

FAQ: Aviation ETS and ICAO's global offsetting programme

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1. Has ICAO's CORSIA delivered a solution to aviation's climate problem?

ICAO agreed to the outline of a global market based measure, known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) at its assembly last October. However this falls far short of what the Paris Agreement requires. It aims to stabilise emissions at 2020 levels through the purchasing of offsets, however the voluntary nature of the agreement means it will miss this target, which itself is insufficient to meet the goals of the Paris Agreement. As a result, only one-fifth of aviation emissions will be offset over the period 2021-2035, leaving a huge quantity of emissions unaddressed.

2. Will CORSIA incentivise emission reductions within the aviation sector?

The CORSIA is based on offsetting, where credits trade at about 50c a tonne (compared to €5 a tonne for EU ETS credits), it has weak target of carbon neutral growth from 2020, and for at least the first decade the offsetting requirement is shared among operators regardless of their growth. For all these reasons, it has been estimated that the cost of CORSIA will provide little to no incentive to reduce aviation emissions. In fact by going for offsetting, ICAO explicitly chose the mechanism which would provide the least incentive to reduce emissions.

3. Can both EU ETS and CORSIA co-exist in the future?

If CORSIA becomes operation from 2021 as planned, some have argued that EU ETS should be removed entirely, with all routes within, to and from Europe subject exclusively to CORSIA. Apart from substantially reducing our climate ambition, undermining our 2030 targets and leaving domestic emissions in a limbo, this would go against international trends in this sector.

A number of jurisdictions, including China and Canada, are subjecting their domestic aviation sectors to carbon market mechanisms which are distinct from ICAO's CORSIA. As a result, Chinese and Canadian airlines will have to comply with different climate tools. The EU, thanks to its single aviation market, operates as a de facto domestic market and should adopt a similar approach.

Any administrative complexity can be minimised by, for example, aligning the monitoring, reporting and verification (MRV) of the two schemes so that airlines only have to report once.

4. Can both EU ETS and CORSIA apply on the same route?

Both CORSIA and EU ETS involve airlines monitoring and reporting their emissions, and surrendering a certain number of credits (either allowances or offsets) depending on their emissions growth. Due to these similarities, it is possible for the two schemes to interact on the same routes. For example for routes from Europe, it's possible to require airlines to submit both offsets to meet the CORSIA requirements and allowances to meet EU ETS requirements. This is not double counting, as the EU ETS requirement will be in addition to the CORSIA requirement. In fact the impact assessment accompanying the Commission proposal suggested this as a possible future mechanism.

5. Will the European aviation industry be disadvantaged by EU ETS?

The cost of EU ETS has always been overstated by industry, whose lobbyists consistently argue against any cost regardless of size or justification. For example IATA put forward a claim that EU ETS would cost their sector €3.5bn a year, when in reality the cost was closer to €150m a year. The fact is that EU ETS is an extremely cost-effective means of helping to ensure the aviation sector meets its climate commitments. Airlines in other jurisdictions, such as Canada and China, have to meet similar or potentially higher carbon costs. So there is no distortion possible. This is especially as the EU ETS will apply to all airlines on a route, regardless of the national origin of the carrier.

6. Will include aviation fix problems with EU ETS?

The EU ETS has an issue with an oversupply of allowances, and while aviation will continue to be a source of demand for these allowances, retaining aviation should not be seen as a solution to the problem of the surplus. That needs to be solved at source: by cancelling surplus allowances, and ensuring the cap declines in a way which avoids another surplus building up.

While there are undoubtedly issues with EU ETS, it has a number of important features which recommend it over CORSIA. This includes legal certainty and enforcement, the exclusion of offsets, a more ambitious baseline and a declining cap.

Further information

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