protection – Global Market-based Measure (MBM) scheme* this working paper sets out IATA's views on a phased implementation of the scheme to accommodate the special circumstances and respective capabilities of States (in particular developing States) while minimizing market distortion.

Action: The Assembly is invited to take into account the views expressed in this working paper during its deliberations on phased implementation to accommodate special circumstances and respective capabilities (SCRC) while minimizing market distortion.

<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 At the 72nd IATA Annual General Meeting in Dublin in June 2016, IATA member airlines urged “governments to adopt at the 39th ICAO Assembly a mandatory and global carbon offset mechanism to address CO₂ emissions from international aviation in a cost-effective manner, which can be implemented from 2020” consistent with a number of recommended design elements.

1.2 It is IATA’s view that a phased approach to the inclusion of routes between certain States could address the issue of differentiation between States by taking into account their special circumstances and respective capabilities (SCRC) in a practical way, thus recognizing the different levels of maturity of aviation markets. However, we believe the criteria adopted to classify States should not cause market distortions and that all operators on the same route must be treated equally, irrespective of their State of origin.

2. PHASED IMPLEMENTATION

2.1 A phased implementation, where the scheme would initially only apply to routes between certain countries, should be considered as a key area of discussion in the development of a global MBM. IATA considers the phased implementation could be a practicable and expedient way to address SCRC and to recognize the different levels of maturity of aviation markets, provided that market distortion is minimized and sufficient coverage of international aviation emissions is ensured.

2.2 On any given route, all operators should be granted equal treatment. The airline industry is extremely competitive to the extent that the application of offsetting obligations for some operators on a particular route while others on that same route were exempt from the obligations could result in market distortions.

2.3 IATA agrees that emissions which are not covered by the scheme, as the result of phased implementation or exemptions, should not be redistributed to be offset by any operators who are subject to the global MBM.

2.4 To safeguard the environmental integrity of the global MBM scheme, the proportion of emissions from international aviation covered in the different phases should not be lower than what is envisaged under the current proposal outlined in Council Working Paper C-WP/14489.

2.5 In IATA’s view, phased implementation could go a long way towards reflecting the spirit of the 2015 Paris Agreement and the principle of equity and common but differentiated responsibilities and respective capabilities. In particular, the special provision for Least Developed Countries (LDC), Small Island Developing States (SIDS) and Land-Locked Developing Countries (LLDC)s will limit the impact of the scheme on developing and emerging economies, unless the maturity and competitiveness of their aviation markets justifies their inclusion.

2.6 In the deliberations on the classification of States to operationalize the phased implementation, it is important that the classification criteria do not increase direct or indirect market distortions nor unduly undermine the coverage of international aviation emissions.

2.7 Finally, it is particularly significant that the criteria adequately reflect the level of aviation activities. The criteria may be based on CO₂ emissions or RTK, but should include all international aviation activities to and from individual States and not only aviation activities by operators

who hold an AOC in each State, otherwise non-commercial operators for whom no AOC requirement exists would be excluded. If AOC-related data is used in the criteria for classifying States, it should be made clear that this does not mean that non-commercial operators are automatically excluded from the global MBM scheme.

3. **CONCLUSION**

3.1 The Assembly is invited to take into account the views expressed in this working paper during its deliberations on phased implementation to accommodate SCRC while minimizing market distortion.

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