

## Consultation to the EU Commission: How to reconcile the Global Market Based Mechanism with the EU Emissions Trading System

### 1) Following the Paris Agreement and considering the agreed long-term goal, what kind of effort should come from international aviation and how should this develop over time?

The international CNG2020 goal should be legally binding and enforced from the start of the GMBM in 2021. In the future, the cap should then be progressively tightened and further measures implemented to ensure that emissions are reduced in the aviation sector itself, consistent with a 1.5°C pathway:

- ICAO policies must not in any way limit more ambitious policies by states or regions
- CO<sub>2</sub> emissions from aviation must be subject to a multiplier of  $\geq 2$ , as the total climate impact of aviation is 2-5 times higher than its CO<sub>2</sub> emissions alone
- Aviation must contribute to climate finance

At EU level:

- Aviation emissions should be reduced in the aviation sector
- The EU should reject international credits as reductions achieved should be domestic
- Restart the clock in 2017

Both should:

- Cover all aviation emissions, not just those above 2020 levels
- Promote in-sector reductions, i.e. by incentivizing technology and performance improvements as well as demand management
- Routes between developed countries should be subject to more ambitious measures

### 2) Which elements should emerge from the 2016 ICAO Assembly to provide for the implementation of a robust GMBM by 2020?

A legally binding agreement that comes into force in 2021, should demonstrate strong political support from states, with sufficient detail to give confidence that an effective GMBM will work. It should include:

- Recognition that CNG2020 is only an (insufficient) starting point towards contributing to the Paris Agreement 1.5°C goal and GMBM and other measures' ambition must be ratcheted up every 3 years
- All air travel from one country to another
- A provision encouraging states to take additional measures and increase ambition
- Strict, mandatory criteria for emission units with a commitment to common social and environmental standards, including a negative list of ineligible project types
- No undermining of the CNG2020 through exemptions
- A multiplier of at least two on CO<sub>2</sub> emissions from aviation, as the total climate impact of aviation is 2-5 times higher than its CO<sub>2</sub> emissions alone
- Proper accounting and MRV rules for alternative fuels and offset credits to avoid double counting and interlinkage with UNFCCC accounting for credits to avoid double counting
- Consistency with the following [checklist](#)

**3) In what ways could action being taken by countries and groups of countries to achieve their respective climate goals, notably by addressing emissions from domestic aviation, complement and interact with a GMBM addressing emissions from international aviation?**

- The GMBM should be seen as a floor for ambition, not a ceiling. States or groups of states should be able and encouraged to use the GMBM mechanism to increase ambition through, for example, discounting
- Nothing in the Assembly Resolution should prohibit states to implement more ambitious measures (such as addressing non-CO<sub>2</sub> emissions, addressing emissions below CNG2020, stricter technical and operational standards)
- Additional policies should be considered by ICAO and/ or by states, as appropriate, e.g. taxation, phase outs, technological standards, operational measures, etc.
- States should be allowed to set higher quality criteria for credits used to offset emissions from flights in and out of their airports
- A single global MRV system would provide additional administrative simplicity for operators. However it will only be effective if the quality of the MRV is high: otherwise states will depart from it in order to ensure environmental integrity. ICAO MRV standards should therefore be of the highest environmental integrity.
- ICAO should work with UNFCCC Parties to exclude double counting efforts in different fora

**4) Which should be the main principles and criteria guiding a review of the EU ETS following the 2016 ICAO Assembly?**

Combined ICAO and EU action must ensure aviation emissions reductions are in line with the Paris 1.5°C goal. The EU must take significant additional action and set aviation sector targets if the GMBM:

- is not universally legally binding
- sets CNG2020 without a mechanism to increase ambition every 3 years
- has exemptions to CNG2020
- weak accounting rules

Stop the Clock was implemented to give ICAO time to negotiate a GMBM. Since no GMBM is yet in place, the ETS must restart in its full scope in 2017 (as stipulated by Reg 421/2014) as part of pre-2020 ambition required by Paris.

From 2021 on, the ETS must cover all intra-EU flights and 50% of all inbound and outbound international flights. Aviation must be subject to the same 2030 target as the other ETS sectors:

- No free ETS allowances must be given to the aviation sector from 2017 onwards; auctioning revenues must be earmarked for the Green Climate Fund
- The ETS target must be brought in line with the Paris Agreement. Therefore the proposed 2030 ETS target of -43% below 2005 levels needs to be raised significantly

### **5) Which options should be considered for the EU ETS for the period 2017-2020?**

Reg 421/2014 stipulates that from January 1 2017, the EU ETS should cover all emissions from international flights into or out of the EU. In the absence of other emissions trading systems for international aviation, or other equivalent measures, during this period this provision should remain in force. No free ETS allowances should be given to the aviation sector from 2017 on; auctioning revenues must be earmarked for the Green Climate Fund.

### **6) Which options should be considered beyond 2020?**

- The EU must be more ambitious than the CNG2020: the ETS target must be consistent with 1.5°C. Aviation must be subject to the same 2030 target as other ETS sectors; therefore the currently proposed 2030 ETS target of 43% below 2005 levels needs to be raised significantly.
- The ETS must be retained for intra-EU routes. This avoids undermining EU 2030 objectives and avoids market distortions between transport modes. Reforms must include full auctioning, be subject to the linear reduction factor and addressing non-CO2 effects.
- EU ETS must cover all intra-EU flights and 50% of all outgoing and 50% of all incoming international flights and any emissions not covered by the GMBM (eg through exemptions) to ensure the Paris 1.5°C ambition is met.
- Appropriate measures should be put in place to avoid double-counting.
- 100% of aviation allowances should be auctioned from 2017 on and revenues should be earmarked for the Green Climate Fund.

### **7) According to Regulation 421/2014, the Commission proposal following the 2016 ICAO Assembly should "swiftly propose measures in order to ensure that the international developments can be taken into account", and "give particular consideration to the environmental effectiveness of the EU ETS (...), including better alignment of the rules applicable to aviation and stationary installations respectively". Which elements of EU ETS could be considered in order to take into account international developments as well as to improve its environmental effectiveness (e.g. review of auctioning shares, use of international offsets – including from the new mechanism established by the Paris Agreement, etc.)?**

The Stop the Clock provision was implemented in order to grant ICAO more time to negotiate a GMBM. Since no GMBM is currently in place, the ETS must restart with full force in 2017 (as stipulated by Reg 421/2014) as part of pre-2020 ambition required by the Paris outcome.

From 2021 onwards, the ETS must cover all inner-EU flights and 50% of all outgoing and 50% of all incoming international flights. Aviation must be subject to the same 2030 target as the other ETS sectors:

- No free ETS allowances must be given to the aviation sector from 2017 onwards and its auctioning revenues must be earmarked for the Green Climate Fund.
- Emissions from flights that start and/or end in the EU must not be compensated with international carbon offsets in order to avoid market distortions
- The ETS target must be brought in line with the Paris Agreement. Therefore the currently proposed 2030 ETS target of minus 43% below 2005 levels needs to be raised significantly.

- The EU should aim to take part in a single MRV scheme proposed by ICAO provided that it has integrity equal to that for EU ETS. The EU should push for an approach based on the EU ETS

**8) Should small non-commercial aircraft operators (emitting less than 1000 tonnes of CO<sub>2</sub> per year) continue to be exempted from the EU legislation from 2021 onwards? If so, what alternative measures, if any, should be considered?**

Fuel taxation and/or VAT is a more effective measure for small operators since there are fewer or no legal barriers to such policies for small non-commercial aircraft.

Where there are legal ways to do so, the EU should consider measures to regulate efficiencies of aircraft and policies to speed the scrapping of inefficient aircraft designs to encourage the use of more efficient designs.

**9) Submit any other comments you may have.**

Paris' 1.5°C goal will require all sectors to drastically reduce emissions by 2050. ICAO's proposed CNG2020 target is a first step, but will need to be ratcheted up considerably every 3 years to reach 1.5°C. Emissions from any exemptions made in the GMBM need to be covered elsewhere to uphold the CNG2020 target. Credit quality is also important: if credits do not represent real emissions reductions, contribute to the sustainable development of the host country and do social or environmental harm, then emissions that are taking place that are not actually being offset elsewhere. Certain project types are well-established as problematic and should be placed on an ICAO negative list. Avoiding double claiming will require ICAO accounting rules and registries to be in line with existing and future multi-laterally agreed practices. The GMBM must be seen to function well: current lack of transparency will ensure there is no confidence in the GMBM. The public should have access to information, including on quantity and types of credits used, and be able to present inputs to the GMBM governing body, which should be guided by technical experts with no conflicts of interest.



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