



**WORKING PAPER**

**ASSEMBLY — 39<sup>TH</sup> SESSION**

**EXECUTIVE COMMITTEE**

**Agenda Item 22: Environmental Protection – International Aviation and Climate Change – Policy, Standardization and Implementation Support**

**EUROPEAN POSITION ON A GLOBAL MARKET BASED MEASURE (GMBM) SCHEME FOR INTERNATIONAL AVIATION EMISSIONS**

(Presented by Slovakia on behalf of the European Union and its Member States<sup>1</sup> and the other Member States of the European Civil Aviation Conference<sup>2</sup>)

**EXECUTIVE SUMMARY**

Climate change is a defining challenge of our times. All sectors of the economy, including international aviation must contribute to achieving the Paris Agreement objectives to limit the global temperature increase well below 2°C compared to pre-industrial levels, and make efforts to limit the increase to 1.5 degrees. In line with the ICAO Assembly Resolution A38-18, a credible, robust and effective scheme for a Global Market Based Measure (GMBM) should be decided by the 39<sup>th</sup> Assembly as a key element of the "basket of measures" to tackle CO<sub>2</sub> emissions from international aviation. This paper presents the European position on the core principles that should be respected by the GMBM, namely environmental effectiveness, Special Circumstances and Respective Capabilities (SCRC) and non-discrimination, as well as key elements in its design. Key design elements must be clear, credible, and agreed as a package for the duration of the GMBM.

**Action:** The Assembly is invited to:

- a) Adopt a credible, robust and effective Global Market Based Measure at the 39<sup>th</sup> Assembly as a necessary measure to achieve Carbon Neutral Growth from 2020 (CNG 2020);
- b) Agree on all the main key design elements of the GMBM taking into account the core principles and key observations presented in this paper (clarity on participating routes in all different phases of the scheme, global system, environmental effectiveness, non-discrimination between operators, SCRC, periodic reviews to improve the effectiveness of the scheme over time, robust MRV and high-quality emission units) and a roadmap on the remaining elements necessary for the GMBM to start operating from 2020;
- c) Take note of Europe's intention to join this scheme from the start; and
- d) Request States who can do so, to declare before the end of the Assembly their commitment to voluntarily participate in the GMBM from the beginning.

<sup>1</sup> Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

<sup>2</sup> Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Iceland, Republic of Moldova, Monaco, Montenegro, Norway, San Marino, Serbia, Switzerland, The former Yugoslav Republic of Macedonia, Turkey and Ukraine.

<i>Strategic Objectives:</i>	This working paper relates to the Strategic Objective of Environmental Protection.
<i>Financial implications:</i>	The activities referred to in this paper will be undertaken subject to the resources available in the 2017-2019 Regular Programme Budget and/or from extra budgetary contributions.
<i>References:</i>	Chicago Convention and its Annex 16 A38-17 and A38-18

## 1. INTRODUCTION

1.1 Climate change is a defining challenge of our times. All States and sectors of the economy have to contribute their fair share in order to avoid devastating consequences. Consistent with the conclusions of the reports from the Intergovernmental Panel on Climate Change (IPCC), the international community agreed in Paris to make all necessary efforts so as to limit the global temperature increase well below 2°C compared to pre-industrial levels and to pursue efforts to further limit the temperature increase to 1.5°C above pre-industrial levels. This can only be achieved through adequate and urgent action by all sectors generating green-house gas emissions, including international aviation. Following COP21, it is now for the aviation sector to contribute to achieving these objectives.

1.2 To address the climate impacts of aviation, ICAO agreed on a "basket of measures", including technology, operational and economic measures, as well as the use of sustainable alternative fuels. We welcome the recent approval of the first CO<sub>2</sub> standard for aircraft by ICAO's Committee for Aviation Environmental Protection (CAEP). But this, and the other elements of the "basket of measures" alone will not bring about the necessary emissions reductions. Assembly Resolution A38-18 reaffirmed in 2013 the global aspirational goal of keeping international aviation emissions at 2020 levels and agreed on the development of a Global Market-Based Measure (GMBM) to achieve this. A GMBM was recognised as the most cost-effective tool to reduce CO<sub>2</sub> emissions to achieve the goal, which, as demonstrated by substantial analysis undertaken by the CAEP, cannot be met without it.

1.3 During his visit to ICAO in February 2016, the United Nations Secretary General reminded ICAO that following COP21 "the eyes of the world are now on airlines, and on ICAO, to drive substantial, concrete progress on reducing emissions". He urged States to agree on a market-based mechanism to ensure Carbon Neutral Growth from 2020 (CNG 2020).

## 2. BASIC PRINCIPLES FOR THE GMBM

2.1 The GMBM must make a meaningful contribution to stabilising emissions from international aviation from 2020 onwards. Europe strongly supports the adoption of a GMBM that keeps net CO<sub>2</sub> emissions from international aviation at 2020 levels while allowing for sustainable growth of international aviation.

2.2 The 39<sup>th</sup> Assembly needs to agree on a well defined scheme that clarifies from the outset all major design elements over its entire lifetime (2021-2035) including on which States will participate from the beginning so as to have full certainty from the start and the necessary reassurance in terms of emissions coverage. In addition, the design of the GMBM must take into account the two basic principles of non-discrimination between aircraft operators and the need to accommodate Special Circumstances and Respective Capabilities (SCRC) in a balanced manner.

2.3 While Europe has some concerns with the proposed voluntary approach in the outset of the scheme which leads to uncertainty on the scheme's climate effect, we can accept a scheme with an initial voluntary phase as long as this initial phase is limited in time and the overall scheme can meet, over time, the overall objective of CNG 2020.

### **3. EUROPEAN POSITION ON KEY ELEMENTS OF THE GMBM**

3.1 Europe welcomes the substantial progress made on the GMBM following the mandate of the 38<sup>th</sup> Assembly. The Council's proposal for an Assembly Resolution builds on extensive discussions and technical assessments and is a good basis for a global CO<sub>2</sub> offsetting system for international aviation. First and foremost, we underline the importance of creating a truly global system with common standards that are agreeable to all States and will be applied consistently and in a non-discriminatory manner by all States to ensure a level playing field for all participants.

#### **3.2 Reaching the Global Objective**

3.2.1 It is essential that the GMBM effectively delivers on its climate objective. The extensive analysis performed by CAEP and supported by the aviation industry has demonstrated that a global offsetting measure would achieve the common goal at an affordable cost.

3.2.2 Whilst recognising the need to address SCRC, the draft Resolution with phased implementation and voluntary participation in the first years as well as a significant number of exemptions excludes an important part of emissions from the coverage of the GMBM. Europe is concerned about this gap and that it will need to be addressed over the course of the scheme to ensure that the overall climate objective will be met and the credibility of the GMBM is not undermined.

3.2.3 Against this background, Europe considers it necessary that as many ICAO States as possible, and in any event all major aviation States and those able to participate join on a voluntary basis from the beginning of the scheme. Europe intends to join the scheme from the start, as long as the agreed scheme reflects the key features mentioned in this paper. Given the urgent need to meet the temperature goals of the Paris Agreement, we would also encourage any State that would be exempted by the provisions of the Resolution to volunteer to participate as early as possible in the scheme. It is also very important to have a clear understanding by the time of the 39<sup>th</sup> ICAO Assembly about the level of participation in the overall scheme. Furthermore, a robust review clause should address the reduction of the emissions gap over time.

#### **3.3 Special Circumstances and Respective Capabilities**

3.3.1 Europe acknowledges the differences in the economic and development situation of States and therefore considers that SCRC, addressed in a non-discriminatory manner, will need to be included as one of the core elements of the Assembly Resolution. The draft Resolution lives up to this objective by including a number of measures to address differentiation.

3.3.2 Europe can support exemptions based on RTK thresholds but is concerned about the fact that in the draft Resolution text as presented by the Council, any exemption would be granted to States for the full duration of the scheme regardless of their changing situation over time, which risks introducing significant market distortions if, for example, traffic patterns were to change over the course of the scheme. As reflected in previous draft resolutions, Europe would propose to reintroduce the provision that any State which reaches a certain level of international aviation activities in RTKs in a given year would

be included in the scheme. Europe also understands and supports the strong call from industry to base the RTK-assessment on the principle of "departing flights" rather than on the principle of the State of registry (AOC).

3.3.3 Support and capacity building is also an appropriate way to address SCRC and to provide targeted help to States, especially to facilitate the efficient implementation of the GMBM. Europe already supports an important project through ICAO (to develop State Action Plans) and agrees that more assistance will be needed for the timely implementation of the GMBM.

### **3.4 Non-discrimination and equal treatment**

3.4.1 An equally important core principle is non-discrimination and Europe welcomes that the draft Resolution requires equal treatment of operators on the same route. Implementing exemptions and phase-in provisions on a route basis is essential to guarantee equal treatment of operators flying on the same route and ensure a level playing field amongst operators, irrespective of their nationality, in full compliance with the Chicago Convention.

3.4.2 Equal treatment and a level playing field must also be respected by means of the transparent governance and uniform application of the implementation rules, including on Monitoring, Reporting and Verification (MRV) and the eligibility criteria for emission units.

### **3.5 Sharing the burden**

3.5.1 Distributing the offset obligations fully (100%) based on the growth of the sector's emissions is a sound, pragmatic approach which is easy to implement and avoids complicated adjustments. Also, this approach benefits airlines growing at above average rates, and will thus help operators from countries whose aviation sector is still developing. Therefore, Europe prefers a 100% sectoral approach for the full period of the scheme; this being said, Europe recognises the wish of other States to give consideration to a dynamic element during the later phases of the scheme. This should, however, not undermine the simplicity of the scheme.

### **3.6 Review of the GMBM**

3.6.1 Europe considers it essential that the performance and effectiveness of the GMBM are periodically assessed and improved to ensure that it remains effective in achieving its goal over time and that its ambition keeps pace with the overall ambition and objectives agreed in the Paris Agreement and its future development, in particular its long-term temperature goal.

3.6.2 It is essential that the decision to adopt a GMBM at the 39<sup>th</sup> Assembly gives clarity on the continuation of the scheme after the initial voluntary phase. Any review of the functioning of the scheme before 2032 should not put into question the continuation of the scheme, but focus on technical and administrative improvements of the system.

3.6.32 Reviews may also be suitable opportunities to assess the need for additional elements such as cost safeguards. They may become relevant in the longer run, and it would be most efficient to consider them at a time when there is a better understanding of their need, instead of fixing the provisions prematurely at the start of the system.

### **3.7 Governance and implementation**

3.7.1 Robust MRV rules, which are consistent with the reporting under UNFCCC as well as transparent and sound eligibility criteria ensuring the use of high quality emissions units are two important cornerstones of the GMBM determining its credibility and environmental effectiveness. Transparency and accountability of the GMBM will also need to be ensured via a robust central registry. CAEP has made important progress on the technical details of these elements and Europe underlines the importance for CAEP - through the ICAO Council - to finalise these elements in a timely manner. Europe reaffirms its commitment to an active expert participation in CAEP work. Europe can support an early implementation of certain elements of the system before 2020, notably as regards MRV from 2019. This would help to ensure a smooth start of the scheme in 2020.

3.7.2 Agreeing and implementing robust quality criteria for offsets will be necessary to ensure the environmental effectiveness of the GMBM. Europe supports the use of UNFCCC credits which satisfy the emissions units criteria of the scheme. This has the advantage to foster initiatives, projects, programmes and sectoral approaches in developing countries, with the accompanying positive social and economic benefits. The Resolution should only allow the use of emission units representing reductions not accounted for by the host countries against their domestic climate commitments or objectives (avoidance of double counting).

3.7.3 A roadmap on the remaining elements necessary for the GMBM to start operating from 2020 should also be agreed at the Assembly.

**- END -**