



**WORKING PAPER**

**HIGH-LEVEL MEETING ON A GLOBAL MARKET-BASED  
MEASURE SCHEME**

**Montréal, 11 to 13 May 2016**

**Agenda Item 1: Review of draft Assembly Resolution text on a global MBM scheme for international aviation**

**Agenda Item 2: Recommendations to the 208th Session of the Council**

**ICAO GLOBAL AVIATION DIALOGUES (GLADS)**

(Presented by the Secretariat)

**EXECUTIVE SUMMARY**

The 38th Session of the ICAO Assembly in 2013 agreed to develop a global market-based measure (MBM) scheme for international aviation, and requested the Council to organize seminars and workshops (Assembly Resolution A38-18, paragraph 19 b)).

ICAO concluded two rounds of Global Aviation Dialogues (GLADs) on MBMs during April 2015 and March-April 2016, covering all ICAO regions, to provide information on the ICAO work towards the development of a global MBM scheme for international aviation and to familiarize participants with draft Assembly Resolution text.

The GLADs served as an important opportunity to prepare for this High-level Meeting on a Global MBM Scheme and subsequently for the 39th Session of the ICAO Assembly (27 September – 7 October 2016).

Action by the HLM-GMBM is in paragraph 7.

**1. INTRODUCTION**

1.1 The 38th Session of the ICAO Assembly in 2013, through Resolution A38-18, agreed to develop a global market-based measure (MBM) scheme for international aviation, and requested the Council to organize seminars and workshops, to be attended by officials and experts from Member States as well as relevant organizations (see HLM-GMBM-WP/2).

1.2 In April 2015, ICAO concluded the first round of Global Aviation Dialogues (GLADs) on MBMs, covering all ICAO regions. Five two-day GLADs were conducted in Lima, Peru (9–10 April), Nairobi, Kenya (14–15 April), Cairo, Egypt (20–21 April), Singapore (23–24 April) and Madrid, Spain (27–28 April).

1.3 The objectives of the 2015 GLADs were to: share information regarding MBMs and their role in a basket of measures to address CO<sub>2</sub> emissions from international aviation; provide information on the work of ICAO on the development of a global MBM scheme; and serve as an opportunity to receive feedback from Member States and relevant organizations.

1.4 In follow-up to the first round of GLADs, the second round of GLADs were held across the ICAO regions from 20 March to 8 April 2016. In 2016, GLADs were conducted in Cairo, Egypt (20-21 March), Dakar, Senegal (23-24 March), Bali, Indonesia (29-30 March), Utrecht, the Netherlands (4-5 April) and Mexico City, Mexico (7-8 April).

1.5 The objectives of 2016 GLADs were to: provide up-to-date information on ICAO's work on a global MBM scheme; familiarize participants with the draft Assembly Resolution text; and serve as an important opportunity to prepare for this High-level Meeting on a Global MBM Scheme and subsequently for the 39th Session of the ICAO Assembly.

1.6 The results of 2016 GLADs were presented on 13 April 2016 to the informal Council briefing, where the members of High-level Group on a Global MBM Scheme were also invited to attend, prior to its second meeting from 13 to 15 April 2016 (see HLM-GMBM-WP/2).

## 2. ORGANIZATION AND FORMAT OF GLADS

2.1 Both rounds of GLADs in 2015 and 2016 were organized in the same format to facilitate the sharing of information and encourage discussions on a global MBM scheme. The GLADs were mainly targeted for participants from States not represented in the ICAO Council.

2.2 Each GLADs meeting started with an initial sequence of presentations to bring all participants to the same level of understanding on the subject of MBMs and to provide updates on the developments in ICAO. The presentations also allowed dedicated time for questions and answers.

2.3 The informative session was followed by two thematic dialogue sessions. The first dialogue session focused on design elements of a global MBM scheme, and the second dialogue session focused on the implementation of a global MBM scheme. Each dialogue session was held in a small-group format: a facilitator was assigned to each group, group members discussed specific common questions, and each group nominated a speaker to report back its summary of discussion to the plenary.

2.4 The final session of the GLADs was an interactive discussion with a panel formed by representatives from States, the aviation industry, environmental non-governmental organizations (NGOs) and carbon markets. Each panel member was asked initial questions, followed by an exchange of views on questions raised by meeting participants.

2.5 All documentation including presentations, dialogue questions, reference material (including the draft Assembly Resolution text on the global MBM scheme, used for 2016 GLADs), as well as the compiled summaries of small group dialogues are available on the 2015 GLADs website (<http://www.icao.int/meetings/GLADs-2015/Pages/default.aspx>) and the 2016 GLADs website (<http://www.icao.int/Meetings/GLADs-2016/Pages/default.aspx>) respectively.

## 3. PARTICIPATION

3.1 In 2015, 362 participants from 79 States (all 36 Council States plus 43 non-Council States) and 22 international organizations attended the five GLADs (320 individual participants including 32 persons who attended more than one GLAD). Participating States in the GLADs represented 90 per cent of international aviation revenue-tonne kilometres (RTK).

3.2 In 2016, 390 participants from 60 States (30 Council States plus 30 non-Council States) and 20 international organizations attended the five GLADs (357 individual participants including 25 persons who attended more than one GLAD). Participating States represented 74 per cent of international RTK.

#### **4. DIALOGUES SESSIONS**

4.1 During the 2015 GLADs, the first dialogue session identified the most important considerations for design aspects of a global MBM scheme, including environmental integrity, simplicity, and cost-effectiveness of a global scheme, as well as the need for differentiation without discrimination, and the goal of avoiding excessive cost or administrative burdens. Regarding the specific question on addressing differentiation without discrimination, various possible means were identified, including a route-based approach, a phased-in approach, exemptions for low-emitting States, adjustments for small emitters and sourcing project credits from developing countries.

4.2 The 2015 GLADs second dialogue session identified the following implementation challenges of a global MBM scheme: legal framework, continuous information flow and outreach, capacity-building with training and clear guidance, transparency of the process, and the linkage to States' Action Plans initiative and support from Regional Offices. Moreover, 2015 GLADs participants clearly requested a concrete proposal on a global MBM scheme to be presented at the 2016 GLADs.

4.3 The dialogue sessions of 2016 GLADs were built upon the outcome of the 2015 GLADs. For example, the 2015 GLADs identified "administrative simplicity", "environmental integrity" and "cost effectiveness" as three most important considerations for the design of a global MBM scheme. The result of the first dialogue session of 2016 GLADs highlighted that paragraphs 7 (phased implementation), 9 (distribution of offsetting requirements) and 11 (technical exemptions) of the draft Assembly Resolution text were closely linked to such major considerations.

4.4 In addition, paragraphs 7, 8 (route-based exemptions) and 9 of the draft Assembly Resolution text were highlighted as the design elements to address differentiation in a practical way without impacting the non-discrimination principle. A majority of participants considered that the 100 per cent sectoral approach in paragraph 9 addressed the simplicity of the scheme, while various concerns were raised including the need to clarify the text.

4.5 The second dialogue session of the 2016 GLADs addressed the implementation of a global MBM scheme. Dialogue groups showed a clear convergence in identifying the roles and responsibilities for different stakeholders (e.g., States, aircraft operators, ICAO) for the Monitoring, Reporting and Verification (MRV) of emissions data as well as for registries. As a result of the dialogues, most States expressed that further assistance would be needed to implement a MRV system and a registry for the purpose of a global MBM scheme, including the need for ICAO to provide capacity building and training by expanding the ICAO State's Action Plans initiative, as well as the need for Standards, guidance and tools.

4.6 Dialogue groups also identified priorities for emission units that could be used under a global MBM scheme. Top priorities included that: operators should be free to choose the offsets that are more cost effective as far as they comply with agreed quality requirements; there should be a preference for projects located in developing/least developed States; and there should be a preference for units under the current and new United Nations Framework Convention on Climate Change (UNFCCC) mechanisms (i.e., Clean Development Mechanism (CDM)).

4.7 A summary of the dialogue sessions of the 2016 GLADs is provided in Appendix A.

#### **5. PANEL DISCUSSIONS**

5.1 The closing panel discussion focused on the results of the GLADs and next steps. Representatives from Council States and non-Council States, the aviation industry, environmental NGOs and the carbon markets were asked for their feedback to further improve the draft Assembly Resolution text regarding design elements and the implementation of a global MBM scheme. A summary of the panel discussion for the 2016 GLADs is provided in Appendix B.

5.2 Main highlights in the 2016 GLADs included that most participants considered the draft Assembly Resolution text as a good starting point for further discussion. In particular, paragraphs 7, 8 and 9 were mentioned as the main elements where convergence of views has yet to be reached.

## 6. SUMMARY

6.1 The structure and format of the GLADs successfully familiarized participants with the proposed draft Assembly Resolution text; provided opportunities to receive feedback from Member States and relevant organizations; and served as preparation for this High-level Meeting.

6.2 The major considerations for the design of a global MBM scheme, as identified during the 2015 GLADs, such as administrative simplicity, environmental integrity, cost effectiveness and differentiation/non-discrimination, were highlighted in the 2016 GLADs as being closely linked to specific paragraphs of the draft Assembly Resolution text, in particular paragraphs 7 (phased implementation), 8 (route-based exemptions) and 9 (distribution of offsetting requirements). Most participants indicated that the draft text would be a good basis to move forward, while further improvements and clarification of text would be needed, in particular those paragraphs specified above.

6.3 The participants also discussed the roles of different stakeholders and there was high commonality in all GLADs in their roles for various aspects of implementing a global MBM scheme, such as MRV system and registries. There was also convergence on the need for ICAO to provide capacity building and training, as well as the need for Standards, guidance, tools, toward the full implementation of a scheme.

6.4 The outcomes and inputs from the GLADs are expected to provide an important basis for further discussion and decision on the draft Assembly Resolution text at this High-level Meeting and subsequently at the 39th Session of the ICAO Assembly.

## 7. ACTION BY THE HLM-GMBM

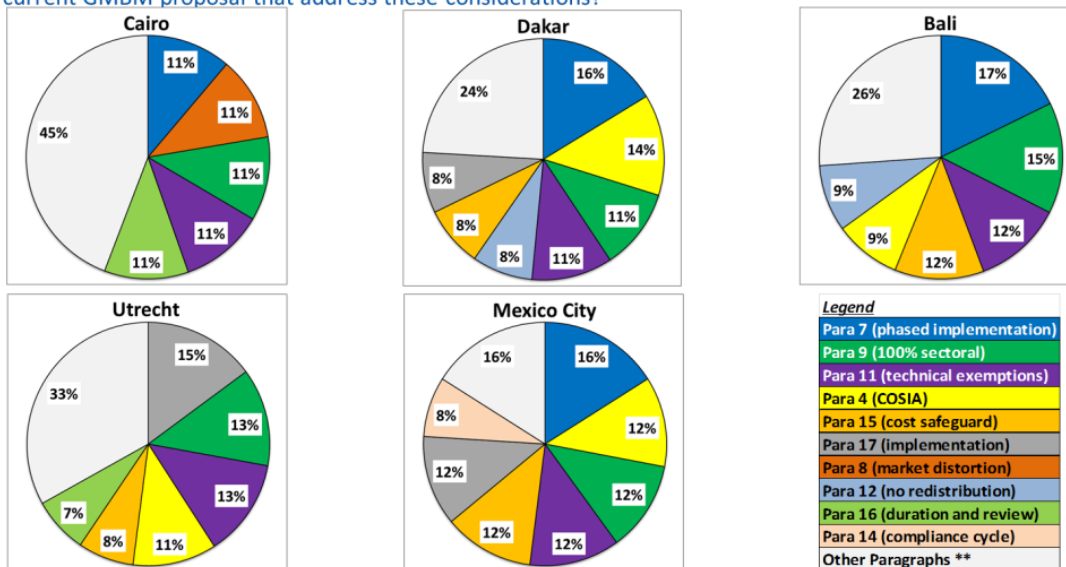
7.1 The HLM-GMBM is invited to:

- a) note the information in this Working Paper; and
  - b) take stock of the outcome and input from the two rounds of GLADs to move towards converging positions regarding the draft Assembly Resolution text on a global MBM scheme.
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APPENDIX A

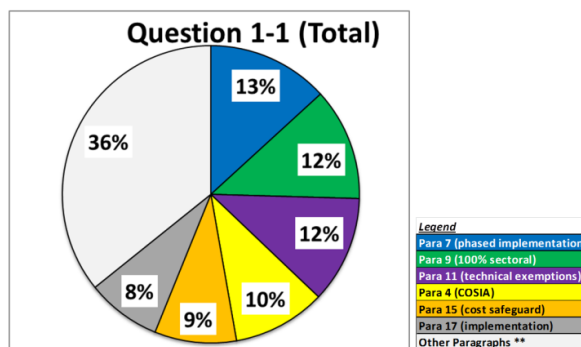
SUMMARY OF THE DIALOGUE SESSIONS OF 2016 GLADS

Question 1-1) During the 2015 GLADs, “administrative simplicity”, “environmental integrity” and “cost effectiveness”, among others, were identified as the most important considerations for the design of a global MBM scheme for international aviation. What are the 3 design elements (specific paragraphs) in the current GMBM proposal that address these considerations? \*



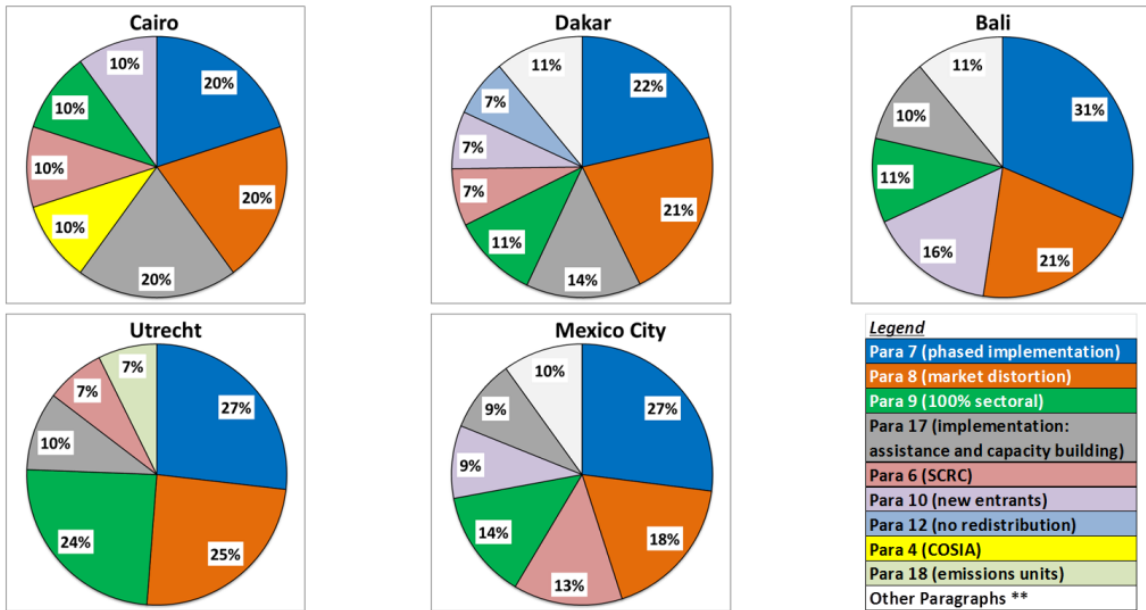
\* It was raised during 2016 GLADs that for the design of a GMBM, these considerations are interlinked

\*\* “Other Paragraphs” in the charts above accounts for those paragraphs with individually less than 7%

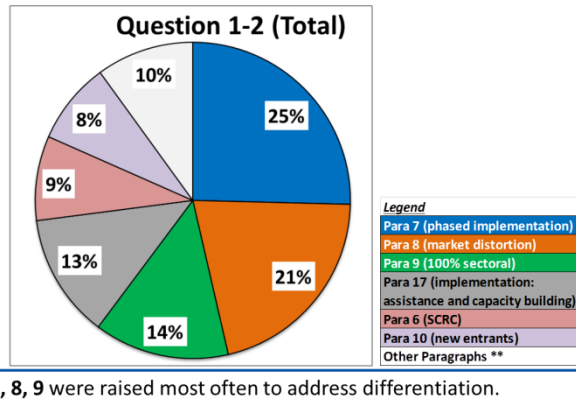


Paragraphs 7, 9 and 11 were raised most often to address these considerations.

Question 1-2) What are the 3 design elements (specific paragraphs) in the current GMBM proposal that address differentiation in a practical way without impacting the non-discrimination principle?



\*\* "Other Paragraphs" in the charts above accounts for those paragraphs with individually less than 7%



Paragraphs 7, 8, 9 were raised most often to address differentiation.

Question 1-3) The current GMBM proposal includes the approach of 100% sectoral growth rate for the distribution of offsetting requirements. Does this address the simplicity of the scheme? What are the advantages of this approach?

	CAIRO	DAKAR	BALI	UTRECHT	MEXICO CITY
	Groups				
100% sectoral approach contributes to simplicity	5/5	6/6	6/7	9/12	4/6
100% sectoral approach has no real advantage	0/5	0/6	1/7	3/12	2/6
<b>Advantage</b>					
Includes everyone	✓	✓	✓	✓	✓
Positive for fast growers	✓	✓	✓	✓	✓
Fair for a global scheme	✓				
<b>Concern</b>					
Unfair for operators that reduce emissions or grow slower	✓	✓	✓	✓	✓
Not necessarily equitable	✓	✓	✓	✓	✓
Not easy to understand	✓		✓	✓	✓

Question 2-1) The current GMBM proposal requests that CO<sub>2</sub> emissions data be collected, verified and reported by all ICAO member States. There are nevertheless different roles and responsibilities for operators, States and ICAO in fulfilling this requirement. Using the table below, can you describe these roles and responsibilities?

*	Operators	States	ICAO
Measure/Calculate	✓	✓	✓
Collect	✓	✓	✓
Verify **	✓	✓	
Report to States ***	✓		✓
Report to ICAO		✓	

\* This table represents main responses to describe the different roles and responsibilities

\*\* Need for 3<sup>rd</sup> Party Verification was also identified

\*\*\* ICAO's feedback reporting to States was also identified

Question 2-1) The current GMBM proposal requests that CO<sub>2</sub> emissions data be collected, verified and reported by all ICAO member States. (con't)

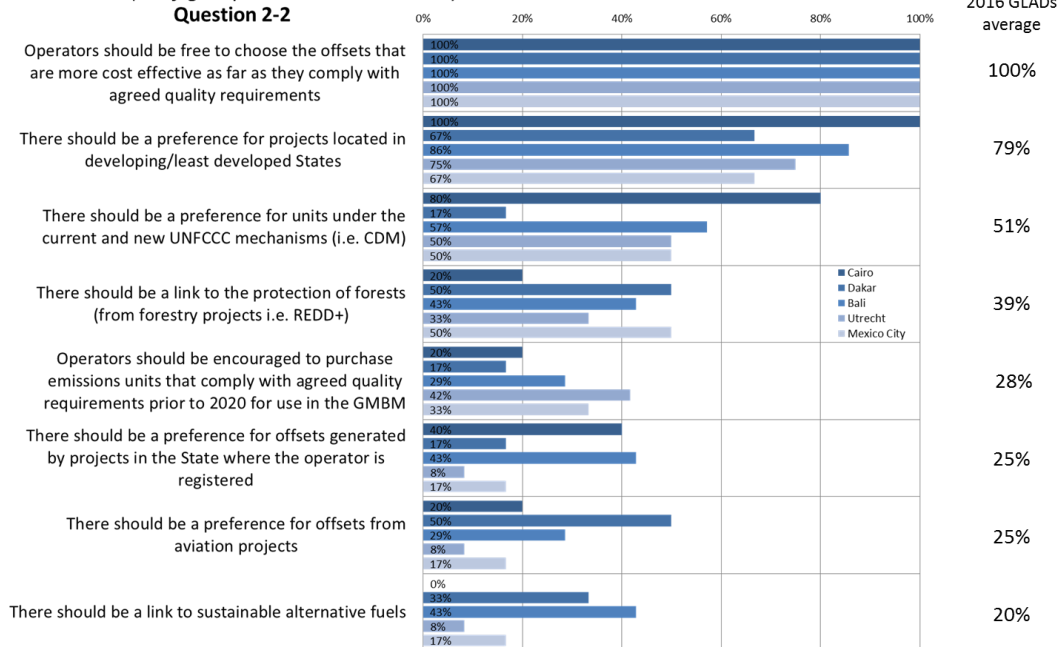
	CAIRO*	DAKAR*	BALI	UTRECHT	MEXICO CITY*
<b>Is there a Monitoring, Reporting and Verification (MRV) system in your State?</b>					
MRV systems exist	✓	✓	✓	✓	✓
Not clear if suitable for GMBM	✓		✓		✓
<b>Did your State focal points receive training from ICAO for the preparation of your State's Action Plan?</b>					
All participating States had attended ICAO training	✓	✓			
Most States had attended ICAO training			✓	✓	✓
<b>What kind of assistance do you need for the reporting of CO<sub>2</sub> emissions?</b>					
States need further assistance	✓	✓	✓	✓	✓
Guidance, templates, tools (software)		✓	✓	✓	✓
Capacity building and assistance projects (EU/ICAO)				✓	✓
MRV training as part of ICAO States Action Plan		✓			
Expand Buddy Programme			✓		
Simplified procedures				✓	
Cooperation (States/ICAO/IATA)					✓

\* Highlighted the linkage between existing MRV systems with ICAO State Action Plans / EU project

Question 2-2) Emissions units can be purchased from different sources. Identify your 3 top priorities from the list below.

	CAIRO	DAKAR	BALI	UTRECHT	MEXICO CITY
	Groups				
Operators should be free to choose the offsets that are more cost effective as far as they comply with agreed quality requirements.	5/5	6/6	7/7	12/12	6/6
There should be a preference for projects located in developing/least developed States.	5/5	4/6	6/7	9/12	4/6
There should be a preference for units under the current and new UNFCCC mechanisms (i.e. CDM).	4/5	1/6	4/7	6/12	3/6
There should be a link to the protection of forests (from forestry projects i.e. REDD+).	1/5	3/6	3/7	4/12	3/6
Operators should be encouraged to purchase emissions units that comply with agreed quality requirements prior to 2020 for use in the GMBM.	1/5	1/6	2/7	5/12	2/6
There should be a preference for offsets generated by projects in the State where the operator is registered.	2/5	1/6	3/7	1/12	1/6
There should be a preference for offsets from aviation projects.	1/5	3/6	2/7	1/12	1/6
There should be a link to sustainable alternative fuels.	0/5	2/6	3/7	1/12	1/6

Question 2-2) Emissions units can be purchased from different sources. Identify your 3 top priorities from the list below. (% of groups at each 2016 GLAD)





Question 2-3) Registries are needed to record the transactions of emissions units. Identify the roles and responsibilities of operators, States and ICAO to implement a registry for the transactions of emissions units.

*	Operators	Offset Providers	States	ICAO
Establish a national/regional registry			✓	
Open account for each operator			✓	
Track compliance of each operator			✓	
Sell an offset		✓		
Issue emissions units		✓		
Purchase emission units	✓			
Record purchased emissions units in registry account	✓			
Submit emissions data and surrender emissions units for compliance	✓			
Establish a central registry to record emissions units transactions				✓

\* This table represents main responses to describe the different roles and responsibilities.

Question 2-3) Registries are needed to record the transactions of emissions units. (con't)

	CAIRO	DAKAR	BALI	UTRECHT	MEXICO CITY
<b>Is there an offset registry in your State?</b>					
<b>YES:</b> In some States of the region, there is experience with a registry system			✓	✓	✓
<b>NO:</b> In the States of the region, there is no experience with a registry system	✓	✓			
<b>What kind of assistance do you need to implement a registry?</b>					
States need further assistance to implement a registry	✓	✓	✓	✓	✓
ICAO to provide standards, guidance, tools and capacity building through training and IT support on how to implement a registry for the GMBM			✓	✓	✓
Assistance based on regional cooperation		✓			
More information on the specific requirements for the registry					✓
Financial assistance					✓

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## APPENDIX B

### SUMMARY OF PANEL DISCUSSIONS

#### 1. COUNCIL MEMBER STATE

1.1 **Question:** How will the GLADs discussion and feedback help to improve the proposal for a global MBM scheme for international aviation?

1.2 **Summary of Feedback:** The proposal contains key elements of the GMBM. The proposal was welcomed at this early stage in the process. The proposal is a good basis for further textual clarifications and improvements prior to final agreement, especially in paragraphs 7, 8 and 9.

#### 2. NON-COUNCIL MEMBER STATE

2.1 **Questions:** Did the GLADs help you to understand the design elements of the proposed global MBM scheme? What are the most important issues that were addressed during these two days? What further support / information is required (from ICAO) in your State / region to prepare for the implementation of a global MBM scheme?

2.2 **Summary of Feedback:** Yes, the GLADs helped to understand better the design elements of the draft Assembly Resolution text. Some issues need to be discussed further, including clarity on paragraphs 7, 8 and 9. Capacity building on MRV and registries should be provided, as part of the State Action Plan initiative.

#### 3. NON-GOVERNMENT ORGANIZATION (ICSA)

3.1 **Question:** What is the environmental NGOs' feedback/ impression / view on the proposed global MBM scheme?

3.2 **Summary of Feedback:** Welcomed having the proposal at this early stage of the process. Seek for higher environmental integrity of the GMBM. Future review of the GMBM should aim to raise ambitions, in light of 1.5C degree target.

#### 4. INDUSTRY (IATA)

4.1 **Questions:** What is the aviation industry's feedback / impression / view on the proposed global MBM scheme? What information does the aviation industry need to start preparing for the requirements of a global MBM scheme?

4.2 **Summary of Feedback:** Positive development of the draft Assembly Resolution text, which is much simpler than previous proposals. Need for a global scheme rather than a patchwork of measures. Support the GMBM as a package as all design elements are interlinked. Cost impacts from GMBM are manageable by the industry.

5. **CARBON MARKET EXPERT (IETA)**

5.1 **Questions:** Will there be enough emissions units available for an international aviation MBM? What are practical ways for aircraft operators to purchase emissions units?

5.2 **Summary of Feedback:** Yes, there will be enough emissions units available; the carbon market supply will react to the demand from international aviation. Earlier clarity on the future demand will help the market to react in time.

6. **ALL PANEL MEMBERS**

6.1 **Questions:** Would you be okay with the proposal of the global MBM scheme as is? If you could modify one element in the proposal, which element would it be and how would you modify it?

6.2 **Summary of Feedback:** Most participants in 2016 GLADs indicated that the draft Assembly Resolution text was a good starting point; and that it could be improved further. In particular, paragraphs 7, 8 and 9 were mentioned as the main elements for further improvement.

— END —