



WORKING PAPER

**HIGH-LEVEL MEETING ON A GLOBAL MARKET-BASED
MEASURE SCHEME**

Montréal, 11 to 13 May 2016

**Agenda Item 1: Review of Draft Assembly Resolution text on a global MBM scheme for
International Aviation**

CHINA'S PERSPECTIVE ON A GLOBAL MBM SCHEME

(Presented by the People's Republic of China)

EXECUTIVE SUMMARY

This paper presents the common perspective of the People's Republic of China on a global MBM scheme to address the international aviation and climate change and their proposed amendments to the Council President's draft of the Assembly resolution on the GMBM, with a view to facilitating the deliberations during the High Level Meeting on a Global Market-based Measure Scheme and the 39th session of the Assembly.

Action by the HLM-GMBM is in paragraph 4.

1. BACKGROUND

1.1 China recognizes that Climate change is today's common challenge faced by all humanity and is a global issue that requires the collaboration of the international community.

1.2 China has been upholding the vision of green and low-carbon aviation development. During the 12th FYP period (2011-2015), Chinese civil aviation has implemented 8 categories of more than 1200 ECER programs, with a total investment of 13.5 billion yuan (new aircraft purchase not included). In 2015, the fuel consumption per RTK is 0.294 kg, a 13.5% decrease compared with that in 2005.

1.3 By 2020, China will have finished building a moderately prosperous society in all respects and the per capita income will increase continuously and residents' consumption capacity will remain upgraded. As a result, demand on air transport, particularly international air transport, will be enhanced and Chinese air transport will need a large development space in the long term.

1.4 China recognizes that the 38th session of ICAO Assembly decided to develop a global MBM scheme for international aviation and requested the Council, with the support of States, to report the results of relevant work (listed in sub-paragraphs a), b), and c) of Para 19 in Resolution A38-18) for decision by the 39th Session of the Assembly.

1.5 China appreciates initiatives taken by the President of the Council in his presentation of the draft Assembly resolution.

1.6 China notes that the two rounds of GLADs presented a huge variety of views and concerns by Member States regarding the development of GMBM for international aviation, for instance, on issues of emission reduction approaches (bottom-up VS top-down), administrative simplicity, transparency, environmental integrity, capacity building and assistance, etc.

2. DISCUSSION

2.1 China welcomes the Paris Agreement(COP21) and related decisions adopted by the Paris Conference on Climate Change, which is a comprehensive, balanced and ambitious agreement and put in place a global mechanism to deal with climate change centered on the post-2020 Intended Nationally Determined Contributions, reaffirmed commitment to the principle of common but differentiated responsibilities.

2.2 China reiterates its commitment to work together constructively with other countries on the international aviation and climate change to develop an Assembly resolution, which would encourage all the countries to make contributions to the best of their abilities, and not create a regime intending to run counter to the Paris Agreement.

2.3 China highlights that the GMBM resolution to be reached by ICAO shall be in full accordance with the principles of equity and common but differentiated responsibilities and respective capabilities and that the differentiation between developed and developing countries should be reflected in each crucial component of the resolution.

2.4 China emphasizes that developed countries should take the lead in the post-2020 period, by committing and implementing more ambitious, absolute quantified aviation emission reduction targets while developing countries will enhance their different types of efforts to grow sustainable aviation.

2.5 China notes with concern the reluctance of some of the developed countries to take the lead to reduce their international aviation emissions dramatically to leave room for the growth of developing countries, and some group of developed countries' intention of further imposing unilateral actions against global consensus, which would hamper the international collaboration to limit and reduce the aviation emissions.

2.6 China recognizes that the draft proposal presented by the Council President on Global Market Based Measures (GMBM) may impose inappropriate economic burden on developing countries, where the international aviation market is still maturing.

2.7 China and some developing countries urged the ICAO to develop climate change measures in a manner that is consistent with the principles of CBDR & RC, and to align the GMBM with the relevant provisions of the Paris Agreement.

2.8 China will continue to undertake robust actions to address aviation emissions and highlights that measures of improved technology and operation, infrastructure construction, sustainable jet bio-fuel, etc. plays a more significant role in facilitating developing countries to grow sustainable aviation.

3. PROPOSED AMENDMENTS TO THE PRESIDENT'S DRAFT

3.1 The following preambular paragraphs are proposed to be added to the preambular paragraphs in the President's drafted text:

Recognizing that ICAO and its Member States have expressed a clear concern, through the UNFCCC process, on the use of international aviation as a potential source for the mobilization of revenue for climate finance to the other sectors, and that MBMs should ensure the fair treatment of the international aviation sector in relation to other sectors; *{Existing text from A38-18, paragraph 30 and Annex paragraph h}*

Acknowledging the principles of common but differentiated responsibilities and respective capabilities, with developed countries taking the lead, under the UNFCCC, the Kyoto Protocol as well as the Paris Agreement; *{Existing text from A38-18 preamble}*

Emphasizing that ICAO work related to a GMBM scheme and its implementation should be aligned with relevant provisions of the Paris Agreement on carbon market; *{New text reflecting Paris Agreement}*

Recognizing that ICAO Member States uphold different views and positions on the global aspirational goal of keeping the global net CO2 emissions from international civil aviation from 2020 at the same level; *{in line with text of Paragraph 7 of A38-18}*

3.2 The following operative paragraphs are proposed to replace operative paragraphs 4, 7, 8, 9 and 17 in the the President's drafted text:

(new para 4) Decides to establish a GMBM scheme in the form of a Carbon Offsetting Scheme for International Aviation (COSIA) for use by Member States on a nationally determined contribution basis from 2021 to 2025. Developed states and other states having an individual share of international aviation activities in RTKs in year 2018 above 0.5 per cent of total RTKs should communicate their nationally determined contributions (the amount of CO2 emissions to be offset by aircraft operators registered in the country) to GMBM to ICAO for that period (2021-2025) before June 30th, 2020. Those states having an individual share of international aviation activities in RTKs in year 2018 below 0.5 per cent of total RTKs are encouraged to do so. {GMBM is Carbon Offsetting Scheme for International Aviation (COSIA)}

(new text) Encourages States to participate in the COSIA scheme, particularly the developed states, to take into consideration ICAO's aspiration to keep the global net CO2 emissions from international aviation from 2020 at the same level when communicating their nationally determined contributions to GMBM to ICAO.

(new text to replace original paras 7,8,9) Decides to review the implementation of the GMBM in 2024 and 2025, based on the experiences gained, taking into account the progress made under the UNFCCC, particularly the progress made on cooperative approaches under Article 6 of the Paris Agreement, with a view to exploring the possibility of a phase-in application of the Scheme and reaching a decision at ICAO Assembly 42 in 2025 as follows:

a) First implementation phase applies from 2026 to 2030 to the following:

1) Developed states,

2) States that either have an individual share of international aviation activities in RTKs in year 2025 above 1.0 per cent of total RTKs, or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 80 per cent of total RTKs;

b) Second implementation phase applies from 2031 to the following:

States that either have an individual share of international aviation activities in RTKs in year 2031 above 0.5 per cent of total RTKs, or whose cumulative share in the list of States States from the highest to the lowest amount of RTKs reaches 95 per cent of total RTKs;

Keep c) , d) of Para 7 in the President's drafted text as it is;

- e) The amount of CO₂ emissions required to be offset by an aircraft operator registered in a developed State in a given year from 2026 is calculated every year by multiplying its annual emissions in the given year with a higher percentage (eg. 120%-to be decided in future negotiation and to be adjusted every 5 years) of the growth rate of the international aviation sector's total emissions in the given year compared to the 2020 levels, while the amount of CO₂ emissions required to be offset by an aircraft operator registered in a developing State in a given year from 2026 is calculated every year by multiplying its annual emissions in the given year with a lower percentage (eg. 80%-to be decided in future negotiation and to be adjusted every 5 years) of the growth rate of the international aviation sector's total emissions in the given year compared to the 2020 levels.
- f) All international flights on the same route to and from a State that is not included in the COSIA are exempted from the offsetting requirements of the COSIA, but would retain simplified reporting requirements.

(new text) Resolves that States, when designing or implementing their domestic MBMs for international aviation, should engage in constructive bilateral and/or multilateral consultations and negotiations with other States to reach an agreement if the above-mentioned domestic MBMs are to be applied to aircraft operators of other states.

(new Para 17) *Requests* the following actions be taken:

- a) the Council to develop, with the technical contribution of CAEP, the related guidance material for the implementation of the MRV system under the COSIA in a manner that is consistent with related guidance developed under the Paris Agreement, for adoption by the Council by June 2017; {MRV rules development}
- b) all the States whose aircraft operator undertakes international flights to develop the necessary arrangements for the implementation of the MRV system from 1 January 2018, in accordance with the ICAO MRV guidance and any related decision under the Paris Agreement; {MRV rules implementation}
- c) the Council to take necessary action ...assistance for establishment and implementation of MRV system by States, particularly for developing countries, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed;{Capacity building on MRV}

Keep d) of Para 17 in the President's drafted text as it is;

- e) the Council to promote the use of emissions units generated from programmes that meet the Emissions Unit Criteria (EUC) and would benefit projects involving developing States by the COSIA, and emissions units generated from the CDM, new market mechanisms or other programmes under the UNFCCC, noting that a State may choose to establish further criteria to apply to the units to be eligible to all international flights on routes to and from said State, with a view to enhance the environmental integrity of these units; {EUC guidance development}
- f) the Council to establish a standing technical advisory body to review technically the functioning of the COSIA scheme and identify areas of improvement for States in a facilitative, on-punitive, non-intrusive manner, respectful of national sovereignty, and avoid placing undue burden on States.; {the development of an advisory body}
- g) the Council to develop, with the technical contribution of CAEP, necessary guidance material to support the establishment of registries under the scheme in a manner that

is consistent with article 6 of the Paris Agreement, for adoption by the Council by 2018; {Registry guidance development}

Keep h) of Para 17 in the President's drafted text as it is.

- i) all the States to develop necessary arrangements for the establishment of their own registries or group registries established by groups of States, in accordance with the ICAO guidance and related guidance under Article 6 of the Paris Agreement, for operationalization no later than 1 January 2021; {Registry establishment for 1st phase States}

Delete j) of Para 17 in the President's drafted text

- k) the Council to take necessary action to expand the provision of capacity building and assistance for the preparation and implementation on Member States' action plans, in order to accommodate capacity building and assistance for establishment and implementation of MRV system and registries by States, particularly for developing countries, including organization of seminars and training in all regions from 2017, and facilitation of financial support where needed; {Capacity building on Registry}

Keep l), m) and n) of Para 17 in the President's drafted text as it is.

- o) States to give notification to ICAO Council of the differences between their own practice and the relevant ICAO rules on MRV/EUC in the period (2021-2025) and provide an explanation of the reason for their departure.

4. **ACTION BY THE HIGH-LEVEL MEETING**

4.1 The HLM-GMBM is invited to:

- a) note the readiness of the People's Republic of China to work with other countries to develop a fair, effective and pragmatic GMBM resolution at the 39th session of the ICAO Assembly; and
- b) recognize the views and proposed amendments of People's Republic of China to the President's draft resolution on GMBM.

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