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## FROM PARIS TO MONTREAL: A VOLUNTARY APPROACH TO SAVING THE WORLD

The ambition to have carbon neutral growth for international aviation will be confirmed at the International Civil Aviation Organization (ICAO) summit in Montreal from 27 September to 7 October 2016. The deal will likely include a global market-based measure (GMBM) that should offset any growth in the sector's emissions after 2020.

According to leaked drafts, the GMBM will be based on voluntary participation, a feature that has been criticized for making it impossible to guarantee that carbon neutrality can be achieved. However, the ICAO agreement will be built exactly on the same principles and mechanisms as the Paris Agreement that has been widely praised as the peak achievement of international climate diplomacy so far. The alignment with the Paris Agreement could suggest that concerns about the soft nature of the emerging aviation framework might be unwarranted.

### DON'T TELL ME WHAT TO DO

Nobody likes being told what to do. That goes for most people, and not surprisingly, also for most governments. A global framework based on legally binding targets, mandatory participation and a strong compliance regime was for decades the ultimate objective of the international climate negotiations.

Until the Paris Agreement, that is. After Paris, nations have a framework based on voluntary participation, self-determined reduction targets and no compliance regime. It has been a long and painful process, but most countries and stakeholders now realize that this is the best way forward for international climate cooperation – and probably the only approach that can work in a complex world of sovereign states.

The same countries that designed the Paris Agreement have now agreed on a deal under ICAO. It should thus not be very surprising that the ICAO agreement will be based on voluntary participation. Until 2026 it will likely be up to each government to decide whether airline operators under their jurisdiction should participate. It will even include an opt-out provision, enabling countries to pull out if they change their mind. Only from 2027 will the GMBM switch to a mandatory scheme.

By then, however, the major emitters may have already joined on a voluntary basis. Repeating the dynamics of the Paris process where almost all countries have submitted their reduction pledges, it seems like the voluntary nature of the ICAO deal will facilitate broad coverage.

While the staged approach outlined in previous drafts of the Agreement would have given a coverage of some 69 percent, it now seems possible that countries representing some 86 percent of global aviation emissions will opt into the GMBM from 2021. In other words, more countries will likely be willing to accept reduction commitments if they can choose to do so, rather than being told to do so. Few parents would be surprised by such an outcome.

### US AND CHINA SEALING THE DEAL

The main reason why ICAO's GMBM likely will have broad coverage is that both the

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US and China have indicated that they will join from the start. In fact, the bilateral cooperation between the two countries is probably a main reason why nations have both the Paris Agreement and an emerging ICAO deal.

If there is a turning point in recent international climate diplomacy, it is likely 12 November 2014, when the US and China announced their post-2020 climate targets in a bilateral agreement. By mutually recognizing each other's targets as sufficiently strong, the two giants dramatically increased the prospects of reaching a global agreement. This was the "wow moment" when the world realized that there was actually a deal to be made in Paris.

In a similar way, the US and China in a joint declaration on 3 September 2016 announced that both countries intended to join the ICAO agreement at the outset. With the world's two major emitters on board, pressure was inevitably increasing on other countries and in the weeks following the

US-China announcement countries like Mexico, Canada and Singapore have also indicated that they will join the voluntary phases of the GMBM.

## FAILING TO MEET AMBITION

The main weakness of the Paris Agreement is the lack of consistency between the very ambitious global targets (limit global warming to well below 2°C) and the sum of the individual country targets. They simply don't add up to the required effort. It will likely be impossible to avoid a similar gap in the ICAO framework. The overall goal is to cap the emissions from the aviation sector at the 2020 level.

Internal abatement in the sector, like operational improvements, alternative fuels and new technologies should ideally comprise most of the needed reductions, while any actual emission growth after 2020 should be offset by carbon credits. However, in order to ensure carbon neutral growth in the next decade, universal participation in the GMBM would be required from the start of the scheme.

But, in spite of the “race to the top” dynamics that have been triggered by the voluntary nature of the GMBM, it is clear that not all countries will join from the start. It is also unlikely that the exempted

emissions will be redistributed among the participating countries. Thus, the design of the GMBM will effectively mean that the overall aspiration to have climate neutral growth cannot be met.

## CARBON CREDITS YET TO BE DEFINED

Another issue that will impact whether the aviation sector can move towards climate neutrality is the quality of carbon credits after 2020. Again, in a parallel to the Paris Agreement, where the rules on new market mechanisms will be decided at later climate summits, the eligibility criteria defining which offsets to use under ICAO's GMBM will be decided at a later stage, probably in 2018.

In order to actually offset aviation emissions with carbon credits, the eligible credits under the GMBM will have to represent real and credible emission reductions. Moreover, there cannot be any double-counting of reductions already capped by the national targets under the Paris Agreement. Assuming a coverage of 86 percent and an emissions growth in the sector in line with the historic trend, the airline operators might need to buy some 750 million carbon credits in the next decade.

Should supply come from existing UN mechanisms such as the CDM? If so, should already issued credits be accepted - giving airlines the possibility to eat into the huge oversupply of CERs - or should only new projects be eligible? And, will other credits like REDD and those to emerge from the new mechanism under the Paris Agreement be accepted?

In short, until the eligibility rules under the GMBM are clear, and issues related to double counting under the Paris framework are solved, it is not possible to assess whether the ambition to have climate neutral growth after 2020 is credible.

## CONCLUSION

The agreement will not be perfect in any way, and it will not be able to guarantee climate neutral growth in the aviation sector. But, it will likely be better than the alternative, which is to prolong the current situation with no climate regulation for international aviation.

Building on Paris, the ICAO deal will also include review cycles to create pressure towards better regulation and higher ambition over time. So, even though the deal will inevitably be seen as too little and too late, the ICAO summit in 2016 could actually be remembered as the turning point when the international community finally got serious about limiting the climate impact of the aviation sector.

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