CORSIA AT A GLANCE

| Years in operation | Pilot phase: 2021-23 (voluntary)  
First phase: 2024-26 (voluntary)  
Second phase: 2027-2035 |
<table>
<thead>
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<tbody>
<tr>
<td>Overall cap &amp; trajectory</td>
<td>Growth above the baseline to be offset. Baseline during the Pilot Phase will use 2019 emissions.</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>EEUs 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>
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</table>

MAJOR DEVELOPMENTS

After the initial focus on assisting members states and aircraft operators to get their MRV in place, ICAO has moved its attention to approving programmes to provide Eligible Emissions Units (EEUs) for CORSIA compliance.

Since 2020, the Council has approved eight programmes for airlines to use for CORSIA compliance. 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 and Architecture for REDD+ Transactions (up to the end of 2023).

Approved programmes so far are:

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

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.

The ICAO Council will review the implementation of the CORSIA every three years, starting in 2022. The purpose is to periodically assess the effectiveness of the scheme in contributing to the sustainable development of international aviation sector.

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, 108 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. However, the COVID-19 pandemic ground activities to a halt, and led the ICAO Council to make a series of decisions to protect airlines from further economic burden caused by the pandemic. The most important change was to use only 2019 emissions (instead of an average over 2019 and 2020) as a baseline and a commitment to reassess this provisional adjustment during the CORSIA periodic review in 2022.

Passenger numbers on international airlines are yet to return to pre-COVID levels; according to IATA, “international passenger demand in 2021 was 75.5% below 2019 levels”. IATA predicts that the aviation industry will only exceed the 2019 passenger levels in 2024 at the earliest. This makes it unlikely for the CORSIA Pilot phase to generate a significant demand for EEUs.

Nonetheless, there have been some markets developments with CORSIA in mind. Several exchanges, notably the Air Carbon exchange and the CBL, have introduced CORSIA eligible products. Both the AirCarbon CORSIA Eligible Token (CET) and CBL’s Global Emissions Offset (GEO) represent a carbon emission unit that is eligible under that CORSIA Pilot phase.

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 air passengers numbers recovery
IATA press release on 2021 air traffic results and 2022 outlook

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