



INTERNAL INDUSTRY BRIEFING

GLADs WRAP-UP REPORT + MADRID

The International Civil Aviation Organization (ICAO) has conducted a series of Global Aviation Dialogues (GLADs) as part of its outreach to member states on the process to develop a global market-based measure (GMBM) as agreed at the 2013 ICAO Assembly. The first round of GLADs took place across the ICAO regions in Lima, Nairobi, Cairo, Singapore and Madrid throughout the month of April 2015.

¡ HOLA MADRID !

The setting for the fifth and final of the first round of GLADs – Madrid’s Museum of Money Making – was perhaps a fitting stage for a discussion on an MBM.

The Madrid GLAD was the largest so far, with 119 representatives of Nicaragua, Singapore, Switzerland, United States, Spain, Brazil, Egypt, Israel, Morocco, Russian Federation, France, United Kingdom, Burkina Faso, Czech Republic, Poland, Norway, Dominican Republic, Portugal, Finland, Austria, Ireland, the Netherlands, Sweden, Bulgaria, Germany, Nigeria, China, Finland, Philippines, Canada and Denmark.

They were joined by ATAG, IATA, ACI, ICCAIA, IBAC, ICSA, Eurocontrol, European Commission and World Bank.

Given that this was the fifth GLAD, many of the interventions reflected the sentiments expressed in the other regions, with perhaps a slightly higher emphasis on the need for any global MBM to ensure environmental integrity. And unlike some of the interventions at earlier GLADs, there was no doubt that participants in Madrid were convinced of the need for a global MBM.

It is also fair to say that the level of knowledge about market-based measures was generally higher at the Madrid GLAD. This is not surprising given the experiences gained by States in the region in dealing with the implementation of the EU ETS. This generated discussions based on that experience and a sincere call for a simple system, both in design and also in compliance procedures.

What was expected to be a more lively GLAD, given its geographical location and number of NGO participants, was in fact fairly calm. The EU ETS was mentioned a number of times in the discussion groups, but generally to illustrate implementation challenges. However EU State representatives in one group volunteered the idea that a global MBM should replace existing systems – particularly the EU ETS! – to avoid double-counting and for administrative simplicity.

In the discussion on how to resolve CBDR issues, there was a clear preference amongst groups for a route-based approach and recognition that operators competing with each other on the same route should have the same treatment.

AROUND THE WORLD IN 20 DAYS

ICAO will be preparing an official report on the GLADs, but we thought a rough overview of the events would be useful for the industry. In all, ICAO calculates that 100 States took part in the five regional GLADs with some 320 people in total joining the discussions. Despite the geographical spread, certain key themes cross each of the GLAD sessions which perhaps provide an overarching set of messages to the ICAO Council.

Whilst some States came with minimal knowledge of the process and indeed even of the purpose of an MBM (or, in some cases what an MBM was), there were also a number of States that had very detailed insight and a few that came prepared to comment on the strawman, which was not the purpose of the dialogues.

Quite a number of States took part in the GLADs outside their own region. For example, China, the United States, the United Kingdom and France had delegates at all the GLADs. Whilst in some respects this was not useful – one State in particular used the opportunity to lobby their positions quite heavily – the fact that developing States from

Africa and Latin America took part in the Madrid GLAD had a positive impact on the discussions.

DIALOGUES

The dialogue sessions (where delegates were split up into groups of 8-12 people representing governments, industry and civil society) centred around an identical set of questions:

What are the most important considerations for the design of an MBM?

Across the regions, delegates answered that the MBM must be simple, cost-effective, easy to administer, not impact the development of aviation, be fair, be global, ensure no double-counting and have environmental integrity.

What are practical ways of addressing differentiation in the design of a global MBM scheme, without impacting the non-discrimination principle of the Chicago Convention?

Generally, the idea of phasing-in and route-based approaches seemed to gain favour, although there were of course States which had strong views about the use of exemptions for developing countries. However, in a broad reading of the responses, there generally seemed to be an acknowledgement of 'one scheme for all', with appropriate adjustments to take into account SCRC.

One point made by several groups was that the use of the offsets themselves could be a way to find support amongst those pushing CBDR – i.e. that the industry could utilise offset credits based in developing countries as a way of supporting development in those States.

What are 3 things that would cause you to agree in 2016; what are 3 things that would cause you to disagree?

Generally, answers to this question supported the idea that an MBM should not distort the market, be simple to implement and administer, ensure no double-counting, not be seen as a revenue raiser, not damage the ability of the industry to grow and have environmental integrity.

What are the most important features for implementing an MBM, for a State? For an operator?

States wanted something easy to administer that did not damage the growth of their aviation sector. Operators agreed that simplicity of compliance was vital, alongside cost-effectiveness and an ability to utilise a wide variety of offset sources.

What are the most important considerations for emissions units?

A scheme that is cost-effective whilst maintaining environmental integrity seemed to be the main concerns of participants. There was also a question of the type of units that could be included. Even in a pure offsetting scheme, would allowances (issued under an ETS) be permitted?

What additional information do you need now, bearing in mind that there will be another round of GLADs in 2016?

The key request from each region was to have, in sufficient time ahead of the next round of GLADs, a proposal for the design of an MBM. There was also a recognition that more information was needed on the impact of an MBM on the development of aviation in States, the operations of the carbon markets, how operators would purchase emissions units and clarity on the governance of the MBM. In other words: roles and responsibilities of ICAO, States, operators and other players.

INDUSTRY OBSERVATIONS

The GLADs were an important contribution to the MBM development process, enabling input from States that have so far been unable to take part in deliberations. It was also a very good opportunity for the industry to share its views on the most meaningful way forward and some of the design elements we would ideally like to see, many of which were shared by State representatives.

Many industry positions on some of the technical and conceptual questions were acknowledged by States. However, the thorny issue of CBDR was only touched upon lightly and real discussions on this potential deal-breaker did not materialise: expect to see this in the next round of GLADs.

The Lima and Cairo GLADs in particular featured strong representations about the importance of differentiation, whereas the need for a global standard for implementation (with appropriate adjustments to take account of SCRC) was the general view of the other three GLADs.

It should also be noted that a majority of the delegates were representing their civil aviation authorities, which generally share an interest in championing aviation. When it comes to the hard negotiations needed in the run up to the ICAO Assembly in 2016, we hope that intra-Government discussions and consultations involve foreign affairs and environment ministries as well. Coordination will be needed with these agencies to ensure that the aviation community is not overshadowed by the climate change negotiators with different priorities.

Another clear need is for training and capacity building in States the world over, both before the next round of GLADs so that States can make a robust decision, as well as once the implementation of an MBM is in progress. This will need to take place both for States and also operators.

Timing is crucial here, with just 18 months left until the ICAO Assembly and less than a year before the next round of GLADs (not to mention the High-Level Conference of ICAO on the matter).

The ICAO Council, CAEP and the Secretariat will need to ensure strong communications and outreach in the next 18 months, accompanied by a clear timeline. Whilst having 100 countries attend the GLADs was a good achievement, there remains 91 other States that likely have no idea this process is occurring. Come October 2016, that is 91 votes which could be crucial to the success of a global MBM.

- *We would like to thank our colleagues who joined the industry delegation at this series of GLADs. It is vital to have their support as we represent the industry position and help government understanding of the importance of a well-designed and truly global MBM.*