

CORSIA: Forecasting Future Demand & Supply Scenarios

Assessing the State of the Market, and Possible
Future Scenarios in Light of Emerging Aviation
Regulations

July 2024

IETA |  AlliedOffsets



Executive Summary

Foreword

Carbon offsetting will play a crucial role in addressing the residual emissions for the aviation industry's net zero carbon transition, as aviation is a hard-to-abate sector. CORSIA is a market-based scheme to drive emissions reductions in international aviation, and establishes criteria to ensure that the emissions units used by airlines are real, accurate, and permanent.



CORSIA is articulated in three phases: Pilot phase (2021-2023), First phase (2024-2026), and Second phase (2027-2035). The phases represent increasingly stringent offsetting requirements for airlines. While we are well into the first year of the First phase (2024), availability of First phase Eligible Emission Units (EEUs) remains low. Carbon credits' eligibility for the First phase is obtained by meeting criteria determined by ICAO, and by obtaining a Letter of Authorization (LoA) from the carbon project's host country, confirming that there is an intention for the credit to be correspondingly adjusted. Present availability of EEUs corresponds to 7 million of issued and non-retired credits with vintage 2021 from the Architecture for REDD+ Transactions (ART) project based in Guyana. At present, the market values First phase EEUs with a premium of \$20 on the underlying benchmark (i.e. credits with no eligibility for any CORSIA phase).

To assess potential future states of CORSIA

credit availability, this report forecasts demand and supply for First phase EEUs across different scenarios. Total First phase compliance **demand** is estimated to be:

- 50 million EEUs: low emission scenario
- 100 million EEUs: medium emission scenario
- 230 million EEUs: high emissions scenario

Additionally, we run supply scenarios to determine which carbon programs could get approved by ICAO and which countries will potentially issue LoAs, shaping availability for the First phase. If there are no changes in ICAO approvals and new LoAs, the forecasted supply for the First phase amounts to 34 million EEUs, falling short of all demand scenarios. In the most generous supply scenario, where the US grants an LoAs to all currently eligible but not correspondingly adjusted projects, 171

million EEUs will be supplied within the First phase, exceeding the medium demand scenario by 70 million credits.

Due to the present shortages of supply and uncertainty over the future ICAO approvals and issuance of LoAs, there is concern that CORSIA might fail as a market instrument. LoAs in particular currently represent a significant barrier to, and opportunity for, increased supply.

In addition to presenting the scenarios, the report concludes with commentary from a carbon market perspective, from IETA, and a sector perspective, from IATA, including high-level recommendations on how to operationalize the scheme in order to support CORSIA's performance.

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Chapter 1

CORSIA State of Play

Timeline

The Carbon Offset and Reduction Scheme for International Aviation (CORSIA) is a key international framework for the decarbonization of the aviation industry.

Airlines that fly on routes between International Civil Aviation Organization (ICAO) Member States that have opted to participate in CORSIA must comply with offsetting requirements. ICAO Member States can volunteer to participate from 2021 to 2026; afterwards, their participation becomes mandatory (with a few exceptions).¹

The scheme is designed in three phases, the Pilot phase (2021-2023), the First phase (2024-2026), and the Second phase (2027-2035). 2024 marks the beginning of the First phase, for which airlines will be required to retire CORSIA Eligible Emission Units (EEUs) against their offsetting requirements, if they operate flights between ICAO Participating States². Airline operators have until January 2028 to purchase the necessary EEUs to meet their requirements.

First phase (2024-2026)

Second phase (2027-2035)

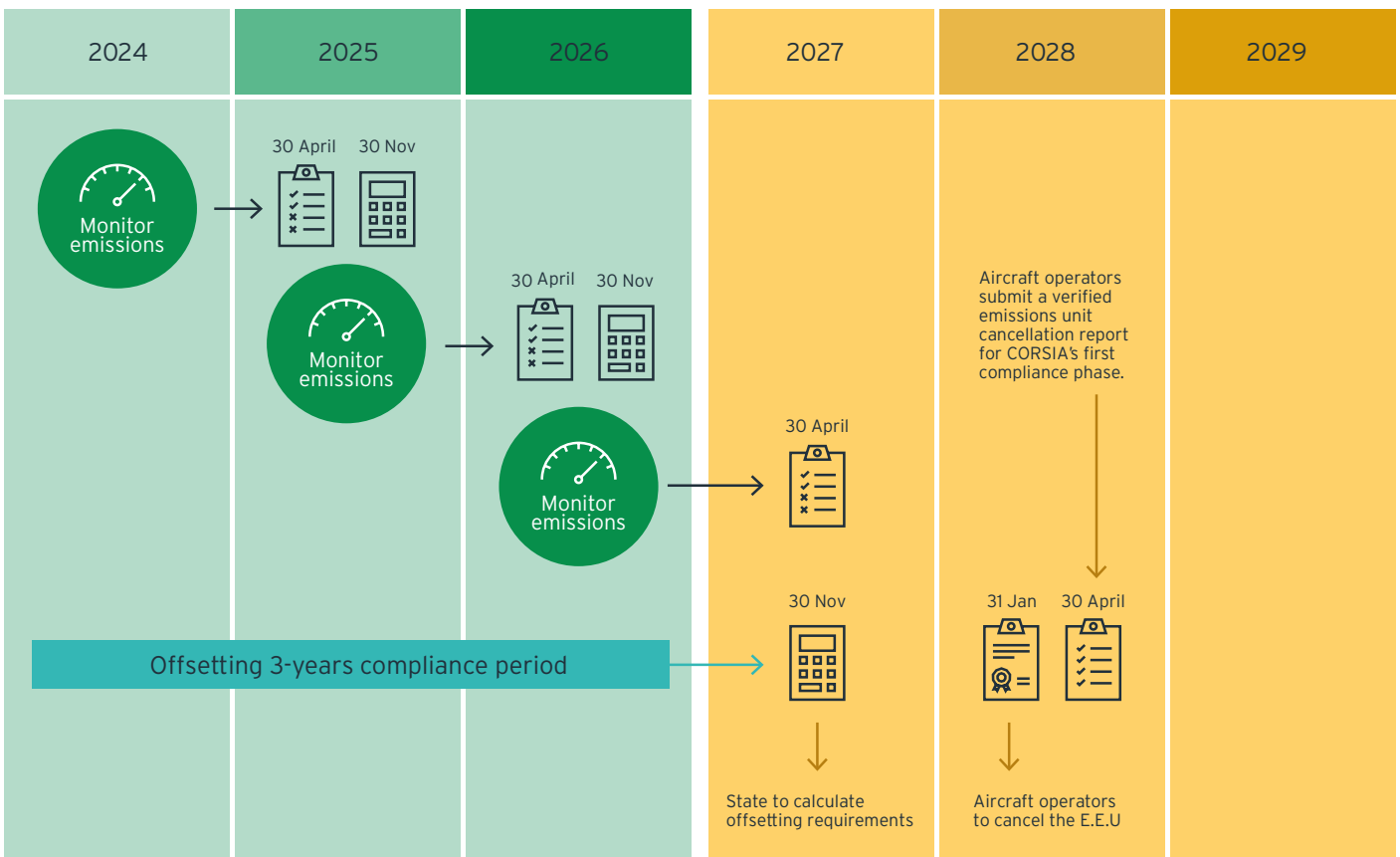


Figure 1. The timeline above shows the different phases of CORSIA, highlighting in which moments airline operators are required to show that they purchased required credits to be considered compliant with each phase. Figure provided by IATA.

Figures in this report do not include activity from four registries that have been conditionally approved by ICAO, namely BioCarbon Fund Initiative for Sustainable Forest Landscapes, Forest Carbon Partnership Facility, Global Carbon Council, and Premium Thailand Voluntary Emission Reduction Program, due to their low contribution to the overall market supply.

1. See Q 2.4 from <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-FAQs.aspx>
 2. https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/CORSIA%20Eligible%20Emissions%20Units_Nov2023.pdf

Available Supply Pilot and First phase

Airlines are well through their first year of the First phase, but the supply of EEU's remains low.

In order for carbon credits to count towards CORSIA First phase offsetting requirements, they need to be both eligible under ICAO regulation and correspondingly adjusted by the host country where they are generated. Issuances that meet both ICAO and host country-approval are tagged in this report as "First phase" credits.

ICAO released a list of criteria that carbon credits need to meet to be eligible for each phase, mainly regarding carbon programs, methodologies, and vintage ranges. Multiple programs have been approved by ICAO for the Pilot phase, but only ART and ACR have been approved for the First phase. Eight programs have been conditionally approved for the First phase.^{3,4} Credits issued by the conditionally approved programs within vintage ranges are tagged in this report as "First phase (conditionally approved)."

Host countries indicate they will make corresponding adjustments through the issuance of LoAs on a case-by-case basis to individual projects.

All the credits that meet ICAO's eligibility criteria and have not received a corresponding adjustment cannot be used against First phase offsetting requirements. These credits are tagged within this report as "First phase (not correspondingly adjusted)".

Following ICAO's March 2024 decision not to approve any additional carbon registries for First phase:

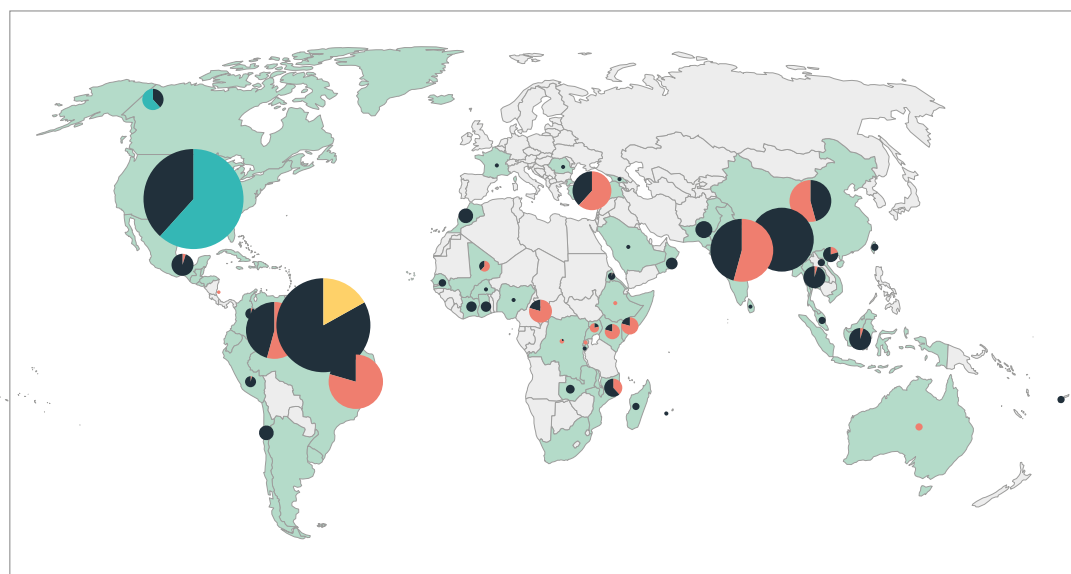
- 7 million fully authorised First phase credits are available in the market, exclusively coming from the ART project located in Guyana;
- 28 million credits from ACR registry are eligible under ICAO requirements but have not received an LoA from their host country ("not correspondingly adjusted");
- 42 million credits are from conditionally approved programs (e.g., Verra, Gold Standard, Cercarbono), meaning that they could be considered as extra supply, if the programs get approved by ICAO. These credits would then need to receive LoAs from their host countries to be considered fully eligible against CORSIA offsetting requirements.

The global map and chart (Figure 2) respectively show how many credits are eligible for which phase by country and by registry. The largest availability (credits issued and not yet retired) is for the Pilot phase, with over 50 million credits available across different geographies and programs.

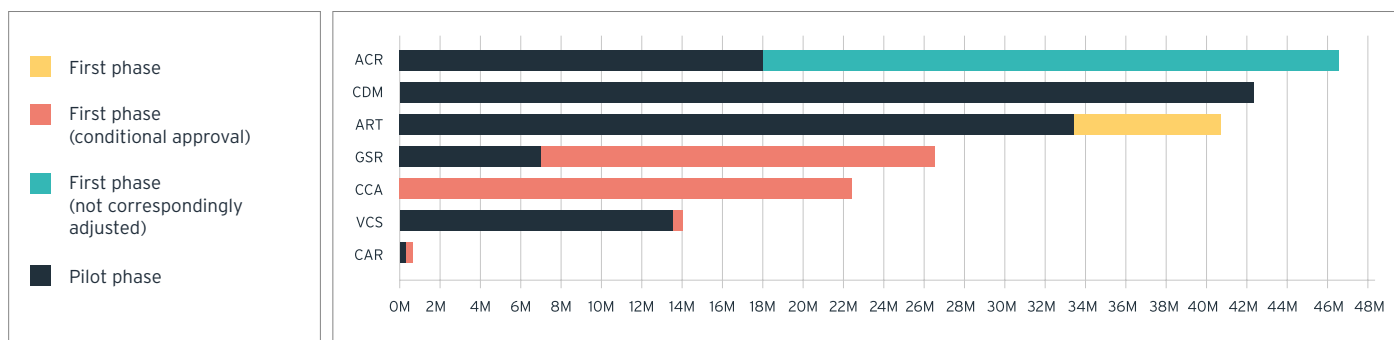
Registries Split by CORSIA Phase Approval Type



Available Credits per CORSIA phase by Project Location



Available Credits per CORSIA Phase by Registry



Remaining credits

Figure 2. The charts above show the current state of availability of CORSIA credits for both Pilot and First phase. By 'available', we mean the credits that are issued but not yet retired, meaning that they can still be purchased by airlines to comply with CORSIA offsetting requirements.

3. <https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB2023/TAB%20Recommendations%202023/TAB%20recomenations.en.pdf>
 4. https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB2023/TAB%20Recommendations_2023_2/TAB%20report_Jan2024_en.pdf

Demand Trends

CORSIA Compliance and the VCM

EEUs are and will be in high demand both from airline operators for compliance purposes, and from buyers in other sectors, as the CORSIA-eligible label provides assurance for some buyers, due to the additional third-party assessment of the programs.

The amount of EEUs that airlines must retire to comply with CORSIA depends on:

- The number of states participating in CORSIA per year, as emissions from flights between participating states fall under offsetting requirements;
- The yearly Sector Growth Factor (SGF), which is calculated by ICAO SGF and corresponds to the yearly increase in cumulative airline emissions flying between participating states on a static baseline.

Up until 2027, states can choose whether to participate in CORSIA. As more states participate, more airline emissions will fall under offsetting requirements, raising the cumulative demand for EEUs. The number of participating countries in 2024 reached 126, covering 64% of 2022 airline emissions.

The yearly demand for EEUs corresponds to the amount of emissions from flights between participating countries multiplied by the SGF. ICAO published an SGF equal to 0 for both 2021 and 2022, meaning that no EEUs are needed for compliance purposes for these two years. Higher SGFs are expected for 2024 onwards (please see Chapter 2 for our forecast demand volumes).⁵

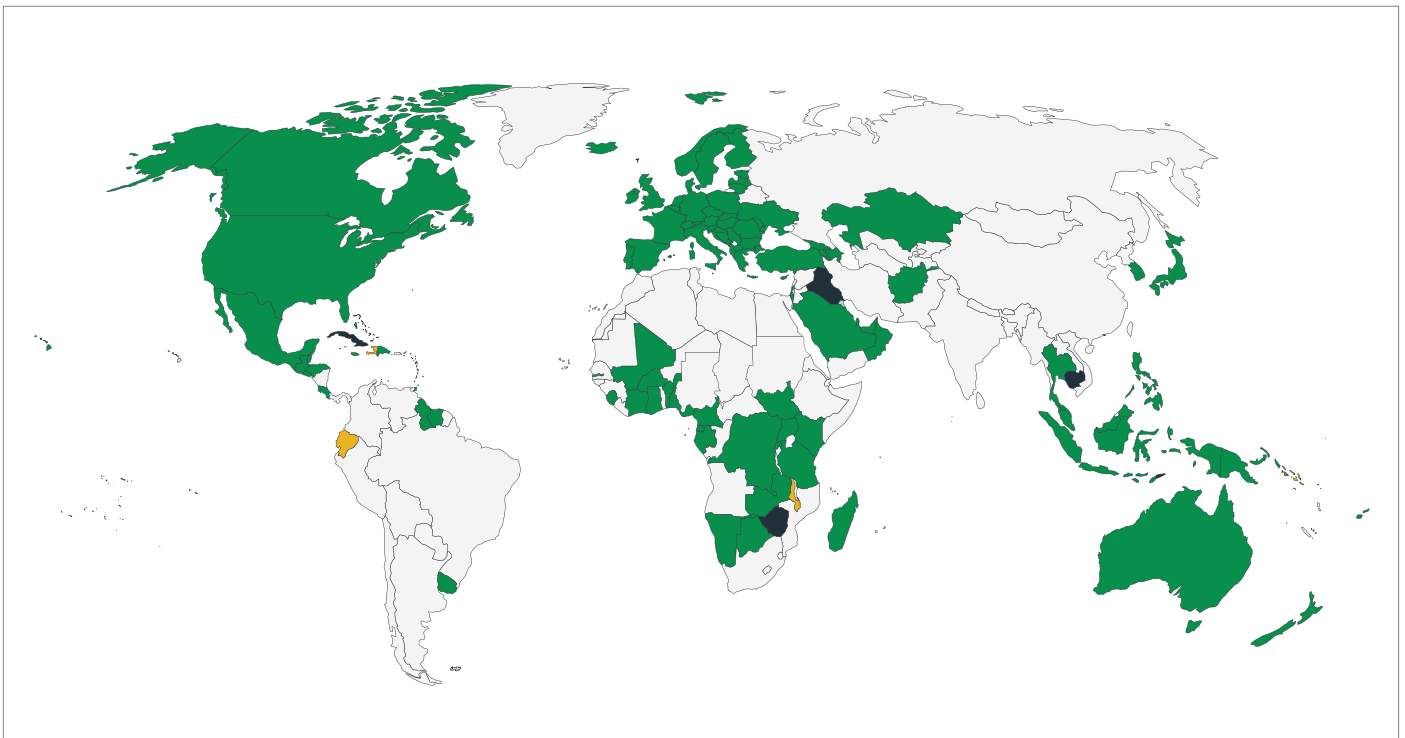


Figure 3. The map above shows the countries that volunteered to participate to CORSIA in 2022 ■, 2023 ■ and 2024 ■. From 2027 onwards, other ICAO member states will be required to participate.

5. The SGF was 0 both in 2021 and 2022 because airline emissions were lower than 2019 levels in these two years, due to COVID-19 pandemic restrictions on international flights. SGF corresponds to the yearly growth of emissions compared to 2019 levels (which is the static baseline), therefore any year in which emissions are lower than the baseline will result in 0 SGF (and consequent 0 demand for EEUs).

Pricing Trends

Historic prices show an overall premium for CORSIA eligible credits on the underlying benchmark

AlliedOffsets Price Estimates per CORSIA Eligible Projects over Time

Price estimates for the ART Guyana project have experienced a significant increase following the receipt of the LoAs, which made it fully eligible for First phase. Projects that will receive an LoAs in the early upcoming months may follow a similar pricing trajectory, as the market currently places a premium on CORSIA eligibility.

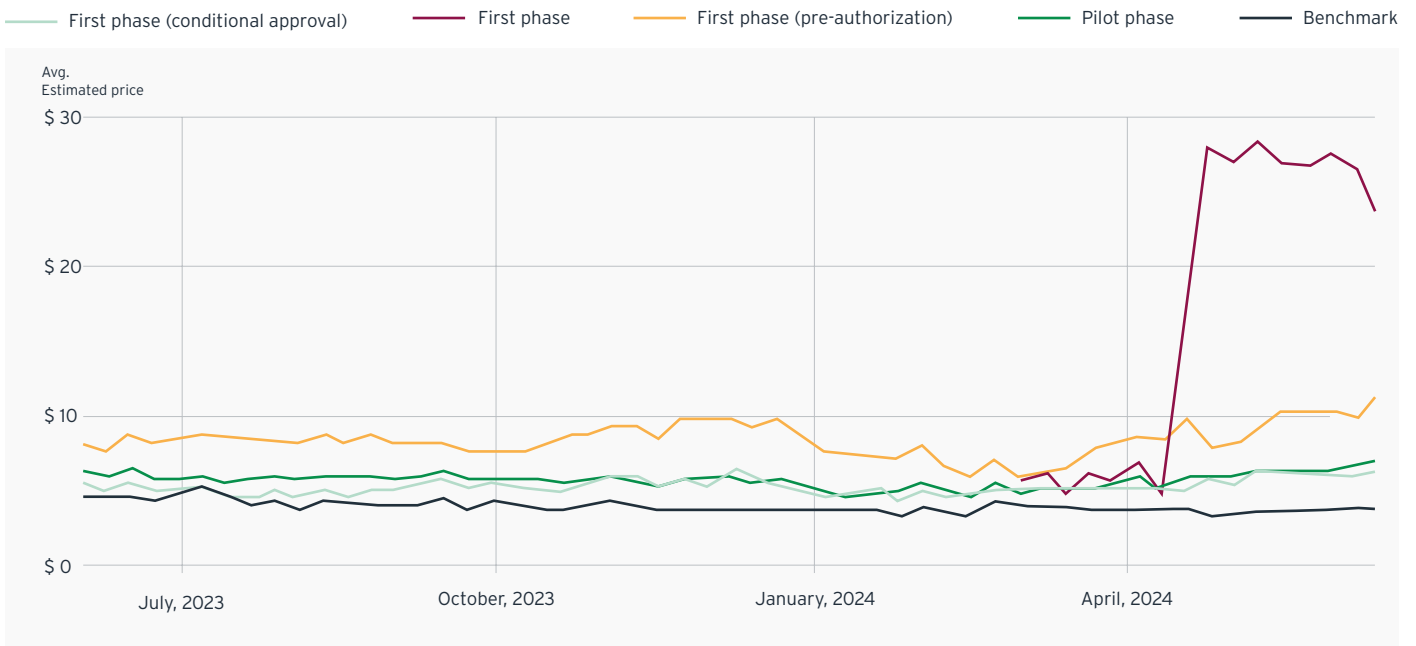


Figure 4. The chart above shows the premium trends differentiated by CORSIA phase and approval type for historic prices in the past 12 months.

Historic Prices for Projects with an LoA

Similar to the jump in price experienced by ART Guyana is the quick price rise experienced by projects that received an LoA for reasons other than CORSIA eligibility. These projects are currently few in number, but their price history shows a steep increase right after the LoA is granted. Figure 5 looks at the market reaction to DeLaGua Clean Cooking Grouped Project receiving an LoA in November 2023.

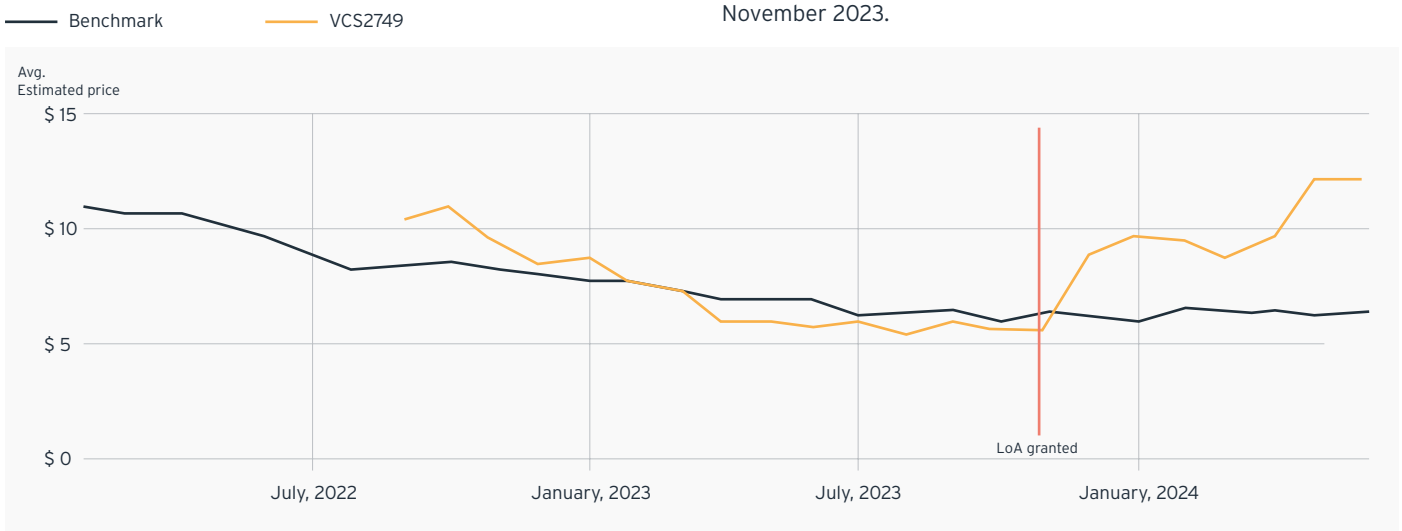


Figure 5. The chart above highlights the change in price for the DeLaGua Clean Cooking Grouped Project (VCS2749), after it received its Letter of Authorization (November 8, 2023). The market reacted to the LoA with a \$3+ jump in its estimated price.

Pricing Trends

Historic prices show an overall premium for CORSIA eligible credits on the underlying benchmark

Finally, the current undersupply of EEU is reflected by the growth observed for the CORSIA December 2024 future contract offered on ICE (Intercontinental Exchange). The jump presented in Figure 6 corresponds to the moment in which ICAO communicated that Verra and Gold Standard remained only “conditionally approved” for CORSIA. This created uncertainty around the supply of credits, leading to a jump in price.

ICE Future Contracts for CORSIA at Dec24

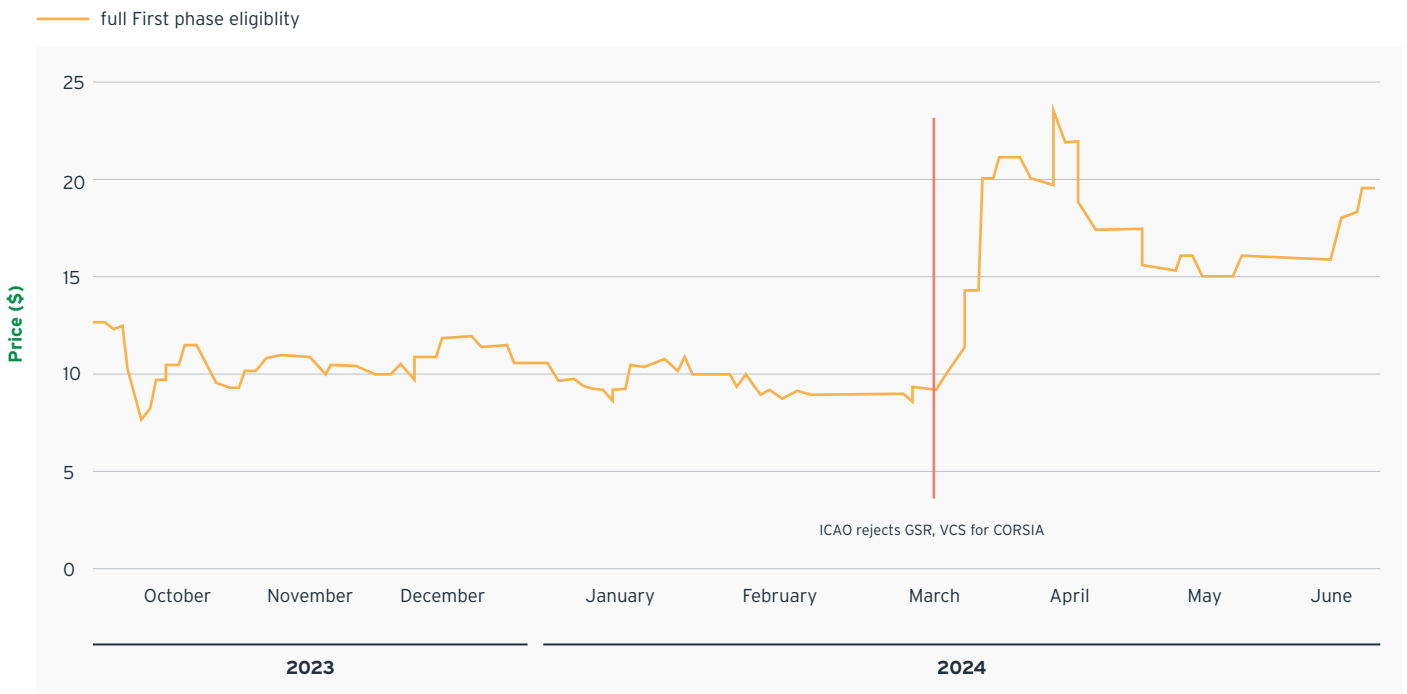


Figure 6. The chart above highlights the day in March 2024 when ICAO declined to make major programs eligible for CORSIA First phase and the price movement that followed. The spike highlights the current sentiment of “panic buying”, which is driven by the high uncertainty that present availability will be sufficient to meet required CORSIA demand.⁶

⁶<https://carbon-pulse.com/>

Chapter 2

Short Term Forecasts and Scenario Analysis

Uncertainty Over Expected Short Term Supply

Forecasting the volumes that will come onto the market over the next few years is critical to get a more comprehensive understanding of what First phase supply could look like in the short term. We modelled the issuances that are expected to reach the market from currently active and pending projects with crediting periods that cover 2021 to 2023 (i.e. ICAO-approved vintage range for CORSIA's First phase). We gathered information on individual project's crediting period and estimated annual emission reductions for the 30,000+ projects in our database to put together the dataset presented in Figure 7.

Although the forecast is just an estimate, it allows us to have a more comprehensive understanding of what the supply and consequential availability of credits could look like in the short term. As shown in Figure 7, the majority of the forecasted supply is subject to conditional approval, and then each project receiving an LoA, adding to the uncertainty regarding cumulative availability. Caveat to this analysis is that the forecasted volumes represent the maximum possible issuances, as historically not all that has been forecasted based on project developers' estimated annual emission reductions has actually been issued. For instance, for vintages later 2005, 65% of what was forecasted from pending and active projects has been issued yet.

CORSIA Forecast Issuances per Vintage Years

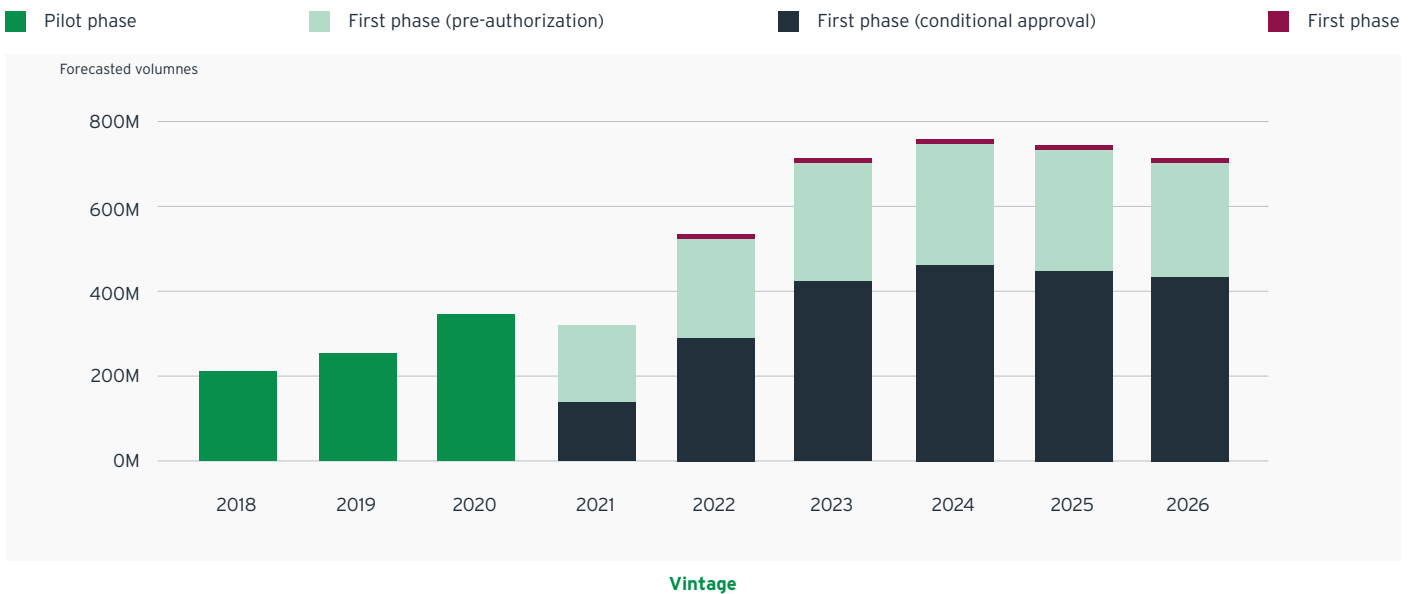


Figure 7. The chart above shows the volumes by vintage that could potentially be issued by projects that are currently active or pending in the market, split by CORSIA phase and approval type.

More than 40 million EEU are expected to get to the market from the currently eligible ART project in Guyana ("First phase" in Figure 8) before the deadline for First phase compliance (2028). Forecasted credits for ACR projects that are currently ICAO-approved but not correspondingly adjusted amount to 1.5 billion for vintage 2021 to 2026. Finally, the issuances expected from projects in currently conditionally approved programs and ICAO approved methodologies amount to over 2.2 billion. Conditionally approved and not-correspondingly adjusted credits cannot be used

against CORSIA offsetting requirements at present. However, they represent the maximum of what may be considered as EEUs, if ICAO approves more registries and additional LoAs are issued.

Demand Projections for 2024 and 2025

The potential demand for compliance purposes in 2024 and 2025 is estimated to vary between 17 and 80 million ton each year, depending on the SGF that will be published by ICAO. An additional factor that will shape demand is the use that airlines will make of CORSIA eligible fuels, such as LCAF or SAF, which lowers their offsetting requirements (however, these are unlikely to make a significant impact on emissions in the short term). We modelled different SGF and emissions scenarios, based on the expectation that airline emissions will rebound after the dip during the COVID-19 pandemic.

Higher SGF rates correspond to higher yearly emissions increases on baseline. Levels of CORSIA eligible fuels are not included as variables for these projections. Figure 8 presents the demand scenarios we obtained for 2024 and 2025 by multiplying the emissions under offsetting requirements from participating states by different SGFs. The baseline for 2023 SGF is 2019 emissions, while the baseline for 2024 SGF is 85% of 2019 emissions. The modelling was not run for 2023, as it is expected that the SGF which ICAO will publish in November 2024 will be 0%.⁷

Forecasted Yearly Demand for First phase CORSIA Eligible Emission Units under Different Emissions Scenarios



Figure 8. The chart above presents estimates of demand for EEU under different scenarios for 2023 and 2024: +5% Sector Growth Factor, +10% Sector Growth Factor and +35% emissions increase on 2022 levels.

We estimated an SGF of 5% and 10%, respectively, for a low and medium emissions-increase scenario. Our third scenario estimates an increase in emissions of 35% compared to 2022 levels, which roughly corresponds to a yearly SGF of 19%. The +35% scenario is considered as an upper bound scenario, based on recent estimates from IATA on international flights growth after pandemic years.⁸

The change between 2024 and 2025 across the different scenarios is minimal, as:

1. It is considered that only small countries with low international

air traffic will join between 2025 and 2027 (larger countries currently not participating such as China and India are expected to join only in 2027 with mandatory participation). Therefore, the difference in emissions under offsetting requirements between 2024 and 2025 is expected to be low;

2. The baseline on which the SGF is calculated is the same for 2024 and 2025, namely the 85% of 2019 emission levels.

⁷<https://www.youtube.com/watch?v=WfeFR3DZb8>

⁸<https://www.iata.org/en/pressroom/2024-releases/2024-01-31-02/>

Scenario Analysis

Can the VCM meet projected demand for CORSIA First phase?

As discussed in Chapter 1, it appears that CORSIA EEUs for First phase are currently undersupplied and low in availability. However, airlines have until January 2028 to purchase the credits and much can change in the next few years in terms of approvals and LoA issuances.

We ran a scenario analysis assuming that more countries will be able to issue LoAs and that ICAO will be able to approve additional carbon programs in the next two to three years. We used our forecasted demand and supply to assess how the approval of new programs and issuance of LoAs would impact the scarcity state of the market. Summary results of the scenario analysis are presented in Figure 9.

The analysis suggest at suggesting possible solutions for the VCM to meet the projected demand for First phase EEUs.

A detailed description of the supply scenarios we present is reported at the end of the chapter. All scenarios except for "Present State" present cumulative volumes expected to be issued between 2024 and 2027, therefore giving an estimate of the number of credits that buyers may have access to. The demand levels reported in the chart are cumulative for 2024, 2025, and 2026 as these are the years for which companies need to offset their emissions under the First phase. Demand for 2026 is calculated to be the same as 2025 for simplicity purposes.

Supply Analysis Under Various Scenarios

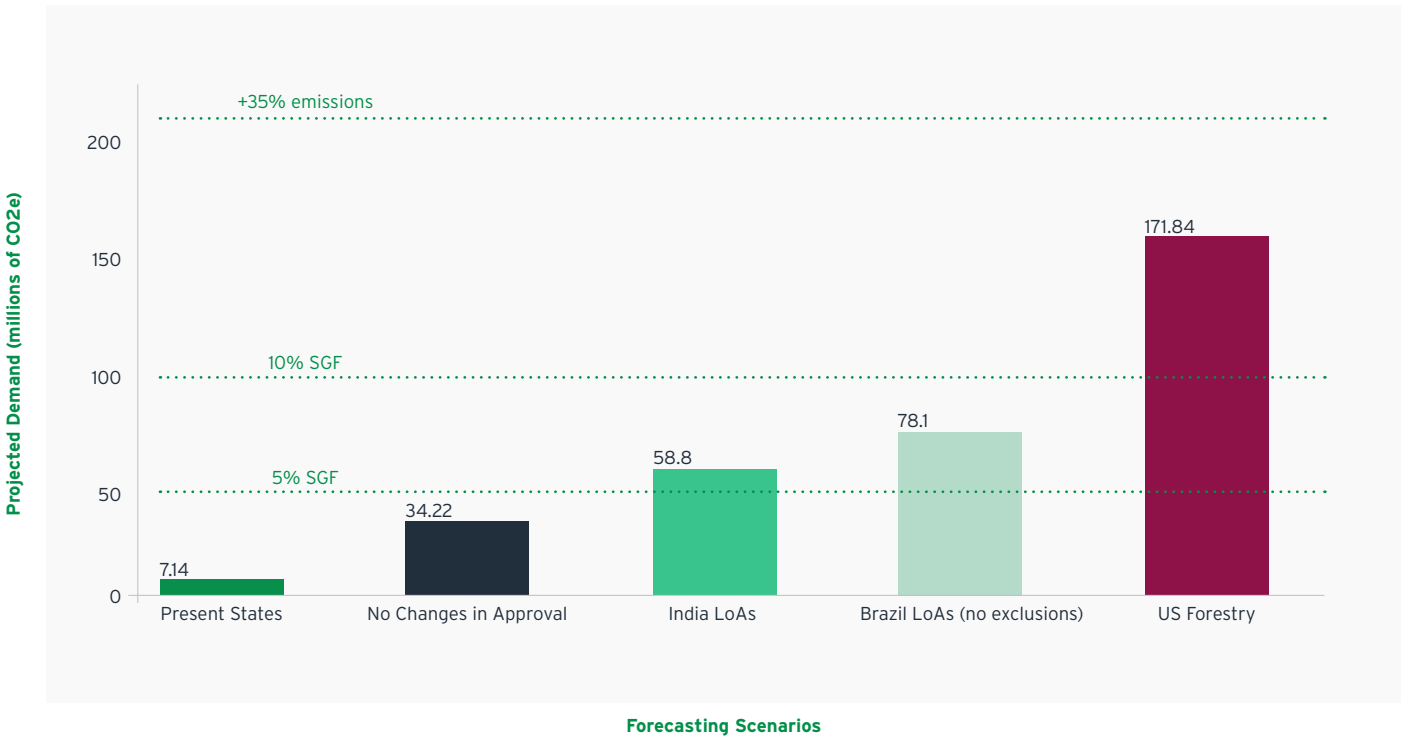


Figure 9. Summary of forecasted supply (bars) vs demand (lines) scenarios for First phase credits.

Since very few projects have received an LoA so far, we considered that countries will be prone to grant LoAs only to specific project methodologies. Looking at India, Brazil, and the United States, three of the largest countries in terms of forecasted credits issuances over the next three years, we considered that they will be more likely to issue an LoA to project methodologies that they are not intending to use towards their Nationally Determined Contributions (NDCs).⁹ When detailed information on project methodologies intended for international trading was not available, assumptions were made. The scenarios presented in figure 9 are the following:

- **Present State:** The first scenario represents presently purchasable credits, as in what has been issued and not retired (“available credits”) up until the present moment. It disregards any forecasted issuances.
- **No Changes in Approval:** The second scenario represents what supply would look like if no change occurs in terms of LoAs and ICAO approval of new programs, but accounting for the issuances forecasted from projects currently issuing EEU’s.
- **India LoAs:** This scenario assumes that both Verra and Gold Standard (currently conditionally approved) will get full approval from ICAO and that India will grant an LoA to specific project methodologies. Verra and Gold Standard are selected as they are the two largest standards in the VCM by credit issuance. We consider projects in renewable energy (solar and wind), biogas, and methane to be most likely to receive an LoA, as they are reported within India’s NDC whitelist.¹⁰
- **Brazil LoAs:** This scenario assumes that both Verra and Gold Standard will get full approval from ICAO and that no methodologies will be excluded from international trading, as exclusions have not been officially stated. We assume that both forestry and agricultural projects may receive an LoA. This is according to Brazilian Business Council for Sustainable Development’s (CEBDS) report findings that Brazil’s NDC targets will be exceeded, allowing for surplus mitigation outcomes to be traded under Article 6.¹¹
- **US Forestry:** This scenario assumes that the United States will grant an LoA to all ACR forestry projects which are currently eligible for First phase, but have not been correspondingly adjusted. Forestry projects were selected as they comprise the largest share of CORSIA eligible ACR projects. This is by far the scenario that would positively impact supply the most, with more than 42 million credits expected every year starting from 2025.

The first two scenarios demonstrate the very limited supply that the market has access to given present approvals, falling short of meeting demand even with a low emission increase of +5% SGF. Both Brazil and India granting LoAs to credits from Verra and Gold Standard would suffice in a demand scenario of 5% SGF, but not to meet demand under 10% SGF. However, the combination of the two scenarios would provide enough supply to meet a 10% SGF demand scenario. Finally, the scenario in which the US would grant LoAs to its forestry projects would generate a surge in supply, providing enough credits to meet the projected 35% increase in emissions on 2022 levels. As mentioned previously, this forecasting analysis is based on maximum potential issuances, therefore actual issuances could be lower than the presented volumes due to undersupply from projects. Finally, demand for CORSIA EEU’s can come from other voluntary market buyers, further shrinking the available supply and leading to a high-competition environment and high prices.



9. <https://unfccc.int/NDCREG>

10. <https://moef.gov.in/wp-content/uploads/2023/02/Draft-papers-on-Sustainable-Development-Evaluation-Framework-SDEF.pdf#page=8>

11. https://cebds.org/wp-content/uploads/2023/06/CEBDS.Repositioning-Brazil-towards-Regulation-of-Article-6-of-the-Paris-Agreement_2021_EN.pdf

Chapter 3

Market & Sector Commentary

Overview of TAB Recommendations and Current State of Program Eligibility Commentary from IETA

As discussed earlier in the report, ICAO published its latest approved recommendations from the Technical Advisory Board (TAB) on programs eligibility for CORSIA on 21 March, 2024. ICAO did not approve any additional programs to supply EEU's for the First phase, so the two programs that were approved in the last decision in November 2023, ART and ACR, remain the only eligible programs. This has resulted in the limited supply forecasts for CORSIA's First phase, elaborated on above.

The ICAO Council adopted the recommendations by the TAB, which are published once the decision by the ICAO Council is made. Eight programs continue to be conditionally eligible based on these recommendations, including the Climate Action Reserve (CAR), Gold Standard, and the Verified Carbon Standard (VCS - a Verra program), which represent a substantial portion of supply in the voluntary market. While there are a variety of reasons these programs were not made fully eligible, there are some common areas identified by the TAB that did not align with the emissions unit eligibility criteria. As a part of the TAB's recommendations, they identify "further actions requested of the programme". For all three programs, these actions included demonstrating that EEU's must only be counted once towards a mitigation obligation - in other words, EEU's used for CORSIA obligations, mustn't also be counted towards a country's NDC, under the Paris Agreement.

While the specific recommendations to each programs had some variability, TAB has generally asked the programs to strengthen procedures related to double-counting, double-claiming, and any changes host countries may make to the scope or number of corresponding adjustments issued. Eight previously assessed programs submitted material updates by the April 30 deadline, and will therefore have their revised applications assessed again this calendar year, with recommendations slated to be made to the ICAO Council in fall 2024. These applications included updated program materials from CAR¹², Gold Standard¹³, and VCS¹⁴, which aim to address the requests from the TAB.

Motivations to Pursue CORSIA Eligibility Commentary from IETA

Programs are interested in receiving CORSIA eligibility for a variety of reasons, but there are two key elements that may most benefit programs who receive eligibility: it opens a door to a regulated offsetting system, which may result in a new pool of demand for units; and in the voluntary carbon market, CORSIA has been used as a marker of quality in some instances, so it may also attract other buyers for voluntary purposes. Some of the challenges with receiving CORSIA eligibility for programs also vary, but include the lengthy assessment timelines, the limited interaction with the TAB and ICAO to receive feedback or discuss requirements and program changes, and some of the requirements - namely on avoiding double counting, due to the number of stakeholders and challenges around assigning liability from a program perspective. From a market perspective, leveraging the demand from airlines to support activities in the voluntary carbon market is a way to efficiently advance net zero for aviation. We welcome further dialogue with ICAO to support the functioning of CORSIA as an effective market-based solution.



¹². https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB2024/call%20for%20public%20comments_April%202024/Reserve_MCAForm_2024.pdf
¹³. https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB2024/call%20for%20public%20comments_April%202024/GS_MCAForm_2024.pdf
¹⁴. https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB2024/call%20for%20public%20comments_April%202024/VCS_MCAForm_2024.pdf

State of Play on Letters of Authorisation

Commentary from IETA

Based on the modelling results, it's evident that LoAs represent a significant barrier to, and opportunity for, increased supply. The ART credits from Guyana are an example of the first fully eligible CORSIA phase units, but we will need many more to reach the projected demand. There are a number of reasons explaining why there are not more units with letters of authorisation or that have been correspondingly adjusted. One of the main reasons is a lack of clarity across a number of factors - the process of issuing a LoAs and further making a corresponding adjustment, the number of units that may be required by the country to meet their NDC, and even that a LoAs is required for CORSIA compliance. Further, significant technical and administrative capacity is required for countries to issue letters of authorisation and to assess their ability to meet their NDC. Finally, it may be that some countries have not yet recognized their role in facilitating the implementation of CORSIA's First phase in this way, or have not yet prioritized authorizing units for use under CORSIA. Broader challenges to the LoAs process include the number of stakeholders - governments, project developers, carbon programs, and airlines, that are involved in this process. So, coordinating and standardising the issuance of LoAs can prove challenging for the market. However, there are increasing examples of states that have authorized units for other international mitigation purposes, including Guyana for CORSIA, and a community of international market and legal experts who are keen to support this process.

The Future of CORSIA

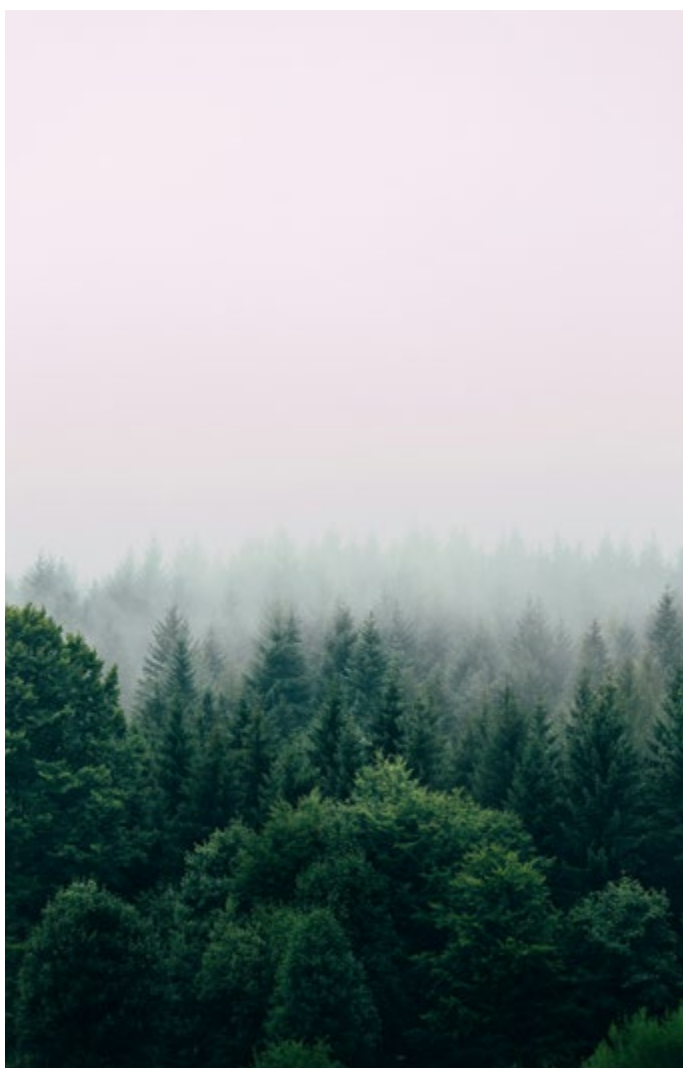
Commentary from IATA

Out-of-sector measures, such as carbon offsetting, will play a role in addressing the residual emissions for the aviation industry's net zero carbon transition. The emissions unit criteria established under CORSIA and the effective implementation of a robust set of criteria are crucial to ensuring that the emissions reductions attained are real, accurate, and permanent.

The offsetting requirement under CORSIA kicked off on 1 January, 2024. The delay in issuing letters of authorisation by host countries is constraining the supply of EEUs, which presents a challenge to both airlines and carbon markets. The authorization and corresponding adjustment of credits from Guyana represents a landmark that effectively unlocks the market availability of CORSIA EEUs, and demonstrates that Article 6 of the Paris Agreement has processes in place that enable corresponding adjustments to ensure no double claiming.

While more programs are advancing their efforts to become CORSIA eligible, considering the quantum of this demand and noting that the 7 million credits available from the Guyana project are not solely intended for use under CORSIA, there is a re-emphasis for accelerated efforts to be made by host countries to authorize credits and make corresponding adjustments.

As of today, CORSIA is a time bound policy that will expire by 2035 unless the ICAO Council decides to prolong it in the scheduled periodic review of the program in 2025. However, the infrastructures put in place by CORSIA on MRV, eligible units criteria, sustainability criteria for CORSIA-eligible fuel, and the central registry present a data-driven, internationally aligned methodology to track the contribution of out-of-sector measures to the industry's net zero carbon transition, which will extend beyond 2035.



Conclusion

Commentary from IETA

Having a global standardized mechanism in the form of CORSIA represents a way to unify this offsetting approach for the sector, set benchmarks for the units, and systematise reporting. Without this global system, it opens the door for a patchwork of hundreds of different approaches to offsetting and other decarbonization tools for the sector, which leaves airlines to navigate this patchwork. Currently, aviation is also not covered by the Paris Agreement, and so ICAO plays the role of mobilizing state-level action.

A fundamental part of CORSIA is the role of countries (states) in adopting, supporting, and implementing the mechanism. ICAO is a UN body, and its members and Council are made up of country representatives. Therefore, in many ways, the future of CORSIA relies on the continued commitment from countries. However, active participation from the sector is also critical in ensuring the future of the mechanism, and ultimately achieving net zero.

Due to the shortages of supply so far, there are some concerns in the market about the ongoing functioning of CORSIA. These concerns include the lack of penalties for non-compliance with offsetting requirements, lack of clarity on LoAs, and limited supply broadly (including current limited eligibility of programs for phase). Without penalties, there is a risk that airlines don't comply with the requirements and undermine the mechanism; without letters of authorisation or sufficient eligible units, the risk is that there will be insufficient supply to support demand. The overarching issue is that if these elements are not resolved, CORSIA may fail. It is imperative that all stakeholders play a role to support the functionality of the system - ICAO must communicate clearly and regularly to States, airlines, and carbon programs what the requirements and expectations are under CORSIA, and support States in capacity building for authorising units. States must clarify their processes for issuing LoAs, and ultimately authorize units for use under CORSIA, airlines must start to take action to support the existing carbon market to ensure there is a future market that can support their pathway to net zero.





AlliedOffsets is the world's largest data source for the voluntary carbon market. We have aggregated data from the world's leading carbon offsetting registries and our AI and advanced analytics layer allows us to identify unique insights into project pricing, quality, and much more. Our data is used by leading sustainability and carbon consultants, financial institutions, offsetting corporations, project developers, buyers, and academics.

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