



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

**VIEWS OF THE INTERNATIONAL COALITION FOR SUSTAINABLE
AVIATION (ICSA) ON A GLOBAL MARKET-BASED MEASURE FOR
INTERNATIONAL CIVIL AVIATION**

(Presented by ICSA)

EXECUTIVE SUMMARY

This paper presents the views of the International Coalition for Sustainable Aviation (ICSA) on a Global Market-based Measure for international civil aviation

Action by the HLM-GMBM is in paragraph 4.

1. INTRODUCTION

1.1 The 38th Assembly committed ICAO and its Member States to develop a proposal for an effective global market-based measure (GMGM), to be adopted, at the 39th Assembly, to limit net emissions from international aviation at 2020 levels (CNG2020). This represented a first step forward globally to limit the climate impact of international aviation.

1.2 Efforts to address climate change globally took a significant step forward with the adoption of the Paris Agreement at COP21 in December 2015. This committed all 197 Parties to the UN Framework Convention on Climate Change (UNFCCC) to pursue efforts to limit the increase in global temperatures to 1.5°C above pre-industrial levels.

1.3 The adequacy and environmental effectiveness of the GMBM must be evaluated against the commitment made at the 38th Assembly, and the subsequent ambition shown by all Parties to the Paris Agreement. ICSA believes that ICAO's 39th Assembly is a test of ICAO's credibility on climate action after the Paris COP and that it must issue a firm commitment to implement credible measures to reducing the sector's carbon footprint. Failure to adopt an effective GMBM at the 39th Assembly would call into question ICAO's credibility and raise questions as to whether ICAO is a suitable forum to address international aviation's greenhouse gas emissions.

2. GLOBAL MARKET-BASED MEASURE AS PART OF A BASKET OF MEASURES

2.1 The GMBM, as currently envisaged, will rely on offsets, as aviation CO₂ emissions will continue on its steep trajectory, with international aviation purchasing emissions units from other sectors. However, achieving the objectives of the Paris Agreement will require all sectors to rapidly reduce their gross emissions as soon as possible, not merely purchase emission reductions from others. ICSA believes that the extent to which the GMBM incentivises emission reductions within international aviation is an important criterion for assessing the success of the GMBM. However, in order to avoid double counting, in-sector emissions reductions must not generate emissions units to be traded in the GMBM.

2.2 Additional non-MBM measures to drive in-sector emissions reductions are essential to achieving ICAO goals – whether air traffic management reform, operational approaches, efficiency improvements or the introduction of new technologies, including a full CAEP/11 review and strengthening of ambition of the CO₂ Standard.

3. CURRENT DRAFT PROPOSAL FOR A GMBM

3.1 The publication and sharing of a draft Resolution well in advance of the 39th Assembly is a welcome step as open debate of ICAO's plans is an essential element to their future acceptance by the wider public. The recently concluded GLAD meetings confirmed that there is desire among States and Observers to proceed and these meetings produced a number of suggestions to improve the text. ICSA puts forward the following observations on the draft GMBM for consideration by the HLM.

3.2 Ambition consistent with the Paris Agreement

3.2.1 Pursuing a goal of limiting the increase of global average temperatures to 1.5°C, requires global emissions to peak and then decline sharply. The most effective manner to achieve this is by ensuring all countries and sectors contribute to limiting then reducing emissions. Exemptions or delayed action will increase the chances that these targets are missed, with all the risks of severe climate impacts that that entails. CNG2020 is a necessary first step which is well within reach, but it is also an insufficient contribution from the sector to the Paris Agreement's objective. One study found that it represents a 55% deviation from the objective of limiting a temperature increase to 2°C, let alone well below 2°C¹.

3.2.2 This makes it essential that the forthcoming 39th Assembly Resolution agrees to retain CNG2020 as a binding goal, and includes a clear roadmap for increased ambition. The GMBM ambition needs to be reassessed and strengthened as part of each three-year review cycle currently contained in the draft resolution.

3.2.3 The most recent scientific research indicates that failure to include non-CO₂ effects of aviation underestimates the sector's climate impact by at least 50%². The GMBM as currently drafted does not address these non-CO₂ effects. It is crucial that these effects are also reduced through an appropriate policy tool.

3.2.4 It is also important to reaffirm the need for ambition beyond the GMBM through further non-MBM measures pursued by ICAO, and through action at the national or regional level. An

¹ [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/569964/IPOL_STU\(2015\)569964_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/569964/IPOL_STU(2015)569964_EN.pdf)

² <http://elib.dlr.de/59761/1/lee.pdf>

environmentally robust GMBM should be seen as a floor from which further ambition is launched, rather than a ceiling.

3.3 Addressing differentiation while maintaining the integrity of CNG2020

3.3.1 Reconciling the principle of differentiation, stated as special circumstances and respective capabilities (SCRC) in ICAO, with the principle of non-discrimination is central to achieving a successful outcome at the Assembly. Work since the 38th Assembly has demonstrated a range of pathways to accommodating these principles while not undermining the environmental integrity of the GMBM.

3.3.2 The current draft seeks to address differentiation by exempting a large number of States. Unfortunately, without reattribution, that compromises the environmental integrity of the GMBM, punching a large hole in the already-climatically-inadequate CNG2020 goal. This emissions gap should be quantified and published to facilitate the ongoing discussions towards agreement in the Assembly.

3.3.3 One possible way to straightforwardly achieve differentiation without undermining the integrity of the CNG2020 goal is through a simple regional route grouping approach. Under this approach, each geographic region's share of the global offset obligation would be proportional to that region's share of global traffic. Each aircraft operator's offset obligation would simply be proportional to its share of traffic in the regions where it operates. The result would provide differentiation while ensuring non-discrimination on every route. Such an approach would not undermine the environmental integrity of the CNG2020 goal or the goal of an inclusive agreement with broad participation.

3.4 Emissions Unit Criteria (EUC)

3.4.1 ICAO can take advantage of the considerable experience of Member States, civil society, and other stakeholders with regard to emissions units. This collective experience highlights the importance of strict criteria and transparent, effective governance, that provides opportunities for the public and interested stakeholders to feed in their views regarding decisions. These provisions ensure that only emissions units that do not have negative social and environmental impacts are permitted—as in the CDM. While the current draft resolution references the need for guidance material, this is insufficient to ensure the environmental integrity of the GMBM.

3.4.2 To ensure only environmentally sound credits are permitted, and to ensure operators have equal access to these credits, the Resolution should be amended to make clear that the EUC will be adopted in the form of common, binding, and enforceable standards. Such standards must contain a number of important provisions, for example, to prevent double-claiming of emission reductions and set minimum quality standards. Experience with market-based measures to date has shown that effective registries are an essential aspect of governance. Such governance must also be transparent and publicly accessible to ensure a level playing field between all operators and contain robust standards to prevent conflicts of interest.

3.4.3 Any offsets permitted should (a) represent a real, permanent, and verified reduction in emissions, in accordance with the criteria already developed by the CAEP (b) come from markets that are sufficiently ambitious in order to prevent the use of allowances that lack environmental integrity. The EUC should encourage the use of units that contribute to sustainable development, and exclude the use of units that risk undermining sustainable development.

3.4.4 As well as ensuring effective criteria, the GMBM needs to put in place effective governance to ensure these criteria are fully implemented. One means of implementing such criteria is

through the use of a ‘negative list’ which excludes those offset project types which have a proven record of poor or non-existent environmental integrity, such as HFC-23, nuclear, and fossil fuel projects. Such negative lists are one of many tools used in carbon markets internationally to ensure high-quality offsets.

3.5 Monitoring, Reporting and Verification

3.5.1 Effective carbon markets require simple and effective monitoring, reporting and verification (MRV) procedures. Such MRV procedures will provide confidence that all States and operators are adhering to a level playing field. It is essential for operators to be assured that all competitors on the same routes are subject to the requirements of the GMBM. The general public must also have assurances that the GMBM is achieving its objective of limiting the environmental impact of international aviation through having access to relevant information, such as the UNFCCC provides.

3.5.2 The GMTF MRV working group has produced a number of important recommendations to date, relating to key aspects such as verification, monitoring plans, accountable entities and emissions factors. The Assembly resolution should endorse this progress, and encourage the GMTF MRV working group to finalise the remaining aspects of a simple and effective MRV system.

3.5.3 However, these remaining aspects are central to the eventual robustness of the MRV system. This includes the reporting on fuel use, where ICSA recommends flight-by-flight actual fuel use, which is both administratively simple and which demonstrate environmental integrity. Operators in many jurisdictions already engage in such flight-by-flight reporting and, as well as finding it administratively simple, find that it offers further assistance in minimising fuel burn.

3.5.4 An additional outstanding issue is the level of transparency to be applied. Transparency is an important tool to improve the effectiveness of enforcement and provide confidence that the GMBM is achieving its objectives. For the GMBM, there is a range of information which can be made publicly available on the ICAO website which will demonstrate the scheme’s effectiveness without compromising commercial confidentiality. This includes operator-wide fuel use, alternative fuel use, emission units surrendered (quantity, type and any independent certification) and status of operator compliance.

3.5.5 Compliance assurance is critical to ensure the environmental and economic integrity of the GMBM. Successful implementation of the GMBM will require capacity building and overlapping compliance systems similar to those currently in place for aviation safety. Critical design, MRV, and EUC parameters should be established as an ICAO Standard(s), and should include, in addition, guidance for States seeking to meet their obligations to confirm MBM compliance by all carriers entering their markets.

3.6 Alternative fuels

3.6.1 While alternative fuel use has been limited to date, there is an expectation that volumes will increase substantially in the coming decades. The GMBM should recognise this by crediting alternative fuel use to the extent that its specific life-cycle emission reductions are proven. CAEP’s work to develop a methodology for calculating such emissions reductions in the context of the GMBM emissions accounting framework must be completed within the next CAEP cycle in order to enable accurate accounting of emissions reductions from alternative fuels from the start date of the GMBM.

3.6.2 As reflected in A38-18, the treatment of alternative fuels should recognise existing approaches to sustainability, including respect for biodiversity, contributing to local social and economic development, and avoiding competition with food and water. CAEP’s work to develop sustainability criteria for the crediting of alternative fuel use in the GMBM must also be completed within the next

CAEP cycle, to provide certainty on sustainability and enable investment in sustainable alternative fuel production.

3.6.3 Given the well-documented damaging impacts of certain types of alternative fuel, the GMBM should ensure that the MRV system for alternative fuel use is transparent. Operators claiming a reduction in offset obligations due to alternative fuel use must disclose the origin, type and certification of alternative fuel used, and the emissions factor applied to it. The operators must be able to demonstrate that the alternative fuel used complies with the sustainability criteria. The MRV system must also ensure that there is no double counting of emissions reductions from sustainable alternative fuels.

3.7 **Support for implementation of the GMBM**

3.7.1 An effective GMBM should require all States, developed and developing, to participate in its MRV. As well as providing a comprehensive and reliable global picture of the fuel use, and therefore emissions, of the sector, such an MRV system also assists operators in better management of their fuel. This co-benefit of the MRV should not be limited to those States with an offsetting obligation under the GMBM.

3.7.2 However, many developing countries currently lack the means and expertise to implement an MRV procedure in a timely and effective manner. It is, therefore, important that ICAO facilitate greater financial and technical support to these States to permit them to introduce such an MRV system from States with the capacity to provide this support. Such support has been agreed in the UNFCCC context.

4. **ACTION BY THE HLM-GMBM**

4.1 The HLM-GMBM is invited to:

- a) note the support of ICSA for the adoption of a GMBM at the 2016 ICAO Assembly;
and
- b) note the views and suggested amendments of ICSA pertaining to elements of the draft GMBM resolution text.

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