Voluntary Carbon Exchanges &

CAAFI Webinar, January 2021
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Charting a course for 2050

- **Emissions reductions already achieved:** over 11 Gt of CO2 avoided through investment in technology and operational improvements since 1990

- **Global market mechanism (CORSIA)**

- **Frozen 1990 efficiency**

- **Frozen 2019 efficiency**

- **Required emissions reductions explored in Waypoint 2050**

- **2050 emissions without additional efforts:** 1,800 Mt

- **Industry goal:** 325 Mt

- **2,285 Mt**

- **4,774 Mt**
CORSIA Offsetting

CORSIA - global and sectoral agreement to offset growth in CO₂ emissions.

All airlines subject to CORSIA need to invest in carbon offsets from 2020.

Airline Investment Need

**CORSIA eligible** carbon credits with highest environmental integrity.

Carbon Market

High quality carbon credits that often deliver socio-economic co-benefits.

Voluntary Offsetting

Airlines have made ambitious voluntary offset commitments:

- Offsetting domestic CO₂
- Net zero CO₂

Commitments can only be reached by a combination of in-sector reductions and carbon offsets.
Investment Need for Airlines

Only specific carbon credits that meet all environmental eligibility criteria under CORSIA can be used for compliance.

Existing complexities:

• Lack of carbon market experience
• Where and what to buy? Type of credits?
• Complex bilateral agreements
• Lots of players in the market
• Lack of price transparency
• Financial counterparty risk
Aviation and Environment

Airlines have made firm and public commitments to offset emissions, e.g. to become carbon neutral.

**Questions to be answered:**

- When to invest? Now or later?
- With whom to invest? Broker, banks, retailers?
- Type of projects and credits to invest in? Where can I find charismatic projects that meet public acceptance and expectations?
- Carbon pricing, what’s the magnitude of my $ investment?
- What should I do with a surplus of carbon credits?
What has an exchange solution to offer?

- Ability to contract with numerous parties. No paper, no special agreements needed.
- Transparency:
  - Price
  - Availability
- Offers choices: project types, standards, geographical location.
- Ability to resell credits
- Reduced costs and admin burden.
- Direct interaction with market participants (e.g. buyers).
Voluntary Carbon Exchanges - current Landscape

- Who is currently acting in that space?
- What are the differences?
- Where is the journey going?
Aviation Carbon Exchange

An IATA solution powered by CBL Markets
On January 30, 2020, The International Air Transport Association (IATA) and CBL Markets announced a partnership to develop the Aviation Carbon Exchange (ACE).

The ACE offers a centralized marketplace where aviation stakeholders can identify, select, and transact voluntary and CORSIA eligible emission units, via a simple, secure electronic interface.
Aviation Carbon Exchange

The ACE was designed as a solution for Airlines to overcome the difficulties associated with sourcing carbon offsets.

Electronic trading platform - access to CORSIA and voluntary credits.

ACE will be fully integrated with the IATA Clearing House for settlement of funds.

Highest level of transparency in terms of carbon pricing and availability of credits.

The ACE is open to all airlines and financially de-risks buyers and sellers of carbon credits.

ACE eliminates complex purchase agreements.
ACE Supports Climate Financing

Allows direct market access and income for project developers to finance offset projects.

Enables financing of community based projects that offer co-benefits and support many of the UN SDGs, e.g. employment, gender equality, education or health.
Who Can Use It?

ACE can be accessed for trading by all airlines and carbon-market participants, acting as buyers or sellers:

- IATA and Non-IATA Member Airlines/Airports
- Carbon Offset Project Developers
- Carbon Offset Brokers and Retailers
- Banks and Commodity Traders
- Active Carbon Market Participants
Thank you!