

CORSIA and EU ETS compared

How do the two systems measure up?

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Summary

EU legislators have been tasked with determining the applicability of ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSIA) and its interaction with Europe's Emission Trading System (EU ETS). Given the lack of information regarding how CORSIA will operate, and the need for a fair comparison between CORSIA and EU ETS, T&E have produced the following FAQ to better inform decision makers.

CORSIA is an important first step, but will not be sufficient to drive emission reductions. It is important that CORSIA is complemented by additional measures, such as EU ETS, if the sector is to contribute to Europe's climate goals.

1. What was agreed by ICAO last October?

Last October, parties to ICAO agreed to establish a global market based measure which aims to stabilise net emissions from international aviation at 2020 levels through the purchasing of offsets by aircraft operators. This was labeled CORSIA - the Carbon Offsets and Reduction Scheme for International Aviation. However the details necessary to turn this political commitment into a functioning carbon market were missing, and must be developed by ICAO and its parties over the coming two years. These rules will be implemented through ICAO SARPs (Standards and Recommended Practices), the usual mechanism for implementing ICAO decisions.

Carbon markets, especially ones based on offsetting, are incredibly complex and require a large body of rules, backed up by transparency and enforcement, to ensure they operate successfully. It's unclear whether ICAO's internal processes can deliver such a robust carbon market, especially if decision-makers at national level already consider CORSIA to have been sufficiently developed.

The October 2016 commitment was an important political moment, but will only deliver emission reductions if backed by ongoing political commitment, especially from ambitious states to develop sound rules and ensure they are properly enforced.

2. Is CORSIA a global and uniform measure?

No, for two reasons. Firstly CORSIA is voluntary for the first 6 years (2021-2027), with states under no obligation to join if they do not wish to. Furthermore, states are able to quit CORSIA at any time with only 6 months' notice. So far 69 states have said they will participate in the first two phases.

Secondly, states are able to implement CORSIA differently should they wish, either by filing a reservation to the assembly resolution establishing the scheme (several states have already done so) or by filing a difference to the SARPs. If states are unhappy with aspects of the SARPs, they are within their rights to state they will apply them differently. Given the complexity of CORSIA and the politically sensitive nature of some of its provisions (transparency, offset rules) it's probable that states will file differences.

3. Will CORSIA incentivise emission reductions

No, CORSIA is unlikely to incentivise airline emission reductions for two reasons. Firstly the offsetting obligation is, for the first decade of the scheme, based on the overall growth of the sector. If globally emissions from international aviation grow 4%, then each airline offsets 4% of its emissions covered by CORSIA. This provides little incentive for individual airlines to reduce their own emissions.

Secondly the price of offsets is too low to incentivise emission reductions. While EU ETS allowances are trading at rates as low as €5, UN backed offsets are trading at €0.50 - a fraction of EU ETS prices. There is no indication that these prices will rise anytime soon, and certainly not to the level required to incentivise in-sector emission reductions.

Further reading: the ICCT policy brief "[ICAO's Carbon Offset and Reduction Scheme for International Aviation](#)"

4. Will CORSIA's offsets be equivalent to EU ETS allowances?

No. EU ETS allowances (EUAs) are issued under the declining cap established by the EU ETS. This increasing scarcity is what is supposed to drive emission reductions in other sectors - though the current oversupply of allowances undermines this role.

Offsets are payments made to other sectors to reduce their emissions. However there can be a potentially limitless supply of offsets, and this excess supply is one reason why offsets are trading at such a low price (€0.50 a tonne).

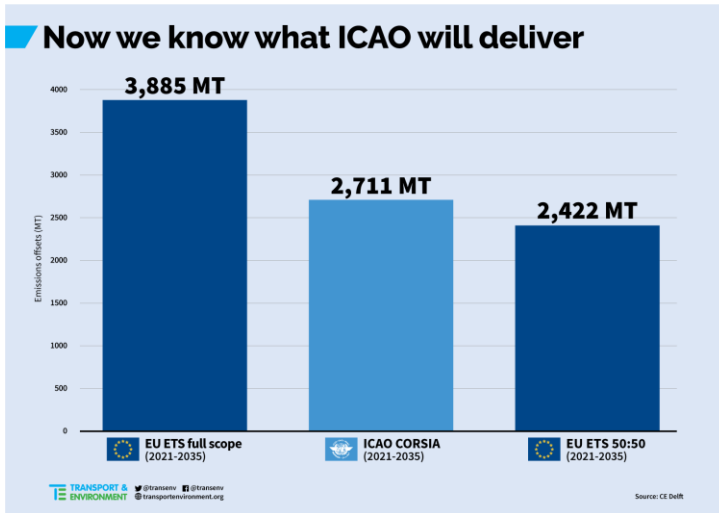
However there are other issues with offsets apart from their oversupply, which makes them a poor replacement for the EUAs used under the EU ETS. Offsets have a poor record in delivering emissions reductions, in fact a recent report found that most offsets used by sectors subject to the EU ETS have failed to produce promised emission reductions. And due to the Paris agreement, where every state will have an emissions pledge, it will be increasingly difficult to ensure that an emission reduction purchased through an offset won't be double counted. Double counting is where both the issuing state and the aircraft operator claim the same emission reduction, something which is proving very difficult to guard against in the CAO discussions.

Further reading: [85% of offsets failed to reduce emissions, says EU study](#)

5. Can we guarantee enforcement of CORSIA?

Unlike EU ETS, there is no means of ensuring enforcement against non-compliant airlines or states which fail to correctly implement CORSIA. While EU law provides for infringement proceedings against member states which fail to implement EU ETS, and member states are obliged to fine non-compliant airlines, no such procedures exist in ICAO. It's therefore likely that we'll face a patchwork of legal enforcement, which is especially problematic were CORSIA to be applied to flights within Europe as it is uncertain whether fair enforcement would be guaranteed against third country carriers operating within Europe.

6. Will a global measure produce greater emission reductions than EU ETS?



No. CORSIA has a weaker baseline, therefore despite its wider coverage, it won't deliver greater emission reductions than full-scope EU ETS over the expected lifetime of the scheme (2021-2035). In fact it's likely to deliver only marginally greater emission reductions than EU ETS applied on a 50:50 basis (i.e. flights departing from, but not arriving to, Europe).

This undermines one of the main arguments for a global measure - that global would always deliver greater emission reductions than regional.

7. Did the Paris Agreement task ICAO will addressing aviation emissions?

While the Paris Agreement includes international aviation emissions, through its reference to economy-wide emission reductions and reducing all anthropogenic sources of emissions, the agreement is unclear how such emissions are to be addressed. While the Kyoto Protocol called on parties to work through ICAO to limit and reduce international aviation emissions, the Paris agreement has no such reference. Parties are therefore free to act on a national, regional and international level to address this issue.

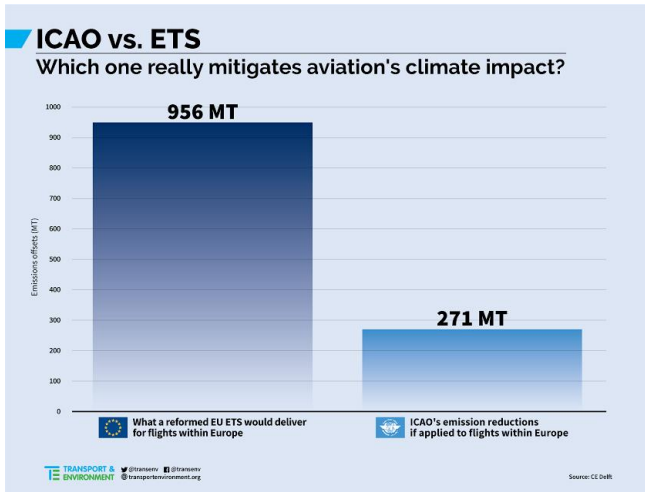
8. Will continued EU ETS result in a financial burden on airlines?

No. A 2007 report by industry association IATA stated the cost of ETS will be minimal, and in some cases could even be slightly positive for industry. This report has since been taken offline.

The EU ETS is a flexible tool which delivers emission reductions at minimal cost. Even if EU ETS were to be applied on intra-EU routes with 100% auctioning and an allowance price of €16, the cost to airlines in 2021 would be an estimated €905m. However if the average tax on petrol for road transport was applied, the aviation sector would face a tax bill of over €10bn in 2021.

9. Will continued EU ETS cause diplomatic disputes with third countries?

Third country opposition to aviation's inclusion in EU ETS centred around the inclusion of all flights to and from Europe. There was no major opposition to the inclusion of flights within Europe, and this is unlikely to be the case should EU ETS continue at this scope. This is because developing countries have expressed a strong interest in seeing developed countries, such as the EU, adopt more ambitious climate measures. In fact the only major opponents of the continued application of EU ETS on flights within Europe are industry, who would rather be covered by the weaker and cheaper, though environmentally less effective, CORSIA.



For flights to and from Europe, it is possible to apply both CORSIA and EU ETS post-2021 in order to ensure maximum environmental integrity. As certain developing countries are now more progressive on climate action, they may support such a step as it will bring aviation closer to the goals of the Paris Agreement and can be introduced in a manner which respects both differentiation and the principles of non-discrimination. In fact at the 2016 ICAO assembly, many developing states spoke of the need for developed countries to do more on aviation emissions.

10. Will CORSIA help the EU meet its 2030 climate targets?

No, and in fact CORSIA will undermine Europe's already insufficient 2030 targets. The EU's 2030 target includes all flights departing from Europe and it excludes the use of international credits (offsets). Were aviation to be removed from EU ETS and placed in CORSIA, that would twice undermine EU climate targets because CORSIA has a weaker baseline, and permits the use of offsets. This would put aviation at an unfair advantage over other industries, especially other transport modes.

Conclusion

CORSIA is a first step to address emissions from international aviation, but it is not enough to adequately address the sector's climate impact and does not compare to the EU's level of climate action ambition. Rather than see CORSIA as something to replace EU ETS, the focus should be ensuring these systems complement each other in order to protect Europe's climate targets.

Further information

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