



IATA Brief on CORSIA

On 6 October 2016, the 39th session of the ICAO Assembly concluded with the adoption of a global market-based measure to address CO₂ emissions from international aviation. ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSIA) is the first global scheme covering an entire industrial sector. The industry first proposed this measure in 2009 and has supported the ICAO process ever since.

A global carbon offsetting scheme for international aviation is intended to be a complementary measure to the basket of measures available to the sector. It is not intended to replace efforts to improve fuel efficiency through new technology or improved operational and infrastructure measures. Nor would the scheme make fuel efficiency any less of a day-to-day priority for aeroplane operators.

In recent years, there has been a marked increase in the number of carbon pricing instruments, such as CO₂ taxes or emissions trading schemes, applied around the world. A similar proliferation of carbon pricing instruments on aviation would result in an unsustainable and costly patchwork of measures for aeroplane operators and for governments. In our view, the implementation of CORSIA will avoid the need for existing and new carbon pricing measures to be applied to international aviation emissions on a regional or national basis.

While the increase in costs from CORSIA is not insignificant, they are manageable for aeroplane operators, especially when compared with the costs that would result from multiple national or regional schemes, which would generate divergent compliance requirements for individual operators and therefore also increase the risk of market distortions. This observation is reflected in Assembly Resolution A39-3, which determines that CORSIA or any other scheme decided by the Assembly is to be the market-based measure applying to CO₂ emissions from international aviation. However, the assessment of reasonable and manageable costs assumes adequate access to carbon markets, and a number of steps must be taken to ensure that a sufficient volume of eligible emissions units will be available to operators.

Voluntary participation in CORSIA

In order to address the concerns of developing States and take into account the special circumstances and respective capabilities of States, CORSIA will be implemented in phases. From 2021 until 2026, only flights between States that volunteer to participate in the pilot and/or first phase will be subject to offsetting requirements. In the second phase, all international flights will be subject to offsetting requirements, except flights to and from Least Developed Countries (LDCs), Small Island Developing States (SIDs), Landlocked Developing Countries (LLDCs) and States which represent less than 0.5% of international RTK, unless they volunteer to participate.

IATA recognises the political considerations which have led CORSIA to apply on a voluntary basis in the pilot and first phases of implementation. We believe, however, that it is important to maintain a high level of coverage to strengthen the environmental effectiveness of the scheme and avoid a regulatory patchwork. A high level of coverage not only increases the



environmental effectiveness of the scheme, but also reduces the risk of market distortions by creating uniform conditions for coverage under CORSIA.

In IATA's view, volunteering to join CORSIA early has a number of advantages. It demonstrates a state's commitment to address climate change and shows significant leadership. Increased coverage will also generate more demand for carbon offsets. As many carbon offsets will be generated from projects hosted in developing states, it can be anticipated that increased coverage will drive investment in developing countries. Joining early will also allow airlines in volunteering states to gain experience with carbon trading when the costs of the scheme are the lowest (since offsetting requirements in the first years of the scheme will be relatively small). This will be an advantage in the later phases of the scheme.

As of 19 October 2017, seventy-two ICAO Member States have volunteered to apply CORSIA. This includes thirty-five developing States, eleven of which are Least Developed Countries, Small Island Developing States or Landlocked Developed Countries. IATA strongly encourages additional States to participate on a voluntary basis in CORSIA from its outset.

Implementation of CORSIA

Virtually all aeroplane operators will need to monitor their emissions on all international routes starting on 1 January 2019. Already in 2018, aeroplane operators will need to put in place the procedures and systems that will be used to monitor fuel use and to manage data.

It is important to note that aeroplane operators need to be informed of MRV requirements at least several months ahead of 1 January 2019 to identify which systems and resources they need to put in place and, on that basis, develop their emissions monitoring plan. Even more time may be required if an aeroplane operator needs to make structural changes to its information technology systems to gather the required data. For such internal processes to be initiated and resources to be put in place, aeroplane operators must be informed of the exact requirements they will need to comply with, including the data that will need to be collected and which methods will be allowed for the data collection.

IATA is greatly concerned that if the MRV requirements are not made available in early 2018, some States and aeroplane operators will not be ready in time to implement the MRV requirements, which could lead to irregularities in the calculation of baseline emissions.

Participation in the second phase of CORSIA will be based on 2018 RTK data. Governments should therefore take all steps necessary to ensure they collect reliable international RTK data from their national aeroplane operators. Data from foreign aeroplane operators shall not be included. The collection of RTK data is independent from CORSIA MRV. Indeed, States should report RTK data to ICAO through existing processes, notably ICAO Form A which is already used by ICAO Member States to report traffic statistics for their commercial air carriers.

The CORSIA Package

In September 2017, the CAEP Steering Group agreed to submit a proposal for the CORSIA Package to the ICAO Council. IATA recognizes the excellent work undertaken by the technical experts in CAEP. The ICAO CORSIA Package is a testimony of CAEP's ability to develop pragmatic measures and make diverging views converge towards balanced compromises.

Although IATA, like any stakeholder in this process, might wish that each provision in the CORSIA Package was tailored exactly to our own preferences, we appreciate that the process of putting together a global package requires some reasonable compromises to reach a balance across interests and States.

Simplicity and flexibility: IATA has on many occasions underlined that the implementation of CORSIA must be guided by the principles of simplicity and flexibility. To keep administration costs down for both governments and aeroplane operators and facilitate timely implementation, the MRV requirements should be kept as simple as possible and should be scalable to accommodate both large and small aeroplane operators, whilst ensuring data integrity. IATA therefore welcomes the pragmatic approach that has been taken for many of the MRV requirements, for example the possibility for aeroplane operators to opt between five different fuel monitoring methods. The possibility for some aeroplane operators to benefit from simplified procedures and use the "ICAO CORSIA CO2 Estimation and Reporting Tool" will also help to reduce the administrative burden on smaller aeroplane operators or aeroplane operators with few flights subject to offset requirements.

Sustainable alternative fuels: Aeroplane operators purchasing alternative fuels should be able to account for the emissions savings from those fuels, relative to their emissions and offset requirements under CORSIA. This is a critical element of the ICAO "basket of measures" on climate change and the role that CORSIA will play within that basket. IATA believes that the approach recommended in the draft ICAO CORSIA Package, while rigorous, is appropriate.

Public disclosure of aeroplane operator data: IATA supports the provisions related to the publication of data through the CORSIA Central Registry and Emissions Units Registries. While IATA had strong concerns about the potential disclosure of commercially sensitive data, the level of aggregation and safeguards included in the ICAO CORSIA Package are among those where compromise has been reached such that IATA is able to support the CORSIA Package. IATA had also expressed strong reservations against proposals for ICAO to publish information related to compliance by individual aeroplane operators, noting that the responsibility to oversee compliance by aeroplane operators rests solely with their respective national administering authority.

Emissions unit eligibility criteria: IATA supports the emissions unit eligibility criteria developed in CAEP and believes they provide a robust framework for the evaluation of offset credit programs and project types. We also support the wording in the SARPs which, in line with Assembly Resolution A39-3, stipulate that the ICAO Council will determine all the emissions units that can be used by aeroplane operators for CORSIA. The Council's decision will be informed by a recommendation from a Technical Advisory Body, to be set up, and guided by eligibility criteria developed by CAEP.

Double counting and reporting of emissions unit cancellation: IATA believes that the approach, whereby the risk of double-counting is addressed at the level where it would occur, is the most effective. Any potential double-use by an aeroplane operator is to be addressed through the verification of the emissions unit cancellation report, while other instances of double-counting are addressed through the emission units criterion that require that programs have measures in place to avoid double-counting.

Access to carbon markets

Aeroplane operators have expressed concerns about the potential cost of CORSIA, should the supply of eligible emissions units not be sufficient to satisfy demand from the sector or if limited to an unreasonable degree. A low total volume of available eligible emissions units would potentially create higher market prices for the emissions units. This may be further exacerbated as countries will need emissions units for their own use to meet their commitments regarding domestic emissions under the Paris Agreement.

To ensure there is a sufficient volume of eligible emissions units, carbon markets must be informed about ICAO's eligibility criteria in sufficient time to adapt their market behaviours to accommodate the eligibility criteria where necessary. Representatives of carbon markets have underlined that project developers must have clear assurances that there will be demand in order to finance and develop new projects or to continue to operate existing projects. It must also be noted that the lead time for new project development and the issuance of emissions units is significant from the initial investment and project deployment to certification.

Information on emissions unit criteria and eligibility will also enable operators to properly start the financial planning and risk assessment processes required in anticipation of the purchase of emissions units to meet their offset compliance obligations. Experience with other market-based measures has also confirmed that, where allowed, companies invest in advance of compliance periods. The ability to purchase emissions units as soon as possible would give aeroplane operators more flexibility in the management of compliance costs and preparation for the implementation of CORSIA. It would also serve as an additional "market signal" to further incentivize new carbon reduction projects to enhance eligible supply.

IATA recognizes that it will take some time to confirm and implement the process that will inform decisions by the Council on eligible units in accordance with paragraph 20 d) of Assembly Resolution A39-3. However, it is important to recall that Paragraph 20 c) of Assembly Resolution A39-3 foresees that the SARPs and related guidance material to support the purchase of appropriate emissions units by aeroplane operators under the scheme should be developed for adoption by the Council "as soon as possible but no later than 2018." A decision by the ICAO Council on eligible units is also necessary to fully enable ICAO Member States to take action to ensure that the necessary national policies and regulatory framework be established for the compliance and enforcement of the scheme by 2020, as foreseen in Paragraph 20 j) of Assembly Resolution A39-3.