



WORKING PAPER

ASSEMBLY — 39TH SESSION

EXECUTIVE COMMITTEE

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

MALAYSIA’S POSITION REGARDING GLOBAL MARKET-BASED MEASURES (GMBM) FOR INTERNATIONAL AVIATION

(Presented by Malaysia)

EXECUTIVE SUMMARY

Malaysia notes and supports the development of a Global Market-Based Measure, a form of global offsetting scheme for international flights aiming at reducing the impact of carbon emissions from the international aviation sector. Malaysia views this ICAO initiative to be pivotal in ensuring that the aviation sector continues to operate in an environmentally responsible manner by complementing ongoing improvements in fuel efficiency, air traffic management and development of sustainable alternative aviation fuels.

Under the content of the *Draft Assembly Resolution Text on a Global Market-Based Measure (GMBM) Scheme*, Malaysia supports the phased implementation of the GMBM based on the consensus by Member States. In addition, Malaysia also supports the sectoral approach on the distribution of offset obligations.

Action: The Assembly is invited to:

- a) note Malaysia’s commitment to ICAO’s work to mitigate the impact of carbon emissions from international aviation by the establishment of a Global Market-Based Measure (GMBM) Scheme for International Aviation;
- b) note that Malaysia will undertake all the necessary actions to prepare for the implementation of GMBM while requesting for technical assistance from ICAO and encouraging cooperation with other States;
- c) note that Malaysia suggests the implementation of the GMBM should be based on the collective consensus by Member States of ICAO;
- d) uphold the principles of CBDR / SCRC so as to ensure that the GMBM will be fully implemented in a fair and equitable manner;
- e) support for a sectoral approach that offers fair and equitable distribution of offset obligations based on the growth of the sector’s emissions.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective E - <i>Environmental Protection</i> .
<i>Financial implications:</i>	The activities referred to in this paper will be undertaken subject to the resources available in the 2017-2019 Regular Programme Budget and/or from extra budgetary contributions.
<i>References:</i>	HLM-GMBM-Flimsy No. 2: <i>Draft Assembly Resolution Text on a Global Market-Based Measure (GMBM) Scheme</i> and Friends of the President Informal Group Meeting.

1. INTRODUCTION

1.1 Aviation in Malaysia is a key driver for business and commerce. The country's increasingly industrialized, export oriented and tourism dependent economy has enabled the aviation industry in Malaysia to continue to grow and develop rapidly. Aviation has facilitated trade, expanded export markets and increased tourism.

1.2 Nevertheless, Malaysia recognizes that climate change is a common challenge faced by all humanity today, and is a global issue that requires the collaboration of the international aviation community. International civil aviation accounts for approximately 1.2 per cent of global CO₂ emissions and this share is expected to grow as the sector develops. Therefore, mitigating the effects of climate change is a responsibility that must be borne by all elements of society and industry.

1.3 The Department of Civil Aviation Malaysia and the Ministry of Transport of Malaysia, are committed to supporting the ICAO's works and policies regarding aviation environmental protection as affirmed through Malaysia's State Action Plan to Reduce GHG Emissions in the Aviation Sector, submitted to ICAO in July 2013 and updated in 2016. The implementation of the State Action Plan includes, among others, key measures to reduce emissions in the Malaysian air transport sector and the application of a Global Market-Based Measure (GMBM).

1.4 Malaysia has actively participated in recent ICAO, bilateral and multilateral discussions regarding the establishment of a GMBM Scheme for International Aviation including the ICAO Global Aviation Dialogues (GLADs) in 2016 and Friends of the President Informal Group Meeting in August 2016 to facilitate achieving an agreement during the upcoming 39th ICAO Assembly. Malaysia also welcomes the substantial progress made on the GMBM by the Environment Advisory Group (EAG) and the High Level Group, as directed by the ICAO Council, and expresses our gratitude to the President of the ICAO Council for his leadership with a view to reaching a positive outcome at the 39th Assembly.

1.5 Through this paper, Malaysia wishes to share its position regarding the Draft Assembly Resolution Text on a GMBM Scheme presented by the Council. We strongly believe that the implementation of GMBM should be based on consensus by Member States of ICAO because the decisions made collectively tend to be more effective and would yield a better outcome. There are some key outstanding areas of discussion from previous meetings that we would like to highlight which include: differentiation of responsibilities; distribution of offset obligations; monitoring, reporting and verification; and capacity building and assistance.

2. DIFFERENTIATION OF RESPONSIBILITIES

2.1 Malaysia recognizes that climate change is a global challenge which all countries need to address, including by tackling emissions from international civil aviation, in accordance with our common but differentiated responsibilities and respective capabilities (CBDR-RC). There are different views and concerns that were presented by states on the development of a GMBM Scheme for international aviation, for instance on issues of CBDR, administrative simplicity, transparency and environmental integrity.

2.2 Malaysia believes that adherence to the principle of fair and equal opportunity should ensure administrative simplicity and minimize market distortion. It builds a bridge and provides a solution that could address each Member State's different concerns across what has previously been perceived as a divide. Therefore, Malaysia recognizes that the GMBM should take into account special circumstances

and respective capabilities of States (SCRC), in particular developing States. Building an appropriate mechanism to manage this cross-cutting issue would benefit all the Member States.

3. DISTRIBUTION OF OFFSET OBLIGATIONS

3.1 In the previous EAG work and high level meeting, the distribution of offset requirements have been discussed comprehensively, including consideration of, sectoral, individual and dynamic approaches. Indeed there is a need to have a balanced distribution of offset obligations which avoids market distortion and does not discriminate against growing airlines especially in the developing countries.

3.2 For the distribution of offset requirements, Malaysia considers that the sectoral approach offers the fairest distribution, being based on the growth of the sector's emissions. It is a simple and more equitable method, which also avoids complicated adjustments, such as early movers or fast growers. It is designed so that faster growing operators from developing countries are not penalised for the benefit of slower-growth airlines in more mature aviation markets. Each operator's obligation would be proportional to the size of its emissions since each of them is required to offset the same percentage of its emissions in any given year under the 100 per cent sectoral approach.

4. PROCESS OF MONITORING, REPORTING AND VERIFICATION (MRV)

4.1 To implement GMBM, it is crucial for us to prepare ourselves in the process of monitoring, reporting and verification (MRV) systems along with other countries before 2021. States will need to learn from each other as well as requiring the support and assistance from ICAO, to support the implementation of GMBM including the organization of seminars, training, and facilitation of financial support where needed.

5. CAPACITY BUILDING AND PARTNERSHIP

5.1 Malaysia believes that ICAO and Member States will seriously take all the necessary actions in providing the capacity building and building partnership so as to ensure that there will be administrative simplicity, transparency and environmental integrity in the implementation of GMBM.

6. CONCLUSION

6.1 The Assembly is invited to:

- a) note Malaysia's commitment to ICAO's work and its support for the establishment of a Global Market-Based Measure Scheme for International Aviation;
- b) note that Malaysia will undertake all the necessary actions to prepare for the implementation of GMBM while requesting for technical assistance from ICAO and encouraging cooperation with other States;
- c) note that Malaysia suggests the implementation of GMBM should be based on a collective consensus by Member States of ICAO;

- d) uphold the principles of CBDR/SCRC so as to ensure that the GMBM will be fully implemented in a fair and equitable manner;
- e) support for a sectoral approach that offers the fairest distribution of responsibilities based on the growth of the sector's emissions.

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