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WORKING PAPER

ASSEMBLY — 40TH SESSION

EXECUTIVE COMMITTEE

Agenda Item 17: Environmental Protection – Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

CORSIA – IMPLEMENTATION CHALLENGES

(Presented by India)

EXECUTIVE SUMMARY

The Indian aviation market is on a high growth and this growth will also eventually lead to environmental challenges, most significant being the increase in carbon emissions. This paper deals with the implementation of ICAO's global market based measure "CORSIA" developed in order to achieve carbon neutral growth from international civil aviation.

The paper describes the various challenges that will be faced or being anticipated by many States in meeting the requirements of ICAO towards smooth implementation of CORSIA in their States.

Action: The Assembly is invited to:

a) agree on the reduction of emissions through global market-based measure;
b) request the Council to develop the criteria for selecting emissions units that shall be made simple and cost effective with certain level of flexibility for the aeroplane operators from developing states;
c) request the Council to provide more clarity on SARPs relating to legal aspects and enforcement actions under CORSIA to assist the states in ensuring the proper implementation of CORSIA;
d) request the Council to ensure that the operators are not required to comply with different sets of requirements for emissions mitigation under various regional schemes, and only one global market based measure exists to address the emissions from international aviation to fulfil the aspirational goal of Carbon Neutral Growth of ICAO in a true sense.

Strategic Objectives:	This working paper relates to Strategic Objective E – Environmental Protection
Financial implications:	No additional resources required.
References:	• ICAO Annex 16, Volume IV – *Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA).* • Assembly Resolution A39-3, *Consolidated statement of continuing ICAO policies and practices related to environmental protection – Global Market-based Measure (MBM) scheme.*

1. INTRODUCTION

1.1 The growing aviation market significantly contributes to economic development of a State, but inevitably also leads to environmental challenges leading to global climate change. Realising the threat of climate change, there is a pertinent need to invest in sustainable and low carbon development in pursuance to alleviate the rising concerns of the global climate change. Though the share in global emissions are less than 2%, this sector has huge prospective to control its global greenhouse gases emissions.

1.2 CORSIA was adopted by ICAO in order to achieve its aspirational goal, and is the first sector-based carbon offsetting program with the vision to achieve carbon neutral growth from international civil aviation. This initiative of ICAO has been generally welcomed by the airline industry which went into effect on 1st January, 2019.

2. DISCUSSION

2.1 Monitoring, Reporting & Verification:

2.1.1 Under the CORSIA scheme, the State has to monitor and maintain huge fuel consumption inventory from operation on international routes. However, the most common constraints include lack of adequate archiving and management of data, application of quality control procedures and use of methodologies to assess uncertainties of such data. Considering the challenges of huge data management, reporting requirements under CORSIA should also provide enough flexibility towards CORSIA implementation.

2.1.2 Further, for the period from 2021 through 2029, 100% sectoral approach would be applicable which mean that the calculation of offsetting requirements will be solely based on the sector's global average growth rate factor in a given year. This will have huge implications on the airline operators having small share in the global emission growth, particularly on the airlines operated by developing States. Therefore, there is a clear need to provide incentives to such operators from the developing States while calculating their offsetting requirements.

2.1.3 Identification of non-scheduled operators qualifying CORSIA requirements is a big challenge. In a state like India, there are many non-scheduled aeroplane operators flying on international routes. Due to their uncertainty in operations on international routes, the threshold value may exceed anytime making it difficult to keep a track of such operators.

2.2 Emissions Unit Criteria (EUC):

2.2.1 ICAO's CORSIA carbon offsetting scheme caps international aviation emissions at their 2020 level and aeroplane operators are required to offset emissions that they do not manage to reduce through technical and operational measures. Specifically, air carriers will use CORSIA to offset emissions that surpass the established baseline of average emissions in 2019 and 2020. Offsetting consists of paying for emissions mitigation elsewhere in the world, an attractive option as it allows cutting emissions at a lower price.

2.2.2 Under CORSIA, the aeroplane operators have to offset their emissions growth in the form of purchasing and cancelling of carbon units. However, ICAO has yet to finalize the type of carbon offset

units that will be eligible under this scheme. However, it is assumed that any restriction concerning the type or vintage of eligible offsets may reduce its availability and increase the cost of such units in the market. This will ultimately lead to increase in cost of compliance to CORSIA requirements.

2.2.3 There are currently about two billion carbon offsets in circulation produced by the United Nation's Clean Development Mechanism (CDM). If these CDM projects are allowed to be used for offsetting under this scheme, their volume would far surpass demand for offsets by the aeroplane operators. On the flipside, restricting the amount of CDM units eligible under CORSIA to only those with high environmental integrity would severely limit offset supply.

2.3 Commercial, Legal & Regulatory Challenges:

2.3.1 Lack of legal guidance to enforce the CORSIA SARPs shall possess a risk on regulators that may hold an aircraft owner responsible for CORSIA non-compliance. While it still remains unclear, what action a Contracting State will initiate against a defaulter aeroplane operator, if they fail to cancel appropriate units as per the offset requirements. In addition, legal and financial consequences may also arise if an operator fails to cancel a sufficient quantity of eligible emissions offset units to cover its existing obligations following an insolvency declaration.

2.3.2 One of the CORSIA compliance challenges is to identify who will be responsible for compliance under the scheme where the operator of a flight has not been identified. If the ICAO designator and Air Operator Certificate (AOC) holder cannot be readily established, CORSIA compliance will then fall to the aircraft owner identified in the aircraft registration documentation. If an operator fails to submit an emissions monitoring plan and annual emissions report, its CORSIA Contracting State may not be able to identify the operator of an aircraft's international flight activity or, consequently, the party responsible for its emissions from such activity. Therefore, in such circumstances, CORSIA compliance obligations would automatically be attributed to the aircraft owner. Any such risk may become compounded for aircraft lessors and investors in asset-backed finance portfolio transactions.

2.3.3 As CORSIA is still at the nascent stage, many elements of CORSIA are under consideration by ICAO, including the most important one such as Emissions Unit Criteria and Sustainability Criteria for Sustainable Aviation Fuels. However, as the accounting rules are yet to be developed by the parties to UNFCCC, ICAO needs to ensure that CORSIA requirements are in synchronisation with the UNFCCC rules. The differences, among countries, developing countries in particular, in domestic policies, capacity building, eco structure emphasizes that only an inclusive and fair MBM policy for international aviation can galvanize global efforts and encourage broader participation.

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