



WORKING PAPER

ASSEMBLY — 40TH SESSION

EXECUTIVE COMMITTEE

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

CORSA: NECESSARY FUTURE WORK

(Presented by Brazil)

EXECUTIVE SUMMARY

The 39th Session of the ICAO Assembly approved the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), creating the first market-based measure applied worldwide for a single industry. Brazil supports international coordinated measures that contribute to the mitigation of greenhouse gas emissions promoting the sustainable development of international civil aviation and is fully committed to the implementation of CORSA.

Brazil has identified two aspects that shall demand special attention from the Council in order to ensure the successful implementation of the scheme. The first one is a criterion for calculating the new entrants' baseline. The definition of the new entrant's baseline is an issue unresolved by the ICAO technical bodies that will have practical implications when the individual approach will be in place. All the aeroplane operators that start operating internationally after 2019 will not have a 2019-2020 baseline and, therefore, it will not be possible for them to calculate the individual growth of their emissions. The second aspect is a decision by the Council on eligible units and recognition of special circumstances of United Nations Framework Convention on Climate Change (UNFCCC) mechanisms. Brazil is of the strong view that the Clean Development Mechanism (CDM) of the Kyoto Protocol and the mechanism established by Article 6, paragraph 4 of the Paris Agreement are key for the successful implementation of CORSA as they can provide units at scale, while ensuring environmental integrity.

Action: The Assembly is invited to:

- a) Acknowledge that ICAO shall decide on the criteria for the new entrants' baseline, considering the impacts of the lack of a robust criterion for when the individual approach is in place.
- b) Request the Council to provide the guidance for the new entrant's baseline definition, which shall avoid anticompetitive practices.
- c) Welcome the establishment of the standing Technical Advisory Body (TAB) and to request the Council to consider its recommendations as soon as possible, while recognizing the special circumstances of UNFCCC mechanisms.

Strategic Objectives:

This working paper relates to Strategic Objective E – Environmental Protection

<i>Financial implications:</i>	N/A
<i>References:</i>	<ul style="list-style-type: none">• Resolution A39-3 of the ICAO Assembly

1. INTRODUCTION

1.1 The 39th Session of the ICAO Assembly approved the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), creating the first market-based measure applied worldwide for a single industry. CORSA, as a temporary and complementary measure, represents an important achievement that reaffirms the international commitment to the sustainable development of civil aviation.

1.2 The Council approved, at its 214th Session, the International *Standards and Recommended Practices* (SARPs) related to CORSA (Annex 16, Volume IV). The SARPs and the Implementation Elements compose the CORSA package, which is the set of rules, recommendations, guidance and instruments necessary for the adequate functioning of CORSA.

1.3 CORSA is already in place and States should take the necessary actions to carry out the emissions Monitoring, Reporting and Verification (MRV) according to the approved SARPs. Brazil understands that the MRV is the backbone of CORSA, as having quality data on emissions will be crucial for the environmental integrity of the scheme. In that context, it is important to acknowledge and congratulate the work conducted by the ICAO Secretariat, in coordination with Member States, promoting training and workshops within the Assistance, Capacity Building, and Training for CORSA (ACT-CORSA) programme.

1.4 Recognizing the progress made on developing the main CORSA implementation elements, Brazil highlights that some important issues remain under discussion and invites the Assembly to address them and instruct Council accordingly.

2. DISCUSSION

2.1 Brazil is fully committed to the implementation of CORSA. The Government has introduced Chapters 1 and 2 from Annex 16, Volume IV into the domestic regulatory system, creating the foundations for the emissions MRV processes. The introduction of Chapters 3 and 4 into the national regulatory framework is currently under consideration, as they demand coordination between different governmental bodies.

2.2 In the scope of the CORSA implementation process, Brazil has identified two aspects that shall demand special and urgent attention by the Council.

2.3 The first one is the definition of a criterion for calculating the new entrants' baseline. Since the 39th Session of the Assembly, Brazil has consistently presented its concern on how the individual approach may lead to market distortions, as it favours developed and mature markets and imposes a higher burden on developing and non-mature markets, what contradicts the Common but Differentiated Responsibilities principle of UNFCCC. In addition to that, while discussing the Chapter 3 implementation among several government bodies in Brazil, experts identified that the individual

approach, which defines the offsetting obligation based on the aeroplane operator's growth, would clearly favour the aeroplane operators already established in the market, while posing a higher burden on new entrants and growing-stage aeroplane operators. This would not only go against the Chicago Convention Principle of non-discrimination, but also could be incompatible with national competition laws and regulations.

2.4 The definition of the new entrant's baseline, for when the individual approach will be in place, is an issue unresolved by ICAO technical bodies. Even though the practical effects of not defining criteria for the determination of a baseline for the new entrants will only show up when the individual approach is applied, the lack of this criteria affects every aeroplane operator that started its operation from 2019 and every other one that still will start its operations. These aeroplane operators will not have a 2019-2020 baseline and, therefore, it will not be possible for them to calculate the individual growth of its emissions. While only the sectoral approach is in place, the calculation is simple, as the same percentage will apply to all operators (the sectoral growth factor calculated by ICAO). The issue of new entrants' baseline within the individual approach was not addressed by the A39-3 Resolution. While recognizing that this is a technical aspect that should be dealt with by the ICAO Committee on Aviation Environmental Protection (CAEP), Brazil highlights that a request from the Assembly for the Council to give political guidance on this matter is necessary. Depending on the criterion decided, the burden on new entrants could be proportionally much higher than on established aeroplane operators, characterizing an anticompetitive practice.

2.5 The second aspect that Brazil would like to highlight is the definition of the eligible units. The purchase of credible emissions units is fundamental for ensuring the environmental integrity of CORSIA. Brazil is of the strong view that the Clean Development Mechanism (CDM) of the Kyoto Protocol and the mechanism established by Article 6, paragraph 4 of the Paris Agreement are key for the successful implementation of CORSIA. That is the reason why ICAO Member States decided to grant them privileged eligibility under the scheme, as per paragraph 21 of A39-3. Aeroplane operators will need a large supply of certified emission reductions for fulfilling their offsetting obligations from 2021, and only UNFCCC mechanisms can provide them at scale, while ensuring environmental integrity. Brazil also underlines that, in accordance with paragraph 24 of A39-3, Member States requested the Council to promote the use of emissions units that benefit developing States.

2.6 Brazil welcomes the establishment of the Technical Advisory Body (TAB) in 2018 and looks forward to its recommendations on eligible emissions units to the Council. An early decision by the Council, while respecting the agreed procedures and responding to all emissions unit criteria in a balanced way, will ensure that aeroplane operators include the purchase of eligible units as part of their business strategies. Such decision will also send a clear signal to the carbon market and raise awareness of CORSIA and its rules amongst programs. That decision should also reiterate and recognize the special circumstances of UNFCCC mechanisms, as the multilateral mechanisms are key to the successful implementation of CORSIA offsetting obligations.

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