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**ASSEMBLY — 40TH SESSION**

**EXECUTIVE COMMITTEE**

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

**CORSA – IMPLEMENTATION CHALLENGES & NEED FOR REVIEW OF THE BASELINE EMISSION CRITERIA**

(Presented by India)

**EXECUTIVE SUMMARY**

In the resolutions adopted during the 39th Session of ICAO Assembly on Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), India had expressed its Reservation with Resolutions A39-2 and A39-3. This paper deals with the need to allow consultations on design elements of implementation of ICAO's "CORSA" developed in order to achieve carbon neutral growth from international civil aviation from 2021 taking the average of emissions of 2019 and 2020 as the baseline.

The paper describes the need for fair and equitable baseline criterion other than the criterion specified in Resolution A39-3 for each aircraft operator and suggests an alternative criterion. It also lists various challenges that will be faced or are being anticipated by many States in meeting the requirements of ICAO towards smooth implementation of CORSA.

**Action:** The Assembly is invited to:

- a) Consider Member State driven principle of stabilising aviation emissions and to attribute responsibility of emission reduction to Member States instead of airline operators;
- b) Request the Council to consider modifying the baseline criterion as suggested above, and to postpone the baseline years to 2025-26 for those airlines which will join in the second phase;
- c) Consider simple and cost effective criteria for selecting emissions units with certain level of flexibility for the aeroplane operators from developing States, in keeping with principles of CBDR;
- d) Provide more clarity on SARPs relating to legal aspects and enforcement actions under CORSA to assist the States in ensuring the proper implementation of CORSA;
- e) 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 exist to address the emissions from international aviation and to fulfil the aspirational goal of Carbon Neutral Growth of ICAO in a true sense;
- f) Establish a procedure of technical dialogue and consultation between Member States and ICAO on State's implementation of CORSA, in a facilitative manner and respectful of national sovereignty, aiming for the harmonization and synergies among different State's approach; and
- g) Ensure that the emission unit criteria are fully in sync with the UNFCCC principles and the criteria for international trading in offsets developed under Article 6 of UNFCCC.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective E - Environmental Protection – Minimize the adverse effect of global civil aviation on the environment.
<i>Financial implications:</i>	No additional resources required
<i>References:</i>	<ul style="list-style-type: none"><li>• ICAO Annex 16, Volume IV – <i>Carbon Offsetting &amp; Reduction Scheme for International Aviation (CORSA)</i></li><li>• Assembly Resolution A39-3, <i>Consolidated statement of continuing ICAO policies and practices related to environmental protection – Global Market-based Measure (MBM) scheme.</i></li></ul>

## 1. INTRODUCTION

1.1 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 from 2021 onwards. This initiative of ICAO has been generally welcomed by all concerned, but the methodology adopted through Resolution A39-3 has not found universal acceptance and several States, particularly the emerging aviation markets, feel that the scheme does not give them a fair deal and should be modified.

1.2 Secondly, there are several facets of the scheme that lack clarity and will give rise to practical problems. Therefore, there is need for ICAO Council to pay urgent attention to these aspects and issue clarifications so that there are no impediments in smooth implementation of CORSIA.

## 2. DISCUSSION

### 2.1 Baseline Criterion

2.1.1 As per the internationally agreed principles of accounting of the greenhouse gases as laid down under the UN Framework Convention for Climate Change (UNFCCC), the responsibility for mitigation of GHG emissions lies with the Member States and not with the sectoral sources of emissions. The inventory of GHG emissions is prepared at the national level and reported internationally as per the standard methodology. Accordingly, each country is held responsible under the UNFCCC principles for the production and regulation of greenhouse gases produced within its boundary. Similar principle of Member State driven mitigation in the aviation sector should be adopted by ICAO.

2.1.2 If the same concept is to be applied to aviation, the logical result would be to hold a country responsible for the greenhouse gases it produces by way of international travel undertaken by its nationals irrespective of the airline on which they travel. However, under CORSIA as agreed under the Resolution A39-3, the emissions of each aircraft operator form the basis of the scheme leaving the country totally out of it. Such change in the basic concept for one particular sector, i.e. the aviation sector, does not appear to be justified. Moreover, it has potential to create distortions since there are several countries having small population, but relatively larger airlines, and a large portion of the traffic carried by such airlines is from other countries. On the other hand, there are countries having large populations, but relatively smaller airlines, and consequently a large portion of their international traffic is carried by

airlines of other countries. In view of the foregoing arguments, the right criterion for deciding the baseline emission levels would be to count the share of emissions of a country in the aviation sector on the basis of RTKMs of its nationals travelling as international passengers irrespective of the airlines used by them. Such RTKMs as a percentage of the total worldwide international RTKMs should be taken as the factor for computing the baseline emission level for the country concerned in 2019 – 2020 and also for deciding upon the excess emissions to be offset by the country concerned in the first or second phase, as it might choose. This will take into account the differences among countries and enable the baseline to be based on the realistic thresholds based on moral equity of design elements.

## **2.2 Threshold for coverage under CORSIA & the sectoral baseline year**

2.2.1 As the mandatory phase of CORSIA applies to countries like India from 2027 onwards, there is a genuine and pragmatic need to revisit the issue of threshold applying to developing countries whose shares in the international civil aviation market is low. The airlines of developing States are in the expansion phase vis-a-vis the airlines of advanced countries which have already reached very high volumes of international operations. If the baseline threshold is kept as 2019-20, it will be very unfair for the airlines of the developing States since the entire expansion of their operations from 2020 to 2026 will become liable for the offsetting requirement under CORSIA.

2.2.2 The year for calculation of threshold is 2018 which is too far away from the actual year in which India would be joining the scheme. The relevant year for application of 0.5% RTKM threshold in case of countries that have the option of joining the scheme later should be 2025 (2 years before the onset of second phase) so that a more rational and immediate basis for growth in emissions and offsetting requirements can be established. This may protect the airline industry from phases of turbulent growth and technological uncertainties that may affect them in the meantime.

2.2.3 ICAO provides for phased implementation of the CORSIA. The intention clearly is to accommodate “the special circumstances and respective capabilities of States, in particular developing States, while minimizing market distortion.” This is also in line with the principle of common but differentiated responsibility recognized under UNFCCC. Hence, it should be ensured that the CORSIA obligations in terms of global baselines of the international civil aviation sector do not hamper the growth of the industry in countries like India where international aviation sector is currently on a growth path from a low baseline. This will take into account the legitimate priority needs of emerging economies wherein growth trajectory is much higher than developed countries.

## **2.3 Monitoring, Reporting & Verification**

2.3.1 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.

2.3.2 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.

2.3.3 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.

## 2.4 Emissions Unit Criteria (EUC)

2.4.1 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 be required to offset emissions that surpass the established baseline of average emissions in 2019 and 2020.

2.4.2 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.

2.4.3 There are currently about two billion carbon offsets in circulation produced by the UN'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.

2.4.4 It may also be stated here that the matter regarding modalities for fixing the emission unit criteria and accounting of traded offsets is still under consideration under UNFCCC. The ICAO Council is a bit ahead of UNFCCC in dealing with this matter. However, it is important to ensure that the principles developed by ICAO in this regard are consistent with the principles developed by UNFCCC.

## 2.5 Commercial, Legal & Regulatory Challenges

2.5.1 Lack of legal guidance to enforce the CORSIA SARPs shall pose 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 defaulting 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.

2.5.2 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 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.

2.5.3 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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