



WORKING PAPER

ASSEMBLY — 41ST SESSION

EXECUTIVE COMMITTEE

Agenda Item 18: Environmental Protection – Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

REDEFINING THE CORSIA PERIODIC REVIEW

(Presented by India)

EXECUTIVE SUMMARY

The operative clause 17 of Assembly Resolution A40-19 decided that the periodic review of the CORSIA should involve assessing the progress towards achieving the ICAO's global aspirational goals; the scheme's market and cost impact on States and aeroplane operators and on international aviation; and the functioning of the scheme's design elements.

MBMs is one of the important measures contributing to the sustainable development of air transportation. The periodic CORSIA review should comply with the guiding principles for the design and implementation of market-based measures (MBMs) for international aviation, listed in the Annex of Assembly Resolution since 2016.

This paper proposes the application of laid down principles for future actions over the 2023 – 2025 triennium in the review, and update of Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)-related Standards and Recommended Practices (SARPs) and guidance, as well as the CORSIA Design Elements, toward implementation of CORSIA.

Action: The Assembly is invited to:

- a) take note of the importance of interpreting the implication of the designing and implementation of the guiding principles of market-based measures (MBMs) for international aviation to the task of periodic CORSIA review;
- b) request Council to improve the methodology of CORSIA periodic review based on the suggestions presented in this working paper;
- c) request Council to agree to address the adverse impact of the factors such as COVID-19 on the growth of international civil aviation sector through assessment of the baseline, sectoral and individual growth factor, with the aim of providing more reasonable reference conditions for the developing Member States; and
- a) request Council to include safeguards in design of CORSIA scheme and assessment of scheme with respect to safeguards in the periodic reviews.

<i>Strategic Objectives:</i>	This working paper relates to the Environmental Protection Strategic Objective.
<i>Financial implications:</i>	
<i>References:</i>	

1. INTRODUCTION

1.1 The operative clause 17 of Assembly Resolution A40-19 decided that the periodic review of the CORSIA should involve assessing the progress towards achieving the ICAO's global aspirational goals; the scheme's market and cost impact on States and aeroplane operators and on international aviation; and the functioning of the scheme's design elements.

1.2 This paper provides considerations on some inputs to the methodology of CORSIA review and the suggestions for design elements that should be reviewed. The paper also suggests amendments to Annex 16, Volume IV, based on the COVID-19 impact.

1.3 The cumulative CO₂ emissions of developed countries and their share in emissions from international civil aviation sector is far above the global average required to stabilise the climate urgently. Measures to stabilise and reduce emissions globally need to be taken urgently even as the emissions of developing countries will need to continue to grow in order to fulfil their UN Sustainable development goals. The COVID-19 has impacted on the growth of emissions from the international civil aviation sector. While the goal was to have carbon neutral growth from 2020 onwards, COVID-19 has brought the emissions to the level of 2005 emissions, in the year 2020. It is established that the continued application of CORSIA should require developed nations with higher share in international civil aviation to continue to take lead in CORSIA offsetting while the voluntary phase of the scheme for developing nations is extended further.

2. ELEMENTS OF CORSIA WHICH NEED TO BE REVIEWED

2.1 Compliance of guiding principles of market-based measures (MBMs) for CORSIA in international aviation

2.1.1 MBMs are one of the measures aimed at contribute to sustainable development of air transportation. The periodic CORSIA review should assess the compliance of the scheme with the guiding principles for the design and implementation of market-based measures (MBMs) for international aviation, listed in the Annex of Assembly Resolution since 2016. As the developed countries have historically emitted much more emissions which has caused climate change, and the emissions in the international aviation in developing countries are still growing and will peak in later years, the application CORSIA in future needs to be decided in light of the lessons learnt from the impact of COVID 19 and the principles of CBDR & RC.

2.1.2 Having regard to the above and, with the view of achieving the objective of periodic review of CORSIA more efficiently, this paper proposes that, the methodology of applying CORSIA should be amended in light of the guiding principles for the design and implementation of market-based measures (MBMs) for international aviation.

2.2 **Suggestions for amendments to the design elements of CORSIA**

2.2.1 **Background**

2.2.1.1 The CAEP technical groups have different technical interpretation of the guiding principles of MBMs, and the Member States and the CAEP experts have not reached a consensus on the implication of the guiding principles of MBMs for international aviation. For instance, there are different understanding of the principle of non-discrimination and the principle of minimizing market distortion, namely:

- some experts consider that non-discrimination just means that all the aeroplane operators which operate on the same route implement the CORSIA, and that this can help to minimize market distortion;
- some other experts insist that each ton of CO₂ emission has the same impact on climate change, no matter which route the aeroplane operator operates, or no matter what the growth rate of the aeroplane operator has. Only each ton of CO₂ emission undertaking identical responsibility can reflect the principles of non-discrimination and minimizing market distortion.

2.2.1.2 The divergence in the understanding of the guiding principles for the design and implementation of MBMs for international aviation does not assess the impact of each ton of cumulative CO₂, but addresses only future growth will cause inefficiency in the periodic review task.

2.2.2 To demonstrate the point, under A/40-18 clause g) and clause p) of the guiding principles for the design and implementation of MBMs, following is suggested regarding metric and corresponding criteria as an example:

- the percentage of emissions to offset in relation to the total CO₂ emission of the individual aeroplane operators in the scope of Chapter 3 of Volume IV in each CORSIA phase. The criterion of this metric is that its value should, at least, keep roughly the same along time; and
- if the reviewing results reveal a difference with the above criteria, the baseline of individual emissions or the calculation formula of offsetting responsibility should be revised.

2.3 **Revision in CORSIA Baseline**

2.3.1 The amendment in the baseline to year 2019 instead of average of 2019-2020 for the pilot phase was a specific decision made by the ICAO in view of the adverse impact of COVID-19 regulations on the growth of international aviation. However, the impact of this amendment in terms of actual restoration of civil aviation activities as well as the level of ambition and equivalent/proportional burden sharing amongst the member countries in different phases of CORSIA is uneven. The matter of a common baseline for all countries, developed as well as developing, having differential capacities and growth potential continues to be a matter of major concern to most developing country member States. As the market share of some developing countries in international operations is insignificant, the current baseline determination is likely to lead to two consequences:

- the airline operator may have to restrict their international operations to limit their offsetting requirements; or
- there may be a disproportionate burden of emissions that are required to be offset when the airline operator joins in the second phase of implementation.

2.3.2 In view of the above, the baseline for the first phase may be taken as 2019 only or somewhere near to 2019 levels, but for the mandatory phase it should be reviewed as the baseline for

mandatory phases may need to be revised to average of years closer to mandatory phase as it can be seen that due to the COVID impact we may see the stability in emissions in the years 2025-2026.

2.4 Revision in the criteria for Sectoral and Individual Growth Factor (IGF)

2.4.1 Offsetting requirements under CORSIA are based on a certain proportion of sectoral and individual growth factors in different phases... COVID 19 has denied 6 years of growth to certain member countries that have no mandatory offsetting obligations till 2027. This has disturbed the balance of the scheme. Further, the CAEP study during CORSIA review of 2022 has indicated that IGF will cause market imbalance. The lowering of baseline will increase the offsetting requirements for such developing countries due to application of IGF. This may lead to market imbalance and will affect growth and ultimately the SDGs.

2.4.2 Therefore, in CORSIA reviews the impact of the individual growth factor should be always assessed for correction and if necessary complete removal so that the scheme does not bring market imbalance and restrict the growth of aviation.

2.5 Revision in the threshold for coverage under CORSIA

2.5.1 The mandatory phase of CORSIA applies to countries from 2027 onwards. There is a need to revisit the issue of threshold applying to developing countries whose shares in the international civil aviation market is low. The year for calculation of current threshold is 2018 which is too far away from the mandatory phase.

2.5.2 It is therefore suggested that the relevant year for application of 0.5% RTK 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. The criteria of RTK needs to be weighed in line with the share in cumulative global emissions, as aviation has an immense role in bringing about the development of a State and dealing with SDG 1- Poverty reduction.

2.5.3 ICAO provides for phased implementation of the CORSIA, to accommodate “the special circumstances and respective capabilities of States, in particular developing States, while minimizing market distortion.” Hence, it should be ensured that additional ‘CORSIA obligations on account of application of IGF do not hamper the growth of the industry in developing countries where international aviation sector is currently on a growth path from a very low threshold.

2.6 Safeguards for CORSIA Review

The profound impact of COVID-19 on CORSIA scheme has warranted that the scheme needs to have safeguards. In the feedback on CORSIA many States have called for building safeguards into the scheme. CORSIA review methodology should have a process for assessments of possible disruptive events (natural, geo-political, economical, etc.), and building of safeguards for such events so as to ensure that the scheme does not cause unviable burden on the operators. In this respect as the pandemic is still not over and the operators will continue to be affected by the impact of pandemic, the scheme should continue to be monitored for the COVID 19 impact.