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	- Approval

Delegations will find attached the partially declassified version of the above-mentioned document.



**Brussels, 22 September 2016
(OR. en)**

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REPORT

From:	General Secretariat of the Council
To:	Council
Subject:	Preparation of the 39th ICAO Assembly (Montréal, 27 September - 7 October 2016) - European Union coordination of a common position on a global market-based measure scheme for international aviation - Approval

I. INTRODUCTION

On 2 September 2016, the Commission services transmitted to the Council a non-paper concerning the detailed position to be taken by the European Union and its Member States on the draft Resolution for a Global Market Based Measure (GMBM) to address CO₂ emissions from international aviation, to be adopted at the 39th ICAO Assembly. The purpose of the non-paper is to facilitate the coordination between the EU member States and the Commission in the preparations

for the 39th ICAO Assembly. The above-mentioned detailed EU position complements Council Decision (EU) 2016/915 on the position to be taken on behalf of the European Union with regard to the international instrument to be drawn up within the ICAO bodies and intended to lead to the implementation from 2020 of a single Global Market-Based Measure for international aviation emissions¹.

Pursuant to Article 2 of this Council Decision, the Commission's non-paper sets out the recommended EU position on the draft Assembly Resolution (in Annex I to this report) submitted on 26 August 2016 by the ICAO Council to the 39th ICAO Assembly.

II. WORK WITHIN THE COUNCIL BODIES

At its meeting on 5 September 2016, the Aviation Working Party examined the above-mentioned non-paper. During this meeting, the delegations expressed their overall support to the Commission's non-paper, but due to the short time between the submission of the document and its examination in the Working Party, they reserved their final positions for a further discussion.

On the basis of comments from the DE delegation, the SK Presidency prepared a compromise text which was discussed in the Aviation Working Party on 14 September 2016. Delegations expressed their appreciation for the Presidency compromise text and made a few more minor suggestions, which were accepted by the Presidency, delegations and the Commission.

As a result of the above comments, a revised version of the Commission's non-paper appears in Annex II to this report. Changes with respect to the previous document (12084/16 EU RESTRICTED) are reflected in **bold underlined** and ~~striketrough~~.

¹ Council Decision (EU) 2016/915 of 30 May 2016 on the position to be taken on behalf of the European Union with regard to the international instrument to be drawn up within the ICAO bodies and intended to lead to the implementation from 2020 of a single global market-based measure for international aviation emissions

III CONCLUSIONS

In light of the above, COREPER is invited to endorse the detailed recommended EU position as set out in Annex II to this note and to forward it to the Council for adoption in one of its upcoming meetings. This detailed recommended EU position should be used as the basis for the interventions of the representatives of the EU Member States at the 39th ICAO Assembly and, as such, should remain RESTRICTED given the sensitivity of the matter.

DRAFT ICAO ASSEMBLY RESOLUTION

Resolution A39-XX: Consolidated statement of continuing ICAO policies and practices related to environmental protection – Global Market-based Measure (MBM) scheme

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;
{Existing 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 that ICAO is the appropriate forum to address emissions from international aviation, and 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}***

Recognizing that MBMs should not be duplicative and international aviation CO2 emissions should be accounted for only once; ***{Based on text from A38-18, Annex paragraph f)}***

Emphasizing that the decision by the 38th Session of the Assembly to develop a global MBM scheme for international aviation reflects the strong support of Member States for a global solution for the international aviation industry, as opposed to a possible patchwork of State and regional MBMs; ***{Reflecting the background for a global solution compared to patchwork of MBMs}***

Reaffirming the concern with the use of international civil aviation as a potential source for the mobilization of revenue for climate finance to the other sectors, and that MBMs should ensure the fair treatment of the international aviation sector in relation to other sectors; ***{Based on text from A38-18, paragraph 30, and guiding principle h)}***

Recalling the UNFCCC and the Paris Agreement and *acknowledging* its principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances; ***{Updated to reflect Paris Agreement}***

Also acknowledging the principles of non-discrimination and equal and fair opportunities to develop international aviation set forth in the Chicago Convention; ***{Existing text from A38-18 preamble}***

Welcoming the adoption of the Paris Agreement under the UNFCCC and *recognizing* that the work related to a global MBM scheme for international aviation and its implementation will contribute to the achievement of the goals set out in the Paris Agreement; ***{Recognition of the Paris Agreement}***

Whereas the UNFCCC and the Paris Agreement provide for mechanisms, such as the Clean Development Mechanism (CDM) and a new market mechanisms under the Paris Agreement, to contribute to the mitigation of GHG emissions to support sustainable development, which benefit developing States in particular; ***{New text reflecting Paris Agreement}***

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

The Assembly:

1. *Resolves* that this Resolution, together with Resolution A39-YY: *Consolidated statement of continuing ICAO policies and practices related to environmental protection - General provisions, noise and local air quality* and Resolution A39-ZZ: *Consolidated statement of continuing ICAO policies and practices related to environmental protection – Climate change*, supersede Resolutions A38-17 and A38-18 and constitute the consolidated statement of continuing ICAO policies and practices related to environmental protection;

1bis. *Acknowledges* 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 any other measures, and *affirms* 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 acknowledges* that, despite this progress, the environmental benefits from aircraft technologies, operational improvements and sustainable alternative fuels may not deliver sufficient CO2 emissions reductions to address the growth of international air traffic, in time to achieve the global aspirational goal of keeping the global net CO2 emissions from international aviation from 2020 at the same level; ***{Recognition of the not achieving CNG 2020 by non-MBM measures}***

3. *Emphasizes* the role of a GMBM scheme to complement a broader package of measures to achieve the global aspirational goal, without imposing inappropriate economic burden on international aviation; ***{Complementary role of GMBM to achieve CNG 2020}***

4. *Decides* to implement a GMBM scheme in the form of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to address any annual increase in total CO₂ emissions from international civil aviation (i.e. civil aviation flights that depart in one country and arrive in a different country) above the 2020 levels, taking into account special circumstances and respective capabilities; ***{GMBM is Carbon Offsetting and reduction Scheme for International Aviation (CORSIA)}***

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 and report the progress on implementation of action plans, and that a methodology should be developed to ensure that an aircraft operator's offsetting requirements under the scheme in a given year can be reduced through the use of sustainable alternative fuels, so that all elements of the basket of measures are reflected; ***{Further progress on non-MBM measures}***

5bis. *Request* the Council to continuously monitor the implementation of all elements of the basket of measures, and consider the necessary policies and actions to ensure that progress is achieved in all of the elements in a balanced way with an increasing percentage of emissions reductions accruing from non-MBM measures over time;

6. *Acknowledges* special circumstances and respective capabilities of States, in particular developing States, in terms of vulnerability to the impacts of climate change, economic development levels, and contributions to international aviation emissions, among other things, while minimizing market distortion ***{Recognition of special circumstances of States}*** - **NOT DECLASSIFIED**

7. *Decides* the use of a phased implementation for the CORSIA to accommodate the special circumstances and respective capabilities of States, in particular developing States, while minimizing market distortion, as follows ***{Phased implementation}*** - **NOT DECLASSIFIED**

- a) Pilot phase applies from 2021 through 2023 to States that have volunteered to participate in the scheme. States participating in this phase may determine the basis of their aircraft operator's offsetting requirements from paragraph 9 e) i) below; ***{Pilot phase for volunteer States, with options for calculation of offsetting requirements}***
- b) First phase applies from 2024 through 2026 to States that voluntarily participate in the pilot phase, as well as any other States that volunteer to participate in this phase, with the calculation of offsetting requirements in paragraph 9 a) below; ***{1st phase for volunteer States}***
- c) The Secretariat will make public on the ICAO website updated information on the States that volunteered to participate in the pilot phase and first phase; ***{Update of information reflecting voluntary participation}***
- d) Second phase applies from 2027 through 2035 to all States that have an individual share of international aviation activities in RTKs in year 2018 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 90 per cent of total RTKs, except Least Developed Countries (LDCs), Small Island Developing States (SIDS) and Landlocked Developing Countries (LLDCs) unless they volunteer to participate in this phase; ***{2nd phase for all States with 0.5%, 90% RTK, with exemptions of LDCs, SIDS and LLDCs unless they volunteer}***
- e) States that are exempted or have not yet participated are strongly encouraged to voluntarily participate in the scheme as early as possible, in particular those States that are members of a regional economic integration organization. States who decide to voluntarily participate in the scheme, or decide to discontinue the voluntary participation from the scheme, may only do so from 1 January in any given year and they shall notify ICAO of their decision by no later than 30 June of the preceding year; ***{Voluntary participation, and 6 months notification}***
- f) Starting in 2022, the Council will conduct a review of the implementation of the CORSIA every three years, including its impact on the growth of international aviation, which serves as an important basis for the Council to consider whether it is necessary to make adjustments to the next phase or compliance cycle and, as appropriate, to recommend such adjustments to the Assembly for its decision; ***{Review for adjustments}***

8. *Decides* that the CORSIA shall apply to all aircraft operators on the same routes between States with a view to minimizing market distortion, as follows:

- a) all international flights on the routes between States, both of which are included in the CORSIA by paragraph 7 above, are covered by the offsetting requirements of the CORSIA;
- b) all international flights on the routes between a State that is included in the CORSIA and another State that is not included in the CORSIA by paragraph 7 above are exempted from the offsetting requirements of the CORSIA, while retaining simplified reporting requirements; and – **NOT DECLASSIFIED**
- c) all international flights on the routes between States, both of which are not included in the CORSIA by paragraph 7 above, are exempted from the offsetting requirements of the CORSIA, while retaining simplified reporting requirements; **NOT DECLASSIFIED**

9. *Decides* that the amount of CO₂ emissions required to be offset by an aircraft operator in a given year from 2021 is calculated every year as follows:

- a) an aircraft operator's offset requirement = [% Sectoral × (an aircraft operator's emissions covered by CORSIA in a given year × the sector's growth factor in the given year)] + [% Individual × (an aircraft operator's emissions covered by CORSIA in a given year × that aircraft operator's growth factor in the given year);
- b) where the sector's growth factor = (total emissions covered by CORSIA in the given year – average of total emissions covered by CORSIA between 2019 and 2020) / total emissions covered by CORSIA in the given year;
- c) where the aircraft operator's growth factor = (the aircraft operator's total emissions covered by CORSIA in the given year – average of the aircraft operator's emissions covered by CORSIA between 2019 and 2020) / the aircraft operator's total emissions covered by CORSIA in the given year;
- d) where the % Sectoral = (100% – % Individual) and;
- e) where the % Sectoral and % Individual will be applied as follows:

- i) from 2021 through 2023, 100% sectoral and 0% individual, though each participating State may choose during this pilot phase whether to apply this to:
 - a) an aircraft operator's emissions covered by CORSIA in a given year, as stated above, or
 - b) an aircraft operator's emissions covered by CORSIA in 2020;
- ii) from 2024 through 2026, 100 % sectoral and 0% individual;
- iii) from 2027 through 2029, 100 % sectoral and 0% individual;
- iv) from 2030 through 2032, at least 20% individual, with the Council recommending to the Assembly in 2028 whether and to what extent to adjust the individual percentage;
- v) from 2033 through 2035, at least 70% individual, with the Council recommending to the Assembly in 2028 whether and to what extent to adjust the individual percentage;
- f) the aircraft operator's emissions and the total emissions covered by CORSIA in the given year do not include emissions exempted from the scheme in that year;
- g) the scope of emissions in paragraphs 9 b) and 9 c) above will be recalculated at the start of each year to take into account routes to and from all States that will be added due to their voluntary participation or the start of a new phase or compliance cycle; ***{Distribution with dynamic approach} - NOT DECLASSIFIED***

10. *Decides* that a new entrant² is exempted from the application of the CORSIA for three years or until the year in which its annual emissions exceed 0.1 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 aircraft operators. ***{New entrants} - NOT DECLASSIFIED***

² 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.

11. *Decides* that, notwithstanding with the provisions above, the CORSIA 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. *Decides* that the emissions that are not covered by the scheme, as the results of phased implementation and exemptions, are not assigned as offsetting requirements of any aircraft operators included in the scheme; *{No redistribution of exempted emissions}* - **NOT**

DECLASSIFIED

13. *Notes* the work of the Council, with the technical contribution of CAEP, on: a) the monitoring, reporting and verification (MRV) system; b) recommended criteria for emissions units to be purchased by aircraft operators that take into account developments in the UNFCCC process; c) and registries under the CORSIA, and *requests* the Council, with the technical contribution of CAEP, to complete its work as soon as possible including the provision of capacity building and assistance, so as to enable the full implementation of the CORSIA from 2020; *{MRV, EUC, Registries - CAEP recommendations}*

14. *Decides* a three year compliance cycle, starting with the first cycle from 2021 to 2023, for aircraft operators to reconcile their offsetting requirements under the scheme, while they report the required data to the authority designated by the aircraft operator's State of registry every year; *{Compliance cycle}*

15. *Decides* on the need to provide for safeguards in the CORSIA to ensure the sustainable development of the international aviation sector and against inappropriate economic burden on international aviation, and *requests* the Council to decide the basis and criteria for triggering such action and identify possible means to address these issues; *{Cost safeguard}*

16. *Decides* that a periodic review of the CORSIA is undertaken by the Council, for consideration by the Assembly, every three years from 2022 for the purpose referred to in paragraph 7 f) above and to contribute to the sustainable development of the international aviation sector and the effectiveness of the scheme. This will involve, inter alia:

- a) assessment of: progress towards achieving the ICAO's global aspirational goal; the scheme's market and cost impact on States and aircraft operators and on international aviation; and the functioning of the scheme's design elements;
- b) consideration of the scheme's improvements that would support the purpose of the Paris Agreement, in particular its long-term temperature goals; and update the scheme's design elements to improve implementation, increase effectiveness, and minimize market distortion, taking into account the consequential impact of changing the scheme's design elements, e.g., to MRV requirements; and
- c) a special review by the end of 2032 on termination of the scheme, its extension or any other improvements of the scheme beyond 2035, including consideration of the contribution made by aircraft technologies, operational improvements and sustainable alternative fuels towards achieving the ICAO's environmental objectives; ***{Duration and Review}***

16bis. *Determines* that the CORSIA or any other scheme decided by the Assembly is to be the market-based measure applying to CO₂ emissions from international aviation; ***{No duplicative application of MBMs beyond CORSIA}***

17. *Requests* the following actions be taken, with a view to establishing necessary mechanisms for implementation of the CORSIA from 2020:

Regarding the implementation of the MRV system,

- a) the Council to develop, with the technical contribution of CAEP, the SARPs and related guidance material for the implementation of the MRV system under the CORSIA, including simplified MRV procedures, for adoption by the Council by 2018; *{MRV rules development}*
- b) all Member States whose aircraft operator undertakes international flights to develop the necessary arrangements, in accordance with the MRV SARPs, for implementation from 1 January 2019; *{MRV rules implementation}*

Regarding the Emissions Unit Criteria (EUC),

- c) the Council to develop, with the technical contribution of CAEP, the SARPs and related guidance material for Emissions Unit Criteria (EUC) to support the purchase of appropriate emissions units by aircraft operators under the scheme, taking into account relevant developments in the UNFCCC and Article 6 of the Paris Agreement, for adoption by the Council as soon as possible but not later than 2018; *{EUC guidance development}*
- d) the Council to establish, with the technical contribution of CAEP, a standing technical advisory body on the Emissions Unit Criteria (EUC) to make recommendations to the Council on the eligible emissions units for use by the CORSIA; *{Eligible programmes}*
- e) the Council, with the technical contribution of CAEP, to periodically review the EUC SARPs and related guidance material, as appropriate, to promote compatibility with future relevant decisions under the Paris Agreement; *{EUC review}*

Regarding the establishment of Registries,

- f) the Council to develop, with the technical contribution of CAEP, policies and related guidance material to support the establishment of registries under the scheme, for adoption by the Council by 2018; *{Registry guidance development}*
- g) the Council to establish a consolidated central registry under the auspices of ICAO, for operationalization no later than 1 January 2021; *{Central registry establishment}*

- h) Member States to develop necessary arrangements for the establishment of their own registries or group registries established by groups of States, or to arrange for participation in other registries, in accordance with the ICAO guidance; *{Registry establishment for States}*

Regarding the governance of the CORSIA,

- i) the Council to oversee the functioning of the CORSIA, with support provided by the standing technical advisory body and CAEP as needed; *{Governance}*

Regarding the regulatory framework,

- j) Member States to take necessary action to ensure that the necessary national policies and regulatory framework be established for the compliance and enforcement of the scheme by 2020. *{Regulatory framework}*

18. *Decides* that ICAO and Member States take all necessary actions in providing the capacity building and assistance and building partnerships for implementation of the CORSIA from 2020, including: – **NOT DECLASSIFIED**

Regarding the implementation of the MRV system,

- a) the Council to take necessary action to 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 MRV system by Member States from 1 January 2019, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed, in particular for those States that volunteer to participate in the pilot phase and require support to do so; *{Capacity building on MRV}*
- b) Member States to build partnerships among themselves to cooperate on the implementation of the MRV system; *{Partnerships on MRV}*

Regarding the establishment of Registries,

- c) the Council to take necessary action to 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 establishment of registries by States, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed, in particular for those States that volunteer to participate in the pilot phase and require support to do so; ***{Capacity building on Registry}***
- d) Member States to build partnerships among themselves to cooperate on the establishment of their own registries or group registries established by groups of States, and possible pilot implementation; ***{Partnerships on Registry}***

19. *Decides* that the CORSIA will use emissions units that meet the Emissions Unit Criteria (EUC) in paragraph 17 above; ***{Eligible emissions units}***

19bis. *Requests* the Council to promote the use of emissions units generated that benefit developing States, and *encourages* States to develop domestic aviation-related projects; ***{Further actions on the use of emissions units}*** - NOT DECLASSIFIED

20. *Requests* the Council to explore further development of aviation-related methodologies for use in offsetting programmes, including mechanisms or other programmes under the UNFCCC, and *encourages* States to use such methodologies in taking actions to reduce aviation CO2 emissions, which could further enable the use of credits generated from the implementation of such programmes by the CORSIA, without double-counting of emissions reduction; ***{Further actions on aviation-related methodologies}***

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