CORSIA AT A GLANCE

| Years in operation | Pilot phase: 2021-23 (voluntary)  
First phase: 2024-26 (voluntary)  
Second phase: 2027-35 |
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Overall cap &amp; trajectory</td>
<td>Growth above the baseline to be offset. Baseline was originally intended to be the average of 2019 and 2020 emissions. However, in June 2020 the ICAO Council decided that during the Pilot Phase only 2019 emissions will be used for calculating the baseline to “safeguard against inappropriate economic burden on aeroplane operators due to the COVID-19 pandemic”. A decision on whether the same adjustment will be used for the future phases will be made during the 2022 CORSIA periodic review.</td>
</tr>
<tr>
<td>Target(s)</td>
<td>Carbon neutral growth from 2020</td>
</tr>
<tr>
<td>Emissions Reduced to date</td>
<td>N/A</td>
</tr>
<tr>
<td>Sectors covered</td>
<td>Aviation; specifically targets emissions by aeroplane operators from international flights.</td>
</tr>
<tr>
<td>GHGs covered</td>
<td>CO2</td>
</tr>
<tr>
<td># of covered entities</td>
<td>To be confirmed</td>
</tr>
<tr>
<td>Allocation method</td>
<td>Purchase only, no free allocation</td>
</tr>
<tr>
<td>Trading rules</td>
<td>Aeroplane operators are required to purchase CORSIA Eligible Emissions Units (EEUs) to compensate for any CO2 emissions above the set baseline.</td>
</tr>
<tr>
<td>Use of offsets and linking</td>
<td>EEU as recommended by the Technical Advisory Body and approved by the ICAO Council</td>
</tr>
<tr>
<td>Other features</td>
<td>N/A</td>
</tr>
<tr>
<td>Penalties for non-compliance</td>
<td>Determined by individual states</td>
</tr>
<tr>
<td>Use of revenues</td>
<td>N/A</td>
</tr>
</tbody>
</table>

MAJOR DEVELOPMENTS

The International Civil Aviation Organization (ICAO) developed the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to achieve its aspirational goal of carbon-neutral growth in the sector from 2021. It is one of the so-called basket of measures to reach this goal, along with enhanced aircraft technology, operational improvements and the use of sustainable aviation fuels.

Over the last few of years, ICAO has been assisting both member states and aircraft operators with preparations; the main focus has been getting the MRV systems in place.

In March 2019, the ICAO Council announced the approval of the Emissions Unit Criteria (EUC) and establishment of the
Technical Advisory Body (TAB) to assess candidate programmes. In March 2020, the Council approved six programmes for airlines to use for CORSIA compliance. Since then one more assessment cycle has been run and TAB is currently assessing programmes for the third time. Only credits from these approved programmes from activities that started their first crediting period in January 2016 and issued for emissions reductions up until the end of 2020 are eligible, with the exception of credits from the American Carbon Registry (up to the end of 2023).

Approved programmes so far are:

- American Carbon Registry (ACR)
- China GHG Voluntary Emission Reduction Program
- Clean Development Mechanism (CDM)
- Climate Action Reserve (CAR)
- The Gold Standard
- Verified Carbon Standard (VCS)
- Architecture for REDD+ Transactions (ART)
- Global Carbon Council

It is important to note that some activities from these approved programmes have been specifically excluded from CORSIA, either by the applicant or by the ICAO Council.

MARKET COMMENTARY

The pilot phase of CORSIA started in January 2021; however, in order to set the baseline, aircraft operators have been monitoring, reporting and having the reports verified since January 2019. So far 88 states have declared their intention to participate in CORSIA from the outset.

In the run up to 2020, project developers were reporting an increase in interest from airlines to secure emissions reduction units for future CORSIA obligations. This was expected to increase even more following the approval of the first programmes in March 2020, however, the COVID-19 pandemic has ground activities to a halt.

A number of international airlines are still facing existential threats to their business as international passenger flights have been reduced to minimum. According to IATA, “international passenger demand in 2020 was 75.6% below 2019 levels.” IATA also predicts that “despite the expected improved performance in 2021 compared to 2020 the road to recovery will be long and difficult. Passenger volumes are not expected to return to 2019 levels until 2024 at the earliest, with domestic markets recovering faster than international services.”

USEFUL LINKS

ICAO
CORSIA Technical Advisory Body

REFERENCES

ICAO Assembly Resolution A40-19
IATA’s response to the COVID-19 situation and the impact on CORSIA baseline
EDF’s Coronavirus and CORSIA analysis
CORSIA States for Chapter 3 State Pairs
IATA press release on 2020 air travel demand
IATA press release on 2021 outlook

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