



PROJECT
DEVELOPER
FORUM

March 2013

JOINT INTERNATIONAL BUSINESS LETTER MITIGATING THE IMPACTS OF AVIATION ON CLIMATE CHANGE

Dear ICAO Secretariat:

The signatories to this letter represent the main global trade associations involved in the development and financing of greenhouse gas emission reduction projects under the Kyoto Protocol's Clean Development Mechanism (CDM), as well as other initiatives such as the Gold Standard, Verified Carbon Standard (VCS), California Carbon Offsets (CCOs) etc.

We are writing to recommend the use of offsetting in order to mitigate the aviation sector's impact on climate change in the short-term. In the attached Annex, we highlight some of the strengths of the international CDM as an offsetting mechanism.

Collectively, our business voice believes that:

- Climate change is a real threat to the future of our existence on this planet; and
- We need to take significant action, as soon as possible, to ensure that anthropogenic emissions peak by 2020 and decline substantially thereafter in order to meet the target of limiting average global temperature increase to 2°C.

Aviation is a growing source of greenhouse gas emissions with a technical limit on the potential to reduce consumption of fossil fuels. In order to contribute to the achievement of the 2°C target, we strongly recommend that the International Civil Aviation Organization (ICAO) implement a combination of sector-wide emission trading measures with the use of offsets over the medium to long-term, as well as sector-wide offsetting in the short-term.

Over the short-term, sector-wide offsetting can be implemented quickly and easily by airlines via the purchase and cancellation of emissions reductions linked to a registry. There is currently a diverse range of registered projects that will continue to provide a cost-effective mitigation option until such time that aviation technology allows cost-effective mitigation at source. Procedures for voluntary cancellation in, for example, the CDM Registry already exist and can be used irrespective of institutional barriers to the use of CERs by Non-Annex 1 and non-Kyoto Protocol signatory Parties.

The development of sector-wide emission trading, combined with offsets and the use of biofuels and other technological developments, offers the best medium to long term solution for the aviation industry. The inclusion of offsets provides essential flexibility for the industry ensuring that economic expansion is not restricted at times of growth.

Business members of our respective international organisations hold broad and deep practical experience in the fields of greenhouse gas emissions trading, emission reductions, project financing and development and monitoring, reporting and verification (MRV). We would be pleased to further communicate and collaborate with ICAO to help ensure the development of a sustainable, cost-effective, and global climate solution for aviation.



PROJECT
DEVELOPER
FORUM

Some signatories to this letter will be attending the upcoming UNFCCC Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP), taking place in Bonn (29 April-5 May), and/or ICAO's upcoming Aviation & Climate Change symposium, taking place in Montreal (14-16 May). If you happen to be available for one or both of these events, we would be pleased to meet with you to discuss any questions or further explore opportunities to harness market power to help aviation tackle climate change.

Going forward, if you have any questions, or require additional information, please contact Gareth Phillips from the Project Developer Forum (gareth.phillips@sindicatum.com), Miles Austin from the Climate Markets & Investment Association (miles.austin@cmia.net) and/or Katie Sullivan from the International Emissions Trading Association (sullivan@ieta.org).

Many thanks for your time and attention, and we look forward to hearing from you.

Yours Sincerely,

Gareth Phillips
Chairman
Project Developer Forum

Miles Austin
Director
Carbon Markets and Investment
Association (CMIA)

Dirk Forrister
CEO and President
International Emissions Trading
Association (IETA)

Annex: Brief Review of CDM Observations & Benefits



PROJECT
DEVELOPER
FORUM

Annex:

Brief Review of CDM Observations & Benefits

The United Nations Clean Development Mechanism (CDM) has shown itself to be a very effective means of securing Private Sector investment in developing country energy infrastructure. The CDM has triggered investments of over USD 215 billion into clean energy and low carbon projects in developing countries in 10 years, mostly from the Private Sector. If we are to have any impact on the development of clean energy supplies in developing countries over the coming decade (and hence have a chance of meeting the 2°C target), we need to continue and increase this scale of clean investment.

Many CDM projects have delivered substantial sustainable development benefits to host countries, most commonly improved supply of electricity. All CDM projects have letters of approval from their Host Country Governments; letters stating that, in the host government's view, the reduction project contributes to sustainable development.

UN Certified Emission Reductions (CERs) are the only internationally fungible compliance-grade currency in the carbon markets, which have been explicitly certified. Certification follows a demanding and transparent registration and issuance process.

A significant and increasing proportion of CERs originate from clean energy projects in developing countries. These projects contribute emission reductions, but also assist key developing countries to move onto low-carbon development pathways.

The EU Emissions Trading Scheme (EU ETS) and the Australian Carbon Price Mechanism (CPM) accept international CERs for compliance with caps with some qualitative and quantitative restrictions. CERs from renewable energy projects, registered before the end of 2012, remain eligible for both regional schemes.

All CERs are additional to the business as usual. In the past, some project types raised concern about eligibility considerations, such as super-critical coal power plants or HFC projects. With this in mind, ICAO may choose to decide which kind of credits they are willing to accept. This would be similar to the European Commission's approach to international offsets through the imposition of qualitative restrictions on access to certain types of CERs; the EU has also seen proposals on the discounting of CERs derived from the abatement of high Global Warming Potential (GWP) gases, such as HFC23 and N₂O from adipic acid.

The CDM is an extremely versatile instrument which has the ability to alter the carbon development pathway in developing countries while, at the same time, helping developed countries and specific industries address sustainability targets. If ICAO were to require member airlines to surrender a percentage of their fossil fuel combustion-related emissions using CERs, they would immediately start to become an important part of the solution to climate change.