



WORKING PAPER

ASSEMBLY — 39TH SESSION

EXECUTIVE COMMITTEE

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

VIEWS OF THE UNITED STATES ON A GLOBAL MBM SCHEME

(Presented by the United States of America)

EXECUTIVE SUMMARY

The United States supports ICAO’s comprehensive approach to achieving carbon neutral growth from 2020 through a “basket of measures” comprising technical, operational, and infrastructure enhancements; sustainable alternative fuels; and the development of a global market-based measure as a gap-filler. This paper sets out the U.S. position regarding a decision to adopt the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and provides views on the entire “package” under consideration.

Action: The Assembly is invited to:

- a) note the support of the United States for the adoption of the CORSIA and endorsement of the proposed resolution text in Appendix B to WP/52, which consists of a carefully balanced package of key elements, and that the United States intends to provide capacity building support to States to aid in the implementation of CORSIA;
- b) note the intention of the United States to join the GMBM from the beginning, assuming the participation of other States that collectively represent significant global emissions; and
- c) encourage ICAO Member States to consider participating in the GMBM from the beginning and to publically state their willingness to do so by the Assembly, if at all possible.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objectives E – <i>Environmental Protection</i> .
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<i>Financial implications:</i>	
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<i>References:</i>	A39-WP/52 EX/29, A39-WP/232 EX/91
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1. U.S. SUPPORT FOR PROPOSED ASSEMBLY RESOLUTION

1.1 The United States is committed to fostering the sustainable growth of the aviation sector, including by addressing the climate and environment impacts of civil aviation. We support ICAO's approach to achieving carbon neutral growth from 2020 through a "basket of measures" comprising technical, operational, and infrastructure enhancements; sustainable alternative fuels; an aircraft CO₂ standard; and the implementation of a global market-based measure (GMBM) as a gap-filler. We emphasize that work on the full basket of measures must continue in earnest, with the aim of continuously increasing in-sector reductions. We provided our views on the full Basket of Measures in WP/232.

1.2 The United States appreciates the ICAO Council President's work in bringing forward a draft Resolution last December for the adoption of a GMBM, in hosting a High Level Meeting of ICAO Member States in May, and in calling the Friends of the President meeting in early August to develop and refine the draft resolution. This engagement proved invaluable in enabling convergence on a package of key elements for the GMBM, as put forward by the Council in A39-WP/52/ EX/29 ("WP/52").

1.3 The United States welcomes WP/52, particularly the draft Resolution – "Consolidated statement of continuing ICAO policies and practices related to environmental protection – Global Market-based Measure (MBM) scheme" - contained in Appendix B to that paper. While it does not reflect our preferred outcome on all elements, it is a carefully balanced package developed after months of intensive negotiations, and compromise on all sides. We strongly endorse its adoption at the 39th Assembly.

2. BUILDING BLOCKS FOR A STRONG GMBM

2.1 The ICAO Council, with the leadership of President Aliu, began its work to develop a GMBM on the basis of a few critical building blocks, which the draft Resolution has maintained and the United States strongly supports. They include:

- Commitment to environmental integrity and achieving significant, increasing emissions coverage over time;
- A route-based approach, which will minimize potential market distortions resulting from the GMBM and maintain non-discrimination, a hallmark of the Chicago Convention;
- Pragmatic technical exemptions and exemptions for Least Developed Countries (LDCs), Land-Locked Developing Countries (LLDCs) and Small Island Developing States (SIDS);
- Enhanced capacity building and assistance by ICAO and Member States to enable all States to participate in the GMBM, including exempt States that volunteer.

3. CORE ELEMENTS OF THE PACKAGE

3.1 In addition to the building blocks described above, the Council had to reach consensus on several other key elements of the GMBM. Taking a "package" approach proved crucial to finding that consensus across several challenging and overlapping issues. We discuss below what the United States sees as the key elements of the package and the rationales for their inclusion.

3.2 **Approach to Participation:**

3.2.1 **Voluntary participation in Pilot Phase and Phase one:** In order to address concerns about various proposed criteria for participation in the early years of the GMBM, without significantly altering overall coverage of the scheme, the draft Resolution does not include any criteria for participation for the first 6 years of the scheme but rather allows for States to voluntarily opt-in to the Pilot Phase and Phase 1. It then moves to a more inclusive approach in Phase 2. The United States accepts this compromise, provided that at least a core group of States comprising a significant proportion of international aviation emissions choose to participate in the early phases and that, once States opt-in, they are then expected to apply the internationally determined requirements of the scheme to their operators.

3.2.2 **Exemptions for States with low aviation activity:** In order to alleviate concerns of States with low international aviation activity of the potential impact that the GMBM could have on the growth of international aviation to and from their States, the draft Resolution exempts from Phase 2 those States below 0.5 per cent of total revenue tonne-kilometres (RTK) or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 90 per cent of total RTKs. We can accept these exemptions as part of the package but will continue to encourage States to volunteer to participate in the GMBM as soon as they are able. As a general matter, the United States does not believe that participation in the GMBM will negatively impact activity levels to and from a covered State. We note the international airline industry has provided information to the ICAO deliberations that shows CORSIA will result in relatively modest cost impacts.

3.3 **Approach to Distribution:** The United States and others strongly supported an approach to the distribution of offsetting requirements that based each operator's requirement on its own emissions growth and thereby would incentivize greater in-sector emissions reductions. Others emphasized the need to give fast growing airlines more time to grow and so supported an approach that would distribute global emissions growth in the sector across operators regardless of their individual growth rate. The United States and others believed it critical that the Resolution set the approach to distribution for the whole scheme, rather than wait until after the first phases to determine what would follow, as others suggested. The draft Resolution includes an approach that carefully addresses these competing interests. It accommodates the differences in operator's growth rates, while putting in place greater incentives for operators to reduce their own emissions over time. It accommodates the need to provide certainty about the approach for the whole scheme, while leaving open the possibility for adjustments. And, with respect to the last two compliance periods, the offsetting requirement will be at least 20% individual and 70% individual, respectively. Great flexibility has been shown by all sides, including by the United States, in developing this approach. We can accept it as is, without further changes.

3.4 **Pilot Phase:** Some Member States supported the inclusion of a Pilot Phase to help test the GMBM, and a few also thought that States should have discretion in determining the offsetting requirements of their operators during this phase. Others, including the United States, did not see a need for a Pilot Phase, given the inclusion of regular reviews of the scheme, and considered that giving States complete discretion over their approach to distribution could lead to market distortion and discrimination. As with distribution generally, the draft Resolution carefully balances the competing interests. It includes a three-year Pilot Phase during which States have very narrow discretion to choose between two limited options with respect to the offsetting requirements of their operators.

3.5 **Accommodating Special Circumstances and Respective Circumstances (SCRC):** This draft Resolution accommodates the SCRC of States in numerous ways, while ensuring non-discrimination among operators. First, the voluntary approach to participation in the first 6 years gives countries that need it more time to prepare to participate. Second, the draft Resolution exempts LDCs, LLDCs, SIDs and States with low aviation activity for the entirety of the scheme, unless they choose to

volunteer. Third, the distribution approach provides extended time wherein emissions growth in immature markets is shared with the rest of the sector. Finally, the Resolution specifically directs the ICAO Council to expand capacity building and facilitate financial support to States that need it to implement CORSIA.

3.6 In addition to these key elements, as noted in para 2.10 of WP/52, there is an open issue on whether the Resolution should note that certain States (and, if so, which ones) will take the lead in implementing the GMBM. In our view, the Resolution should not state that certain States will take the lead, as this is the kind of criteria-based approach that ICAO Member States have rejected in favor of a voluntary opt-in approach for the first two phases. We are open to a “descriptive” (not “prescriptive”) approach – best placed in the preamble – in which the Resolution welcomes the announcements by States that have volunteered, which already include those of both developed and developing countries.

3.7 **Periodic Reviews:** All States supported directing the Council to undertake reviews of CORSIA before the beginning of each new compliance period. States had varying views on what the purpose of those reviews should be. The draft Resolution accommodates all views by ensuring that the reviews will cover the functioning of the scheme’s design, the approach to distribution of offsetting requirements, the cost impact on States and operators, and environmental effectiveness, among others.

3.8 **Preventing Duplicative Measures:** Finally, the draft Resolution makes clear that international aviation emission should not be subject to duplicative or overlapping measures implemented by individual countries or regions. The United States strongly supports this provision.

3.9 The elements described above and contained in the draft Resolution include some that are critical to the United States and others that are only acceptable in the context of a package. We can therefore support the draft Resolution contained in WP/52 as a package. We urge others to join us in supporting the adoption of the draft Resolution without further changes, in order to ensure that ICAO fulfils its mandate from the 38th Assembly and sends a powerful signal to the world about our commitment to address the climate change impacts of international aviation.

4. CALL FOR PARTICIPATION

4.1 Considering the Council’s text as a whole, the United States believes this package is the acceptable path forward for ICAO. As we have noted in joint statements with several other ICAO Member States, we intend to join the GMBM from the beginning, assuming the participation of other major aviation States that collectively represent significant global emissions. We also intend to provide capacity building support to other States willing to join the Pilot Phase. The United States encourages ICAO Member States to consider participating in the GMBM from the beginning and, if possible, to publicly state their willingness to do so by the Assembly.

5. ACTION BY ASSEMBLY

5.1 The ICAO Assembly is invited to:

- a) note the support of the United States for the adoption of the CORSIA and endorsement of the proposed resolution text in Appendix B to WP/52, which consists of a carefully balanced package of key elements, and that the United States intends to provide capacity building support to States to aid in the implementation of CORSIA;

- b) note the intention of the United States to join the GMBM from the beginning, assuming the participation of other States that collectively represent significant global emissions; and
- c) encourage ICAO Member States to consider participating in the GMBM from the beginning and to publically state their willingness to do so by the Assembly, if at all possible.

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