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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)

THE NEED FOR A SMOOTH TRANSITION FROM CORSIA MBM TO SAF: PROPOSAL OF A WAY FORWARD

(Presented by Brazil)

EXECUTIVE SUMMARY

While expressing support for ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), this paper highlights Brazil's concerns about: i) the means of achieving ICAO's long-term climate goals, which will require increasing proportions of Sustainable Aviation Fuels (SAF); and ii) the lack of a clear way of ensuring a smooth and predictable path to the phase-out of CORSIA's market-based measures (MBMs) by 2035. To address these concerns, this paper proposes to provide the Council, with the technical support of the ICAO Committee on Aviation Environmental Protection (CAEP), with a mandate to study and propose a mechanism to promote a smooth transition from offsets to SAF.

Action: The Assembly is invited to:

a) agree on the need for further action to assure an orderly and gradual phase-out from the reliance on market-based measures in CORSIA, as part of ICAO's 2050 Vision for Sustainable Aviation Fuels and as a means to achieve ICAO's long-term climate goals; and

b) request the Council, with the technical contribution of CAEP, to study and develop a mechanism to guarantee a smooth transition from the use of global Market-Based Measures to the use of Sustainable Aviation Fuels and other measures from the ICAO basket of measures to ensure the long-term feasibility of the ICAO aspirational climate goals.

Strategic Objectives:	This working paper relates to Strategic Objective E – Environmental Protection
Financial implications:	No additional funding required
References:	• Resolution A39-2 of the ICAO Assembly • Resolution A39-3 of the ICAO Assembly

1. INTRODUCTION

1.1 The first ICAO Conference on Aviation and Alternative Fuels (CAAF/1, Rio de Janeiro, 2009) endorsed the use of aviation alternative fuels as an important means of reducing aviation emissions. More recently, the ICAO Council endorsed the declaration of the Second ICAO Conference on Aviation and Alternative Fuels (CAAF/2, Mexico, 2017), which calls for a significant proportion of SAF use by 2050, for international civil aviation to reduce carbon emissions.

1.2 ICAO Resolution A39-2 already recognized that the technological feasibility of drop-in SAF is proven and that the introduction of appropriate policies and incentives to create a long-term market perspective is required. It also requested States to set a coordinated approach in national administrations for policy actions and investments to accelerate the appropriate development, deployment and use of clean and renewable energy sources for aviation, including the use of SAF, in accordance with their national circumstances.

1.3 ICAO Resolution A39-3 established the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as a complementary solution to be used between 2021 and 2035 to achieve the mid-term ICAO climate aspirational goals (carbon neutral growth from 2020) and affirms the preference for the use of aircraft technologies, operational improvements and sustainable alternative fuels over Market-Based Measures (MBMs), which are intended as a transitional mechanism, to be phased-out by 2035.

2. THE FUTURE ROLE OF SAF WITHIN ICAO'S LONG-TERM CLIMATE GOALS

2.1 Under CORSIA, the use of SAF is not only a means for operators to reduce their offsetting requirements, but also the single most important solution to achieve ICAO´s emissions reduction goals after the scheme's termination. SAF, therefore, shall play an essential role in reducing CO_2 emissions from international aviation in the long term.

2.2 Although enormous efforts have been made and progress achieved in proving the technical feasibility of drop-in SAF, the commercial scale-up and availability of supply is still at its very early stages with little real contribution towards ICAO's climate aspirational goals.

2.3 The main barrier, as identified in several studies, is that globally many SAF (or bioenergy) policies do not include aviation, or the existing ones do not establish a sufficient incentive to the industry to boost the large-scale production and to bridge the cost gap between fossil fuel and SAF. The current policy landscape favours ground transport over aviation and incentivizes production to be directed towards road-based end users.

2.4 Moreover, SAF development and deployment requires important investments and time. New pathways can take many years of research and certification to be developed and normally new production facilities also take a few years to become operational.

2.5 Thus, only long-term, stable policies and objectives, including sufficient economic incentives and proper recognition of SAF´s positive environmental externalities, can encourage the necessary capital investments from both the public and private sectors.

3. THE NEED FOR A MECHANISM TO GUARANTEE A SMOOTH TRANSITION FROM MBM TO SAF

3.1 CORSIA represents a very important, ambitious instrument to achieve ICAO´s emissions reductions goals. It creates a scheme for MBMs as a necessary transitional instrument, in line with Resolution A39-3, proposing the date of 2035 for its phase-out, and incorporates SAF as an integral way for aviation operators to comply with offsetting requirements.

3.2 However, as it is currently structured, CORSIA lacks a crucial component: a smooth phase-out exit path that would lead from the current situation, where, due to the lack of sufficient competitive supply of SAF, most of the aviation carbon emissions growth from 2020 will have to be neutralized through offsets from other sectors, to the intended situation post-2035, where all the emissions reductions will need to be achieved within the aviation sector itself. The lack of a predictable, gradual path may not only create uncertainty among investors and operators about changes to be due after the end of MBMs, but also risk compromising the global long-term credibility of CORSIA and of ICAO´s climate goals.

3.3 It is therefore suggested that the ICAO Assembly provides the Council with a mandate to study and develop, with the technical support of CAEP, a mechanism to guarantee a smooth transition from the use of MBMs to a stepped up use of SAF and other measures in the basket as a means to ensure the long term feasibility of the aspirational goal of keeping the global net CO_2 emissions from international aviation from 2020 at the same level, to create a clear, stable and predictable exit path from MBMs, and to contribute to create the conditions for more ambitious long-term goals, as is the objective of the industry.

3.4 Under the present conditions, policies and mechanisms, a probable scenario is that it will be cheaper for operators to offset their emissions by purchasing emissions units than by covering the price gap between fossil fuel and SAF. Acknowledging the small competitive margins of the airlines, there might be very little incentive for them to use SAF, as it is the case today.

3.5 Acknowledging the above concerns, as well as the unavoidable need for each sector to find the ways to reduce their own carbon emissions in a long-term scenario, the transition towards the termination of CORSIA MBMs should necessarily include policy mechanisms to gradually reduce the aviation sector´s reliance on MBMs, support the achievement of incremental goals on the use of SAF and other measures from the basket, and mitigate the risk of an abrupt, disruptive change in 2035, the end date for MBMs, avoiding competitive market distortions.

3.6 Such a transition mechanism, whose characteristics and scope would be defined as part of the work to be undertaken by the Council, with the technical support of CAEP, could be gradually structured and implemented as part of the periodic review process of CORSIA.

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