



DIRECTORS GENERAL OF CIVIL AVIATION-MIDDLE EAST REGION

Second Meeting (DGCA-MID/2)
(Jeddah, Saudi Arabia, 20-22 May 2013)

Agenda Item 8: Environmental Protection

INTERIM GLOBAL MARKET BASED MEASURE (MBM) SCHEME

(Presented by Jordan)

SUMMARY

The International Civil Aviation Organization (ICAO) Assembly of 2013 provides a unique opportunity to make progress on globally agreed market based measures to address the fast growing emissions from international aviation. All eyes will be on the ICAO general assembly in September 2013 to see if a solution can be found. By narrowing down the market-based options on the table, ICAO is making significant progress towards the long-awaited global deal to curb aviation emissions. This WP will propose a balanced and Interim Global MBM based on the Global Mandatory Offsetting Option, and the belief that any global MBM is an indispensable part in the basket of measures to reduce international aviation emissions. Understanding that disagreement persists among MSs

REFERENCES

- EU Decision (December 2012): Stopping the Clock of ETS and Aviation Emissions until ICAO Assembly of 2013.
- ICAO's Assembly Resolution A37-19
- (Convention on International Civil Aviation) Article (44-e)
- Kyoto Protocol / (1997-2012) and (2013-2020) Article (2-2)
- The Historical Sequence Toward a Global MBM Schemes/ Appendix (1) to this WP

1. INTRODUCTION

1.1 Jordan reaffirm that ICAO is the globally recognized and accepted forum for dealing with international aviation matters, including environmental related issue. Dealing with greenhouse gas emissions resulting from international civil aviation undoubtedly requires a global approach to be carried out by ICAO, especially in the period following the extension of Kyoto Protocol up to 2020, and the European Commission agreement to freeze the EU-ETS law for a year was intended to spur the creation of a less contentious global alternative at ICAO.

1.2 However such a global approach should not ignore the interests of developing countries, or place unreasonable financial or economic burdens on these countries. These countries are not historically responsible for climate change in the first place. Therefore, any global approach should take into consideration the Common but Differentiated Responsibilities (CBDR) principle, and the countries' abilities and capabilities. It should also be consensual, and non-discriminatory. It is Jordan faith that any global MBM has to be of high environmental integrity; resolving developing country concerns be a key priority; the basis of any global MBM should be outbound flights; Chicago Convention Article (44-f): "Insure that the rights of contracting States are fully respected and that every contracting State has a fair opportunity to operate international airlines" does not contradict the CBDR in principle if the advanced industrialized countries consider its historical responsibility and the maturity of its commercial aviation activities. Accordingly, Jordan has recommended an Interim Global MBM Scheme "simple, predictable and manageable, taking into account the different scale of activity undertaken by developed and developing states." (Action by the meeting is at paragraph (4)).

2. DETAILS

2.1 Although ICAO's Assembly Resolution A37-19, made ICAO the first United Nations Agency to lead a sector in the establishment of a globally harmonized agreement for addressing its CO2 emissions. With the following key elements:

- Global Aspirational Goals: 2% annual fuel efficiency improvement and stabilizing its global CO2 emissions at 2020 levels.
- Basket of Mitigation Measures: Technological Measures – CO2 certification Standard, etc.; Operational Measures – Air Traffic Management, etc.; Market-based Measures – framework / a global scheme and Sustainable Alternative Fuels for Aviation
- States' Action Plans, allowing: Sates to identify measures on CO2 emissions reduction activities and ICAO to monitor progress in achieving the global aspirational goals and address assistance needs of States.

2.1.1 But this ICAO's Assembly Resolution was incomplete and fragmented. ICAO's Resolution is also fragile, with qualifications in the language used in a number of clauses as well as in the form of reservations placed by 44 European States and, for differing reasons, 19 other States on one or more key paragraphs (meaning that these States are not committed to abide by the clauses concerned). Nevertheless its results provide building blocks for progress that we observe today. Therefore, this Assembly Resolution needs further improvement.

2.2 The United States, China, India and Russia all lobbied fiercely against the EU law's planned implementation date of 2012. The countries won a one-year reprieve from Europe, where officials were worried about touching off a trade war. In November the European Commission said its agreement to freeze the law for a year was intended to spur the creation of a less contentious global alternative at ICAO. Since then ICAO's working group has considered various market-based measures to address emission.

2.3 According to ICAO, CO2 emissions from international aviation in 2010 amounted to around 400 million tons (about 60% of total global aviation emissions) and are forecasted to grow to approximately 650 million tons in 2020, even allowing for the annual 2% fuel efficiency improvement target agreed at the ICAO Assembly in 2010. With the growth in CO2 emissions from international aviation therefore outstripping the ability to limit them through technology and operational means, market-based measures (MBMs) have long been seen as the means to close the gap but agreement amongst ICAO's 190 member states on their application has so far proved elusive.

2.4 The MBM options which have been identified by ICAO are global mandatory offsetting (Option 1), global mandatory offsetting complemented by a revenue generation mechanism (Option 2) and a global emissions cap and trade system (Option 3). Global mandatory offsetting (Option 1) Under this option, international aviation emissions are offset through the surrender of eligible emissions allowances and credits, with offsetting set at a level above a specific baseline up to 100% of emissions. If a baseline is used, this requires a method to distribute the baseline amongst individual participants, known as benchmarking or grandfathering. The option requires a globally harmonized approach on benchmarking, MRV, enforcement, offset quality standards and registries to track transfers, surrender and cancellation of credits. Option 2 is similar to Option 1 but the revenues determined differently. There are two broad approaches that can be used to deliver this option. In the first, emissions are offset by participants as per Option 1 but additional revenues are raised for further mitigation efforts, which would require a transaction fee to be fixed and applied, for example, to the surrender of offsets or per ton of CO₂. In the second approach, offset revenues are collected by a centralized entity or entities and are calculated by multiplying reported emissions by an agreed price fixed for each compliance period. The agreed price should sufficiently cover the cost of offsets and the revenue necessary for further mitigation purposes. However, the AWG is understood to have decided against this approach, largely because of the complexity involved. Option 3, a global emissions cap and trade system, would be similar to the EU ETS in concept, in which an overall cap is set for all international aviation emissions for a specified compliance period, with the creation of allowances based on one allowance equivalent to one ton of CO₂.

3. RECOMMENDATIONS

3.1 In light of the above paragraphs, Jordan present the following suggestion to tackle the issue of an Interim Global Market Based Measure (MBM) Scheme:

- a) Secure agreement under the International Civil Aviation Organization (ICAO) during (ICAO) Assembly of 2013 for an Interim Global Market Based Measure Approach, based on the global mandatory offsetting option as specified in Para (2.4) above.
- b) The suggested Global MBS based on the outbound flights and applicable on the developed Member States for an initial phase as of the agreed date of its applicability.
- c) The developing Member State is to be excluded from the Global MBS until the expiry of Kyoto Protocol in 2020.
- d) The said MBM proposal for curbing aircraft emissions would exclude time spent flying over international waters.
- e) All Member States (Developed and Developing) shall implement a basket of mitigation measures that include:
 - Technological Measures and CO₂ certification Standard;
 - Operational Measures – Air Traffic Management, Aerodrome and Aircraft Operations.
 - Mandatory States' Action Plans subject to the ICAO continuous monitoring approach.
- f) Urge the Seven Region States to develop a mechanism for Seamless Single Skies.

4. ACTION BY THE MEETING

4.1 The meeting is invited to:

- a) note the information presented; and
- b) to adopt/revise/amend /add to the recommendations proposed in this paper.

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