

Draft Policy Proposals on a Global MBM Scheme (GMBM)
(As of 17 December 2015)

Whereas Assembly Resolution A38-18 decided to develop a global market-based measure (GMBM) scheme for international aviation, for decision by the 39th Session of the Assembly; ***{Text from A38-18, paragraph 18}***

Recalling that Assembly Resolution A38-18 requested the Council, with the support of Member States, to finalize the work on the technical aspects, environmental and economic impacts and modalities of the possible options for a GMBM scheme, including on its feasibility and practicability, taking into account the need for development of international aviation, the proposal of the aviation industry and other international developments, as appropriate, and without prejudice to the negotiations under the UNFCCC; ***{Existing text from A38-18, paragraph 19 a)}***

Also recalling that Assembly Resolution A38-18 requested the Council, with the support of Member States, to identify the major issues and problems, including for Member States, and make a recommendation on a GMBM scheme that appropriately addresses them and key design elements, including a means to take into account special circumstances and respective capabilities, and the mechanisms for the implementation of the scheme from 2020 as part of a basket of measures which also include technologies, operational improvements and sustainable alternative fuels to achieve ICAO's global aspirational goals; ***{Existing text from A38-18, paragraph 19 c)}***

Recognizing the significant amount of work undertaken by the Council, its Environment Advisory Group (EAG) and its Committee on Aviation Environmental Protection (CAEP) to develop a recommendation for a GMBM scheme and its design elements and implementation mechanisms, including the analyses of various approaches for distribution of obligations; ***{New text to reflect the work since A38}***

Further recalling that Assembly Resolution A38-18 requested the Council, with the support of Member States, to organize seminars, workshops on a GMBM scheme for international aviation participated by officials and experts of Member States as well as relevant organizations; ***{Existing text from A38-18, paragraph 19 b)}***

Recognizing the convening of two rounds of Global Aviation Dialogues (GLADs) seminars held in 2015 and 2016 for all regions; ***{New text to reflect the work since A38}***

Noting the support of the aviation industry for a single global carbon offsetting scheme, as opposed to a patchwork of State and regional MBMs, as a cost effective measure to complement a broader package of measures including technology, operations and infrastructure measures; ***{Existing text from A38-18 preamble}***

Whereas the Kyoto Protocol provides for different flexible instruments (such as the Clean Development Mechanism — CDM) which would benefit projects involving developing States; ***{Existing text from A38-18 preamble}***

Welcoming the cooperation between the United Nations Framework Convention on Climate Change (UNFCCC) and ICAO Secretariats on the development of CDM methodologies for aviation; ***{New text on CDM methodologies}***

The Assembly:

1. *Recognizes* the progress achieved on all elements of the basket of measures available to address CO₂ emissions from international aviation, including aircraft technologies, operational improvements, sustainable alternative fuels and a GMBM scheme, and the preference for the use of aircraft technologies, operational improvements and sustainable alternative fuels that provide the environmental benefits within the aviation sector; ***{Basket of measures and preference for non-MBM measures}***
2. *Also recognizes* that, despite this progress, the environmental benefits from aircraft technologies, operational improvements and sustainable alternative fuels by 2020 alone may not deliver sufficient CO₂ emissions reductions for surpassing the growth of international air traffic from 2020, and to achieve the global aspirational goal of keeping the global net CO₂ emissions from international aviation from 2020 at the same level; ***{Recognition of not achieving CNG 2020 by non-MBM measures}***
3. *Further recognizes* the complementary role of a GMBM scheme to the other elements of a basket of measures, as a temporary emissions gap filler to achieve the global aspirational goal; ***{Complementary role of GMBM to achieve CNG 2020}***
4. *Decides* to implement a GMBM scheme in the form of the International Aviation Global Offsetting (IAGOF) to address any annual increase in total CO₂ emissions from international aviation above the 2020 levels; ***{GMBM is International Aviation Global Offsetting (IAGOF)}***
5. *Requests* the Council to continue to ensure all efforts to make further progress on aircraft technologies, operational improvements and sustainable alternative fuels be taken by Member States and reflected in their action plans to address CO₂ emissions from international aviation, and to monitor the progress on implementation of action; ***{Further progress on non-MBM measures}***
6. *Recognizes* special circumstances of States, in terms of vulnerability to the impacts of climate change, economic development levels, and contributions to international aviation emissions; ***{Recognition of special circumstances of States}***
7. *Agrees on* the use of a phased implementation for the IAGOF scheme to accommodate the special circumstances of States, as follows: ***{Phased implementation}***
 - a) First implementation phase applies from 2021 to the following:
 - 1) States that are classified as high income States in terms of gross national income (GNI) per capita (calculated by the World Bank method);
 - 2) States whose individual share of international aviation activities in Revenue Tonnes Kilometers (RTKs) in year 2018 is above 1.0 per cent of total RTKs, or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 80 per cent of total RTKs;
 - b) Second implementation phase applies from 2026 to the following:
 - 1) States that are classified as upper medium income States in terms of GNI per capita (calculated by the World Bank method);
 - 2) States whose individual share of international aviation activities in RTKs in year 2018 is above 0.5 per cent of total RTKs, or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 95 per cent of total RTKs;

- c) the IAGOF scheme does not apply to States which are classified as the Least Developed Countries (LDCs), Small Island Developing States (SIDS) or Landlocked Developing Countries (LLDCs), unless those States meet both criteria 1) and 2) in sub-paragraphs a) and b) above; ***{Exemptions of LDCs, SIDS and LLDCs}***
- d) nevertheless, States that are not included in the IAGOF scheme are encouraged to voluntarily determine to participate in the scheme, in particular those States that are members of a regional economic integration organization; ***{Voluntary participation}***
8. *Agrees* that same requirements and rules shall apply to all aircraft operators on the same routes between participating States in the IAGOF scheme with a view to minimizing market distortion; ***{Minimize market distortion}***
9. *Agrees* that the amount of CO₂ emissions required to be offset by an aircraft operator is calculated by multiplying its 2020 emissions with an annual growth rate of the international aviation sector's total emissions from 2021 compared to the 2020 levels; ***{Distribution with 100% sectoral rate, without adjustments for fast growers or early movers}***
10. *Agrees* that a new entrant¹ is exempted from the application of the IAGOF scheme for five years or until the year in which its annual emissions exceed 0.5 per cent of total emissions in 2020, whichever occurs earlier. From the subsequent year, the new entrant is included in the scheme and treated in the same way as the other operators. ***{New entrants}***
11. *Agrees* that, notwithstanding with the provisions above, the IAGOF scheme does not apply to low levels of international aviation activity with a view to avoiding administrative burden: aircraft operators emitting less than 10,000 metric tonnes of CO₂ emissions from international aviation per year; aircraft with less than 5,700 kg of Maximum Take Off Mass (MTOM); or humanitarian, medical and firefighting operations; ***{Technical exemptions}***
12. *Agrees* that the emissions that are not covered by the scheme, as the results of phased implementation and exemptions, are not assigned as obligations of any operators included in the scheme; ***{No redistribution of exempted emissions}***
13. *Agrees on* key elements of the monitoring, reporting and verification (MRV) system, criteria for emissions units to be purchased by aircraft operators, and registries under the IAGOF scheme, as contained in the Annex: ***{MRV, EUC, Registries – CAEP recommendations – See Annex}***
14. *Agrees on* a three year compliance cycle, starting with the first cycle from 2021 to 2023, within which aircraft operators reconcile their obligations under the scheme, while they report the required data to a single State authority every year; ***{Compliance cycle}***
15. *Agrees* that, if the average price of emissions units in a specific year is more than three times higher than the average price of emissions units in 2021, the EAG referred to in paragraph 18 considers possible means to avoid an excessive burden on aircraft operators and makes recommendations to the Council; ***{Cost safeguard}***
16. *Agrees* that the scheme ceases to apply if the total CO₂ emissions from international aviation go below the 2020 levels for three consecutive years; ***{Sunset clause}***

¹ A new entrant is defined as any aircraft operator that commences an aviation activity falling within the scope of the scheme on or after its entry into force and whose activity is not in whole or in part a continuation of an aviation activity previously performed by another aircraft operator.

17. *Agrees* that the design elements of the IAGOF scheme apply until the end of 2035, with a periodic review every three years, and a review for any extension of the scheme beyond 2035 is undertaken by end 2032; ***{Duration and Review}***

18. *Requests* the Council, with a view to establishing necessary mechanisms for implementation of the IAGOF scheme from 2020, to:

- a) develop, with the technical contribution of CAEP, the rules for the implementation of the MRV system by Member States from year 2018, for adoption by the Council by June 2017; ***{MRV rules}***
- b) develop, with the technical contribution of CAEP, necessary guidance material to support implementation of the scheme by Member States, including for the development of registries by 2018; ***{Guidance}***
- c) establish necessary infrastructure for implementation of the scheme, including the establishment of a consolidated central registry under the auspices of ICAO by 2018. ***{Infrastructure}***
- d) task the EAG to oversee the functioning of the IAGOF scheme, with support provided by CAEP, such as the application of an agreed Emissions Unit Criteria (EUC) to determine eligible emissions unit programmes for the scheme as well as the review of the EUC and other design elements of the scheme, and make recommendations to the Council; ***{Governance}***
- e) expand the provision of capacity building and assistance for the preparation and implementation on Member States' action plans, in order to accommodate capacity building and assistance for implementation of the IAGOF scheme, including organization of seminars and training in all regions for the MRV system and registry development; ***{Capacity building}***
- f) encourage Member States to build partnerships among themselves to support the implementation of the scheme, such as cooperation on the MRV system, joint-implementation of registries, and possible pilot implementation; ***{Partnerships}***

19. *Requests* the Council to promote the use of credits generated from the CDM by the IAGOF scheme which would benefit projects involving developing States; ***{Further actions on CDM}***

20. *Requests* the Council to explore further development of the CDM methodologies for aviation projects, and *encourages* States to use such methodologies in taking actions to reduce aviation CO₂ emissions, which would further enable the use of credits generated from the CDM by the IAGOF scheme; ***{Further actions on CDM for Aviation}***

Annex

Key elements of the monitoring, reporting and verification (MRV) system, criteria for emissions units to be purchased by aircraft operators, and registries under the IAGOF scheme

{MRV, EUC, Registries – CAEP recommendations}

- A. Key elements of the MRV system under the IAGOF scheme:
- 1) aircraft operators prepare monitoring plans which include the operator identification information, fleet and operations data, means for calculating emissions and ways to manage data, for review and approval by a State in which the operator is registered;
 - 2) each year, an aircraft operator reports emissions information to a State in which the operator is registered, using a standard tool/template. Small operators are allowed to use simplified procedures;
 - 3) sustainable alternative fuels are accounted for by aircraft operators as generating CO₂ emissions reduction pursuant to a formula, with relevant emissions factors, to be provided by ICAO;
 - 4) each year, States compile and transmit aggregated emissions information of their operators to ICAO, which calculates the total emissions from the international aviation sector based on the submissions; and
 - 5) verification of a report is carried out by: internal pre-verification by an aircraft operator; third-party verification before reporting from the operator to a State; and post-reporting review by the State;
- B. Criteria for emissions units to be purchased by aircraft operators under the IAGOF scheme:
- 1) The programmes that generate offset credits, for purchase by aircraft operators under the IAGOF scheme, should meet a range of elements covering the need for (i) clear, publicly disclosed, methodologies and protocols (ii) considerations of the scope of activities (iii) credit issuance and retirement procedures (iv) identification and tracking of units (v) the legal nature and transfer of units (vi) validation and verification procedures (vii) governance (viii) transparency and public participation provisions (ix) safeguarding systems to address environmental and social risks (x) sustainable development criteria, and (xi) the avoidance of double counting, issuance and claiming;
 - 2) The programmes should deliver offset credits that represent emissions reductions, avoidance, or sequestration that: (i) are additional; (ii) are based on a realistic and credible baseline; (iii) are quantified, monitored, reported, and verified; (iv) have a clear and transparent chain of custody; (v) represent permanent emissions reductions; (vi) safeguard against a potential increase in emissions elsewhere; (vii) are only counted once towards a mitigation obligation; and (viii) do no net harm; and
 - 3) Credits from aviation and other CDM projects should be preferred, however, aircraft operators can also meet obligations through credits and allowances from other sources, provided that these comply with the six key criteria: (i) environmental integrity (ii) voluntary participation of jurisdictions (iii) market access (iv) double claiming (v) registry of allowance units, and (vi) transparency;
- C. States establish their own registries, or groups of States can cooperate to establish group registries, to record and track compliance data of their aircraft operators, and to communicate such data to a consolidated central registry, which is established by ICAO to ensure efficient and transparent recording of compliance data and actions under the scheme.