Aviation Carbon Exchange for CORSIA Offset Compliance

Powered by cbl markets
2.5b tonnes of CO₂ will be mitigated by 2035

$40b will be generated in climate finance by 2035

CORSIA
Carbon Offsetting and Reduction Scheme for International Aviation

All Airlines flying internationally have an offset obligation and need to procure carbon credits stemming from globally developed offset projects.

In addition to CORSIA, an increasing number of airlines have made voluntary commitments, e.g. to be carbon neutral from 2020.
Who will be affected by offset compliance?

• All airlines operating international flights between countries that are subject to CORSIA.
• ~1,000 airline operators
• Pax/cargo/business jet operators
• Annual offsetting requirements = 160m t CO₂ or 2.5 bn USD (annual average)
Eligible emissions units

Only emissions units (carbon credits) that meet specific environmental criteria will be eligible under CORSIA.

Existing complexities:

- Lack of carbon market experience
- What to buy? Type of credits?
- Complex bilateral agreements
- Lots of players in the market
- Lack of price transparency
- Financial counterparty risk
Airlines could choose to work with project developers, brokers, intermediaries and fuel providers, to source carbon offsets. However, each purchase resulted in a separate purchase agreement.

As markets have grown, it became more difficult to understand the pricing of credits, and lacked transparency in terms of what is available in the market.
Accessing the Markets via ACE

On January 30, 2020, IATA and CBL Markets announced a partnership to develop the Aviation Carbon Exchange (ACE).

The ACE is a centralized marketplace that helps airlines identify, select, and transact CORSIA eligible emission units via a single screen.
What has changed since ACE?

- **Access**: All CORSIA-eligible emission units on one dedicated screen
- **Simplicity**: Easy-to-use electronic interface, single venue
  - Ability to select by project type, state/region, standard, or vintage
  - Links to project information direct from screen
- **Secure Trading**: Electronic clearing and minimal settlement time and delivery of products and funds, eliminating counterparty risk
- **Leverage**: Trade directly with a wide range of participants (including brokers, intermediaries, project developers) on a single screen, removing the need separate agreements.
- **Transparency**: The exchange provides price transparency and liquidity across the voluntary and mandatory carbon market.
ACE Market Benefits

• **Connectivity:** The exchange electronically interfaces with registries to facilitate seamless trading of products
  - American Carbon Reserve (ACR), Climate Action Reserve (CAR), Gold Standard (GS)
  - Verified Carbon Standard (VCS/Verra), UNFCCC Clean Development Mechanism (CDM)

• **Safe & Secure Settlement:** Seamless and secure in-fund trading for airlines using the IATA Invoicing and Clearing House system.

• **Marketplace Trading:** Possibility to switch between marketplaces, e.g. between dedicated CORSIA-eligible emissions market and other markets that fulfil mandatory offset obligations or voluntary offsetting demand.

• **Shaping the Industry Solution:** Pilot members will provide valuable guidance to both IATA and CBL to improve the ACE design.
The ACE team can facilitate a live demonstration of the ACE, in order to allow the key stakeholders within an airline to familiarize themselves with the features of the exchange.

The objective is to provide the audience with an overview of how to identify, select, and transact CORSIA eligible emission units with the **click of a button**.
Benefits of Joining the ACE!

- ACE is free for Airlines to join
- ACE is a price discovery tool
- ACE is an industry solution by the industry, for the industry
- ACE can be used by airlines to prepare for CORSIA compliance or voluntary carbon offsetting.
THANK YOU.