

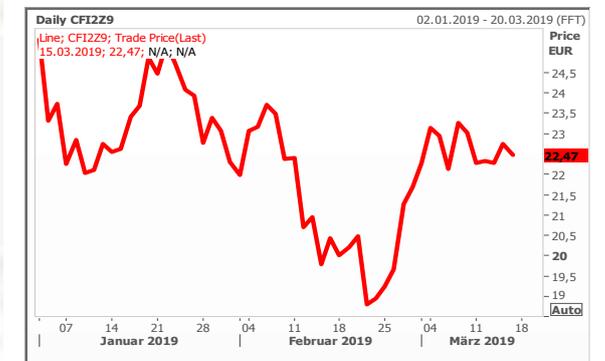


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The regulations of CORSIA and the EU ETS for airlines – Purchase of CO2 certificates should start no later than March

From 2020, the aviation industry will also submit to its own binding targets for climate protection. At the meeting of the UN aviation organization ICAO (International Civil Aviation Organization) in Montreal, Canada, further rules for climate neutral growth from 2021 were established and more detailed criteria for the use of CO2 certificates were adopted in its CORSIA regulations. In particular, it also dealt with the use or exclusion of certificates from questionable climate protection projects and possible remainders of previously unused junk CER (Certified Emission Reductions) certificates from EU emissions trading.

In order to better understand the CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) set of rules and the parallel cooperation with EU ETS (Emissions Trading System) for airlines, Emissionshändler.com® provides an overview of the most important regulations.

EU-ETS and CORSIA - Development 2013-2019

EU-ETS for aviation is still up and running in its third trading period (2013 – 2020). During this period, commercial operators with more than 243 flights per 4-month period, or greater than 10.000 t CO2 of Full-Scope flight emissions and non-commercial operators with greater than 1.000 t CO2 of Full-Scope flight emissions must report and offset emissions from flights between airports in

the European Economic Area (EEA) countries (so called Intra-EU flights).

In October 2016, the International Civil Aviation Organisation (ICAO) adopted a global, market-based climate change mitigation measure to limit carbon dioxide emissions from international aviation (CORSIA). CORSIA starts for aeroplane operators with two years 2019 and 2020 that will serve as the Baseline years. Basically, ICAO's idea of CORSIA is to limit greenhouse gas emissions from aviation activities at the level of 2020, hence the need for a benchmark averaged over the two years.

Of course, air traffic and the world economy will grow beyond that, but ICAO takes the view that there cannot be any more emissions than the level of their benchmark (Carbon neutral Growth 2020). How ICAO plans to achieve that will be explained in the following text. Following the baseline period, CORSIA will start with a pilot period, 2021 - 2023. After this first 3-year period, emissions of that term will have to be offset by surrendering carbon credits in 2024.

In reaction to CORSIA and the published Standards and Regulations (SARPS) by ICAO in 2018, the EU decided that for aviation ETS the obligations of recording intra-EEA traffic, including deadlines



and surrender obligation, remain unaffected until further notice.

As we can see already, EU-ETS for aviation and ICAO's CORSIA will exist in parallel for airlines, starting with the year 2019.

Who participates like with CORSIA?

CORSIA is a Global Market Based Mechanism for the aviation industry aiming at carbon neutral growth from 2020 so that any other growth in the sector, say air traffic volumes, will have to be combatted or offset through the mechanism. The mechanism is a basket of measures with the aim to encourage aircraft technology innovation, use of sustainable aviation fuels, etc. but also the process of offsetting by the use of carbon credits.

All 192 signatory states from ICAO have to implement emissions MRV systems and regularly report emissions to ICAO. The years 2019 and 2020 will be baseline years to determine the overall aviation emissions on which the scheme will be based. During the baseline period aeroplane operators are requested to monitor, report and verify carbon emissions on all international flights.

This data will be used to establish the baseline (which is being calculated by the average emissions of the years 2019 and 2020). This is done to allow for the offsetting calculations to achieve the Carbon Neutral Growth 2020 objective.

Voluntary and mandatory phases of CORSIA

The baseline period is followed by the pilot phase (2021-2023), the first phase 2024-2026 and the second phase 2027-2035.

CORSIA has been divided into 3 phases, the first two phases are voluntary and the last one is compulsory. But before we go even further, we have to clear a common misconception: CORSIA is mandatory for each airline with regards to the obligation to report emissions, starting from January 1st 2019. Voluntary vs mandatory only refers to the offsetting part.

The requirement to monitor, report and verify CO₂ emissions from international aviation is independent from the offsetting requirement.



Figure 1. Three Phases of CORSIA Source ICAO

In the Pilot phase (2021-2023) and in the first phase (2024 to 2027), states that want to be part of the scheme voluntary will be included. Inclusion is on a member state level rather than for individual aircraft operators; states not already participating may add themselves to the scheme but they are not obliged to do so.

Aircraft operators from the states included in the pilot phase must offset emissions equal to the aviation sector's average CO₂ growth (determined by ICAO annually) by the end of the phase multiplied by their own emissions in the phase. Aircraft operators must comply with their obligations under CORSIA every 3 years.

As for the Second phase 2027 to 2035, the first mandatory one, will include all state signatories of ICAO except those least developed and small island countries accounting for less than 0.5% of global air traffic.

As for EU-ETS, it decided to temporarily to "Stop the Clock". Meaning, to reduce the scope to flights between airports in the EEA in order to allow ICAO Member States to complete the (Global Market Based Mechanism) GMBM negotiations. Now that the CORSIA has been started successfully, the EU will review the necessary modifications of its aviation ETS to mitigate the burden for operators.

The timeline of EU-ETS and CORSIA by comparison

Now before we start to compare the two market-based systems, let's start with a top-level perspective, reviewing timing:

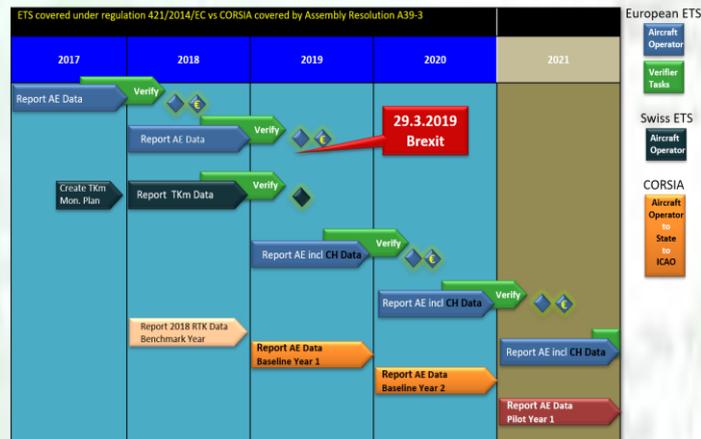


Figure 2. Timeline for EU ETS and CORSIA / Source : ETSverification GmbH

Air traffic outside the EU

The bottom of the above graphic you will find the bars for CORSIA activities. The CORSIA regulations start in 2019 with a Benchmark: the 2018 RTK (Revenue Tonne-Kilometre) report that ICAO will receive from the states who, in turn, will receive the data from the aircraft operators and that will determine whether a state that is a member of the United Nations will be included in or excluded from CORSIA. The inclusion/exclusion dilemma refers only to the offsetting part of CORSIA, which we will cover in the later part of our comparison. All ICAO Member States must monitor emissions from international air traffic and send emissions report to ICAO Secretariat.

Air traffic and the European countries

Starting with EU ETS, let's look at what operators and auditors have been doing since 2010. There are two deadlines to remember. The first deadline is always on March 31 each year when airlines need to submit a verified initial report; the second deadline (identified by the € in a diamond) is the point in time when carbon credits or certificates or allowances (they're all the same) have to be handed in to the European authorities to offset the emissions from Intra EU flights flown in the previous calendar year. This process repeats itself every year.

Air traffic and Switzerland

Since 2018, Switzerland is linking its emission trading scheme with the EU, so at the moment, operators have to submit a monitoring plan to the Switzerland Competent Authority to describe, how they are monitoring Tonne-Kilometres; then, in 2019, they'll have to submit a Tonne-Kilometre (TKm) report for 2018. On the basis of the reported Tonne-Kilometres operators are eligible to receive free allowances or free carbon credits for the flights to Switzerland.

From 2019 or latest for 2020, aircraft operators impacted by EU ETS will have to submit an annual emissions report that includes flights from and into Switzerland, previously excluded so there will need to be an aviation emissions monitoring system update to take account of that change. That will continue until 2021, at least.

The CO2 report and purchase process in March/April 2019

To all aviation operators!

This is a kind reminder to complete your 2018 annual emissions report (the verified report must be submitted before March 31st).

If you need support, please contact our partner ETSverification, an EU accredited verification body for aviation ETS in all member states.

Mr. Guido Harling can be reached by mail Guido.Harling@ETSverification.com at any time.

We hope you remember that a verifier also has to approve the Domestic and Non Domestic emissions figures of 2018 in your registry, the latest also until end of March.

That is the official VET-process. If you need help, for that, please contact us.

After that, we know for sure how many certificates you need for 2018.

The deadline for surrendering certificates is end of April – but please don't wait with this task until the deadline.

In the last week in April it is already too late to place an order.

Please send your purchase enquiry to [Emissionshändler.com](mailto:info@emissionshaendler.com) until end of March if possible, because prices will rise again in April as they do every year. This effect occurs because all stationary operators have to buy their certificates and surrender them at the end of April. Kontakt info@emissionshaendler.com



Then, past the bar for 2018 on our graphic, we see the two years 2019 and 2020, which will be the Baseline years.

- **Basically, ICAO’s idea of CORSIA is that they want to limit greenhouse gas emissions from aviation activities to the levels of 2020, hence the need for a benchmark averaged over the two years.**

Of course, air traffic and the world economy will grow beyond that, but ICAO takes the view that there cannot be any more emissions than the level of their benchmark (Carbon neutral Growth 2020).

- **From that, CORSIA will start with a pilot year in 2021, which is the first year of the 3-year period for which emission will have to be offset.**

This was the first EU ETS & CORSIA part. Part 2 of Emission News 02-2019 deals with the similarities and differences between the two systems.

Co-author of the article on CORSIA: **Guido Harling.**

Harling is the owner and senior auditor of ETSverification GmbH, a DAkkS accredited verification body for aviation emissions.



For more information about CORSIA, visit Mr Harling at the [Airline & Aerospace MRO & Flight Operations IT conference – EMEA 2019](#).

The conference will take place on the 26th and 27th of March in Amsterdam.

Mr Guido Harling will speak all day on the **26th March** about CORSIA and will be there for further questions.

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Kind emission regards



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