



BRIEFING: DEVELOPING A GLOBAL MARKET-BASED MEASURE AT ICAO

The 38th ICAO Assembly (October 2013) concluded with the adoption of a landmark decision by States to develop a global market-based measure (MBM), to be effective from 2020 and complement the important action taking place in technology, operations and infrastructure efficiency improvements.

The Assembly also acknowledged industry's commitment to carbon-neutral growth from 2020 (CNG2020) and its support for a global carbon offset scheme. States agreed to the development of a proposed MBM solution by the next Assembly in 2016, capable of being implemented globally from 2020.

Following the Assembly, ICAO organised its work in two work streams. The industry is supportive of and involved in both:

- 1. Political.** In 2014, the ICAO Council set up the Environment Advisory Group (EAG) to oversee and coordinate the work on developing proposals for a global MBM and to focus on the international policy aspects related to an MBM for aviation. That group is made up of Council Members and an industry representative. In early 2016, a High-Level Group was established to help narrow down some of the discussions and present a more complete proposal for an Assembly resolution on the MBM.
- 2. Technical.** In parallel, the ICAO Committee on Aviation Environmental Protection (CAEP) established the Global MBM Technical Task Force (GMTF) which is tackling technical aspects namely monitoring, reporting and verification (MRV) and criteria for emissions units to be eligible under the global scheme. The GMTF is also conducting some detailed quantitative analysis work delegated to it by the EAG.

In April 2015, ICAO organised a series of Global Aviation Dialogues (GLADs) for Member States and international organisations in each of the five ICAO regions to discuss the issues related to a global MBM and seek input from a group wider than the ICAO Council. These took place in Lima, Nairobi, Cairo, Singapore and Paris. A second round of GLADs will take place in the first half of 2016 in Cairo, Dakar, Denpasar, Utrecht and Mexico City.

POLITICAL

The EAG process was focused around discussion of a 'strawman' proposal paper which sets out the potential design elements of a global MBM. This paper was used as a means of soliciting ideas and provoking discussion. There has been positive progress in the discussion on issues such as the form of the scheme, how to treat operators from developing states and emerging markets and enforcement.

'Common but differentiated responsibilities' (CBDR) remains a topic of discussion and the issue of accounting for the different levels of development amongst States is being looked at as part of the EAG process. Whilst this discussion is politically charged, there is some common understanding that aviation's international nature may require a more inclusive approach than in other climate areas.

To try and ensure that the collective industry CNG2020 commitment is equitably and fairly distributed among operators, the ICAO process has considered a number of concepts suggested by the industry for determining individual operator responsibilities under a future global MBM:

- » taking the average annual total emissions over a period (e.g. 2018-2020) as the collective industry emissions baseline;
- » defining an individual operator's baseline as its average annual total emissions over the period 2018-2020;
- » a provision for new entrant operators;
- » an equitable balance between a 'collective' element (reflecting the individual carrier's share of total industry emissions) and an 'individual' element (reflecting the individual carrier's growth above baseline emissions);
- » adjustments for fast-growth airlines;
- » an early movers provision to recognise carbon reduction measures taken prior to 2020.

In early 2016, the President of the ICAO Council tabled a draft policy proposal for a global MBM, based on the input from the EAG process. Whilst this paper remains confidential to the process, broadly speaking it outlines a global mandatory offsetting scheme to meet the objective of carbon-neutral growth from 2020. It has a mechanism to deal with the differentiation issue that does not require complex adjustments, whilst also ensuring that least developed nations are not burdened with excess compliance costs.

This proposal will be considered by the High Level Group and also a High Level Meeting which will take place in early May 2016. Expectations are that the Meeting will deliver a more mature draft of an agreement ahead of the ICAO Assembly in September 2016.

TECHNICAL GLOBAL MBM TASK FORCE (GMTF)

- » This group under CAEP has focused on several more technical areas of work, such as:
- » Monitoring, reporting and verification – developing the detailed modalities for an MRV regime that ensures robust accounting of aviation CO₂ emissions under a global MBM.
- » Sources of CO₂ mitigation – developing the eligibility criteria of emissions units (allowances, offsets) for use within an MBM.
- » Technical and quantitative analysis of certain aspects of the possible design elements.

CURRENT OUTLOOK

The industry is pleased with the willingness of States to come to the table and present ideas, suggestions and comments in the ICAO process. All States have been willing and constructive participants in the talks, with some making additional proposals with an aim to try and help progress.

However, it will also be important to maintain the momentum built up at the last Assembly, since there are some government representatives who remain sceptical about the whole process and are not entirely comfortable with the idea of a global deal.

The timeframe for this negotiation is also challenging, with less than eight months until the Assembly. Whilst there has been satisfactory momentum so far, the reaction to the Presidents' proposal for an agreement will provide a good understanding of where different States are in the process. The President's proposal provides a significant focusing of options and is a positive step forward.

Given the willingness of States to engage and, importantly, the momentum which should come from the successful Paris Agreement at COP21, the industry remains confident that a positive solution can be reached at the 39th ICAO Assembly in Autumn 2016.