



Department  
for Transport

# Implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)

Consultation

December 2024

Department for Transport  
Great Minster House  
33 Horseferry Road  
London  
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# Executive summary

The UK recognises the importance of international action to tackle emissions from international aviation and was instrumental in agreeing and developing the global market-based measure – the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) – through the International Civil Aviation Organization (ICAO).

As a contracting State of ICAO, the UK is obliged to implement the ICAO International Standards and Recommended Practices, Annex 16, Volume IV ('CORSA SARPs') in its national law.

The UK is implementing CORSA in two parts: first, by implementing the requirement to monitor, report and verify carbon dioxide (CO<sub>2</sub>) emissions (known as MRV), which has already been incorporated into UK law through the [Air Navigation \(CORSA\) Order 2021](#). Secondly, by implementing the requirement to offset CO<sub>2</sub> emissions.

The implementation of CORSA's offsetting requirements in the UK will need to take into account the interaction between CORSA and the UK Emissions Trading Scheme (UK ETS), as legislated for by the Greenhouse Gas Emissions Trading Scheme Order 2020 ('the UK ETS Order').

In the first section of this document, the UK Government is consulting on the detail of the CORSA offsetting provisions, including the applicability and calculation of offsetting requirements and cancellation of CORSA Eligible Emissions Units. Enforcement provisions for aeroplane operators that do not comply with the requirements are also covered. A draft statutory instrument (SI) detailing these provisions is published alongside this consultation.

The second section of this document is a consultation on the UK's approach to interaction between CORSA and the UK ETS. Recognising that the UK ETS is an area of devolved competence, this section of the consultation is delivered jointly by the UK Government, Scottish Government, Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland, who together make up the UK ETS Authority.

## How to respond

The consultation period began on 16 December 2024 and will run until 10 February 2025. Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, it can be found at <https://www.gov.uk/dft#consultations> or you can contact [corsiaconsultation@dft.gov.uk](mailto:corsiaconsultation@dft.gov.uk) if you need alternative formats (Braille, audio CD, etc.).

We strongly encourage responses via the online survey or by email to [corsiaconsultation@dft.gov.uk](mailto:corsiaconsultation@dft.gov.uk). If you are unable to respond by the online survey or by email, we would invite you to please let us know by asking someone to email on your behalf. If none of the above is possible, then we invite you to provide responses to:

Aviation Decarbonisation Division

Department for Transport

Great Minster House

33 Horseferry Road

London SW1P 4DR

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We are also asking for your, or your organisations, location to ascertain your relationship to the topic. For organisations we are asking for the type of organisation you are in order to better understand how this policy will affect your work.

There will be a consultation event during the consultation period. If you would be interested in attending this event, please contact [corsiaconsultation@dft.gov.uk](mailto:corsiaconsultation@dft.gov.uk).

If you have any suggestions of others who may wish to be involved in this process, please contact us.

## Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## Data Protection

DfT is carrying out this consultation to gather further evidence on the UK's approach to implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). The UK ETS Authority - made up of the UK Government, Scottish Government, Welsh Government and the Department of Agriculture, Environment and Rural Affairs for Northern Ireland - are consulting jointly on the interaction of CORSA with the UK Emissions Trading Scheme (UK ETS).

This consultation and the processing of personal data that it entails is necessary for the exercise of our functions as a government department. If your answers contain any information that allows you to be identified, DfT will, under data protection law, be the Controller for this information.

As part of this consultation, we are asking for responses via email, which may include your name and will provide us with your email address. We will use this information only for the purposes of asking follow-up questions.

Consultation responses with personal information removed will be shared across the UK ETS Authority.

DfT's privacy policy has more information about your rights in relation to your personal data, how to complain and how to contact the Data Protection Officer. You can view it at [www.gov.uk/government/organisations/department-for-transport/about/personal-information-charter](http://www.gov.uk/government/organisations/department-for-transport/about/personal-information-charter).

To receive this information by telephone or post, contact us on 0300 330 3000 or write to Data Protection Officer, Department for Transport, Great Minster House, 33 Horseferry Road, London, SW1P 4DR

Your personal information will be kept securely on the IT system within DfT and destroyed within 12 months after the consultation has been completed.

# Introduction

## Background

The International Civil Aviation Organization (ICAO) is the United Nations agency established under the Chicago Convention (1944) to manage the administration and governance of international aviation. This includes responsibility for tackling international aviation emissions, which fall outside of States' nationally determined contributions (NDCs) under the Paris Agreement.

Decarbonising transport is central to delivery of climate targets across the UK and directly supports the UK Government's mission to make Britain a clean energy superpower and accelerate our journey to net zero. The UK Government is committed to securing the long-term future of the UK's aviation sector, for which sustainability measures such as CORSIA are essential. International action is especially important for aviation emissions given the interconnected global nature of the sector. The UK is fully committed to global action on aviation emissions through international processes, including supporting collective action through ICAO.

CORSIA is the first worldwide scheme of its kind to address CO<sub>2</sub> emissions in a single sector. More recently, the UK played a leading role in ICAO's adoption at its 41st Assembly, of net zero CO<sub>2</sub> emissions by 2050 as a new global goal for international aviation. This goal places the sector on a trajectory firmly aligned with the Paris Agreement and its 1.5°C global temperature goal. The UK will continue to use its influence in ICAO to pursue the implementation of climate measures, such as CORSIA and the new ICAO Global Framework for Aviation Cleaner Energies, in support of the net zero 2050 goal.

## CORSIA

CORSIA is aimed at achieving ICAO's medium-term climate change goal of Carbon Neutral Growth from 2020. The UK negotiated at ICAO's 41st Assembly to preserve the environmental integrity of CORSIA through the conclusion of its first Periodic Review, including securing agreement to set the baseline above which any growth in emissions must be offset at 85% of 2019 levels for 2024 onwards; this is expected to result in the offsetting of emissions from 2024.



CORSIA is divided into 3 phases. States may volunteer for the pilot phase (2021 to 2023) and first phase (2024 to 2026). The second phase (2027 to 2035) applies to all ICAO States, subject to exemptions<sup>1</sup>. The UK has confirmed its participation in CORSIA from the start of the pilot phase<sup>2</sup>. From 2024, a total of 126 States are participating in the scheme. Together, these States are responsible for over 75% of international aviation activity.

Aeroplane operators are required to monitor and report emissions on international flights (subject to exemption thresholds)<sup>3</sup>. Any growth in emissions above the baseline on flights between participating States must be offset by purchasing and cancelling CORSIA Eligible Emissions Units generated by programmes that reduce emissions in other sectors (for example, renewable energy). Operators can also reduce their offsetting requirements through the use of CORSIA Eligible Fuels (CEF).

The UK is obliged to adopt the relevant Standards and Recommended Practices (SARPs) relating to CORSIA into national law. The monitoring, reporting and verification (MRV) requirements of CORSIA were implemented in UK law through the Air Navigation (CORSIA) Order 2021. Further secondary legislation is now required to implement CORSIA's offsetting requirements.

## **Interaction between CORSIA and the UK Emissions Trading Scheme (UK ETS)**

The implementation of CORSIA's offsetting requirements will need to take into account the interaction between CORSIA and the UK Emissions Trading Scheme (UK ETS).

The UK ETS works on the 'cap and trade' principle. A cap is set on the total amount of greenhouse gases (GHGs) that can be emitted by the industrial, power and aviation sectors covered by the scheme.

The cap is comprised of emissions allowances, where each allowance represents 1 tonne of CO<sub>2</sub> equivalent that may be emitted. Participants are required to monitor their emissions during a calendar year, and surrender allowances in respect of their annual emissions. The cap is reduced over time, so that total emissions from covered sectors fall. In the [response to the 'Developing the UK ETS' consultation](#), the UK ETS Authority confirmed that from 2024 the cap will be aligned with a net zero consistent trajectory.

Flights from the UK to the European Economic Area (EEA) and from Great Britain to Switzerland are currently in scope of both CORSIA and the UK ETS<sup>4</sup>. Without further

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<sup>1</sup> Least developed countries (LDCs), small island developing States (SIDS) and landlocked developing countries (LLDCs) are exempt from all phases of CORSIA but may volunteer to participate in any of them. Similarly, States with a very small share of international aviation activity in 2018 are exempt from taking part in any phase of CORSIA but may volunteer to participate.

<sup>2</sup> As committed to in the European Civil Aviation Conference (ECAC) [Bratislava Declaration](#) of September 2016 and reconfirmed in writing to ICAO in June 2020.

<sup>3</sup> Applicable to aeroplane operators with annual emissions greater than 10 000 tonnes from the use of an aeroplane or aeroplanes with a maximum certificated take-off mass greater than 5 700 kg. Humanitarian, medical and firefighting flights are excluded from all aspects of CORSIA, as are flights conducted by helicopters.

<sup>4</sup> The full scope of aviation activities included in the UK ETS is outlined in the Greenhouse Gas Emissions Trading Scheme Order 2020 <https://www.legislation.gov.uk/ukxi/2020/1265>. Flights from Northern Ireland to Switzerland will be included in the UK ETS from 1st January 2025. These flights would similarly be in

policy action, CO<sub>2</sub> emissions above the CORSIA baseline on flights in scope of both schemes would be accounted for under both CORSIA and the UK ETS, resulting in aeroplane operators being charged twice for the same emissions (double-charging).

Flights from Northern Ireland to Switzerland will be included in the UK ETS from 1<sup>st</sup> January 2025 and this consultation considers how CORSIA and the UK ETS should interact on all flights departing the UK and arriving in the EEA and Switzerland.

In considering how CORSIA should be implemented alongside the UK ETS, we want to ensure we can best uphold both our international commitments to implement and participate fully in CORSIA and our domestic climate ambitions. Chapter 2 of this document is a detailed consultation on the UK's approach to interaction between CORSIA and the UK ETS delivered jointly by the UK ETS Authority.

# 1. Consultation on CORSIA offsetting legislation

## Context and approach

- 1.1 This section outlines how the UK proposes to implement the provisions covered by chapters 3 and 4 within Part II of Annex 16, Volume IV of the Chicago Convention (the CORSIA SARPs). These provisions will be implemented into UK law through an amendment to the existing Air Navigation (CORSIA) Order 2021 (SI 2021 No. 534) ('the 2021 Order'). A draft of the amending statutory instrument (SI) is available alongside this document.
- 1.2 Principally, the SI covers the applicability and calculation of an aeroplane operator's CO<sub>2</sub> offsetting requirements and the processes for cancelling and reporting the cancellation of CORSIA Eligible Emissions Units. The enforcement action that aeroplane operators will be subject to if they do not comply with their obligations under the scheme is also covered.
- 1.3 The proposed overall approach is that UK legislation for CORSIA's offsetting requirements should closely follow the CORSIA SARPs to minimise differences between UK legislation and the international standard. Where we propose additions or differences should be included in the SI, for example provisions on penalties and data publishing, this is clearly indicated in the following sections**
- 1.4 In March 2023, the ICAO Council adopted the first amendment to the CORSIA SARPs, accounting for recommendations made by its Committee on Aviation Environmental Protection (CAEP) and the changes to CORSIA agreed at the 41<sup>st</sup> ICAO Assembly. These amendments have been reflected in the draft SI published alongside the consultation.
- 1.5 ICAO is expected to adopt further amendments to the CORSIA SARPs in future, in response to technical recommendations from CAEP and outcomes of the CORSIA Periodic Reviews. The government is consulting now ahead of the final major stage of CORSIA implementation (offsetting). The government considers that, in future, it will not be necessary to consult on every amendment to CORSIA adopted by ICAO, particularly where the changes are minor or do not pose a significant change to the scheme. This is deemed a proportionate approach to achieve the overall objective of

CORSIA implementation in an efficient way. Non-state actors, including industry and non-government organisations, play an existing and active role in the development of ICAO standards, including CORSIA, as observer organisations.

- 1.6 In 2022, the 2021 Order was amended ([SI 2022 No. 1050](#)). This introduced a requirement for the Regulator to calculate and notify aeroplane operators of their 2021 offsetting obligations by 30 November 2022, in line with the timelines set out in the CORSIA SARPs<sup>5</sup>. The requirement for the Regulator to notify aeroplane operators of their 2022 and 2023 offsetting obligations is contained in the draft SI published alongside this consultation. We aim to have this SI in place as soon as parliamentary time allows.<sup>6</sup> As legislation was not in place, the Regulator engaged voluntarily with aeroplane operators to communicate their 2022 offsetting obligations by 30 November 2023 and 2023 offsetting obligations by 30 November 2024, consistent with the CORSIA SARPs.
- 1.7 As global emissions remained below the CORSIA baseline, there were no offsetting obligations in 2022 or 2023. Therefore, due to the impact of COVID-19 on global aviation emissions, no CORSIA offsetting obligations have been accrued during the 2021-2023 pilot phase. The Regulator will formally confirm this with operators once the SI is in place.

### **Applicability of CO<sub>2</sub> offsetting requirements**

- 1.8 UK legislation for CORSIA is applicable to aeroplane operators in scope of CORSIA<sup>7</sup> and attributed to the UK in line with Article 8 of the [2021 Order](#). Separate secondary legislation will be required to implement CORSIA in the Overseas Territories and Crown Dependencies.
- 1.9 Provisions for the applicability of CO<sub>2</sub> offsetting requirements are contained in article 41A of the draft SI and follow the provisions outlined in paragraph 3.1 of the CORSIA SARPs. The SI implements the offsetting requirements for the full duration of CORSIA until 2035. Article 41A also covers the applicability of offsetting requirements for new entrant airlines.
- 1.10 The way UK attributed aeroplane operators will be required to meet their regulatory requirements will vary depending on the UK's approach to implementing CORSIA alongside the UK ETS (see Chapter 2). If the UK decides to implement a hybrid approach, UK legislation will apply CORSIA offsetting requirements to an aeroplane operator in respect of its international flights between States participating in CORSIA<sup>8</sup>. If the UK decides to apply only the UK ETS on flights within the scope of both schemes, we propose that CORSIA offsetting requirements for aeroplane operators attributed to the UK would not apply to flights departing the UK and arriving

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<sup>5</sup> Offsetting requirements in respect of 2021 emissions were zero due to the impact of COVID-19.

<sup>6</sup> Some provisions in the current draft of the SI published alongside the consultation may need to be updated to ensure consistency with the coming into force date of the SI, once this is known.

<sup>7</sup> Aeroplane operators with annual emissions greater than 10 000 tonnes from the use of an aeroplane or aeroplanes with a maximum certificated take-off mass greater than 5 700 kg. Humanitarian, medical and firefighting flights are excluded from all aspects of CORSIA, as are flights conducted by helicopters.

<sup>8</sup> A list of participating States, known as Chapter 3 States, can be found on ICAO's website: <https://www.icao.int/environmental-protection/CORSIA/Pages/state-pairs.aspx>

in the EEA and Switzerland. If this option is taken forward, we will need to consider the approach to implementation, including exempting UK to EEA and Switzerland flights from applicability of offsetting requirements (article 41A), or exempting UK to EEA and Switzerland flights from enforcement of offsetting requirements (article 58). The legislation would be applicable for UK-attributed aeroplane operators only, as responsibility for administering CORSIA falls to an aeroplane operator's attributed state. The final SI will reflect the UK's approach to interaction between CORSIA and the UK ETS once a decision has been taken.

- 1.11 We also recognise the EU have decided CORSIA will not be implemented on flights in scope of the EU ETS (flights between EEA States, and flights departing the EEA and arriving in the UK or Switzerland), meaning aeroplane operators attributed to EU Member States will not be required to offset emissions under CORSIA on these flights<sup>9</sup>. As responsibility for administering CORSIA falls to an aeroplane operator's attributed State, this could create a difference between aeroplane operators of different nationalities in their regulatory requirements on these flights.
- 1.12 We are currently considering this issue and implications for UK attributed aeroplane operators alongside our consideration of the approach to CORSIA and UK ETS interaction. Should the UK decide to not implement CORSIA on flights in scope of the UK ETS, we would similarly not implement offsetting under CORSIA for UK attributed operators on flights in scope of the EU ETS. However, should the UK decide to implement a hybrid approach, where CORSIA is fully implemented on UK to EEA and Switzerland flights, we would need to further consider the potential competitiveness impacts for UK attributed aeroplane operators from continuing to apply CORSIA on flights in scope of the EU ETS and the respective actions of other States. Any offsetting exemptions for UK attributed aeroplane operators on EU ETS flights would be reflected in the final SI.

## Calculation of CO<sub>2</sub> offsetting requirements

- 1.13 Provisions for the calculation of CO<sub>2</sub> offsetting requirements are contained in article 41B and follow the provisions outlined in paragraph 3.2 of the CORSIA SARPs. This article covers the calculation used by Regulators<sup>10</sup> to determine an aeroplane operator's CORSIA offsetting requirements on an annual basis. Aeroplane operators are required to offset any growth in emissions above a given baseline. Between 2021-2023 this baseline was 2019 emissions. Between 2024-2035 the baseline will be lowered to 85% of 2019 emissions.
- 1.14 An aeroplane operator's CORSIA offsetting obligations are calculated based on the aeroplane operator's annual emissions on flights between participating States and the relevant growth factor. The draft SI reflects the changes to the use of the sectoral and individual growth factors agreed at the 41<sup>st</sup> ICAO Assembly. Between 2021-2032, an aeroplane operator's offsetting requirements will be determined solely by the international aviation sector's global growth in emissions above the baseline each year ('sectoral growth factor'). The sectoral growth factor will be calculated by dividing the total increase in CO<sub>2</sub> emissions by the total CO<sub>2</sub> emissions on flights

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<sup>9</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023L0958>

<sup>10</sup> The Air Navigation (CORSIA) Order 2021 designates CORSIA regulators within the UK.

between participating States in a given scheme year. From 2033-2035, this calculation will also take into account each individual aeroplane operator's growth in emissions compared to its baseline emissions ('the individual growth factor'), using a proportion of 85% sectoral growth factor and 15% individual growth factor.

- 1.15 Provisions for the adjustment of CO<sub>2</sub> offsetting requirements to reflect the use of CORSIA eligible fuels (CEFs) are contained in article 41D and follow paragraph 3.4 of the CORSIA SARPs. CEFs include the use of both sustainable aviation fuel (SAF) and lower-carbon aviation fuel (LCAF) and must meet the Sustainability Criteria agreed by ICAO<sup>11</sup>. Emissions reductions from the use of CEFs are accounted for when calculating an aeroplane operator's total offsetting obligations at the end of a compliance period.

### **Cancellation of CORSIA Eligible Emissions Units**

- 1.16 Provisions for the cancellation of CORSIA Eligible Emissions Units are contained in article 41F of the draft SI and follow paragraph 4.2 of the CORSIA SARPs<sup>12</sup>. CORSIA Eligible Emissions Units are generated by projects that reduce emissions in other sectors, with one unit representing one tonne of CO<sub>2</sub> equivalent emissions avoided or removed from the atmosphere. Eligible programmes and units must demonstrate that they meet ICAO's CORSIA Emissions Unit Eligibility Criteria, including requirements relating to ensuring additionality, the prevention of double counting and safeguards to address environmental and social risks<sup>13</sup>.
- 1.17 Compliance with CORSIA offsetting obligations takes place in 3-year cycles. For example, an aeroplane operator subject to offsetting requirements will be required to cancel enough eligible emissions units to cover their total offsetting obligations for the 2021 to 2023 compliance period by the end of January 2025 and submit a verified Emissions Unit Cancellation Report for approval by their relevant regulator by the end of April 2025. This process is then repeated on a 3-year cycle.
- 1.18 Provisions for submitting a verified Emissions Unit Cancellation Report are contained in article 41G and follow paragraph 4.3 of the CORSIA SARPs. An aeroplane operator's Emissions Unit Cancellation Report will contain information on the total quantity of eligible emissions units cancelled and consolidated identifying information for each batch of cancelled emissions units, such as the programme and unit type. Provisions for the verification of an aeroplane operator's Emissions Unit Cancellation Report are set out in article 41H and align with the provisions of paragraph 4.4 of the

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<sup>11</sup> ICAO defines SAF as a renewable or waste derived aviation fuel that meets sustainability criteria (<https://www.icao.int/environmental-protection/pages/SAF.aspx>). LCAF is defined in CORSIA as a fossil-based aviation fuel that meets the CORSIA sustainability criteria. It produces lower emissions over its lifecycle than traditional kerosene (<https://www.icao.int/environmental-protection/Pages/LCAF.aspx>). The CORSIA Sustainability Criteria for CORSIA Eligible Fuels can be found here: <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Eligible-Fuels.aspx>

<sup>12</sup> "Cancelling" means the permanent removal and single use of an emissions unit so that the same emissions unit cannot be used more than once. This is done after an aeroplane operator has purchased emissions units from the carbon market.

<sup>13</sup> Further information on the CORSIA Eligibility Criteria and the role of ICAO's Technical Advisory Body can be found here: <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Emissions-Units.aspx> <https://www.icao.int/environmental-protection/CORSIA/Pages/TAB.aspx>

CORSIA SARPs. Third-party verification of an aeroplane operator's Emissions Unit Cancellation Report by an independent accredited verification body is required ahead of its submission to the Regulator.

- 1.19 It is proposed that the government should also publish the total final offsetting requirements of each UK attributed aeroplane operator and the quantity of CORSIA Emissions Units each of them has cancelled, as recommended in paragraph 4.3.3 of the CORSIA SARPs. Article 41G of the draft SI introduces this requirement.
- 1.20 When implementing CORSIA in the UK, we want to ensure transparency of data wherever possible, taking into consideration the provisions of articles 31(5) and 31(7) of the 2021 Order, which allow an aeroplane operator in certain circumstances to ask for its commercially sensitive data not to be published. We are considering what additional data reported under CORSIA the UK should seek to publish, particularly data on the use of CEFs reported by UK attributed aeroplane operators, and would welcome views in response to this consultation.

## **Penalties and enforcement**

- 1.21 The provisions in article 58 of the draft SI cover proposed enforcement and penalties for non-compliance. Penalties and enforcement for non-compliance with CORSIA's MRV requirements are consistent with UK ETS legislation. We propose this approach is also followed for CORSIA's offsetting requirements to ensure consistency. Enforcement and penalties for non-compliance therefore follow Part 7 of the UK ETS Order, where applicable.
- 1.22 We propose the regulator may impose the following civil penalties:
  - £100 multiplied by the inflation factor for each CORSIA Eligible Emissions Unit that the aeroplane operator fails to cancel on time. This is a mandatory penalty akin to the UK ETS excess emissions penalty.
  - a discretionary penalty of £20 multiplied by the inflation factor for each CORSIA Eligible Emissions Unit that the aeroplane operator fails to cancel on time where the Regulator becomes aware of an under-cancellation because of a calculation error that resulted in an incorrect figure being provided for the total final offsetting requirement.
  - for failure to request a CORSIA Eligible Emissions Unit Programme Registry to make visible on its public website information on each of the aeroplane operator's cancelled CORSIA Eligible Emissions Units for a given compliance period, a discretionary penalty of up to £20,000 plus a possible daily penalty of £500 up to maximum of £45,000.
  - for failure to submit an Emissions Unit Cancellation Report on time, a discretionary penalty of up to £20,000 plus a possible daily penalty of £500 up to maximum of £45,000.
- 1.23 The draft SI also extends the applicability of existing Part 7 provisions in the 2021 Order related to the right of appeal to cover the civil penalties detailed above. As with CORSIA's MRV requirements, it is proposed that where an appeal is made against Scottish Environment Protection Agency (SEPA), the appeal body will be the Scottish Land Court, where an appeal is made against the chief inspector of Northern Ireland,

the appeal body is the Planning Appeals Commission, and all other appeals will be made to the First-tier Tribunal.

1.24 In the response to the Developing UK ETS consultation, the UK ETS Authority confirmed its intention to introduce a process to ensure that an operator or aircraft operator that fails to surrender sufficient allowances makes up any deficit<sup>14</sup>. This process involves the service of a deficit notice; failure to comply with this notice will result in a civil penalty, calculated on the basis of the UK ETS carbon price for the relevant scheme year. The Authority will implement this by 1<sup>st</sup> January 2024 earliest appropriate opportunity. In line with the policy intent to ensure consistency of enforcement between CORSIA and the UK ETS, we are considering how a deficit notice and corresponding penalty could be applied to CORSIA's offsetting requirements and would welcome views on this proposal. A deficit penalty is not currently included in the draft SI. We would aim to have any such penalty implemented for CORSIA well ahead of 31<sup>st</sup> January 2028, as the first date by which aeroplane operators are expected to have cancelled CORSIA Eligible Emissions Units.

## Consultation questions

**Question 1: Do you agree or disagree with the overall approach taken to the implementation of CORSIA offsetting in the UK, through the draft amending SI – which is based closely on the CORSIA SARPs, supplemented by provisions from the UK ETS Order where necessary? Please explain why. Consultation questions on how CORSIA should be implemented alongside the UK ETS are covered in Chapter 2.**

**Question 2: Do you agree or disagree with the specific provisions contained in the draft SI and summarised here? Please explain why.**

**Question 3: Is there anything that you consider should additionally be included in the draft SI? If so, what?**

**Question 4: Is there any additional data reported under CORSIA that you consider the UK should seek to publish, as outlined in Paragraph 1.20? What data on the use of CORSIA Eligible Fuels should the UK seek to publish?**

**Question 5: Do you agree or disagree that a deficit notice and corresponding penalty should be applied for CORSIA offsetting requirements, as outlined in Paragraph 1.24? Please expand on your answer.**

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<sup>14</sup> <https://www.gov.uk/government/consultations/developing-the-uk-emissions-trading-scheme-uk-ets>



## 2. UK ETS Authority consultation: Interaction between CORSIA and the UK ETS

### Introduction

- 2.1 The UK has long supported strong, concerted international action to address international aviation emissions and is committed to participating in CORSIA, having done so from the start of the scheme in 2021.
- 2.2 The UK ETS will play an important role in achieving the four UK nations' ambitious climate targets, and will continue to be a vital component of the UK aviation sector's road to net zero by 2050, particularly as the scheme's cap is aligned with a net-zero consistent trajectory from 2024.
- 2.3 Flights from the UK to the EEA and Great Britain to Switzerland are currently in scope of both CORSIA and the UK ETS. Without further policy action, CO<sub>2</sub> emissions above the CORSIA baseline on these flights would incur obligations in both schemes.
- 2.4 Flights from Northern Ireland to Switzerland will be included in the UK ETS from 1<sup>st</sup> January 2025. This consultation therefore considers how CORSIA and the UK ETS should interact on all flights departing the UK and arriving in the EEA and Switzerland.
- 2.5 When considering how CORSIA could interact with the UK ETS, the Authority has taken into account a number of significant and relevant developments in both international and domestic policy on decarbonising the aviation sector:
  - In April 2021, when setting the Sixth Carbon Budget (2033 - 2037), the UK Government confirmed that for the first time this Carbon Budget will also incorporate the UK's share of international aviation and shipping emissions, allowing for these emissions to be accounted for consistently with other sectors.<sup>15</sup>
  - In October 2022, the ICAO Assembly adopted a net zero by 2050 global aspirational goal for international aviation, placing the sector on a trajectory firmly aligned with the Paris Agreement and its 1.5°C global temperature goal. In November 2023, at the Third

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<sup>15</sup> <https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035>

Conference on Aviation Alternative Fuels, ICAO agreed on a collective vision to reduce international aviation emissions by 5% by 2030 through the use of cleaner fuels, representing a key next step in its work towards the net zero 2050 goal.

- In their June 2023 Progress Report to Parliament, the Climate Change Committee (CCC) reiterated their advice that the approach to interaction between CORSIA and the UK ETS should be sufficiently environmentally stringent and that no emissions units from CORSIA should be used for flights currently covered by the UK ETS unless and until they can satisfy strict eligibility criteria. They have also advised that the interaction should avoid double-compliance.<sup>16</sup>
- In July 2023, the UK ETS Authority published its [response](#) to the 'Developing the UK ETS' consultation introducing a number of significant changes to the scheme, including the alignment of the UK ETS cap with the UK's net zero target from 2024. The Authority also confirmed that the free allocation of emissions allowances for the aviation sector will be phased-out with full auctioning to begin in 2026.

2.6 The UK ETS Authority has taken these developments into account when considering how CORSIA should be implemented alongside the UK ETS. The Authority has also considered consistency with the UK's international and domestic climate commitments and policies, and costs to business and operational delivery.

## Policy options

2.7 The UK ETS Authority is consulting on two options for interaction between CORSIA and UK ETS:

- 'UK ETS only': only the UK ETS, and not CORSIA, would apply to UK to EEA and Switzerland flights.
- 'Price-based hybrid': both CORSIA and the UK ETS would apply to UK to EEA and Switzerland flights, with aeroplane operators compensated for the costs of CORSIA offsetting on these flights.

2.8 The 'UK ETS only' and 'price-based hybrid' options are explained in further detail in the following sections. In developing these options, the Authority has considered the following:

2.9 The Authority recognises the principle of avoiding double-charging for the same emissions and does not propose to apply CORSIA and the UK ETS in full with no further considerations to account for the compliance obligations under either scheme, which would introduce additional costs to aeroplane operators on flights in scope of both schemes.

2.10 The Authority is committed to the UK ETS as an established and effective carbon market for aviation, and the aviation sector's inclusion in the UK ETS continues to support the scheme's objective of reducing emissions where it is most cost-effective in the economy. The Authority does not propose to replace the UK ETS with an

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<sup>16</sup> <https://www.theccc.org.uk/publication/2023-progress-report-to-parliament/>

alternative carbon pricing system for aviation nor propose the UK ETS does not cover flights from the UK to the EEA and Switzerland. In the 'UK ETS only' option, the UK ETS would be the only carbon pricing scheme applied on UK to EEA and Switzerland flights.

- 2.11 The CCC have advised that emissions units from CORSIA should not be used for flights currently covered by the UK ETS unless and until they can satisfy strict eligibility criteria. All CORSIA offsetting programmes are assessed by ICAO's Technical Advisory Body against the CORSIA Emissions Unit Eligibility Criteria<sup>17</sup>. The criteria include provisions to help ensure that units are additional, permanent, do no net harm and are only counted once towards a mitigation obligation. The assessment process also includes a public comment period, through which external organisations and individuals can submit views on programme applications. There are therefore safeguards in place to help ensure the integrity of emissions reductions used for CORSIA compliance, and we are not proposing to introduce additional criteria under a hybrid scheme. The UK fully supports ICAO's criteria for CORSIA Eligible Emissions Units and played a key role in their development and agreement. We negotiate for and provide technical expertise to support improvements to the scheme.
- 2.12 While future carbon prices are uncertain, it is expected that, given the differences in abatement costs between different parts of the global economy and scheme design, including level of supply, prices of CORSIA Emissions Units will remain lower than the price of UK ETS Allowances for the duration of CORSIA. This influences the incentive to reduce emissions. The Authority has also considered the potential impacts on the UK ETS market and impact on UK ETS revenues to HM Treasury should aeroplane operators be obligated under CORSIA and not the UK ETS for some of their emissions on UK to EEA and Switzerland flights. The Authority recognises the importance of the carbon price signal in incentivising decarbonisation, and wishes to balance the implementation of CORSIA with maintaining a well-functioning carbon market in the UK. We have therefore sought to uphold this with the 'UK ETS only' and 'price-based hybrid' options for interaction between the schemes.
- 2.13 In any scenario it is understood:
- UK domestic flights (that depart from and arrive at aerodromes in the UK) and flights between the UK and Gibraltar will only be included in the UK ETS<sup>18</sup>
  - international flights to or from the UK that are not covered by the UK ETS would only be included in CORSIA (where the other State is also a participant in the scheme)
  - flights from EEA States to the UK would be covered by the EU ETS and flights from Switzerland to the UK would be covered by the Swiss ETS
- 2.14 Under a price-based hybrid approach, an aeroplane operator would not directly use CORSIA Emissions Units to comply with their UK ETS surrendering obligations. The

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<sup>17</sup> <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Emissions-Units.aspx>

<sup>18</sup> The full scope of aviation activities included in the UK ETS is outlined in the Greenhouse Gas Emissions Trading Scheme Order 2020: <https://www.legislation.gov.uk/ukxi/2020/1265>

UK ETS does not allow carbon offsets (representing an emission avoided or reduced) to be used directly for compliance with the scheme, and the Authority does not intend to change this. With regard to greenhouse gas removals (GGRs), the Authority confirmed that the UK ETS is an appropriate long-term market for engineered GGRs in the [response](#) to the 'Developing the UK ETS' consultation. A further [consultation](#) on incorporation of GGRs into the UK ETS was held from May to August 2024. GGRs are already eligible under CORSIA, and the UK expects that over time increasing deployment of GGRs will need to be a focus of the scheme's development and reviews.

2.15 The 'UK ETS only' and 'price-based hybrid' policy options for CORSIA and UK ETS interaction and their relevant considerations are detailed in the following sections. An accompanying consultation stage impact assessment has also been produced. This consultation will help to inform a final decision on the UK's approach, and how the chosen policy option should be designed.

## UK ETS only

2.16 Under the 'UK ETS only' approach, only the UK ETS would apply on flights from the UK to the EEA and Switzerland. CORSIA would apply to all other international flights from the UK in scope of the scheme.

2.17 In this approach, an aeroplane operator would surrender UK ETS Allowances equal to all of its emissions from UK to EEA and Switzerland flights to meet its UK ETS obligations as is the case under current requirements.

2.18 These flights would not be subject to CORSIA offsetting obligations under UK legislation for CORSIA. This option would be implemented through amendments to UK CORSIA legislation. If this option is taken forward, we would need to consider whether to exempt UK to EEA and Switzerland flights from applicability of offsetting requirements or just from enforcement of offsetting requirements.

## Considerations

2.19 This option would not require any legislative changes to the UK ETS, maintaining the UK ETS in its current form, its ambition and the integrity and rigour of the UK ETS cap.

2.20 The application of the UK ETS to all emissions on flights from the UK to the EEA and Switzerland would be retained, there would be no change to the supply of UK ETS Allowances and the UK ETS market would not be impacted, maintaining market certainty and the emissions savings delivered by the UK ETS. There would also be no impact on government revenues or aeroplane operators' costs on UK to EEA and Switzerland flights.

2.21 The UK ETS Authority remains committed to ensuring that the UK ETS continues to play an important role in achieving the four nations' net zero goals. A UK ETS only approach would be administratively simple to deliver and comply with. It would align with the EU approach to intra-EEA and EEA to UK and Switzerland flights, which could simplify aeroplane operators' compliance obligations.

- 2.22 This option would maintain the higher abatement incentive of the UK ETS on UK to EEA and Switzerland flights<sup>19</sup>, whilst seeking to avoid the same emissions being accounted for under both CORSIA and the UK ETS and operators being double-charged. Under a UK ETS only approach, emissions savings on these flights would be delivered within aviation or other UK ETS sectors, rather than through the purchasing of CORSIA Eligible Emissions Units, which deliver out-of-sector emissions reductions elsewhere in the global economy.
- 2.23 However, the 'UK ETS only' option would not implement CORSIA fully in line with the intended ambition and global scope of CORSIA, as agreed by ICAO, since the UK would not implement CORSIA offsetting on flights from the UK to the EEA and Switzerland<sup>20</sup>.
- 2.24 As responsibility for administering CORSIA falls to an operator's State, the UK holds responsibility for administering and enforcing CORSIA for UK operators only. UK legislation for CORSIA is therefore applicable for UK-attributed aeroplane operators only and any exemptions for CORSIA offsetting obligations in respect of flights from the UK to the EEA and Switzerland in UK legislation would not apply to operators attributed to another State.

## Price-based hybrid scheme

- 2.25 In a price-based hybrid, both CORSIA and the UK ETS would apply to UK to EEA and Switzerland flights, and aeroplane operators would be compensated for the cost of complying with CORSIA offsetting obligations on these flights.
- 2.26 Compliance with CORSIA offsetting obligations takes place every 3-years, compared to annual compliance with UK ETS surrender obligations. For a price-based hybrid, we propose that operators would continue to comply annually with their UK ETS obligations in line with current requirements and be compensated, retrospectively, for the cost of compliance with CORSIA offsetting on flights from the UK to the EEA and Switzerland following the CORSIA compliance deadline every 3 years.
- 2.27 The UK ETS Authority has considered in detail how a price-based hybrid scheme could be designed and implemented, including how to compensate operators for the costs of their CORSIA compliance on UK to EEA and Switzerland flights. This includes exploring compensation methods both within the UK ETS, for example adjusting operators' UK ETS obligations, and outside the UK ETS, such as financial compensation. The Authority has considered the implications and practicality of reducing operators' UK ETS obligations and the implications of different compliance deadlines. Should aeroplane operators' UK ETS obligations be reduced to compensate for the costs of CORSIA offsetting, the Authority recognises a corresponding adjustment to supply of UK ETS Allowances could help reduce the risk of a significant over-supply and to the integrity of the UK ETS cap. We have

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<sup>19</sup> While future carbon prices are uncertain, it is expected that prices of CORSIA Emissions Units will remain lower than the price of UK ETS Allowances for the duration of CORSIA.

<sup>20</sup> This would require formal notification to ICAO through the filing of a difference against the CORSIA SARPs.

therefore also considered whether and how to reduce the overall supply of allowances. These points are considered in detail in Annex A.

## Considerations

- 2.28 The price-based hybrid ensures CORSIA is implemented in full on all flights in scope of the scheme, and as such would be fully compliant with the CORSIA Standards. It would uphold the ambition, integrity and scope of CORSIA, as the agreed global scheme for international aviation emissions.
- 2.29 Assuming the price of CORSIA Eligible Emissions Units remains below UK ETS Allowances – we expect a price-based hybrid would also maintain the full abatement incentive of the UK ETS and thus a higher incentive for aeroplane operators to decarbonise on UK to EEA and Switzerland flights.
- 2.30 The price-based hybrid would implement CORSIA on flights from the UK to the EEA and Switzerland, whilst aiming to support the functioning of the UK ETS, for example by maintaining the abatement incentive of the UK ETS. We expect implementing a price-based hybrid could nevertheless have impacts on the UK ETS, such as on the cap, market and allowance price. This is due to potential changes to the aviation sector's demand for allowances and adjustments to the supply of allowances. The exact nature and scale of these impacts would be dependent on the precise design of a price-based hybrid. However, it is anticipated that the overall scale of impacts will be small for the duration of CORSIA (2021-2035), given that CORSIA obligations on UK to EEA and Switzerland flights are expected to make up a small proportion of the total UK ETS cap. Accounting for differences in the carbon price is expected to help further minimise any impacts as the price of CORSIA Emissions Units is expected to remain lower than the price of UK ETS Allowances. The price-based hybrid would be expected to deliver lower government revenues than the UK ETS only option.
- 2.31 A price-based hybrid would not recognise the full quantity of emissions offset by aeroplane operators under CORSIA. To deliver this option in practice, we would also require a means of determining prices of CORSIA Eligible Emissions Units and, where aiming to equate the carbon prices of the two schemes to compensate through the UK ETS, UK ETS Allowances. The Authority welcomes views on how this could be achieved. Prices of CORSIA Eligible Emissions Units can vary widely between programmes and individual projects, which would need to be considered in designing a price-based hybrid. In the absence of a standardised data source, we may need to request operators provide evidence of their costs of compliance with CORSIA. The price-based hybrid could therefore bring some complexity and administrative burden, particularly when delivered through changes to the UK ETS, for example through a reduction in UK ETS obligations, where we would need to compare the carbon prices of the two schemes.
- 2.32 When considering how best to implement CORSIA alongside the UK ETS, we recognise the importance of developing an approach that is understandable for aeroplane operators. The UK ETS Authority has and would continue to work closely with regulators throughout the development and implementation of this option to simplify processes where possible. However, there are practical challenges in designing a hybrid scheme based on price, as detailed further in Annex A, and the

Authority will further consider these challenges in its assessment of the deliverability of this approach.

2.33 It is also noted that a price-based hybrid would diverge from the EU approach to intra-EEA and EEA to UK and Switzerland flights, where the EU will apply only the EU ETS to those flights.

## Consultation questions

**Question 6: Do you prefer the 'UK ETS only' or 'price-based hybrid' approach to implementing CORSIA alongside the UK ETS? Please expand on your answer.**

**Question 7: Are there any other options for interaction between the schemes you prefer? Please expand on your answer.**

## Designing a price-based hybrid scheme

2.34 The Authority has considered in further detail how a price-based hybrid scheme should be designed and implemented in practice, should this approach be decided upon.

2.35 We have identified the key considerations as:

- Calculating aeroplane operators' CORSIA obligations on UK to EEA and Switzerland routes.
- Establishing a delivery mechanism to compensate aeroplane operators for the costs of compliance with CORSIA offsetting. We have considered reducing UK ETS surrender obligations, reimbursing operators with UK ETS Allowances and financial compensation.
- The frequency of compensation, accounting for the annual UK ETS and three-yearly CORSIA compliance cycles.
- Any conditions that should be imposed for aeroplane operators to receive compensation, such as providing evidence of compliance with CORSIA.
- Determining the prices of CORSIA Eligible Emissions Units and, where equating the carbon prices of the two schemes, UK ETS Allowances used to calculate the value of compensation.
- Where UK ETS obligations are adjusted, determining whether and how the overall supply of UK ETS Allowances should also be adjusted. Recognising the variation in the potential size and cost of future CORSIA obligations, we have considered whether allowances should be prescriptively removed from supply corresponding to any reduction in UK ETS obligations, or whether in the earlier years of the scheme's operation (out to 2030), the approach to supply-adjustment should be kept under review to allow for greater flexibility. It should be noted that considerations of

adjusting the overall supply of UK ETS Allowances are relevant only where UK ETS obligations are reduced.

2.36 The Authority is seeking views on how these considerations should be addressed in the design of a price-based hybrid scheme, should this approach be decided on. Further detail on each of these points can be found in Annex A.

## Consultation questions

**Question 8: Under a price-based hybrid scheme, do you agree or disagree that CORSIA growth factors should be used to calculate CORSIA offsetting obligations on flights from the UK to the EEA and Switzerland? Please expand on your answer.**

**Question 9: Do you think the calculation should account for use of CORSIA Eligible Fuels and, if so, how? Please expand on your answer.**

**Question 10: Under a price-based hybrid scheme, would you prefer compensation to account for CORSIA costs to be made through a reduction in UK ETS obligations, reimbursement of UK ETS Allowances, or financial reimbursements?**

**Question 11: Are there any other ways we could compensate operators for the cost of compliance with CORSIA offsetting? Please expand on your answer.**

**Question 12: Under a price-based hybrid scheme, do you agree or disagree that compensation should be provided retrospectively (every three years) following CORSIA compliance? Please expand on your answer.**

**Question 13: Under a price-based hybrid scheme, do you agree or disagree that compensation should be conditional on aeroplane operators providing evidence of compliance with CORSIA? Please expand on your answer.**

**Question 14: Under a price-based hybrid scheme, we would need information on prices of CORSIA Eligible Emissions Units and, where necessary, UK ETS Allowances. Do you have views on how this might best be done? Please expand on your answer.**

**Question 15: Where UK ETS obligations are reduced under a price-based hybrid scheme, do you have a preference on how any adjustments to the supply of allowances should be approached, particularly whether an adjustment to supply is made before 2030? Please expand on your answer.**

## Other issues

### EU Emissions Trading System (EU ETS)

2.37 As addressed in Chapter 2, the EU will not implement CORSIA on flights in scope of the EU ETS (flights between EEA States and flights departing the EEA and arriving in the UK and Switzerland), meaning EU operators will not be required to cancel



CORSIA Eligible Emissions Units in respect of their emissions on these flights. The UK Government is considering implications for UK attributed operators.

### **Northern Ireland to Switzerland flights**

2.38 Flights departing Great Britain and arriving in Switzerland have been included in the UK ETS since 1 January 2023, and [it is our intention that flights from Northern Ireland to Switzerland will be included in the UK ETS at the earliest appropriate opportunity]. This consultation therefore considers how CORSIA and the UK ETS should interact on all flights departing the UK and arriving in the EEA and Switzerland. We will consider whether any interim approach should be taken for flights from Northern Ireland to Switzerland should CORSIA offsetting obligations start to arise before these flights are included in the scope of the UK ETS.

### **Non-CO<sub>2</sub> climate impacts**

2.39 While we acknowledge that aviation has significant climate impacts in addition to CO<sub>2</sub>, these non-CO<sub>2</sub> climate impacts are not yet well enough understood to be able to form targeted policy with any certainty that aviation's overall climate impact would be reduced. The Department for Transport, alongside the Natural Environment Research Council and Department for Business and Trade, launched a multi-year multi-million research programme to better understand and address aviation's non-CO<sub>2</sub> impacts.

2.40 Neither CORSIA nor UK ETS currently require aircraft operators to monitor, report or address these effects and they are therefore out of scope of this consultation. Either or both schemes may seek to incorporate aviation's non-CO<sub>2</sub> climate impacts in the future. Following the response to the Developing the UK ETS consultation, the Authority is continuing to consider how aviation's non-CO<sub>2</sub> impacts could be included in the UK ETS, including how they could be monitored and reported under the scheme.<sup>21</sup> The UK is also committed to working through ICAO to build awareness and understanding of the non-CO<sub>2</sub> impacts of aviation and consider their mitigation.

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<sup>21</sup> <https://www.gov.uk/government/consultations/developing-the-uk-emissions-trading-scheme-uk-ets>

# Full list of consultation questions

## Chapter 1:

1. Do you agree or disagree with the overall approach taken to the implementation of CORSIA offsetting in the UK, through the draft amending SI, which is based closely on the CORSIA SARPs, supplemented by provisions from the UK ETS Order where necessary? Please explain why. Consultation questions on how CORSIA should be implemented alongside the UK ETS are covered in Chapter 2.
2. Do you agree or disagree with the specific provisions contained in the draft SI and summarised here? Please explain why.
3. Is there anything that you consider should additionally be included in the draft SI? If so, what?
4. Is there any additional data reported under CORSIA that you consider the UK should seek to publish, as outlined in Paragraph 1.20? What data on the use of CORSIA Eligible Fuels should the UK seek to publish?
5. Do you agree or disagree that a deficit notice and corresponding penalty should be applied for CORSIA offsetting requirements, as outlined in Paragraph 1.24? Please expand on your answer.

## Chapter 2:

6. Do you prefer the 'UK ETS only' or 'price-based hybrid' approach to implementing CORSIA alongside the UK ETS? Please expand on your answer.
7. Are there any other options for interaction between the schemes you prefer? Please expand on your answer.
8. Under a price-based hybrid scheme, do you agree or disagree that CORSIA growth factors should be used to calculate CORSIA offsetting obligations on flights from the UK to the EEA and Switzerland? Please expand on your answer.
9. Do you think the calculation should account for use of CORSIA Eligible Fuels and, if so, how? Please expand on your answer.

10. Under a price-based hybrid scheme, would you prefer compensation to account for CORSIA costs to be made through a reduction in UK ETS obligations, reimbursement of UK ETS Allowances, or financial reimbursements? Please expand on your answer.
11. Are there any other ways we could compensate operators for the cost of compliance with CORSIA offsetting? Please expand on your answer.
12. Under a price-based hybrid scheme, do you agree or disagree that compensation should be provided retrospectively (every three years) following CORSIA compliance? Please expand on your answer.
13. Under a price-based hybrid scheme, do you agree or disagree that compensation should be conditional on aeroplane operators providing evidence of compliance with CORSIA? Please expand on your answer.
14. Under a price-based hybrid scheme, we would need information on prices of CORSIA Eligible Emissions Units and, where necessary, UK ETS Allowances. Do you have views on how this might best be done? Please expand on your answer.
15. Where UK ETS obligations are reduced under a price-based hybrid scheme, do you have a preference on how any adjustments to the supply of allowances should be approached, particularly whether an adjustment to supply is made before 2030? Please expand on your answer.

# What will happen next

Responses to this consultation will help to inform a final decision on the UK's approach to implementing CORSIA and interaction with the UK ETS, and how the final policy approach for interaction between the schemes should be designed and implemented. We aim to confirm this as soon as possible in 2025. A summary of responses, including the next steps, will be published on GOV.UK. Paper copies will be available on request.

We aim to have CORSIA offsetting legislation, including any amendments that may be considered necessary as a result of this consultation or internal review, in place quickly thereafter when parliamentary time allows.

Dependent on the UK's chosen policy approach for interaction between CORSIA and the UK ETS subsequent amendments to the UK ETS Order may be required. We will provide further detail on timings and next steps for any such amendments, if necessary, in the government response, once the policy approach has been finalised.

If you have questions about this consultation, please contact:

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Further background information can be found at [www.gov.uk/government/organisations/department-for-transport](https://www.gov.uk/government/organisations/department-for-transport)

# Annex A: Designing a price-based hybrid scheme

A.1 The UK ETS Authority has considered how a price-based hybrid scheme should be designed and implemented in practice, recognising that it could function in a variety of ways. These considerations and technical aspects are explored in further detail in this annex. The Authority is seeking views on how best to design and implement a price-based hybrid scheme, should this approach be decided on. This section covers:

- Calculation of aeroplane operators' CORSIA obligations on UK to EEA and Switzerland routes.
- Establishing a delivery mechanism to compensate aeroplane operators for the costs of compliance with CORSIA offsetting. We have considered adjusting UK ETS surrender obligations, reimbursing aeroplane operators with UK ETS Allowances and financial compensation.
- The frequency of compensation, accounting for the annual UK ETS and three-yearly CORSIA compliance cycles.
- Determining prices of CORSIA Eligible Emissions Units and, where aiming to equate the carbon prices of the two schemes, UK ETS Allowances.
- Where UK ETS obligations are reduced, determining whether and how the overall supply of UK ETS Allowances should be adjusted.

## Calculating CORSIA obligations on flights from the UK to the EEA and Switzerland

A.2 Aeroplane operators' CORSIA offsetting obligations are calculated on an annual basis using the relevant growth factor for a given year<sup>22</sup>. To calculate an aeroplane operator's CORSIA offsetting obligations on flights from the UK to the EEA and Switzerland, it is proposed that the relevant growth factor will be applied to the aeroplane operator's annual emissions on those flights in a given year. This will

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<sup>22</sup> From 2021 to 2032, this calculation is based solely on the sectoral growth factor. From 2033 to 2035, the calculation will also take into account each individual aeroplane operator's growth in emissions (85% sectoral growth factor, 15% individual growth factor). See Chapter 1 for further detail.

ensure that the calculation of CORSIA offsetting obligations on flights from the UK to the EEA and Switzerland is consistent with how CORSIA offsetting obligations are calculated globally.

- A.3 Aeroplane operators can also make claims for use of CORSIA Eligible Fuels (CEF). CEFs have lower life-cycle emissions than standard aviation fuels, and therefore lead to a reduction in the offsetting obligation. The aeroplane operator also has to provide a declaration that it has not made claims for the same batches of fuel under any other schemes. We would need to consider whether any adjustment should be made to account for emissions reductions claims from the use of CEF in calculating the cost of CORSIA offsetting obligations on flights from the UK to EEA and Switzerland. To do so would require consideration of how to proportionally adjust the calculation of offsetting obligations on UK to EEA and Switzerland flights to reflect reductions from CEF, the emissions savings delivered by CEF and data availability on CEF use for all aeroplane operators, including those regulated by other States for CORSIA.

**Question 8: Under a price-based hybrid scheme, do you agree or disagree that CORSIA growth factors should be used to calculate CORSIA offsetting obligations on flights from the UK to the EEA and Switzerland? Please expand on your answer.**

**Question 9: Do you think the calculation should account for use of CORSIA Eligible Fuels and, if so, how? Please expand on your answer.**

#### Establishing a mechanism for delivering a price-based hybrid scheme

- A.4 To comply with the UK ETS, participants purchase allowances via auctions or receive some allowances as free allocation, if they qualify to do so, which they surrender in line with their annual emissions or can trade within the secondary market as needed.
- A.5 To implement a price-based hybrid scheme, we would need to establish a delivery mechanism to compensate aeroplane operators for the costs of compliance with CORSIA offsetting on flights from the UK to the EEA and Switzerland. We have considered compensating using mechanisms both within and outside the UK ETS. Options to deliver this are outlined below.
- A.6 **Reducing UK ETS surrender obligations:** Aeroplane operators would have their UK ETS obligations reduced relative to the cost of compliance with CORSIA offsetting on flights from the UK to the EEA and Switzerland. This would require calculating the equivalent price of CORSIA Units in UK ETS Allowances.
- A.7 The reduction in demand for UK ETS Allowances from the aviation sector would require consideration of a corresponding reduction in overall supply. In exploring options that would require a reduction of UK ETS obligations and corresponding supply adjustments, the UK ETS Authority considers the integrity and navigability of the scheme important and welcomes views on how this can be maintained.
- A.8 **Reimburse aeroplane operators with UK ETS Allowances:** Aeroplane operators would be reimbursed with UK ETS Allowances relative to the cost of compliance with CORSIA offsetting on flights from the UK to the EEA and Switzerland. This would

similarly require calculating the equivalent price of CORSIA Units in UK ETS Allowances.

- A.9 This option is likely to require establishment of a pot of allowances underneath the UK ETS cap that would otherwise have been auctioned.
- A.10 Practically, these methods would be complex to deliver and would likely require rounding to express the volume of UK ETS Allowances as a whole value.
- A.11 **Financial reimbursement:** Aeroplane operators would be compensated financially for the cost of compliance with CORSIA offsetting on flights from the UK to the EEA and Switzerland. There would be no changes to the UK ETS and reimbursements to account for CORSIA would instead be provided through separate financial compensation to operators. This would require calculating the price or price paid for CORSIA Eligible Emissions Units only.
- A.12 As overall demand for UK ETS Allowances from the aviation sector would remain unchanged using either reimbursement mechanism, it would not be necessary to consider a corresponding adjustment to the overall supply of allowances under the UK ETS.
- A.13 All options are subject to further analysis, including full legal assessment, to assess their viability.

**Question 10: Under a price-based hybrid scheme, would you prefer compensation to account for CORSIA costs to be made through a reduction in UK ETS obligations, reimbursement of UK ETS Allowances, or financial reimbursements? Please expand on your answer.**

**Question 11: Are there any other ways we could compensate operators for the cost of compliance with CORSIA offsetting? Please expand on your answer.**

The frequency of compensation, accounting for the annual UK ETS and three-yearly CORSIA compliance cycles

- A.14 CORSIA offsetting obligations for a scheme year are confirmed by 30 November of the following year. Compliance with these offsetting obligations takes place every 3 years. For example, aeroplane operators will be required to cancel enough CORSIA Eligible Emissions Units to cover their total offsetting obligations for the 2021 to 2023 compliance period by the end of January 2025 and submit a verified Emissions Unit Cancellation Report to their attributed State by the end of April 2025.<sup>23</sup> This then repeats on a 3-year cycle.
- A.15 Compliance with the UK ETS takes place on an annual basis. Aircraft operators are required to surrender sufficient allowances to cover their aviation emissions in a scheme year by 30 April of the following year.

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<sup>23</sup> Due to the impact of COVID-19 on global aviation emissions, aeroplane operators have not accrued CORSIA offsetting obligations during the 2021-2023 pilot phase.

- A.16 CORSIA obligations for a given scheme year will not be known when operators comply with their UK ETS obligations for that same period and aeroplane operators are not required to have purchased and cancelled CORSIA Emissions Units to meet their obligations until after the end of the three-year CORSIA compliance period.
- A.17 For the price-based hybrid, we therefore propose that operators would continue to comply annually with their UK ETS obligations in line with current requirements and then be compensated retrospectively for the cost of compliance with CORSIA offsetting on flights from the UK to the EEA and Switzerland following the CORSIA compliance deadline. The precise timing of compensation would be dependent on the chosen delivery mechanism. This would allow for accurate calculation of CORSIA offsetting obligations and the cost of compliance with those obligations on UK to EEA and Switzerland flights. It would mean that operators would be temporarily required to comply with both schemes in full.
- A.18 We also propose compensation should be conditional on compliance with CORSIA offsetting obligations and UK ETS surrender obligations. For CORSIA, the UK only regulates aeroplane operators attributed to the UK, with non-UK operators regulated by their State of attribution. We propose that operators would be asked to provide evidence of compliance with CORSIA (for example their verified cancellation report) should they wish to receive compensation.

**Question 12: Under a price-based hybrid scheme, do you agree or disagree that compensation should be provided retrospectively (every three years) following CORSIA compliance? Please expand on your answer.**

**Question 13: Under a price-based hybrid scheme, do you agree or disagree that compensation should be conditional on aeroplane operators providing evidence of compliance with CORSIA? Please expand on your answer.**

#### Determining the price of CORSIA Eligible Emissions Units and UK ETS Allowances

- A.19 Under a price-based hybrid, aeroplane operators would be compensated for the cost of compliance with CORSIA on flights from the UK to the EEA and Switzerland. To do so, we would need to determine an appropriate method to derive current or recent historic prices of CORSIA Eligible Emissions Units. Where calculating the equivalent price of CORSIA Units in UK ETS Allowances – to reduce an aeroplane operator's UK ETS obligations or reimburse them with UK ETS Allowances accordingly – we would also need to determine an appropriate method to derive current or recent historic prices of UK ETS Allowances.
- A.20 There are various means through which the price of UK ETS Allowances could be derived using established data sources. This could include for example deriving the average auction clearing price across a scheme year, or the 'carbon price' for a scheme year used in civil penalties as defined in UK ETS legislation <sup>24</sup>.

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<sup>24</sup> For further information see: <https://www.gov.uk/government/publications/uk-emissions-trading-scheme-markets/uk-emissions-trading-scheme-markets> ; [Determinations of the UK ETS carbon price - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/determinations-of-the-uk-ets-carbon-price)



- A.21 Currently there is no central standardised data source for the price of CORSIA Eligible Emissions Units, and prices of units can vary widely between programmes and individual projects. If there is not an established data source deemed suitable for use in implementing policy, an alternative may be to request operators provide evidence of their individual expenditure on CORSIA Units. In this instance, we would need to consider how to appropriately verify individually disclosed data.
- A.22 As previously covered, we propose that compensation for the cost of compliance with CORSIA offsetting (either through reduced UK ETS obligations, reimbursed UK ETS Allowances or financial compensation) would be administered retrospectively, following the CORSIA compliance deadline. We would therefore also need to consider whether current or preceding year prices of CORSIA Units and UK ETS Allowances should be used in calculating the value of compensation across CORSIA's three-year compliance period, for example a choice between the price in the year of compensation, or the price across the preceding CORSIA compliance period.
- A.23 In using any method to determine carbon prices, it would be important to consider accuracy of data, complexity, risk of setting perverse incentives and impact on administrative burden for aeroplane operators, regulators, and the Authority.

**Question 14: Under a price-based hybrid scheme, we would need information on prices of CORSIA Eligible Emissions Units and, where necessary, UK ETS Allowances. Do you have views on how this might best be done? Please expand on your answer.**

Determining whether and how the overall supply of UK ETS Allowances should be adjusted

- A.24 If UK ETS obligations are reduced, this would reduce demand for UK ETS Allowances from the aviation sector. We are therefore considering whether a corresponding supply adjustment would be needed to prevent an oversupply of allowances in the UK ETS market. This consideration is not relevant if aeroplane operators are reimbursed with UK ETS Allowances or compensated financially, as demand for UK ETS Allowances from the aviation sector would not change.
- A.25 Analysis has estimated that CORSIA offsetting obligations on flights from the UK to the EEA and Switzerland could lie between 1.3 and 17.9 million tonnes of CO<sub>2</sub> between now and 2030, depending on the rate of global growth in emissions and emissions levels on flights from the UK to the EEA and Switzerland. We expect reductions in UK ETS obligations for the price-based hybrid to be relatively small due to the expected lower price of CORSIA Emissions Units compared to UK ETS Allowances. Analysis estimates 0.8 to 2.0 million tonnes over the duration of CORSIA with reductions up to 0.3 million tonnes between now and 2030, depending on future carbon prices <sup>25</sup>.

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<sup>25</sup> Analysis assumes reductions in UK ETS obligations to compensate for the cost of CORSIA obligations on UK to EEA and Switzerland routes are made in the year of compliance with CORSIA offsetting, e.g. 2028 for the 2024-2026 CORSIA compliance period. Further detail is contained in the accompanying Impact Assessment.

- A.26 We would need to take a prescriptive approach to adjusting supply to maintain the integrity of the scheme, i.e., for every tonne of CO<sub>2</sub> removed from an operator's UK ETS obligations to account for CORSIA, one UK ETS Allowance would also need to be removed from overall UK ETS supply. To achieve this, a supply-adjustment mechanism<sup>26</sup> would need to be introduced to the UK ETS to account for the emissions covered by CORSIA.
- A.27 In this case, allowances would be removed from supply dynamically, aligning with when UK ETS obligations are reduced. This would ensure that the size of the supply-adjustment would correspond with the reduction in UK ETS obligations. However, dynamically adjusting supply could potentially introduce uncertainty into the market. Where UK ETS obligations are reduced and supply is adjusted by a corresponding amount, this would be expected to have an upwards pressure on the UK ETS Allowance price<sup>27</sup>.
- A.28 An alternative approach could be to keep the approach to supply-adjustment under review during the remainder of Phase I of the UK ETS. We would not prescriptively adjust supply but actively monitor the volume and cost of CORSIA obligations on flights from the UK to the EEA and Switzerland.
- A.29 The supply of allowances could be reviewed when further consideration is given to Phase II of the UK ETS and any corresponding changes to the cap. This could allow the Authority to act in a more proportional and flexible way, particularly if reductions to UK ETS obligations are relatively small, for example due to low volumes of CORSIA obligations and/or relatively low prices of CORSIA Emissions Units.
- A.30 However, if reductions to UK ETS obligations are relatively large, for example due to high volumes of CORSIA obligations and/or relatively high prices of CORSIA Emissions Units, the absence of a corresponding supply-adjustment could risk introducing a downward pressure on the UK ETS price, reducing the incentive to decarbonise, and requiring a subsequent more stringent adjustment to the cap.
- A.31 In any case, it is expected that allowances removed from supply would otherwise have been auctioned. We do not intend to remove allowances from aviation free allocation, given this will be phased-out with full auctioning from 2026, or other existing pots of allowances under the cap, such as the industry cap which provides free allocation to industrial sectors.

**Question 15: Where UK ETS obligations are reduced under a price-based hybrid scheme, do you have a preference on how any adjustments to the supply of allowances should be approached, particularly whether an adjustment to supply is made before 2030? Please expand on your answer**

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<sup>26</sup> This is not linked to the introduction of any potential supply adjustment market stability mechanism in the UK ETS (see <https://www.gov.uk/government/consultations/uk-emissions-trading-scheme-future-markets-policy>).

<sup>27</sup> This would occur where the reduced application of the UK ETS to aviation requires additional abatement to be delivered by remaining sectors at an increased cost. Further detail is contained in the accompanying Impact Assessment.

## Annex B: Abbreviations list

<b>CAEP</b>	Committee on Aviation Environmental Protection	<b>GHG</b>	Greenhouse Gas
<b>CCC</b>	Climate Change Committee	<b>ICAO</b>	International Civil Aviation Organization
<b>CEF</b>	CORSIA Eligible Fuels	<b>MRV</b>	monitoring, reporting and verification
<b>CO<sub>2</sub></b>	Carbon Dioxide	<b>SAF</b>	Sustainable Aviation Fuel
<b>CORSIA</b>	Carbon Offsetting and Reduction Scheme for International Aviation	<b>SARPs</b>	Standards and Recommended Practices
<b>EEA</b>	European Economic Area	<b>SI</b>	Statutory Instrument
<b>EU ETS</b>	European Union Emissions Trading System	<b>UK ETS</b>	UK Emissions Trading Scheme
<b>GGR</b>	Greenhouse Gas Removal		

## Annex C: Impact assessment

A consultation stage impact assessment has been produced and is published alongside the consultation.

When responding to the consultation, please comment on the analysis of costs and benefits, giving supporting evidence wherever possible.

Please also suggest any alternative methods for reaching the objective and highlight any possible unintended consequences of the policy, and practical enforcement or implementation issues.

## Annex D: Consultation principles

The consultation is being conducted in line with the Government's key consultation principles which are listed below. Further information is available at <https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the consultation process, please contact:

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