

ICAO'S CORSIA AND THE PARIS AGREEMENT: CROSS-CUTTING ISSUES



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Two international bodies—the Council of the International Civil Aviation Organization (ICAO) and the Parties to the Paris Agreement (CMA)—will soon be making decisions that elaborate on the use of market-based mechanisms to limit and reduce greenhouse gas emissions. How these emerging systems are developed, and the extent to which they align, will have implications for the strength and operation of the global greenhouse gas market and for the environmental integrity of these collective climate efforts.

ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) provides for the aviation sector to offset its international CO₂ emissions above 2020 levels by buying credits from outside the international aviation sector. Article 6 of the Paris Agreement recognizes the voluntary use of internationally traded mitigation outcomes (ITMOs) toward parties' nationally determined contributions (NDCs) and establishes a new mechanism for generating emission offsets.

This brief summarizes the relevant provisions of the two regimes and the processes underway within each one to further elaborate them; outlines potential cross-cutting issues; and offers preliminary suggestions of options for addressing these issues.

BACKGROUND ON CORSIA

ICAO Assembly Resolution A39-3¹ provides the foundation for CORSIA. CORSIA's 15-year period (2021-2035) is divided into three time periods: an initial three-year "pilot" phase, a subsequent three-year "first phase," and a nine-year "second phase."

The resolution strongly encourages all ICAO member states to "voluntarily participate" in the pilot phase and first phase. All member states are expected to participate in the second phase, except those that are specifically exempted. As of August 23, 2017, 72 states representing 87.7 percent of international aviation activity had volunteered to participate in the scheme from the pilot phase.

In order to address the difficult issue of allocating offset requirements between and among large-but-slower-growing airlines and smaller-but-faster-growing airlines, CORSIA uses a "dynamic" approach. It initially allocates the requirements based 100 percent on a global growth

factor and moves over time to a more and more individual approach.²

Certain elements of CORSIA, discussed below, are to be elaborated by the ICAO Council.³

Developing the CORSIA Emissions Unit Criteria (EUC)

The resolution provides that ICAO will develop emissions unit criteria (EUCs) determining what types of offsets will qualify for use under CORSIA. Paragraph 20 requests the council to develop the EUC, taking into account relevant developments in the U.N. Framework Convention on Climate Change (UNFCCC) and Article 6 of the Paris Agreement. The EUCs are to be adopted as soon as possible, but not later than 2018.

ICAO's Committee on Aviation Environmental Protection has developed recommended EUC, which the ICAO Council will consider in late October 2017. If the council accepts them, then offset programs seeking to be found "eligible" for use in CORSIA will be evaluated

against these criteria.

The recommended EUCs will not be public until they are approved by the Council (although summaries have been released by ICAO).⁴

Issues:

There is likely to be an issue concerning how much flexibility the EUCs should accord those deciding which offset units are “eligible,” i.e., meet the criteria. This will be a function of both the content of the EUCs and their “bindingness.” For example, the EUCs:

- might be recommendatory.
- might be mandatory.
- might be partially recommendatory and partially mandatory, or
- might be mandatory but written to accord some flexibility.

Deciding Which Offset Program Units Meet CORSIA's EUC

The council is to establish a standing technical advisory body to recommend which units are “eligible” for CORSIA, based on the application of the EUCs. The council is likely to approve the use of units from specified *programs* (e.g., the Kyoto Protocol’s Clean Development Mechanism (CDM), rather than units from individual projects. It might decide to approve a particular program with exceptions (e.g., no nuclear projects). As noted below, it might also limit the use of units based on vintage or with respect to particular timeframes.

Issues:

There is likely to be an issue whether program units blessed by the Council are the *exclusive* eligible units under CORSIA. In other words, can ICAO member states permit their airlines to use *additional* units based on their own application of the EUCs, i.e., from non-council approved programs? This is likely to be a controversial proposition, both in terms of the environmental integrity of the scheme (particularly if the EUCs accord flexibility) and competitiveness concerns.

There may also be an issue whether ICAO member states are free to be *more* restrictive than the council vis-à-vis their own airlines, i.e., not allow them to use certain council-approved units. Member states may want to consider this issue as well in drawing up the relevant documents.

BACKGROUND ON ARTICLE 6 OF THE PARIS AGREEMENT

Article 6 addresses various aspects of what, in other contexts, might have been referred to, in shorthand, as “market mechanisms.”

Article 6.2 addresses the situation where parties voluntarily engage in “cooperative approaches” involving the use of ITMOs towards NDCs. Parties must promote sustainable development, ensure environmental integrity and transparency, and apply “robust accounting” to ensure, among other things, the avoidance of double counting. The robust accounting requirement is subject to guidance, to be elaborated by the CMA.

Article 6.4 establishes an offset-generating mechanism akin to the Kyoto Protocol’s CDM.⁵ Like the CDM, the use of the Article 6.4 mechanism is completely voluntary. It will operate under the authority and guidance of the CMA, be supervised by a designated body, and be subject to specified criteria (such as that reductions in emissions must be “additional” to any that would otherwise occur).

The Article 6.4 mechanism is distinct from Kyoto’s CDM in certain ways. For example, any party may host an Article 6.4 project, not just a developing country. In addition, the context of the 6.4 mechanism is different. Under Kyoto, only Annex I (developed country) parties had emissions caps; CDM projects, by definition, took place in host countries without emissions caps. Under Paris, Article 6.4 units may be generated anywhere, and all parties pledge mitigation actions of some sort in their NDCs.

Accounting guidance related to Article 6.2, as well as rules, modalities, and procedures for the Article 6.4 mechanism, are to be adopted by the CMA in 2018.

CROSS-CUTTING ISSUES

Neither CORSIA nor the Paris Agreement anticipates any direct operational linkage between the two regimes. However, CORSIA does make specific reference to the potential eligibility of UNFCCC and Paris-generated units under CORSIA. And other issues—in particular, the potential eligibility of REDD+ units, and the avoidance of double counting—arise under both regimes, albeit in different ways.

Potential Eligibility of Kyoto and Paris Units for CORSIA

The ICAO Assembly Resolution makes specific reference to UNFCCC and Paris-generated units. However, the extent to which CDM and Article 6.4 units will be eligible for use under CORSIA is not yet known.

Specifically, paragraph 21 of the resolution states that UNFCCC and Paris-generated units “are eligible for use in CORSIA,” but adds “provided that they align with decisions by the council...including on avoiding double counting and on eligible vintage and timeframe.”

This language appears to reflect a lean in the direction of making such units eligible but stops short of making them automatically eligible. Rather, they must still meet the applicable criteria. Therefore, the council will need to decide whether there are limits on the eligibility of such units.

Issues:

With respect to the CDM, enough is known about the program for the council to judge whether it meets the generally applicable EUCs. Assuming it does, the council could still decide to adopt “vintage” or “timeframe” requirements, perhaps due to concerns such as oversupply.

With respect to Paris Article 6.4, while certain aspects of that mechanism are known from the Paris Agreement and accompanying decision, other aspects are not yet decided. The council is therefore unlikely to be in a position at this stage to determine whether units generated by this mechanism meet the EUC. In any event, the council could still decide at a later date to deem some or all of Article 6.4-generated units eligible. Paragraph 20(e) of the Assembly Resolution provides that the council is to periodically review the EUC-related material “to promote compatibility with future relevant decisions under the Paris Agreement.”

Potential Eligibility of REDD+

The Paris Agreement addresses REDD+ in Article 5, which generally encourages parties to implement and support it. Parties to the Paris Agreement might decide to treat certain REDD+ units as meeting the requirements of the Article 6.4 mechanism. At such point, they would presumably be considered Paris-generated units under the ICAO resolution and be

accorded the same “lean” toward CORSIA eligibility as is accorded to CDM and other Article 6.4 units.

Irrespective of whether REDD+ units are considered eligible under Article 6.4 of the Paris Agreement, the ICAO Council could decide to treat units deriving from REDD+-related programs, such as the World Bank’s Forest Carbon Partnership or the Verified Carbon Standard’s Jurisdictional and Nested REDD+ (JNR), as CORSIA-eligible, provided they meet whatever criteria the Council adopts.

Issues:

It might be considered whether there is a policy interest in having units deriving from REDD+ programs become eligible under CORSIA. If so, it should be considered whether particular decisions need to be taken with respect to the EUCs and/or the relevant programs in order to achieve that result.

The Double Counting Issue

Paragraph 21 of the ICAO Resolution provides that UNFCCC- and Paris-generated units, in order to be eligible under CORSIA, need to align with ICAO Council decisions, including on “avoiding double counting.” This provision is likely intended to ensure, for example, that a unit used by an airline to comply with CORSIA is not also counted by a country towards achievement of its nationally determined contribution under the Paris Agreement.⁶

This requirement could potentially be built into the EUCs; for example, for a program’s units to qualify, the program might be required, at a minimum, to show that it has a method of ensuring that host countries will not count such units toward achievement of their NDCs.

While Article 6.2 of the Paris Agreement similarly addresses the “avoidance of double counting,” it does not appear that the issue of double counting *vis-à-vis* CORSIA could be addressed through the accounting guidance to be adopted by the CMA. Article 6.2 appears to apply only where an ITMO is being used towards an NDC, not for another purpose (such as compliance with CORSIA requirements).

Although Article 6.2 does not appear to be an available tool for substantive guidance on double counting in relation to CORSIA, it might nevertheless be possible to address the issue, at least partially, through the transparency guidelines under Article 13 of the Paris Agreement.

Article 13 requires each Party to report information necessary to “track progress made in implementing and achieving” its NDC. The guidelines might, for example, require each party to report on any units it has transferred for CORSIA purposes (i.e., to ensure that it has not used them to implement/achieve its NDC).

Issues:

The ICAO Council will need to address the best means of avoiding double counting, including, for example, how the requirement might be built into the EUC against which eligible programs/units are evaluated.

The Paris parties will also need to consider how, consistent with the agreement, they might bolster the avoidance of double counting vis-à-vis CORSIA, e.g., possibly through the transparency guidelines.

It might also be considered whether supplemental work should be carried out on the avoidance of double counting, beyond the basic requirements of CORSIA and the Paris Agreement, in order to bolster the environmental integrity of both systems. For example, various offset crediting programs might voluntarily agree to more detailed, harmonized criteria for avoiding double counting.

ENDNOTES

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

2 During the pilot phase, first phase, and first three years of the second phase, participating airlines will be required to offset covered emissions based on global growth in emissions. During the next three years, “at least 20%” of the offsetting requirements of participating airlines will be based on their individual growth (i.e., at most 80% of their requirement will be based on global growth). During the last three years, “at least 70%” of the offsetting requirements of participating airlines will be based on their individual growth (i.e., at most 30% of their requirement will be based on global growth).

3 Consistent with ICAO practice, the council will elaborate these elements through the adoption of so-called “Standards and Recommended Practices,” or “SARPs.”

4 https://www.icao.int/Meetings/CORSIAHQ17/Documents/5-1_Explanation_Emissions%20Units%20and%20Registries_V02.pdf.

5 The Paris Agreement does not end the CDM; however, the extent to which CDM units will qualify under the Article 6.4 mechanism is an open question.

6 For a discussion of other forms of double counting, see Petsonk and Vinsonhaler, Count It Once: Climate Mitigation under the Paris Agreement and CORSIA, https://www.belfercenter.org/sites/default/files/files/publication/2017-10_market-mechanisms-paris_v5.pdf



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