

Bad carbon credits could derail UN aviation climate agreement

The Paris Agreement and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) allow countries and airlines to meet climate commitments using mitigation generated in other countries and sectors. “Offsetting” lowers the cost of climate action and clears the way for greater ambition. It also requires rigorous accounting, good governance, transparency, and environmental and social safeguards. Absent carbon markets guidance under the Paris Agreement, CORSA now carries the greater accountability burden. The credibility of the UN’s International Civil Aviation Organization (ICAO), its CORSA, and the world’s airlines, is at stake.

As ICAO finalizes CORSA rules, policy-makers must move swiftly to bar bad carbon offsets. They must ensure that carbon offsets represent real emission reductions, are not double-counted, and have host country approval. If bad credits are allowed in CORSA—whether from the Clean Development Mechanism (CDM) or other offset programs—airlines’ net emissions will grow and climate change will be worse.

Fundamentals for CORSA

- **Avoid double counting.** The Paris Agreement bans double-counting; the CDM and many other offset programs do not. As developing countries did not have emission reduction targets under the 1997 Kyoto Protocol, host countries were not required to account for the Certified Emission Reductions (CERs) they sold. Many other offset programs do not even require host country approval for offset projects. A country cannot be expected to account for an offset it does not know about. Under the Paris Agreement, starting in 2020, all Parties will have climate commitments. If one country or airline uses a

reduction to offset an increase in emissions, a host country cannot also count that reduction towards climate action under the Paris Agreement.

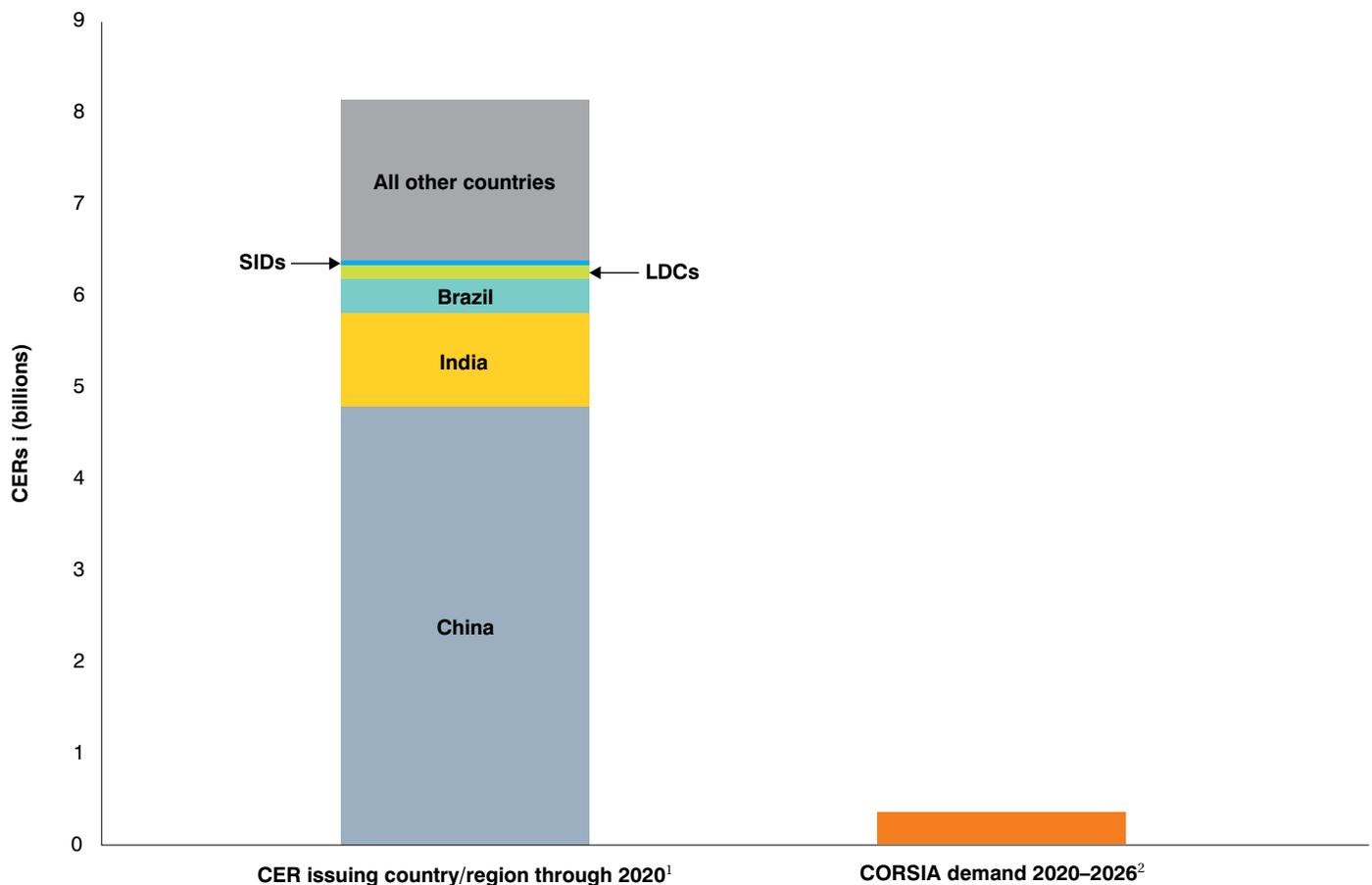
- **Ensure the host country approves the offset for use in CORSA.** Without host country engagement, offset programs can undercut the ability of Parties to meet Paris commitments. The CDM requires host country approval, but does not require host country policy be taken into account in setting baselines—and it does not require the host country to subtract transferred credits from its national climate commitments. Many other offset programs don’t engage the host country at all. If CORSA grandfathered the post-2020 credit tail of pre-2020 CDM projects, then airlines could use credits that represent what would have happened anyway (no additionality), even though those provide no climate benefit. If CORSA allows offsets that don’t engage the host country or respect its climate policies, airlines could make it difficult and costly for host countries to meet their climate goals.

The problem with the CDM in the context of global action

The CDM has registered 7,784 projects and issued about 2.85 billion CERs to date. From a high of nearly US \$20 per tonne, today CERs have almost no market value. Some see CORSA as a new source of demand, including for environmentally dubious credits. Hundreds of millions of CERs and other offsets issued prior to 2020 could flood the CORSA market and drown out new projects and programs.

The Kyoto Protocol Parties created the CDM to allow industrialized countries to buy credits from projects across

CERs issued by country/region by 2020 and CORSIA demand (2020–2026)



the developing world. In reality, the vast majority of CERs have been generated in China, India, and Brazil.

Only a small fraction of CDM projects are in Least Developed Countries (LDCs) and Small Island Developing States (SIDs), the countries most affected by climate change. If CDM credits are available without restriction in CORSIA, LDCs and SIDs will once again lose out on critical private sector investment in mitigation and sustainable development.

CASE STUDY: Brazil hydroelectric projects

Brazil's hydroelectric power plants have the potential to issue³ up to 128 million carbon credits by 2020 and double that by 2030. In an analysis of the Teles Pires (Mato Grosso) and Santo Antônio and Jirau (Rondônia) dams, EDF found these dams were responsible for massive deforestation and substantial methane emissions, neither of which were taken into account in generating CERs.⁴ Their construction displaced surrounding communities and are linked to the "Carwash" scandal, with pervasive corruption, large losses for investors and imprisoned officials. The proponents told the UN they needed carbon financing. But when investors in the dams sued Eletrobras (one of the dams' owners) after they lost their money as a

result of corruption and cost overruns, it became clear that Eletrobras told the investors the dams would be profitable and never mentioned the need for carbon finance. The projects continue to issue worthless credits.

Conclusion

The crucial test of climate action is whether climate-damaging emissions are going down, or up. Market-based measures can help drive emissions down—but not if the emission reductions that undergird carbon credits are counted twice⁵—once by the host country of the reductions, and again by the entity (e.g., an airline in CORSIA) using the reductions to offset its emissions.

If CORSIA and its airlines allow fake, fraudulent or double-counted offsets against real increases in aviation carbon emissions, they are misleading their customers and exposing themselves to further criticism and pressure to reduce air travel. That will only unleash pressure for more regulation of airline pollution—and less flying.⁶

¹ UNEP CDM pipeline <http://www.cdmpipeline.org/>

² <https://www.edf.org/climate/icaos-market-based-measure>

³ <http://www.cdmpipeline.org/cdm-projects-region.htm>

⁴ http://www.edf.org/sites/default/files/brazil_cdm_report.pdf

⁵ <https://www.edf.org/sites/default/files/documents/double-counting-handbook.pdf>

⁶ <https://stay-grounded.org/position-paper/>

For more information, please contact Annie Petsonk, International Counsel, Climate, apetsonk@edf.org

Environmental Defense Fund
1875 Connecticut AVE NW, Suite 600
Washington, DC 20009

T 202 387 3500
F 202 234 6049
edf.org

New York, New York / Austin, Texas / Bentonville, Arkansas / Boston, Massachusetts / Boulder, Colorado
Raleigh, North Carolina / Sacramento, California / San Francisco, California / Washington, DC
Beijing, China / La Paz, Mexico / London, UK

Photo: Teles Pires hydroelectric dam. (Fernando Lessa/Alamy)