

METHODOLOGY OVERVIEW

Price-Adjusted CORSIA Demand

How AlliedOffsets estimates CORSIA offsetting demand across a range of credit prices

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Overview

This model estimates how much carbon credit demand CORSIA is likely to create, and how that demand responds as the price of eligible credits rises. Starting from published projections of international aviation offsetting requirements, it distributes demand to the states whose airlines bear the obligation. It then estimates demand across a range of prices, giving a demand curve for each state, year and scenario rather than a single volume.

Data Sources

Source type	How it is used
ICAO data	International aviation emissions by state pair, CORSIA baseline emissions, participation and exemption lists, and the number of airlines registered in each state.
Published offsetting projections	Low, medium and high projections of total CORSIA offsetting requirements from ICAO and industry sources such as IATA.
Open flight datasets	Openly published international flight data, used to attribute route emissions to the states whose airlines operate them.
Market and policy data	Carbon allowance prices, domestic aviation carbon policies and AlliedOffsets' carbon credit price forecasts and historical transaction data.

Our Approach

1	Define routes in scope Each route between two states is assessed against CORSIA participation rules for each compliance period.
2	Attribute obligations to states Route emissions are allocated to the states whose airlines fly them, reflecting that CORSIA obligations fall on aircraft operators.
3	Distribute projected requirements Published offsetting projections are shared across states in line with their portion of in-scope emissions, for each scenario and year.

4

Identify alternative compliance costs

For each state we estimate the price above which airlines would be likely to prefer an alternative, such as a regional emissions trading scheme or domestic carbon pricing.

5

Build demand curves

Demand is estimated across a range of credit prices using observed price sensitivity in the carbon market, adjusted to reflect the lower price sensitivity of compliance buyers.

Key Principles

**Rooted in published
projections**

Total requirements come from ICAO and industry projections, not our own aviation growth forecasts.

Operator-based attribution

Demand is assigned to states in a way that reflects who is legally responsible for compliance.

Compliance behavior

Compliance buyers are treated as less price-sensitive than voluntary buyers, because they must meet a legal obligation.

Alternatives matter

Demand reflects the competing costs airlines face under other regulatory regimes.

Quality Assurance

- Participation lists and scenarios are updated as ICAO and industry projections are revised.
- Market inputs are refreshed when the model is updated.

Interpreting the Results

- The model gives demand at a given price. It does not predict the market-clearing price on its own.
- Read across the price range for a state, year and scenario to see that state's demand curve.

Limitations

- Route attribution relies on historical flight patterns, so later changes in networks or carriers are not reflected.
- Price sensitivity is drawn from voluntary market behavior and adjusted for compliance use, which is an approximation.
- Supply constraints, including host-country authorization, are outside the scope of this model.
- Substitution between sustainable aviation fuel and offsetting is not modeled separately.

WHAT YOU GET

Estimated CORSIA demand for each state, year and scenario across a range of credit prices, which can be summed into global demand curves. It forms the demand side of AlliedOffsets' CORSIA market analysis.