



WORKING PAPER

ASSEMBLY — 42ND SESSION

EXECUTIVE COMMITTEE

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

ADDRESSING COSTS EXPECTED UNDER CORSIA

(Presented by Pakistan)

EXECUTIVE SUMMARY

This working paper highlights the need to address the financial implications of implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), particularly for developing States. Following the 41st Session of the International Civil Aviation Organization (ICAO) Assembly, the CORSIA baseline was revised, which is expected to result in the first positive Sectoral Growth Factor (SGF) for 2024 and requiring aeroplane operators to undertake offsetting obligations. These obligations introduce additional costs, primarily through the procurement of CORSIA Eligible Fuels (CEFs) and CORSIA Eligible Emissions Units (EEUs).

Developing States, where aviation is a vital enabler of socio-economic development, are expected to face disproportionately higher compliance costs. This is due to both the limited scope of accepted feedstocks for CEFs and the narrow range of eligible offset units under current EEU criteria. Furthermore, the technical and financial barriers to certification and production of sustainable fuels discourage participation by producers in these regions. These challenges may limit the contribution of developing States to global climate objectives.

To ensure that climate action under CORSIA is both effective and inclusive, ICAO is urged to review and expand its criteria for both CEFs and EEUs.

By addressing these cost-related barriers, ICAO can reinforce the integrity and fairness of CORSIA, ensure broader international participation, and support the sustainable development of aviation in emerging economies.

Action: The Assembly is invited to:

- request ICAO to review the criteria for CEF, including expansion of accepted feedstocks and reduction of entry barriers for producers in developing States;
- request ICAO to review and expand the list of EEUs under CORSIA, including potential offsets under Article 6.4 mechanism of the Paris Agreement; and
- take all possible actions to reduce the financial burden on developing States and their aircraft operators in implementing CORSIA.

*Strategic
Goals:*

This working paper relates to the Strategic Goal – *Aviation is Environmentally Sustainable*

<i>Financial implications:</i>	
<i>References:</i>	

1. INTRODUCTION

1.1 The first phase of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) is currently underway. In a decision taken during the 41st Session of the International Civil Aviation Organization (ICAO) Assembly, Member States agreed to revise the baseline used for calculating offsetting obligations under the scheme. The decision to adjust the baseline for CORSIA was taken to ensure that the scheme would have a meaningful impact on managing aviation emissions.

1.2 The application of this revised baseline places a disproportionate economic burden on developing States, potentially affecting the competitiveness and connectivity of their aviation sectors. The adjusted baseline is expected to yield the first positive Sectoral Growth Factor (SGF) for 2024, meaning that offsetting will be required by aeroplane operators subject to Monitoring, Reporting, and Verification (MRV) requirements and who have operated on routes between States voluntarily participating in CORSIA.

1.3 Offsetting requirements will introduce additional costs for operators, specifically for the procurement of CORSIA Eligible Fuels (CEFs) and CORSIA Eligible Emissions Units (EEUs), to reduce and offset emissions, respectively.

1.4 Developing States are likely to face a relatively higher burden, as aviation is a key driver of economic growth and operators often work with narrow profit margins.

1.5 ICAO is requested to broaden both the criteria for CEFs and EEUs to maximize the cost reduction options available to aeroplane operators in developing States, while ensuring that it continues to meet its climate action ambitions.

2. DISCUSSIONS

2.1 One of the issues with CEFs is the limited scope of feedstocks accepted under the CORSIA Eligible Fuel Criteria. This limits the availability of CEFs, as many potential feedstocks available in developing States are not considered compliant with the current criteria. Given the already high costs associated with CEFs, this approach places an additional financial burden on aeroplane operators attempting to reduce their offsetting obligations under CORSIA.

2.2 Another concern is that the technical complexities involved in sustainability certification and lifecycle assessment of CEFs act as deterrents for producers in developing countries to apply for certification under the scheme. Additionally, due to the high capital investment required to establish CEF production, this approach by ICAO diminishes the potential contributions that developing States can make—even when they have ample feedstock available in large quantities.

2.3 With regard to CORSIA EEUs, ICAO has adopted a restrictive approach that limits the range of offsets qualifying as eligible. Although the emphasis on avoiding double counting is understandable, there is a need to review the current process and consider the inclusion of additional offsets. Specifically, ICAO may consider leveraging provisions under Article 6.4 mechanism of the Paris Agreement, which aligns with the United Nations (UN) Sustainable Development Goals (SDGs)—

particularly projects under Article 6.4. Since the UN will recognize these projects as acceptable, ICAO may consider including them as CORSIA EEUs to help expand the supply of offsets.

2.4 Based on the above, ICAO is encouraged to proactively work toward reducing the financial burden on aeroplane operators in developing countries, thereby fulfilling its climate commitments while simultaneously supporting the sustainable development of aviation in these States.

3. **CONCLUSION**

3.1 ICAO is urged to review its eligibility criteria for CEFs and EEUs with a view to reducing financial burdens on developing States and supporting essential aviation growth, while meeting climate action goals. Broadening the eligibility criteria will not only enhance cost-effectiveness but also ensure that climate action is pursued in a manner consistent with ICAO's principle of No Country Left Behind.

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