



WORKING PAPER

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

Montréal, 11 to 13 May 2016

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

**VIEWS OF THE UNITED STATES ON A GLOBAL MBM SCHEME FOR
INTERNATIONAL AVIATION**

(Presented by the United States)

EXECUTIVE SUMMARY

The United States supports ICAO's comprehensive approach to achieving carbon neutral growth from 2020 through a "basket of measures" comprising technical, operational, and infrastructure enhancements; sustainable alternative fuels; a CO₂ standard for aircraft; and the development of a global market-based measure. This paper sets out the U.S. objective for reaching decision at the upcoming Assembly to adopt a global market-based measure for international aviation and provides views on key elements under consideration.

Action by the HLM-GMBM is in paragraph 4.

1. BACKGROUND

1.1 The United States is committed to fostering the sustainable growth of the aviation sector, including addressing the climate and environment impacts of civil aviation. To that end, the United States supports ICAO's approach to achieving carbon neutral growth from 2020 through a "basket of measures" comprising technical, operational, and infrastructure enhancements; sustainable, alternative fuels; a CO₂ standard for aircraft; and the development of a global market-based measure ("GMBM").

1.2 The United States is committed to answering the mandate provided by the 2013 Assembly and taking a decision at the 2016 ICAO General Assembly to adopt a GMBM. We believe the GMBM is a critical complement to the other elements in the basket of measures because it will enable the sector to achieve carbon neutral growth from 2020 at significantly lower cost than would be possible with in-sector reductions alone. Deciding to adopt a GMBM at ICAO is also imperative to avoid a patchwork of approaches at the country or regional level that may be inconsistent, overlap and result in increased costs.

2. DISCUSSION

2.1 The United States appreciates the initiative of the ICAO Council President in bringing forward a draft ICAO resolution for the adoption of a GMBM. That proposal has formed the basis for productive discussions among High-Level Group members and attendees of the Global Aviation Dialogues (“GLADs”). It has enabled ICAO Member States to move significantly closer together in terms of both the key issues and technical elements of the GMBM.

2.2 We note that the President’s proposal maintains the sovereignty of ICAO Member States and recognizes that they will play the central role in implementing the GMBM by applying internationally-determined standards and recommended practices to be developed to their own operators.

2.3 We applaud the incorporation of a route-based approach, which will be key to minimizing potential market distortions resulting from the GMBM and maintaining non-discrimination, which is a hallmark of the Chicago Convention. We also support the inclusion in the proposal of “technical exemptions,” which can effectively balance the environmental coverage of the GMBM with the administrative burden on operators and Member States.

2.4 The President’s proposal also takes a pragmatic approach to developing the GMBM, recognizing the importance of agreeing on the key elements of the GMBM this year while also recognizing that ICAO’s Committee on Aviation Environmental Protection (“CAEP”) will need to take action following the Assembly to develop the technical elements necessary to fully implement the GMBM. It is also appropriate that the proposal calls for enhanced capacity building and assistance by ICAO and ICAO Member States to ensure that all countries are able to implement the GMBM.

2.5 Most importantly, the President’s proposal aims to address several overlapping issues that will be critical to reaching consensus on a GMBM. It aims to address concerns about market-distortion and non-discrimination, reflect key differences among Member States that reflect, in part, the differences among their stakeholders, and achieve a high degree of environmental integrity, while remaining as simple as possible. Striking the right balance among these issues is not an easy task, however. To help facilitate the process of reaching consensus, the United States would like to point out a few key areas that we believe require further consideration and adjustment in the section below.

3. RECOMMENDED ADJUSTMENTS

3.1 With respect to the “coverage” of the GMBM, the United States believes it critical that the GMBM achieve the widest possible coverage, while also addressing the special circumstances of States with lower levels of aviation activity and/or low capacity. One way to do this is through a phase-in approach, a version of which is reflected in the President’s proposal. While the United States appreciates that proposal, we believe that further adjustments are needed to ensure the widest coverage, while still respecting the special circumstances of States. To this end, rather than permanently excluding any States from participating in the GMBM, we propose giving States with low activity and States with low capacity the option to “opt out” for specified periods. For example, States with activity levels below one threshold could opt out for the first phase, and States with activity levels below an even lower threshold could opt out for the entirety of the GMBM. States with low capacity (i.e. Least Developed Countries) would also have the option to opt out for the entirety of the GMBM. Giving States the option to opt out rather than taking the decision to exclude them is likely to lead to greater levels of participation, especially as capacity building is provided. It will provide States that need it the flexibility to decide for themselves when they are ready to participate.

3.2 We note that it is unclear whether States' RTK for purposes of the "phase-in" are to be calculated based on the activity of their AOC holders or the RTK of flights to and/or from those States. The implications of this choice should be considered.

3.3 With respect to the distribution of offsetting requirements among carriers, the United States is opposed to the President's proposal that the amount of CO₂ emissions to be offset by civil aircraft operators should be based 100% on the sectoral growth rate for the entirety of the scheme. We believe there is a need for the approach to distribution to provide some balance among fast and slow growing carriers, which does not occur using a static 100% sectoral approach. A static 100% sectoral approach places an undue burden on slow-growing carriers, including those based in developing countries and it does not provide an added incentive for individual operators to reduce their own emissions since the offsetting requirement is determined by the sector growth rate. Instead, the United States supports a dynamic approach, which would initially be weighted in favor of the sectoral growth rate and then transition over the course of the scheme toward an individual growth rate.

3.4 Like many other countries, we believe that upon adoption of an MBM by ICAO, international aviation emission should not be subject to duplicative or overlapping measures implemented by individual countries or regions. While we appreciate the preambular language in the President's text noting the importance of a global solution, we believe that stronger, operational language is needed to discourage additional, duplicative measures to address the same international emissions.

3.5 With respect to the technical recommendations on monitoring, reporting, and verification ("MRV") and emissions unit criteria ("EUC"), we support the technically- and environmentally-robust recommendations that have been put forward by CAEP so far. We believe that CAEP should continue to work up to and after the Assembly to finalize any unfinished work and to develop standards and recommended practices and procedures ("SARPs) and related guidance material, including for MRV and EUC.

3.6 With respect to availability of offsets, the United Nations Framework Convention on Climate Change ("UNFCCC") Clean Development Mechanism ("CDM") is widely known and has made important contributions to climate-smart development in several ICAO Member States. That said, the geographic distribution of CDM projects has been uneven, and has favored larger developing countries, whereas other non-UNFCCC programs have been more widely used in smaller and poorer countries. In addition, the exclusive use of units from any single institution could increase costs and create undue supply constraints under the GMBM. Thus, while ICAO can recognize and promote UNFCCC programs, we think it crucial that the GMBM allow for the use of offsets from a wide variety of environmentally robust programs that meet the EUC criteria, as has been recommended by CAEP.

3.7 In order to assess the effectiveness, improve, and revise the GMBM, as appropriate, we recommend that a review process be put in place to review the GMBM and its individual elements, including the costs associated with the GMBM, on a regular basis, beginning no later than three years after the GMBM is implemented.

3.8 The United States will present additional views on the proposal in the future, as appropriate.

4. **ACTION BY THE HIGH-LEVEL MEETING**

4.1 The HLM-GMBM is invited to:

- a) note the support of the United States for the adoption of a GMBM at the 2016 ICAO Assembly; and
- b) note the views and suggested adjustments of the United States to certain elements of the draft GMBM resolution text.

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