

Recommendations for APA Items 3 and 5 as they relate to the market-based measure CORSIA established by ICAO

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Carbon Market Watch welcomes the opportunity to provide input to the APA discussions¹ as they relate to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) agreed in October 2016 at the International Civil Aviation Organization (ICAO) 39th Assembly, and corresponding adjustments needed to accurately harmonize the climate measure with ongoing work in the UNFCCC.

The goal of the CORSIA is to offset annual increases in CO₂ emissions from international civil aviation above 2020 levels. The scheme will be voluntary through 2026 before a mandatory phase including all countries, with the exception of Lead Developed Countries (LDCs) Small Island Developing States (SIDS) and Landlocked Developing Countries (LLDCs), unless they volunteer to participate.

The structure of the scheme is still undefined as technical rules, i.e. related to monitoring, reporting and verification (MRV), offset criteria, registries and the constitution of a governing body have yet to be established. Nevertheless, the Resolution does make a clear reference to the eligibility of UNFCCC credits provided they meet offset criteria developed by the ICAO Committee on Aviation Environmental Protection (CAEP), expected to be approved at the June ICAO Council session:

The ICAO Assembly “decides that emissions units generated from mechanisms established under the UNFCCC and the Paris Agreement are eligible for use in CORSIA, provided that they align with decisions by the Council, with the technical contribution of CAEP, including on avoiding double counting and on eligible vintage and timeframe;”²

With a clear link established between the UNFCCC and the ICAO market based measure, guidance under the Paris Agreement is needed to ensure that the CORSIA contributes to the goals of the Paris Agreement and does not undermine the achievement of nationally determined contributions (NDCs). To this aim, **it is imperative to ensure that rules are in place to transparently communicate the aviation sector’s progress towards the long term goal, avoid double counting by adjusting NDCs to account for UNFCCC units used under the CORSIA, and strengthen public access to information.**

¹ <http://unfccc.int/resource/docs/2016/apa/eng/03.pdf>

² https://www.icao.int/environmental-protection/Documents/Resolution_A39_3.pdf

Carbon Market Watch recommendations for APA Items 3 and 5 as they relate to the market-based measure, CORSIA, established by ICAO

RECOMMENDATIONS:

- Integrate CORSIA progress into preparation and review of mitigation action of states
- Clarify adjustments to NDCs due to targets outside of NDCs
- Provide information on offsets going to CORSIA participants in reports and updates under the Transparency Framework

Integrate CORSIA progress into preparation and review of mitigation action of states (APA agenda item 3(a)(b))

With the multiplication of climate goals, including the recent agreement on the CORSIA, it will be necessary to clarify how they relate to NDCs to avoid overlap of mitigation activities. The facilitative dialogue will be an important opportunity to encourage transparency of action and avoid double counting of state contributions outside of NDCs.

To facilitate accurate tracking of climate activities, NDCs should have a section on their contributions outside of the UNFCCC, so that countries providing emission units, or internationally transferrable mitigation outcomes (ITMOs), to sources other than states can be certain that mitigation achieved is not double claimed. Without this provision NDCs could be undermined by double claiming offsets in host countries and the CORSIA.

Updating the Synthesis Report to reflect ICAO's agreed goal

The synthesis report is an important tool for understanding the impact of planned climate goals and the aggregate effect of anthropogenic emissions in view of achieving the long term goal of the Paris Agreement. It was updated to include all INDCs communicated by April 4th, 2016. The updated report assumed ICAO's climate contribution was offsetting all emissions above 2020 levels, also known as climate neutral growth 2020 (CNG2020).³

At the Assembly, not all states committed to participating and emissions from LDCs and SIDs, who are exempted, were not redistributed. This means only around three quarters of ICAO's goal of carbon neutral growth is set to be achieved for the duration of the scheme from 2021-2035⁴. This will need to be factored into the next update of the synthesis report for a clear understanding of global contributions to fighting climate change.

- The **facilitative dialogue** must address **state contributions outside of NDCs** to encourage transparency of action and avoidance of double counting

³ <http://unfccc.int/resource/docs/2016/cop22/eng/02.pdf>

⁴ <http://icsa-aviation.org/global-aviation-co2-deal-adopted-with-mixed-results-just-as-paris-agreement-takes-off/>

- **NDCs should have a section, ‘contribution to targets outside the UNFCCC’ in NDCs to allow for accurate tracking of states’ mitigation activities.**
- **Update the synthesis report** to take into account the actual effect of the CORSIA, $\frac{3}{4}$ of the original goal of CNG2020

Clarify adjustments to NDCs due to targets outside of NDCs (APA agenda item 3(c))

ICAO technical bodies are working to operationalize criteria, including on double counting, found in paragraph 21 of the ICAO Assembly Resolution. This reference is beyond the scope of the accounting provisions in the Paris Agreement which only apply between states’ NDCs. If mitigation under the CORSIA is not recognized by states in their accounting for nationally determined contributions, then overall emissions increase while two entities claim to reach their climate goals.

To avoid double counting between NDCs and the CORSIA’s obligations, states generating transfers to CORSIA should keep track of ICAO obligations through adjustments to accounts based on national inventories for transfers used under the CORSIA to show that the offsets were not also counted towards achieving national targets.

Avoid perverse incentives against expansion of NDCs

Article 4.4 of the agreement encourages developing countries to move towards economy wide quantified targets for their NDCs. In order to avoid creating a perverse incentive against the expansion and increased ambition of NDCs, internationally transferred mitigation outcomes, if coming from outside an NDC, must be incorporated into the country’s NDC within a set period of time.

Respect the ambition of Article 6

Article 6 of the Paris Agreement obliges that any transfers should produce a net mitigation of overall greenhouse gas emissions. For any units used in CORSIA, to ensure an overall benefit to the environment, one tonne of pollution should therefore be covered by discounting a set amount of emission reductions that leave a host country, as set out in paragraph 67(a) of the informal note prepared by the SBSTA co-chairs on article 6.4 for SBSTA48.

- States must **make corresponding adjustments to national accounts based on their inventories** when emissions reductions achieved in the host country are used towards other international climate targets **to avoid double counting**
- Avoid double counting, claiming and use from targets outside of NDCs by, inter alia, ensuring **a common accounting system for all international transfers** and comply with provisions for accounting under Article 4, transparency in Article 13, and compliance in Article 15.
- Any mitigation **activity taken outside of an NDC should be time bound, and subsequently incorporated into a country’s NDC** to avoid perverse incentives and encourage expansion of NDCs

→ Ensure that any transfers used by ICAO **contributes to overall mitigation of GHG emissions by discounting a set portion of the credits transferred out of a host country.**

Provide information on offsets attributed to the CORSIA in reports and updates under the Transparency Framework (APA Item 5)

The transparency framework can provide clarity on how contributions to ICAO affect states progress towards achieving their NDC. This is particularly important for countries that do not have multi-year targets, which allow emissions to be added up into budgets. For example, countries with a single year target have no obligations until the year they specify in the NDC, but the transparency framework required states to “regularly provide” a) a national inventory report of emissions and removals and information necessary to track progress toward achieving its NDC. To ensure that the use of offsets that a host country provides to ICAO does not impact a state's “progress made in implementing and achieving its nationally determined contribution” states should provide information on offset contributions made to ICAO and indicate how they avoided double counting.

According to the ICAO resolution on the CORSIA, Aircraft operators must report annually on offsets purchased to an authority designated by the State where it is registered.⁵ This information should be part of national communications and biennial reports and updates that feed into the transparency framework to promote accuracy, avoid double counting and ensure environmental integrity.

→ Transparent climate action: National communications, biennial reports, biennial update reports and “Information necessary to track progress” of achievement of NDCs must reflect **offset contributions to ICAO**

→ Parties must provide **annual reports on offsets surrendered to ICAO under the CORSIA and indicate how the state avoided double counting** with their NDC.

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⁵ http://www.icao.int/Meetings/a39/Documents/WP/wp_530_en.pdf , p.16