



## IETA-IATA Workshop on Aviation and Carbon Markets Geneva, 24<sup>th</sup> July 2018

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Attendees: see the Appendix

### Welcome and Introduction

All participants were welcomed and the opening remarks were presented by Michel Adam from IATA who introduced IATA as representing global aviation industry. IATA stressed the importance of curbing GHG emissions within the aviation industry. IATA noted importance of harmonised international approaches to mitigation in the international aviation sector with discouragement of patchwork approaches.

Stefano De Clara introduced IETA as a global business association for carbon markets. He noted considerable work and engagement with private sector on article 6 developments under the Paris Agreement as well as intelligence, networking and thought leadership on regional carbon market initiatives.

### CORSIA latest progress - IATA

Yue Huang (IATA) presented the CORSIA progress timeline and reminded all of the key scheme elements. Yue pointed to ICAO's recently adopted SARPs and clarified ICAO's CORSIA jurisdiction on international vs civil flights. She also offered some clarification with regards to the situation with Chinese participation in the voluntary phase. China has not formally withdrawn their interest and will state their intent once further rule making is completed. As an industry IATA supports ICAO being the sole authority on the decision making on the rules, ensuring the environmental integrity of the scheme.

Please find the ppt [here](#).

### Q&As

A question was raised with regards to the process of Parties being able to file a difference. A participant explained that this motion is intended to be used rarely and as a last resort when the particular country feels it cannot practically implement the agreed rules.

A participant raised a question when we can expect more clarity on EUC (Emissions Unit Criteria). It was explained that at this stage it is difficult to answer. At the 214<sup>th</sup> Council Session in June, there was a decision to establish a technical advisory body to advance clarity on EUC and eligible emission units under CORSIA. This should be approved in the council meeting in November with a work programme to commence following the set-up of TAB. Much work that the body will conduct has to some degree been previously advanced through a sub group, known as Program Testing Group (PTG) of the GMTF therefore good progress is expected to advance in 2019.

### Update on the implementation of Article 6 of the Paris Agreement

Stefano De Clara (IETA) presented information about the latest developments under the Paris Agreement, with a particular attention to Article 6. The main focus of work at the moment is the development of the so-called Rulebook, which will bring the general articles of the Paris agreement into life and attempt to operationalise them. The next round of negotiations, where Parties will try to advance the work on the Rulebook, will be in Bangkok in September and then at COP 24 in Katowice, where Parties are expected to adopt the Rulebook. As mentioned in the previous presentation, there is a general belief that the “old” CDM system on its own will not be able to generate sufficient amount of CERs to cover the CORSIA demand. It is therefore important for the aviation sector to closely focus on the development of the Article 6’s markets provision, as it will impact the level of supply and availability of international credits post-2020.

The presentation covered the state of play in the Article 6 discussion as well as the key issues that Parties are negotiating on.

Please find the ppt [here](#).

### **Q&As**

To a question on quantity supply of credits from article 6 in the future Stefano answered that at this stage there are too many unknowns to know.

A participant asked what would force countries to comply and buy credits rather than simply ignore their NDCs? Stefano believes that it is down to the commitment of each Party to stick to the Paris agreement. There is a pressure of maintaining Party’s international reputation as well as the peer pressure drawn through the nature of the Paris Agreement.

A question was asked on the real demand side from countries. Stefano acknowledged that at this stage there are only a handful of countries that have specifically stated their intentions to use carbon credits to meet their NDCs, however, this may change in the future especially with the view to reach the 2 degrees target. Realistically a lot of countries will have to speed up their decarbonisation or reconsider their position on international carbon credits. There is scope to regularly re-assess countries’ NDCs.

### **Offsetting emissions under CORSIA – Analysing potential supply**

Harry Fearnough (New Climate) presented the research conducted by the New Climate Institute on the possible future supply scenarios from four international offset crediting programmes including CDM, Verra, Gold Standard and Climate Action Reserve. Regarding the CDM, according to the research 82% of the currently operating projects could generate CERs though they have not gone through the administrative process mainly due to the cost versus revenue constraint. Harry provided an analysis of several possible scenarios with regards to ICAO decision making and credit supply - from no restrictions on vintage or type of projects to very restricted ones. The conclusion is that they believe that without any restrictions there will be plenty of supply, however, this would not deliver desired environmental objectives of GHG reductions for CORSIA to meet carbon neutral growth. Research recommends the focus should be on vulnerable projects (projects that could begin to readmit GHG’s without further support of carbon finance), or focus on brand new projects where by additionality could be guaranteed.

Please find the ppt [here](#).

### **Q&As**

A participant raised a point that there is not a lot of appetite from the aviation compliance perspective to restrict the vintages or types of projects (and therefore limit the supply). This point was echoed by another participant.

A number of questions around the price of the carbon unit were raised and whether this is taken into consideration within the research modelling. Harry answered yes, it is considered to a certain degree however, not to the level of the project sustainability. This raised several concerns by the participants who pointed out that at the estimated price being below 1 EUR per tonne, this would not encourage investors to invest in the project and might not allow for market movement and development to occur. Another point was raised that an investor would unlikely be committing funds to projects where there is uncertainty about eligibility into CORSIA. It would then take 2 years at least to develop a project with significant risk. Another participant pointed out that at the price below 1Eur most project developers would not go through the process of registering the project as CDM at all.

It was noted that there needs to be a sustainable business aspect to carbon markets. Without asking CORSIA to solve all pricing issues, we have to be practical that at 1 euro a tonne the market is not sustainable. However the demand from aviation of CORSIA is not supposed to boost the carbon market and driven up the price.

### **Double-counting**

#### **ICAO perspective:**

Yue Huang (IATA) presented ICAO's progress on the EUCs criteria development. She stressed the important role the Technical Advisory Body (TAB) will play in the process and noted that units will be assessed under ICAO at the programme crediting body level rather than individual project level. A reference to the high level criteria currently stated in the SARP's was given. She also noted that within the GMTF there is assessment on whether supply will be sufficient and whether the carbon markets will have time to adapt to practices required to generate supply for CORSIA. A note to other competing demand such as NDC's and voluntary markets was also mentioned.

Please find the ppt [here](#).

#### **UNFCCC and parties perspective:**

Stefano De Clara (IETA) presented where double counting is addressed in the Paris Agreement text itself and the accompanying documents Article 6 draft texts which will become part of the Rule book. IETA members have developed several positions over time as a basis for advocacy with market negotiators. IETA's position on Article 6 can be found [here](#). There is a strong feeling that thorough accounting is a key to the transparency of the system. There are various views on how to deal with this (i.e. corresponding adjustments...) and there are still a lot of discussions to be had on this topic. Stefano also presented a number of party positions who have made reference to double counting in their NDC submissions. It's noted that currently there are no harmonised positions on double counting with different countries and negotiating blocks under the Paris Agreement having slightly differing views on what is construed as double counting and what actions would be required to ensure environmental integrity against double counting.

Please find the ppt [here](#).

#### **Voluntary/non-state actor perspective:**

Antoine Diemert (ICROA part of IETA) presented the voluntary market perspective. He introduced ICROA and the work that has been done on this topic by its members. The group has identified several possible models from the voluntary markets perspective: non-NDC crediting model, emission reductions financed by private sector, NDC crediting model.

The Paris Agreement presents an opportunity for the private sector to step up and take a leadership role by helping to bridge the existing ambition gap. We have already witnessed an increasing number of private-sector focused initiatives to acknowledge the risks of climate change and take action. The

voluntary carbon market provides the tools to enable such climate leadership. However, sufficient progress on Article 6 of the Paris Agreement will be needed to ensure the future Paris rulebook enables voluntary action by the private sector in ways which respect environmental integrity.

In this context, ICROA has undertaken a programme of work to develop collaborative solutions with voluntary market stakeholders. In May 2017, we organized our first workshop with a broad range of participants to gather opinions on key questions regarding the future of voluntary action. Since then, we have built on this workshop and developed guidance on [pathways to increased voluntary action by non-state actors](#), which sets out ICROA's views on how the market can grow after 2020, and how voluntary action can contribute to delivering the objectives of the Paris Agreement.

In November 2017 and May 2018, ICROA held its second and third events during COP & Innovate4Climate in Frankfurt. Representatives from governments, development banks, the UNFCCC, NGOs, academia, consultancies and market participants gathered at these Forums to discuss options to increase voluntary action under the Paris Agreement.

There are several areas that ICROA intends to work on going forward, in the lead-up to COP24:

- Getting a better understanding of the NDCs and identify which ones are a welcoming home for private sector investment.
- ICROA should be socializing the idea that we need a transition period for voluntary action to find its place in the Paris Agreement infrastructure, to avoid market confusion. The work conducted by the main voluntary market standards on the NDCs and on future claims should be embraced and encouraged by the industry.
- The three models identified in ICROA's guidance report should all be allowed to operate in parallel. We will conduct further analysis on their implications, e.g. encouraging non-NDC projects in LDCs that have a crucial need for finance, testing out the relevance of a different claim for the private sector, assessing the feasibility of corresponding adjustments within NDCs.
- We will look do more work on the concept of a voluntary market account to track action by non-state actors and see what it might look like in the light of recent progress made on CORSIA.

Please find the ppt [here](#).

#### **Update on Meridian Project for developing best practice guidance for avoiding double counting:**

Nancy Young (A4A) presented the Meridian Institute project on developing a best practice guidance for double counting for crediting bodies, parties and other stakeholders with its primary aim to allow a pathway against double counting for CORSIA. Guidelines are under development for carbon crediting programmes as well as countries to deal with double counting issues. It is meant to serve as an advisory guidance to support rule making for double counting under the Paris Agreement. There are various challenging themes with the guidance that are yet to be resolved, namely around what kind of accounting practices are required for activities taking place outside NDC's but within country boundaries as well as other issues. At present the guidance is very long somewhat 70 pages and very technical. It would need to be given a summary in order to communicate to parties for the purpose of Paris Agreement negotiations.

The project aimed to be finalised this summer, but it has now been delayed and the view now is to have it ready in the autumn. There is a plan to consult with carbon market participants through IETA, Aviation industry through IATA and a number of countries. After the next face to face meeting in

September the project will continue remotely and will be finalised by the end of 2018, ideally before COP.

#### Q&As

A participant raised the question to Stefano, on what the view of IETA is on the number of various positions within the UNFCCC process? Stefano clarified that IETAs members are still in the process of defining what would be the best outcome. From the IETA-IATA perspective, we still need to identify the best way to influence the process. Nancy said that the informal consultation process is a good starting point, but it needs to be taken to the next step. It was acknowledged by some participants that IETA tends to have a better/stronger voice in the UNFCCC process.

A participant asked whether there is any public information on the Meridian project? Nancy answered that the Meridian project is a relatively small group run by ClimateWorks facilitated by the Meridian Institute.

#### Case study of Peruvian Government to address double-counting – Jessica Verhagen

Please find the ppt [here](#).

#### Technical Advisory Body –Nancy Young - Michel Adam

Nancy Young (A4A) gave a brief update on status regarding the setting up of a technical advisory body (TAB) which will review carbon credit standards with a view to making recommendation to the ICAO council on their conformance against EUC criteria.

In its 214th Session, ICAO Council requested Committee on Aviation Environment Protection (CAEP) to recommend the Council on the establishment of TAB, including on its structure, terms of reference and process of work, taking into account the need for balanced geographical representation in its membership at the 215th ICAO Council Session in November, 2018.

It was noted that much of the TAB structure may be based on the previous Programme Testing Group which was only represented by parties. Both IETA and IATA agreed independent carbon market expertise would be valuable to supporting the progress and process of the TAB.

Please find the ppt [here](#).

#### Q&A

A point made by a participant was that it is believed that the most important discussion point under TAB will be the vintage of credits.

Another participant believes that there should be quality-based restrictions rather than simplistic vintage restrictions. It might however depend on who will be part of the TAP. ICAO has already made the decision to look at the restriction from qualitative perspective.

A participant pointed out that vintage review on a case by case basis (quality) vs blanket restrictions on certain vintages (quantity) - which is the EU's position – will be a key topic going forward

#### Roundtable discussion – Action points and next steps

- **Information exchange** between IATA and IETA on regular basis to update each other of the working progress of ICAO and the Article 6 discussion under Paris agreement.
- **Check the alignment with each other** especially on both sides' status and expectations on emission units criteria/eligible units under CORSIA and the decision-making mechanism-TAB.

- **Next Step forward**

- IETA is to draft a paper on recommendation of decision making mechanism of EUC, and to discuss with IATA the content and the most appropriate way of submission.
- Aim to have our next **joint call** on Mid-September, preferably after the UNFCCC SBSTA 48-2 that will take place in Bangkok from Sep 4-Sep 9, 2018.

## Appendix: List of attendees

	NAME	COMPANY
1	Nancy Young	A4A
2	Robert Nemer	AACO Arab Air Carriers' Organization (dial-in)
3	Federico Di Credico	ACT Financial Solutions
4	Myrka Manzo	Air Canada
5	Nathalie Simmenauer	Air France
6	Arjun Patney	American Carbon Registry (dial-in)
7	John Battaglia	BGC Partners (dial-in)
8	Bill Thompson	BP
9	Andy Kershaw	British Airways
10	Heather Rock	Chevron (dial-in)
11	Robert Stevens	Climate Care
12	Stephanie Zhu	Delta
13	Jessica Verhagen	Ecosphere Plus
14	Urs Brodmann	First Climate
15	Jonathon Counsell	IAG
16	Carrie Harries	IAG
17	Michel Adam	IATA
18	Yue Huang	IATA
19	Antoine Diemert	IETA
20	Stefano De Clara	IETA
21	Eva Weightman	IETA (dial-in)
22	Sophy Greenhalgh	IETA (dial-in)
23	Bernhard Dietrich	Lufthansa
24	Takashi Hongo	Mitsui (dial-in)

25	Harry Fearnough	New Climate Institute
26	Ed Rumsay	Permian Global
27	Md Tanveer Ahmad	Qatar Airways (dial-in)
28	Alissa Cotton	Shell
29	Franka Bosman	Southpole Carbon
30	Angelo Sartori	Verra (dial-in)
31	Africa Abajas Bermejillo	Vertis Trading