

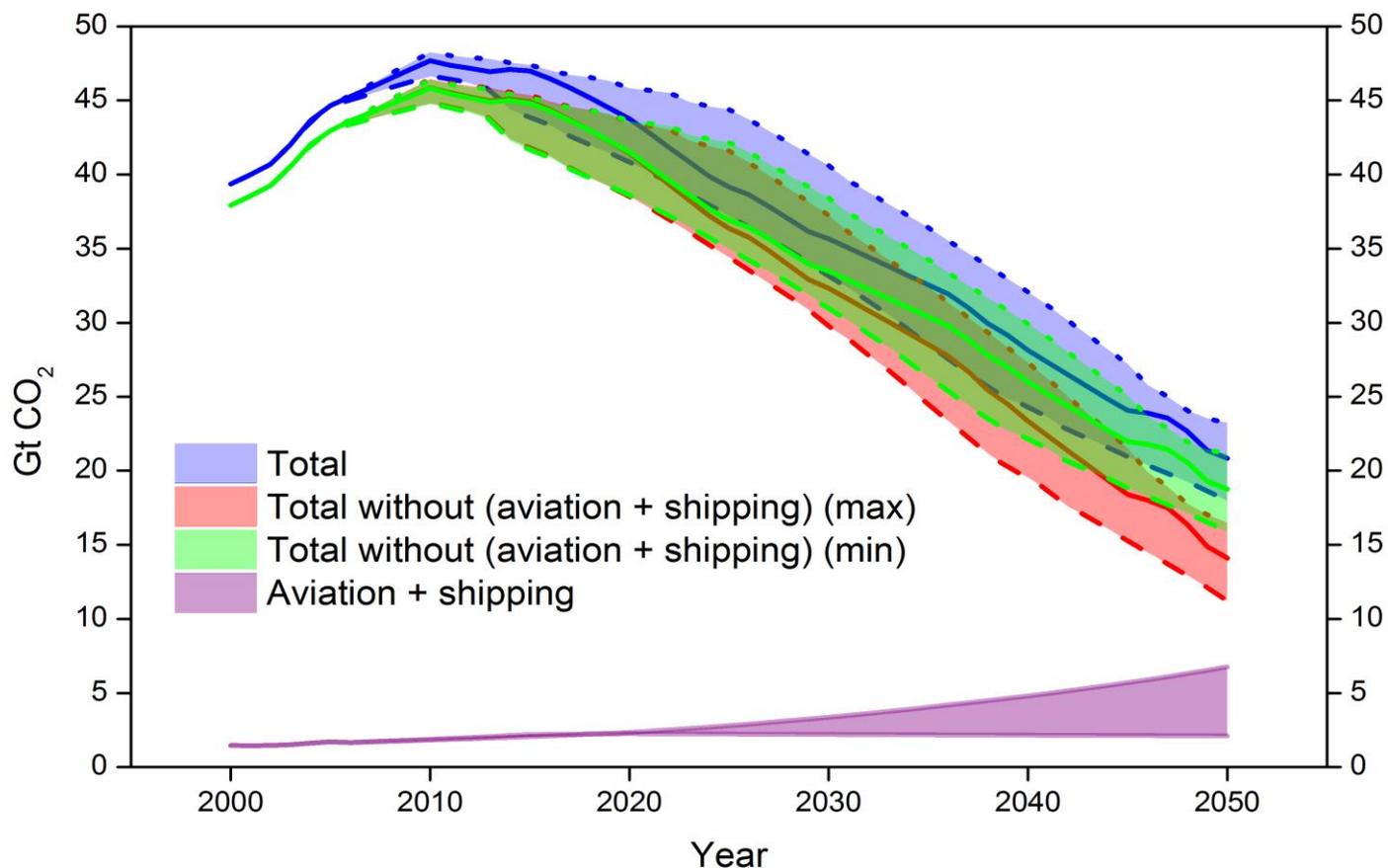
Why a global MBM is essential in bridging the emissions gap to achieve ICAO's climate goals

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**HGCC 3rd Meeting, ICAO
Montreal, 25-27 March 2013**

Under a 2°C emissions pathway, without a MBM, aviation could account for 4 - 15% of total median CO₂ equivalent emissions

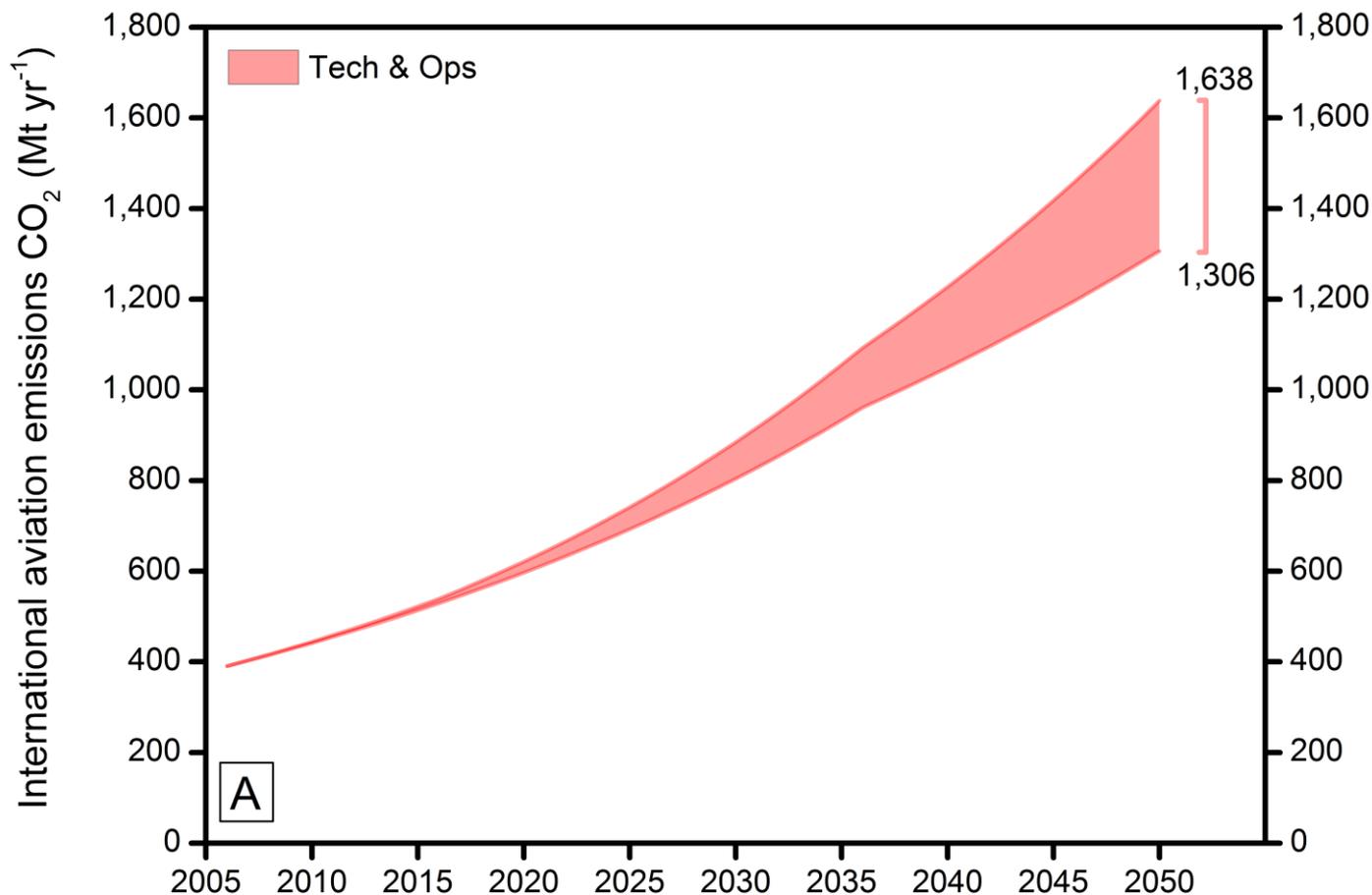


Source:
MMU, 2013

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Technology and operational improvements have the potential to deliver significant in-sector reductions in emissions.

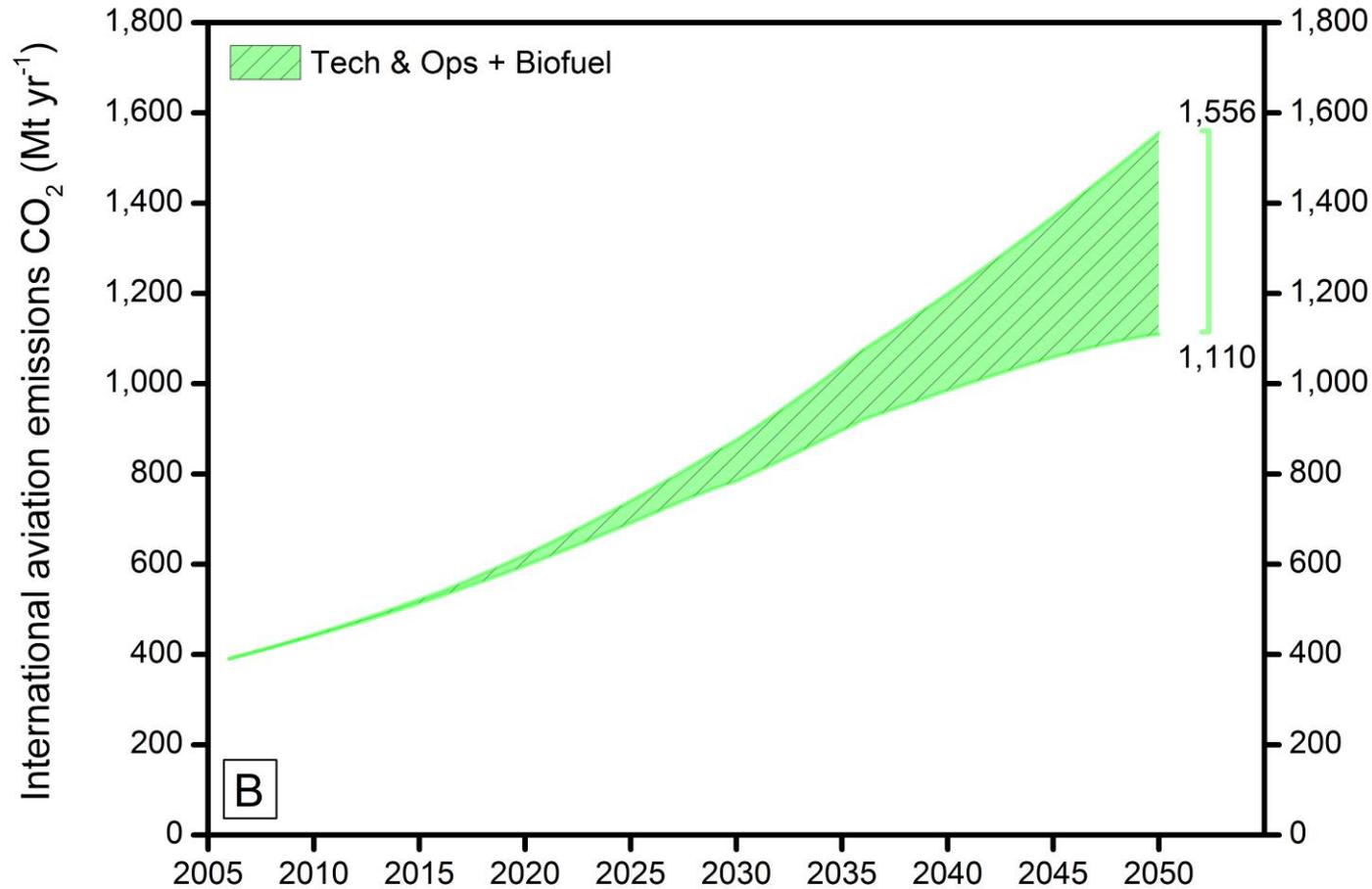


Source: Study by Manchester Metropolitan University, 2013

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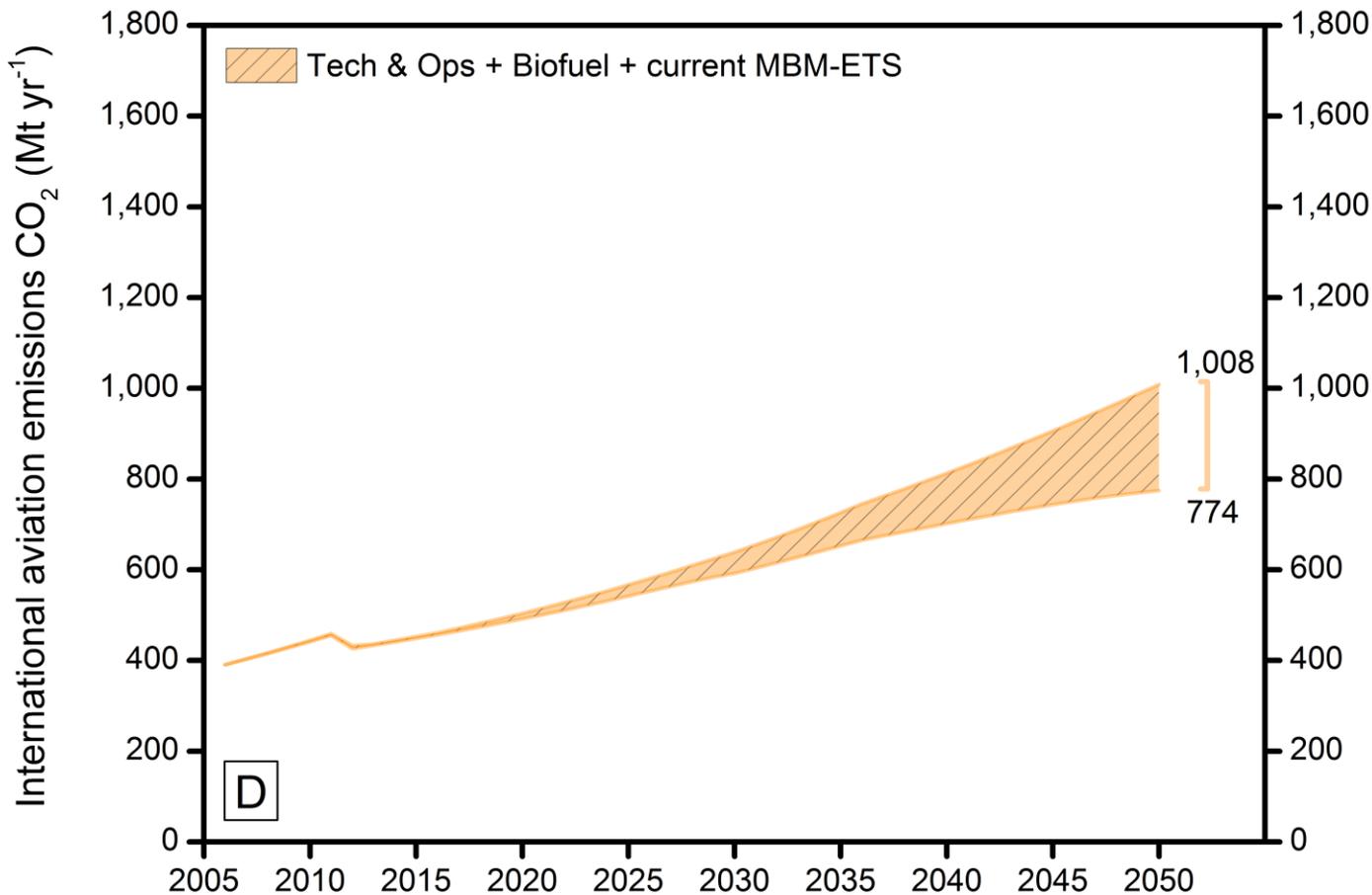
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Factoring in alternative fuels (likely contribution is difficult to forecast accurately)



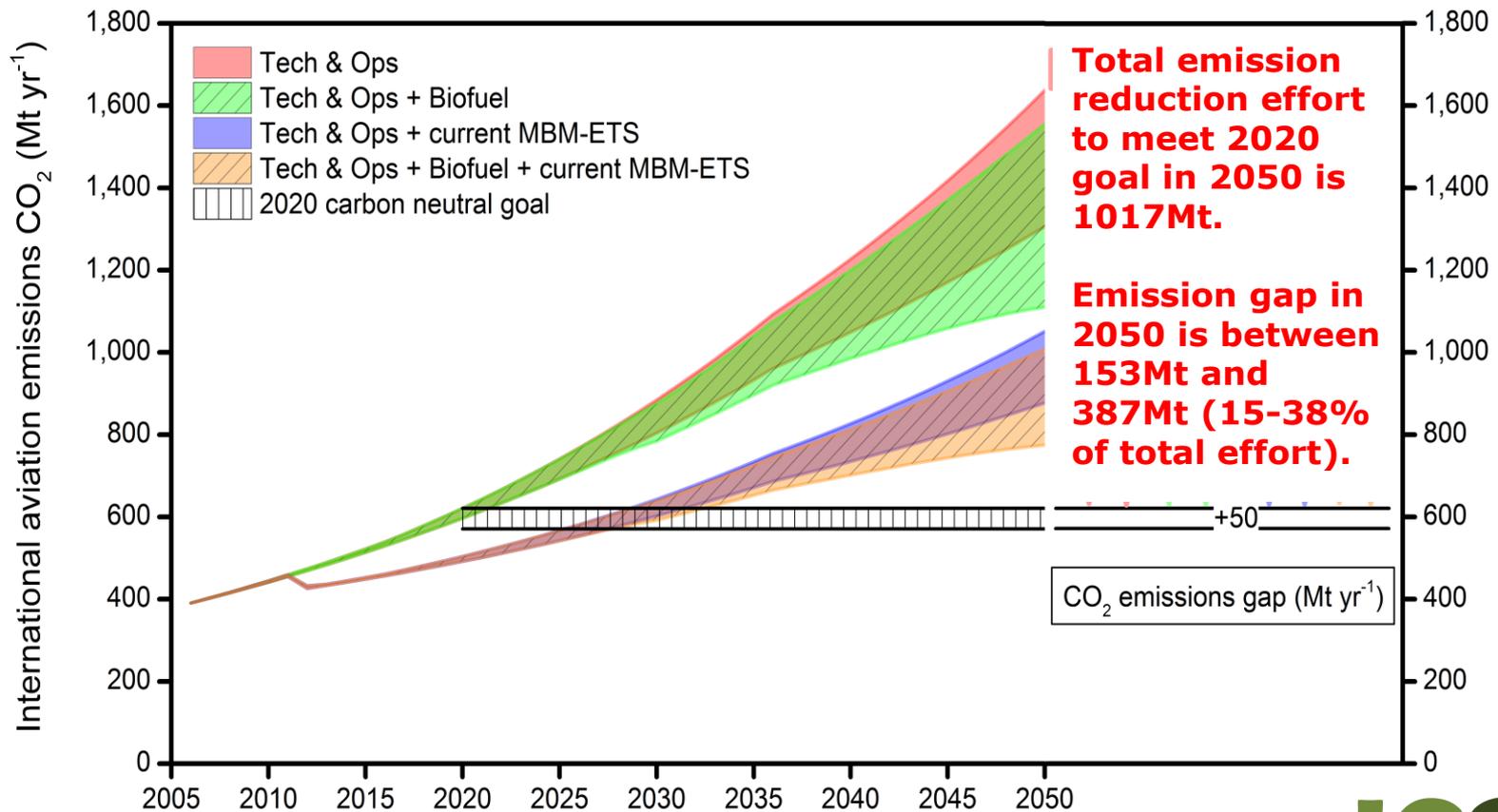
Source: Study by Manchester Metropolitan University, 2013

Factoring in alternative fuels and regional MBMs (extended out to 2050)



Source: Study by Manchester Metropolitan University, 2013

All scenarios indicate an emissions gap against a 2020 baseline



Source: Study by Manchester Metropolitan University, 2013

A global MBM is an essential component to meet ICAO goals

- MBMs provide certainty that environmental targets will be met;
- There is a strong economic rationale for using MBMs given practical limits to technology improvements or accelerated fleet replacement (leading to high abatement costs relative to other sectors).
- Carbon markets provide a cost-effective means of bridging the gap between in-sector reductions and ICAO goals;
- Environmental integrity is the central priority;
- Emission reduction units must be measurable, transparent, additional and permanent.

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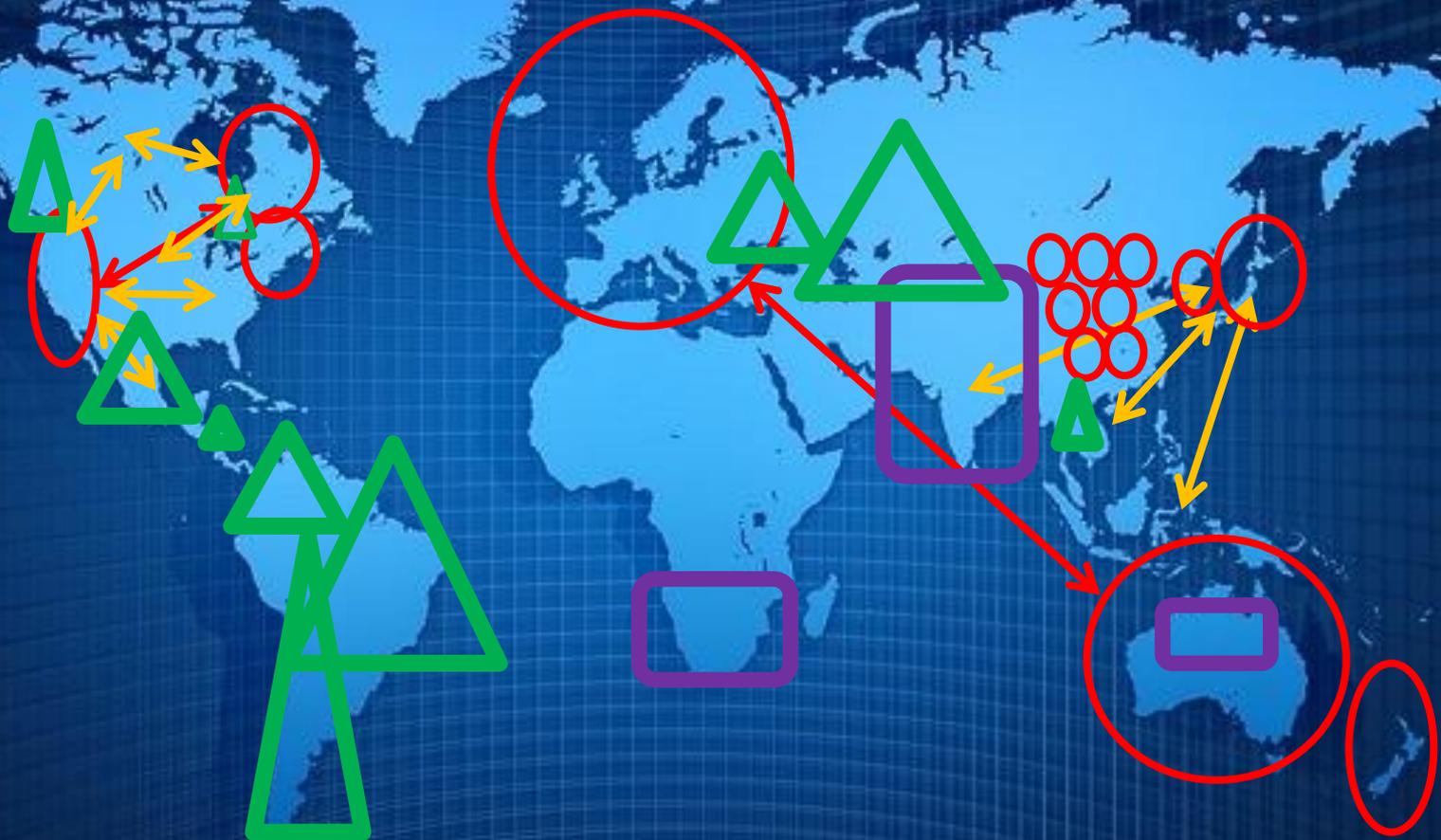
A strong future for the carbon markets

- A growing network of existing, planned and emerging markets: the carbon markets are expanding within States and at national levels;
- No reason to assume that a healthy market will not exist in the future, sufficient to meet both aviation's needs and robust sustainability criteria;

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CARBON MARKETS AROUND THE WORLD



COUNTRY	MECHANISM	YEAR
Australia	Carbon Pricing Mechanism	In operation; Cap and Trade from 2015
Brazil	National ETS (sectoral/project) ETS in Rio de Janeiro & Sao Paulo (?)	? 2014
Canada	Quebec ETS BC., Manitoba & Ontario possible ETSS	In operation 2015
Chile	ETS; Crediting mechanism (NAMAs)	? 2015
China	CDM-like voluntary system National ETS (7 pilot ETSS)	2012 2015 (2013)
Colombia	Crediting mechanism in 6 sectors	?
Costa Rica	Crediting mechanism in 3 sectors	?
European Union	EU ETS	In operation
India	Perform, Achieve & Trade (PAT)	2012
Japan	J-VETS; J-VER; BOCM; Tokyo ETS	In operation
Kazakhstan	ETS (pilot)	2013
Mexico	ETS; Crediting mechanism (NAMAs)	?
New Zealand	ETS	In operation
Rep. of Korea	Target Management System; ETS	In operation; 2015
South Africa	Carbon Tax	2013 - 2014
Switzerland	CO2 Tax – ETS	In operation
Ukraine	ETS (Domestic/Regional)	2017
USA	RGGI California ETS	In operation In operation

General MBM principles

- Key priority is mitigation of the sector's emissions;
- A MBM should be complementary to other measures and must not distract from in-sector reductions: an MBM must therefore be smart and provide incentives to reduce emissions; access to carbon markets must not reduce effort for in-sector reductions;
- Clear need for a global MBM working in tandem with other measures (guarantees emissions reductions and provides an overall framework that can accommodate different regional approaches);
- Must be fair: no competitive distortions;
- A global scheme can and should allow for the respective capabilities of States to be addressed.

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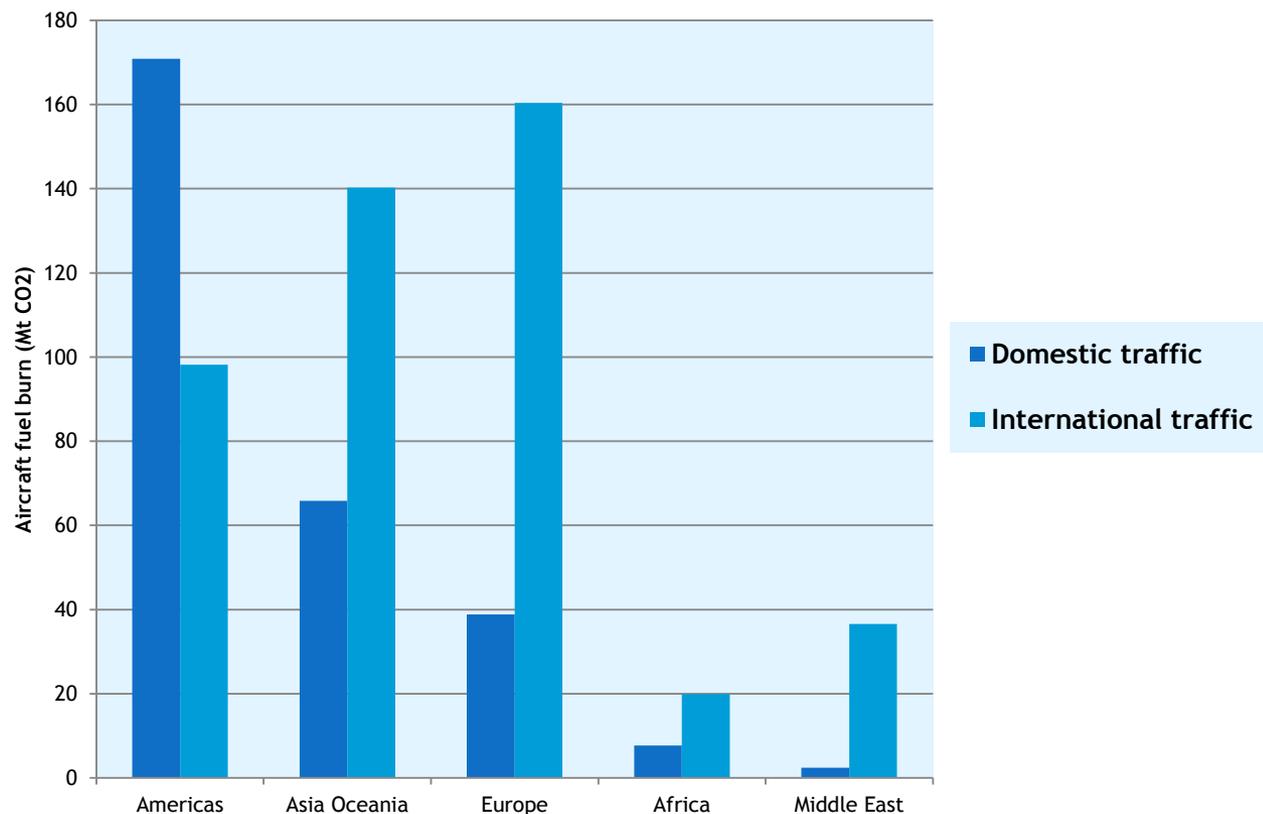
Strong preference for a Global MBM

- All options under consideration are technically feasible paving the way for a global MBM to be agreed at the 38th Assembly, along with a decision on the key design criteria;
- The 38th Assembly should agree an accelerated timeline to finalise any outstanding implementation issues by 2014.
- Practical options to accommodate SCRCDC concerns have already been identified. Additionally, ICSA suggests further consideration of:
 - route-based allocation tools (differentiation between routes rather than between States or nationality of carrier). Such tools provide flexibility to address differential growth by region and over time.
 - exploring the diversity of offset sources available to explore synergies with related sectors.

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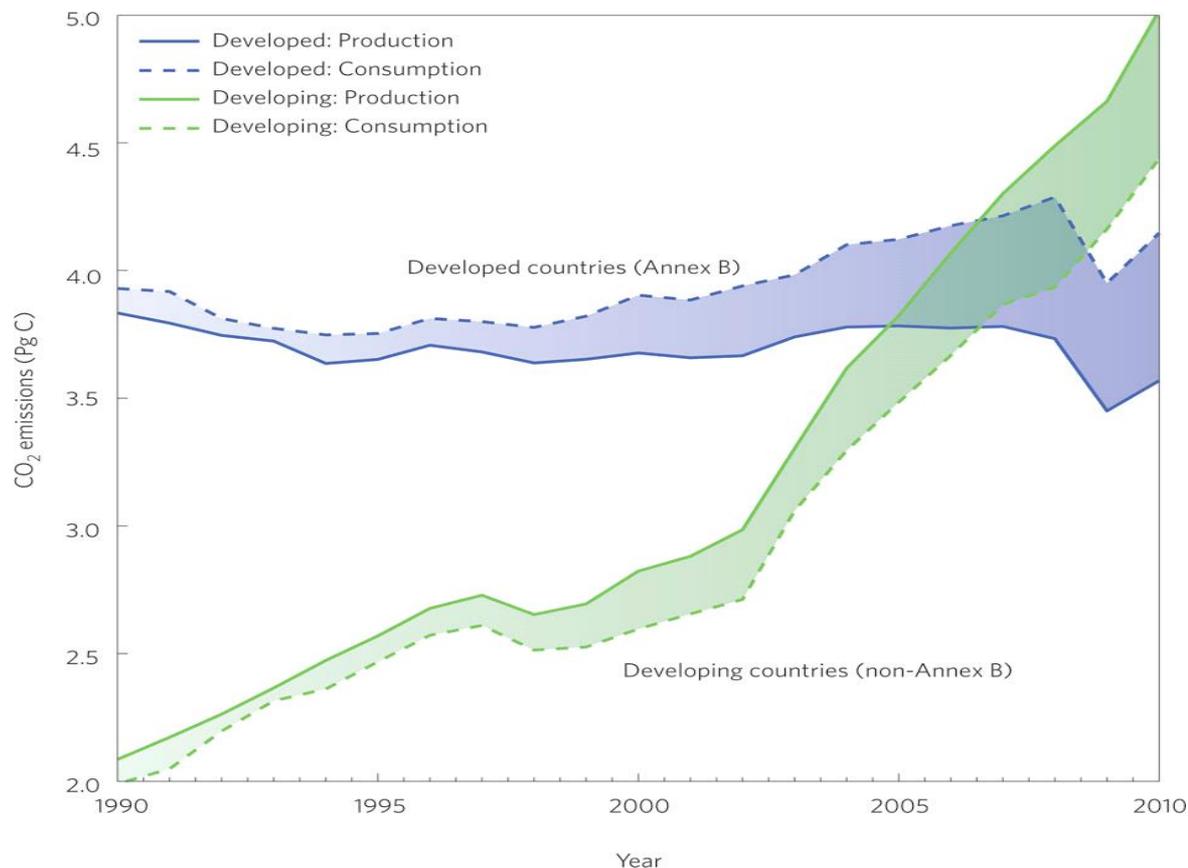
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International and domestic aircraft fuel burn by region (based on 2010 data)



Source: IEA, 2012

CO₂ emissions from developed and developing States



Source: Peters et al. 2012, Nature

MBM Framework

- Continued work on a global MBM reinforces the need for a MBM framework to be agreed at 38th Assembly to support interim actions. This was requested by the 37th Assembly and must be delivered.
- The alternative scenario, namely no action at a State level in the absence of a global MBM taking effect, cannot be supported;
- ICAO must act now to create a Framework that provides legal and political certainty to act;
- A Framework must be capable of scaling up to 100% global emissions coverage without duplication. Of the approaches identified to date, only the “all departing flights”, “nationality of carrier” and “FIR airspace” approaches are capable of achieving this objective.

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MBM Framework (2)

- In contrast, a recent study has shown that confining the geographical scope of actions to the proportion of departing or arriving flights that take place in sovereign airspace only can produce a maximum coverage of 22% of emissions:

Location of international aviation emissions (2006)	Distribution of international aviation emissions
Emissions occurring in the sovereign airspace of states for departing and arriving flights only	22%
Emissions from over flights above sovereign airspace of a State that is neither the State of departure or arrival	33%
Emissions in international airspace (over water)	44%
Total emissions	100%

Source: Study by Manchester Metropolitan University, 2013

MBM Framework (3)

- Coupled with its associated administrative complexity, a sovereign airspace approach is not considered to be feasible;
- FIR airspace approach also suffers from administrative complexity;
- Nationality of carrier has, in the context of national and regional measures, the potential for unequal treatment of carriers operating on the same route;
- ICSA supports all departing flights from a State as the only appropriate and practical approach to geographical scope.

Concluding remarks

- ICAO must act in 2013. ICAO is in a position to deliver co-ordinated action amongst States to tackle the climate challenge;
- Timely action is required by ICAO (compounded by the political visibility of aviation predicted strong growth out to 2050);
- MBMs are cost-effective and technically feasible, allowing the ICAO to set and deliver effective goals while having only marginal impacts on future growth projections (even when revenues are generated);
- ICSA wishes to contribute fully to the HGCC, Council and Assembly decision-making, but a greater role for wider civil society to engage in deciding these fundamental issues is essential.

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