



WORKING PAPER

ASSEMBLY — 42ND SESSION

EXECUTIVE COMMITTEE

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

ENHANCING GLOBAL AVIATION GOVERNANCE: ICAO'S ROLE IN HARMONIZING CORSIA FOR ORGANIZATIONAL TRANSITIONS

(Presented by India)

EXECUTIVE SUMMARY

This paper highlights regulatory uncertainties within the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), in the context of organizational restructuring, such as mergers and acquisitions, of aeroplane operators.

Specifically, there is a lack of clarity around baseline emissions for mergers involving existing and new entrants, and for demergers or corporate splits in the context of airlines previously operating under a unified corporate structure. This ambiguity risks inconsistent application of offsetting obligations across States from 2033 onward. India, therefore, proposes a set of recommendations to enhance transparency and regulatory certainty.

Action: The Assembly is invited to:

- instruct Council to draft detailed guidance covering emissions accounting in scenarios involving Mergers, demergers or splits and acquisitions as suggested in section 4 of the paper.
- request ICAO to organize specialized training sessions and workshops focused on emissions accounting during mergers, demergers or splits. These programs should be inclusive of all States, with additional support mechanisms for developing countries.
- request ICAO to update implementation toolkits and guidance documents in order to ensure that national authorities and operators are equipped with consistent, step-by-step procedures.
- encourage Member States to share anonymised case studies and solutions to implementation challenges relating to corporate transitions under CORSIA.

<i>Strategic Goals:</i>	This information paper relates to the Strategic Goal – <i>Aviation is Environmentally Sustainable</i> .
<i>Financial implications:</i>	NIL
<i>References:</i>	Annex 16 — <i>Environmental Protection</i> A41-22: Consolidated statement of continuing ICAO policies and practices related to environmental protection — Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

1. INTRODUCTION

1.1 In 2016, the International Civil Aviation Organization (ICAO) Assembly adopted Resolution A39-3, which established a decision to implement a global market-based measure (MBM) scheme aimed at addressing carbon emissions from international aviation. This framework includes the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as one of the primary instruments, alongside other measures such as advancements in aircraft technology, optimization of operational efficiencies, and the deployment of Sustainable Aviation Fuels (SAF). Together, these initiatives contribute toward achieving ICAO's global aspirational environmental objectives.

1.2 Resolution A41-22, paragraph 17 of the ICAO Assembly, reaffirms the organization's commitment to enhancing the effectiveness of CORSIA. It emphasizes the need to consider improvements to the scheme that align with the objectives of the Paris Agreement, especially its long-term decarbonization goals. Furthermore, it advocates for periodic updates to the scheme's design to foster more effective implementation, reduce market distortions, and reflect evolving best practices, particularly in relation to monitoring, reporting, and verification (MRV) requirements.

1.3 ICAO continues to encourage improvements in CORSIA's design elements to ensure uniformity, transparency, and adaptability across participating States. These enhancements are critical to harmonize implementation globally and to ensure the scheme remains responsive to emerging risks and innovative mitigation measures. A consistent regulatory framework bolsters the international community's capacity to respond collectively to environmental challenges.

1.4 Through Resolution A41-22, ICAO also urges Member States to uphold principles that promote equitable participation in CORSIA. This includes incorporating safeguard measures that enable sustained engagement by all States, with particular emphasis on addressing the interests and capacities of developing countries, thereby ensuring a more inclusive and balanced global approach.

1.5 Working Group 4 (WG4) of the ICAO's Committee on Aviation Environmental Protection (CAEP) plays a key technical role in supporting CORSIA by maintaining and updating its standards, tools, and procedures. However, the scope and prioritization of WG4's work are determined by CAEP, which receives strategic direction and policy guidance from the ICAO Council. This ensures that any new tasks assigned to WG4 align with ICAO's broader environmental objectives and international aviation's decarbonization commitments.

1.6 This paper identifies a pressing requirement for additional procedural guidance within CORSIA, particularly regarding the treatment of complex organizational changes such as mergers, demergers, splits, and acquisitions. Strengthening safeguards for such scenarios is essential to uphold transparency and consistency in emissions accounting and offsetting obligations.

2. IMPLEMENTATION OF CORSIA WITH REGARDS TO AIR INDIA AFTER MERGER WITH VISTARA

2.1 Air India has been subject to CORSIA compliance requirements since 2019. In contrast, Vistara qualified as a "new entrant" under CORSIA after surpassing the threshold of 10,000 tonnes of international CO₂ emissions during the same year.

2.2 On 12 November 2024, the Air India Group finalized the operational and legal integration of Air India and Vistara, thereby creating a unified full-service airline. This milestone represents a pivotal point in Air India's organizational transformation journey following privatization. Notably, this consolidation

occurred soon after the merger of the Group's two low-cost carriers—Air India Express and AIX Connect (previously known as Air Asia India)—which was completed on 1 October 2024.

2.3 In the transitional period, Vistara reported its international CO₂ emissions data independently under CORSIA until November 2024. Post-merger, Air India assumed responsibility for reporting the combined emissions for the final two months of the year under a unified operational umbrella. This scenario underscores the operational complexities in emissions tracking during structural transitions.

3. AMBIGUITY IN THE CALCULATION OF OFFSETTING OBLIGATIONS POST-MERGER, DEMERGER OR SPLIT

3.1 Guidance concerning the calculation of offsetting obligations in the context of organizational restructuring—such as mergers, demergers, acquisitions, or splits—is briefly addressed in paragraph 2.2.2.9 of ICAO Annex 16, Volume IV, and further elaborated under paragraph 4.3.2 of the ICAO Environmental Technical Manual (ETM) Doc 9501.

3.2 The ICAO ETM Doc 9501 states that – “Where there is a complete acquisition of an aeroplane operator or a complete merger of two or more aeroplane operators the reference CO₂ emissions in the 2019-2020 period for the resulting aeroplane operator should be the sum of the reference CO₂ emissions in the 2019-2020 period that had been attributed to the acquired or merged entities.”

3.3 Gaps in Case of Mixed Entrants or demergers or Corporate Splits- Despite the guidance provided for full mergers or acquisitions, there is an evident lack of clarity regarding:

- The establishment of baseline emissions for situations involving the merger of an existing CORSIA-participating operator and a new entrant.
- The treatment of airline operators that previously functioned under a parent–subsidiary structure but later underwent a demerger or a corporate split.

3.4 The absence of comprehensive instructions to address such complex situations may lead to inconsistency and uncertainty among States regarding the calculation of offsetting obligations—especially as these are influenced by the individual growth factors starting in 2033. Without clearly defined rules, differing interpretations may undermine the uniform application of the scheme.

4. SUGGESTIONS FROM INDIA

4.1 Development of Comprehensive Guidance for States regarding organisational restructuring concerning airline operators in the context of CORSIA compliance

4.1.1 ICAO should prioritize the development of detailed guidance addressing the calculation of offsetting obligations in the context of organizational restructuring. Specific provisions should cover:

- Mergers involving both established and new entrant operators under CORSIA.
- Demergers or corporate splits where operational activities previously reported under a unified corporate structure are divided between two or more entities.
- Clarification on baseline recalculation for merged or restructured operators in light of their individual emission growth trajectories.

4.1.2 Such guidance will enhance transparency, reduce discrepancies in implementation across States, and help maintain the environmental integrity of the scheme.

4.2 Inclusion of Safeguard Mechanisms

4.2.1 It is recommended that ICAO consider integrating flexible safeguard mechanisms within CORSIA's design to account for unforeseen operational transitions such as mergers, demergers, acquisitions, restructuring, splits or cessation of operations. These mechanisms should:

- Support uninterrupted compliance through transitional accounting procedures.
- Prevent unintended penalization or duplication of obligations for operators undergoing structural changes.
- Ensure continued engagement and equitable participation by operators, especially those from developing nations.

4.3 Enhancement of Capacity-Building and Best Practice Sharing

4.3.1 ICAO should facilitate capacity-building workshops and technical exchanges among Member States and operators to share best practices on managing emissions reporting in light of mergers, demergers, acquisitions and splits. Greater knowledge-sharing can streamline compliance and ensure consistent interpretation and application of CORSIA provisions globally.

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