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ICAO's carbon market report offers valuable lessons for Article 6 talks

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As part of the work to establish an international carbon market for aviation, CORSIA, a group of experts recently recommended restrictions for the types of carbon offsets that can and cannot be used by airlines. These restrictions were adopted by the UN aviation agency's (ICAO) decision-making Council in early March.

The Technical Advisory Body (TAB) set up by ICAO assessed 14 organisations which had applied for their carbon credits to be recognised under CORSIA. Specific quality criteria, the Emissions Unit Criteria (EUC) had been adopted by the ICAO Council last year and were used to assess the programmes.

As many observers had warned over the past months, none of the programmes meets all of the quality criteria identified by ICAO and most of them fail several criteria.

The privileged (flawed) CDM

While the TAB report includes many positive elements, what is striking about it is the blatant privileged treatment of the UN's Clean Development Mechanism (CDM). First, the CDM did not fill in the application form, while other programmes' applications ran close to 100 pages. Second, the CDM failed on six of the quality criteria, more than any other assessed programme. Third, restrictions applied to other programmes (CAR and VCS) for problems which the CDM also displayed – a failure to require projects to report on sustainable development benefits – were not applied to the CDM. Fourth, despite a clear statement that the CDM does not have the necessary rules in place to guarantee additionality, the experts nevertheless decided to recommend it for eligibility.

This clearly shows that the debate around the future of the CDM has gone way beyond a rational assessment of its positive and negative aspects, and only revolves around political bargaining.

Due to the many problems associated with this scheme, no CDM credits should be used under the Paris Agreement and all projects should be re-assessed before they are transitioned into a new system.

Time for safeguards

As a highly welcomed development, the TAB report excluded a large number of projects because they fail to report on their sustainable development benefits. This is possibly the first time that projects are excluded from a UN mechanism on such a scale, on the grounds that they do not place sufficient emphasis on their local impacts.

It should set a precedent for a higher prioritisation of sustainable development and the impacts of projects on local communities and the environment under future carbon markets.

Another lesson from the report relates to timing. Only projects which started generating credits from 2016 will be eligible to sell offsets under CORSIA, and all programmes deemed eligible will need to be re-assessed again for the post-2023 period.

This means that a large number of old credits – coming from projects which started issuing credits (much) earlier than 2016 – will not be eligible. New pollution should not be compensated for using old credits. Under the Paris Agreement, this restriction should ideally be extended to 2020, so that only emission reductions generated during the “Paris Agreement era” can be used towards the countries’ nationally determined contributions (NDCs).

Furthermore, the fact that projects will only be eligible until 2023 underlines that carbon markets can evolve fast, and regular reviews of rules must take place.

Dangerous land-use credits and lack of means to avoid double counting

Another important element of the report is linked to land-use credits. The bar for meeting permanence requirements was set extremely low, i.e. projects must simply guarantee that CO2 will be safely stored until 2037. Despite this, several programmes failed to meet it.

For example, the VCS does not monitor emissions from its land-use projects beyond the project’s crediting period (10 years, twice renewable), and the FCPF cannot guarantee its institutional existence after 2025, and hence cannot guarantee any continued monitoring beyond that point.

Considering the challenges of ensuring that carbon will be stored for 100+ years, as well as the need to prevent “leakage” (displaced deforestation), and other methodological issues related to the calculation of carbon stored in trees, Carbon Market Watch’s long-standing position is that no credits should be used to compensate for pollution on any carbon market.

In addition to this, none of the programmes can guarantee the avoidance of double counting. This is not surprising given that this requires accounting steps by states, over which programmes have no authority.

In fact, without a decision by governments at the UN climate talks (UNFCCC) to apply corresponding adjustments for all emission reductions transferred, double counting cannot be avoided with sufficient certainty. For CORSIA, this is particularly problematic given that there are currently no rules in place to deal with the situation where an emission reduction used by an airline is later found to have also been claimed by a country.

Overall, the TAB report provides valuable lessons for the Article 6 negotiations. Thus only new emission reductions should be used under the Paris Agreement, government action is needed to avoid double counting, land-use credits should not be used, and environmental and social safeguards must be adopted. Even in the absence of an Article 6 agreement at COP26, countries which want to use global carbon markets should heed these lessons and work towards climate projects that reduce emissions globally, uphold human rights and benefit local communities.

For a more detailed analysis of the TAB report, see Carbon Market Watch's recent publication here.

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