

# The Sheppard Mullin Six

## CORSIA Baseline Emissions Decision

**Six carbon financing items coming out of ICAO's decision to use 2019 instead of 2020 as the emissions baseline for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).**

1. Because of the impact of the COVID-19 pandemic on aviation, and citing difficulties in verifying CO<sub>2</sub> emissions for baseline year 2020, the International Civil Aviation Organization (ICAO) decided in July that countries would report 2019 emissions data as a baseline year instead of 2020 as previously agreed.
2. With this change in the baseline, the scope of the carbon offsetting obligation over the lifetime of CORSIA will depend on the shape of the recovery of the aviation industry from the pandemic. Industry observers are currently forecasting that 2019 emission levels will not be reached again until 2024.
3. Similarly, observers also estimate that the change in the baseline will push-out the airlines' compliance obligations by about three years, and thus will reduce demand for carbon offsets in the short term, since it is growth beyond the baseline that airlines must offset.
4. The use of 2019 as a baseline year also will lessen the economic burden on airlines as recovery from the pandemic begins. This may increase participation in CORSIA over the longer term after its initial voluntary period. The start of the mandatory period of CORSIA is still 2027.
5. Nature Based Solutions and voluntary programs are likely to remain an important source of offsets for airlines given the predicted drop in overall compliance volume demand in the short term.
6. In July, EPA proposed regulations to limit GHG emissions from aircraft that are in line with standards in another ICAO agreement adopted in March 2017. These regulations will not require major improvements in jet engine efficiency and so are not expected to help US airlines meet CORSIA's emission targets.

# Key Contacts - CORSIA Baseline Emissions Decision



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Nico has more than 25 years of environmental counseling, transaction and litigation experience. His compliance counseling focuses on climate change, sustainability and other regulatory and transactional matters. Nico's climate change practice encompasses offsets and other carbon finance transactions, California's Cap-and-Trade Program (agency advocacy, compliance, enforcement, and offset transactions) and other aspects of AB 32, as well as related state, federal and international programs and offset projects. His litigation practice focuses on climate change (he has been involved in every case concerning California's Cap-and-Trade Program, most recently representing the International Emissions Trading Association (IETA) in the US's constitutional challenge to California's linkage with Quebec), cost recovery actions, enforcement actions, writ proceedings to challenge regulations and representation of PRPs and PRP groups at Superfund sites. He has particular expertise with contaminated sediment sites. Nico has handled matters in state and federal courts across the country, including the U.S. Supreme Court, and various administrative fora.



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Daniel focuses on renewable energy and infrastructure project finance, especially of wind, solar and transportation projects. He represents lenders and sponsors at all stages of project development, from offtake agreements and procurement and construction contracts to debt and tax equity financing. Daniel also advises clients in the buying and selling of project portfolios and development assets.

In addition to his energy and infrastructure practice, Daniel represents pro bono clients in immigration, housing, conservation and carbon finance matters.

# Energy, Infrastructure & Project Finance Team



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