



# CARBON MARKET BUSINESS BRIEF

## CORSIA

### CORSIA AT A GLANCE

Years in operation	Pilot phase: 2021-23 (voluntary) First phase: 2024-26 (voluntary) Second phase: 2027-2035
Overall cap & trajectory	Growth above the baseline to be offset. Baseline is average of 2019/2020 airlines' emissions.
Target(s)	Carbon neutral growth from 2020
Emissions Reduced to date	N/A
Sectors covered	Aviation; specifically targets emissions by aeroplane operators from international flights.
GHGs covered	CO <sub>2</sub>
# of covered entities	To be confirmed
Allocation method	Purchase only, no free allocation
Trading rules	Aeroplane operators are required to purchase Eligible Emissions Units (EEUs) to compensate for any CO <sub>2</sub> emissions above the set baseline.
Use of offsets and linking	EEUs as recommended by the Technical Advisory Body and approved by the ICAO Council
Other features	N/A
Penalties for non-compliance	Determined by individual states
Use of revenues	N/A

### 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 couple of years, ICAO has assisted both states and aircraft operators with preparations; the main focus has been putting the MRV requirements and systems in place as the global baseline will be determined by 2019 and 2020 emissions. If the global aviation industry exceeds this baseline in subsequent years, aircraft operators will have to buy emissions units to offset this increase.

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 June 2019, ICAO invited emissions unit programmes to apply for assessment against the EUC; a total of 14 organisations applied. After assessment and public consultation, the Council in March 2020 approved six 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.

The six approved programmes 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)

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. In addition to the above list, the ICAO Council conditionally approved a further two programmes and two others have been invited to re-apply.

The TAB opened a second round of assessment in March, and a decision is expected by December 2020.

## MARKET COMMENTARY

The pilot phase of CORSIA starts in January 2021; however, in order to set the baseline, aircraft operators have been monitoring, reporting and having the reports verified since January 2019. According to the ICAO website, as of April 2020, 83 States have declared their intention to participate in CORSIA from the outset, representing almost 77% of total international air travel.

Project developers have been 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 facing existential threats to their business as international passenger flights have been reduced to minimum. IATA (the International Air Transport Association, a trade body of world's airlines) has called on the ICAO Council to amend the baseline calculation to include only emissions from 2019 and not the average of 2019 and 2020, amid concerns that the exceptional circumstances of 2020 would artificially reduce the baseline and put therefore undue pressure on airlines to offset a higher volume of emissions once the international travel returns to normal levels.

The call for a change to the baseline has been opposed by number of organisations, which argue that there will be a sufficient volume of emission reductions units to cover demand in the pilot phase even in the face of a potential higher offsetting requirement. They also point out that, in the Pilot phase, governments do have the option to choose just the 2020 emissions to calculate the offsetting requirement. This flexibility has the potential to soften the negative impact of an increased offsetting requirement should the aviation recovery follow a relatively steep path.

## USEFUL LINKS

[For more information on 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](#)

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