



International Business Aviation Council

AIMING FOR
ETS & CORSIA
COMPLIANCE

The IBAC Guide to:
Emissions Trading Schemes in
Europe, Switzerland and UK &
The International ICAO Scheme CORSIA

INTRODUCTION

This Emission Trading Systems and **CORSIA** guide is intended to help business aircraft operators determine if they are covered by any of the European Emissions Trading Schemes (ETS) and the global Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**) launched by the International Civil Aviation Organization (ICAO).

The guide lists key factors an operator should consider when determining whether and to what extent the organization's operations may be subject to any of these schemes.

Current ETS and **CORSIA** regulations essentially require that operators assess if aircraft in their fleet exceed threshold related to Maximum Take-Off Mass (MTOM), their annual CO₂ emissions, any exclusions that might apply, and their area of operations, including applicable States.

The guide's purpose is to assist operators in understanding and recognizing potential obligations under these schemes more easily. The guide also helps operators be better informed when working with third-party organizations that can assist with compliance.

Last, the guide seeks to explain each of the measures such that operators better understand their policy purposes, mechanisms, and processes.

The following flowchart is aimed at providing a simplified decision-tree to provide guidance as to what sections of this guide may be most appropriate to individual circumstances.

ETS AND CORSIA EFFECT ON BUSINESS AIRCRAFT OPERATORS

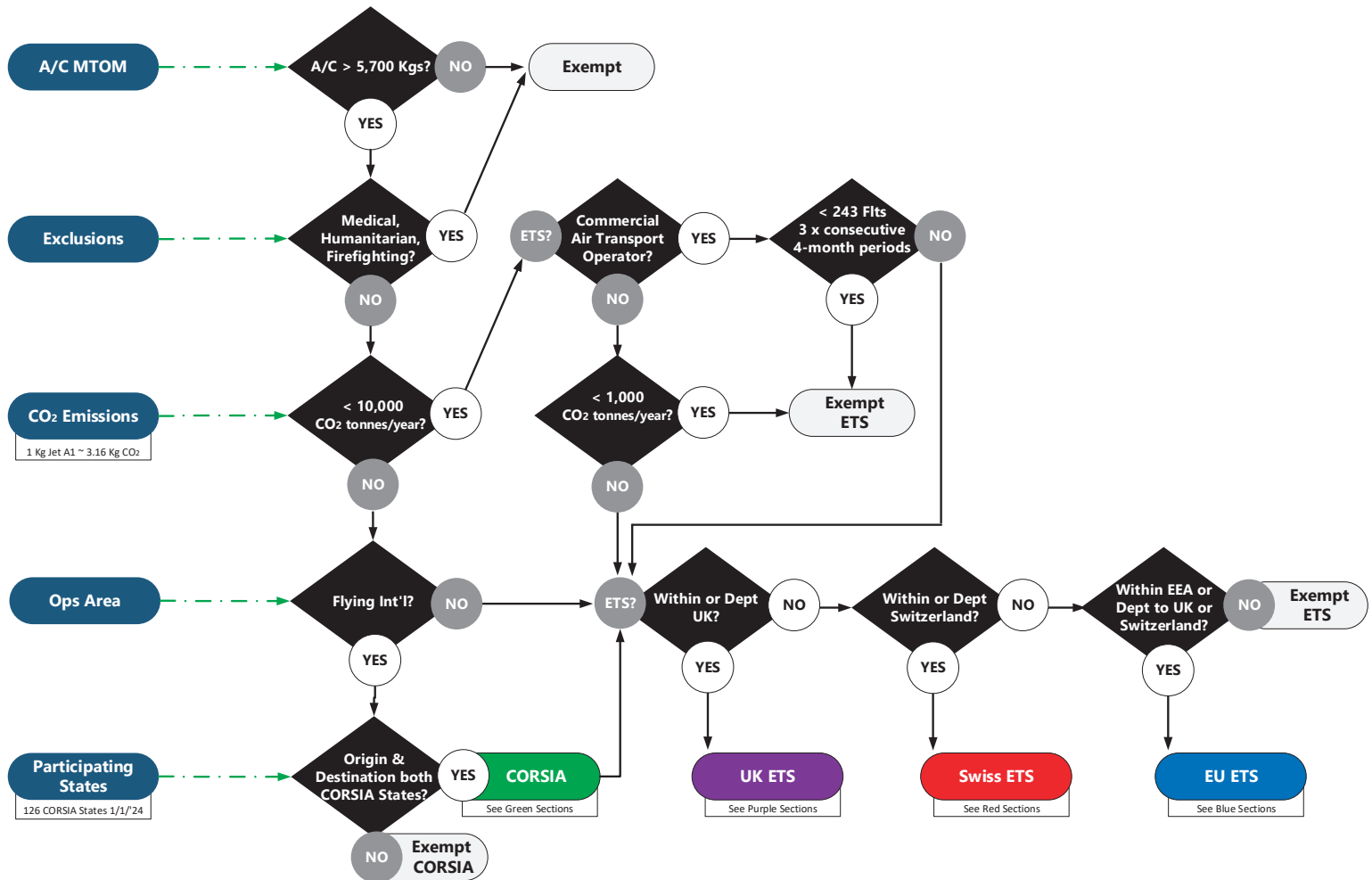
ETS and **CORSIA** requirements can have a direct impact on a business aircraft operator's regulatory compliance, operational readiness, costs, reputation, and competitiveness.

Understanding and adhering to these complex regulations is vital to a business aircraft operator's ability to meet their legal obligations and avoid potential operational disruptions. Non-compliance can potentially result in financial penalties and denial of access to European airports. Adhering to those regulations not only controls costs through efficient emissions management but also enhances reputation and stakeholder relations, aligning with sustainability expectations. Proactive compliance can confer a competitive advantage, while understanding and implementing the requirements improves operational efficiency and can reduce administrative burdens.

This document intends to provide a solid introduction to **EU ETS**, **Swiss ETS**, and **UK ETS**, as well as to ICAO's **CORSIA**. However, a guidance document of this length can't fully cover all aspects, nor can it account for the evolving nature of these regulatory efforts. As such, operators potentially affected by ETS and **CORSIA** are encouraged to seek professional environmental compliance advice, including through reaching out to some of IBAC's Industry Partners at IBAC.org.

SIMPLIFIED ICAO CORSIA, EU, SWISS AND UK ETS APPLICABILITY MATRIX

Subject to change: Validate with Regulatory Agency References



BACKGROUND

EMISSIONS TRADING SYSTEMS

Emissions Trading Systems were created to mitigate climate change by regulating and reducing greenhouse gas emissions. While the European ETS systems and **CORSIA** aim to address aviation emissions, the **EU ETS**, **Swiss ETS**, and **UK ETS** are national and regional cap-and-trade systems within their jurisdictions, whereas **CORSIA** is a global offsetting scheme agreed to at ICAO to cover emissions from international aviation.

For business aircraft operators, it's worth noting that a wide range of industries is regulated by **EU ETS**, **Swiss ETS**, and **UK ETS** including aviation.

HOW DOES ETS FIT INTO CARBON OFFSETTING GOALS AGREED TO AT ICAO?

The link between the **EU ETS**, **Swiss ETS**, **UK ETS** and ICAO's **CORSIA** lies in their common goal of addressing greenhouse gas emissions from the aviation sector, albeit through different mechanisms and approaches.

1. SCOPE

- ETS: The **EU ETS**, **Swiss ETS**, and **UK ETS** are cap-and-trade systems that set a cap on the total amount of greenhouse gas emissions from covered sectors, including aviation, within their jurisdiction.
- **CORSIA**: **CORSIA** is a global market-based measure developed by the International Civil Aviation Organization (ICAO). Unlike the European ETS systems, **CORSIA** initially focuses on offsetting rather than setting a cap on emissions. It requires certain operators to offset any emissions growth above a baseline level by purchasing carbon offsets.

2. APPLICABILITY:

- ETS: Includes intra-EEA flights and as of January 2024 **EU ETS**, **Swiss ETS**, and **UK ETS** are applicable to additional flights also to "outer-most regions", with a provision temporarily excluding flights that either depart from or arrive at a non-European airport.
- **CORSIA**: Designed to be a global measure, covering international aviation. It applies to all international flights, with exemptions for least developed countries and small emitters, emitting less than 10'000 MT of CO₂ emissions per year and/or operating A/C with a MTOM of less than 5700 KG.

3. MECHANISMS:

- ETS: The **EU ETS**, **Swiss ETS**, and **UK ETS** employ a cap-and-trade system, where a cap on emissions is set, and allowances are either allocated or auctioned to covered entities. Operators exceeding their allocated allowances must purchase additional allowances or face penalties.
- **CORSIA**: Focuses on offsetting emissions growth. Operators are required to offset a percentage of their emissions by purchasing carbon credits from eligible emission reduction projects, contributing to global emission reductions.

4. COORDINATION:

- ETS: European governments have expressed their intention to integrate their efforts with ICAO's **CORSIA**. For example, the EU committed to suspending the inclusion of international flights in the **EU ETS** in favor of **CORSIA** for the years covered by CORSIA's pilot phase (2021-2023) and the first voluntary phase (2024-2026).
- **CORSIA**: ICAO aims for **CORSIA** to be the single global market-based measure for international aviation emissions. It encourages states and regions to avoid implementing overlapping or conflicting measures.

GUIDE STRUCTURE

This guide provides a comprehensive overview of Emissions Trading Systems (ETS) as well as an introduction to **CORSIA**. The document is structured into three parts and includes useful references for further reading.

PART I - EMISSIONS TRADING SYSTEMS (ETS)

1. Introduction to Different Systems: An overview of the **EU ETS**, **Swiss ETS**, and **UK ETS**.
2. Steps to Compliance: A detailed 11-step guide for participants, covering system applicability, eligibility for simplified Monitoring, Reporting and Verification (MRV) procedures, competent authority identification, monitoring, annual emissions reporting, verification, registry account opening, ETS allowance purchase, and compliance deadlines and sanctions.

PART II - CARBON OFFSETTING AND REDUCTION SCHEME FOR INTERNATIONAL AVIATION (**CORSIA**)

1. Understanding **CORSIA**: An introduction to **CORSIA** and its scope.
2. Compliance Steps: A step-by-step process for **CORSIA** participants, including determining applicability, finding the **CORSIA** Competent Authority, MRV requirements, selecting an accredited verification body, understanding offsetting obligations, identifying eligible emissions units, and surrendering **CORSIA**-eligible offsets.

PART III - GENERAL INFORMATION & USEFUL LINKS

This section provides additional information, including a list of acronyms used in the document and references to key regulatory bodies, such as the International Civil Aviation Organization (ICAO) and the Directorate-General for Climate Action of the EU Commission (DG CLIMA).