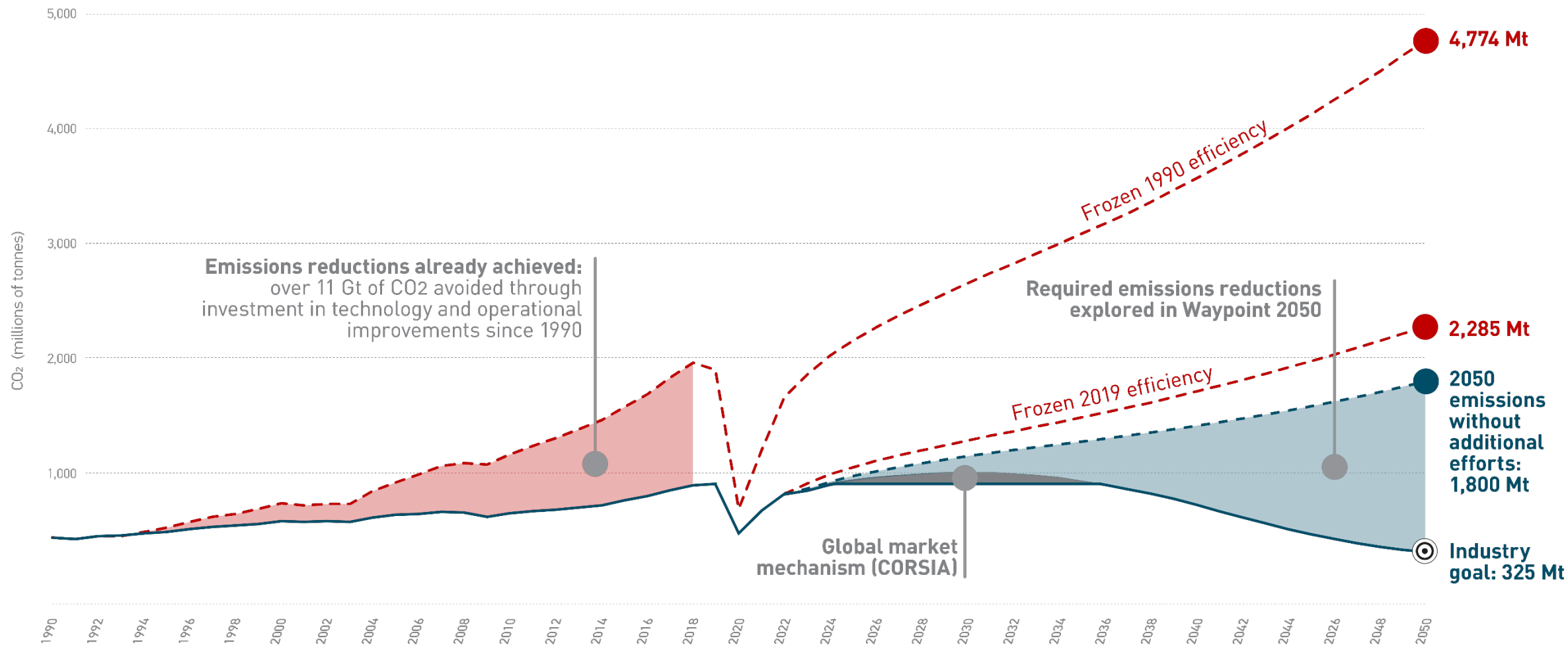


Voluntary Carbon Exchanges &



CAAFI Webinar, January 2021
Michael Schneider - IATA

Charting a course for 2050



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.



2.5b tonnes of CO₂ will be mitigated by 2035

SUSTAINABLE DEVELOPMENT GOALS

2019 Binding standards apply since 1 January 2019

\$40b will be generated in climate finance by 2035

The infographic features the Sustainable Development Goals logo, a grid of 17 goal icons, and images of solar panels and children running.

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.

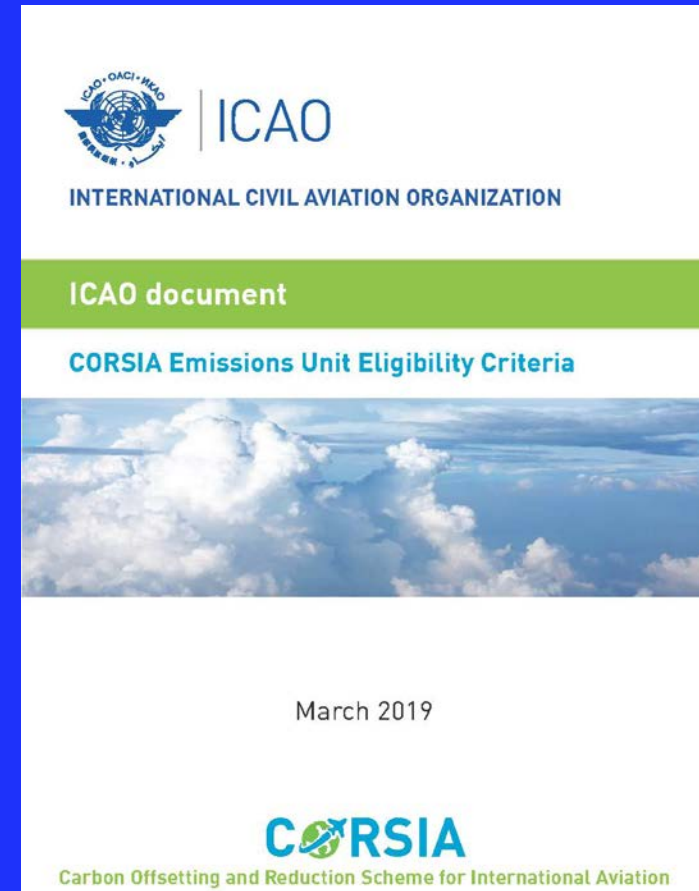
Investment Need for Airlines

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

CORSIA Compliance Obligations
















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?

Voluntary Commitments

 IAG INTERNATIONAL AIRLINES GROUP	Net-zero 2050	\$400m SAF investment	 BRITISH AIRWAYS	Offset all domestic flights
	SAF sales to passengers	Offset all frequent flyer tickets = 40% of CO ₂		
	\$40m investment vehicle in SAF and other decarbonisation technologies			
	Net-zero 2050	\$50m SAF investment	Offset all growth post-2020	
	Offset fare packages to corporate customers			SAF sales to passengers
	Offset all domestic flights	SAF PPP: 2% by 2025, 5% by 2030		
	Offset 100% of flights			
	Carbon-neutral growth since 2012			
211 European airports	Net-zero airport operations 2050			
	Net-zero 2050	50% 2019 CO ₂ by 2035		
	Offset all domestic flights	\$50m SAF investment		

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



ACE

An IATA solution powered by CBL Markets



Aviation Carbon Exchange

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.

MARKET OVERVIEW COMPLIANCE REDD+ CORSIA WATER ORDERS & TRADES HOLDINGS

ORDER ENTRY: Place Bid Place Offer Report Trade

ORDER MANAGEMENT: Hold All Release All Kill All

DISPLAY CURRENCY: Listed Currency

STANDARD: Verified Carbon Standard Gold Standard Climate Action Reserve American Carbon Registry UNFCCC (CDM) Verified Carbon Standard (REPO)

PROJECT TYPE: Agriculture Alternative Energy Emissions Energy Other Forestry Waste

VINTAGE: 2001 2099

COUNTRY: All None Asia

BIDS & OFFERS

Actions	Instrument	Project Type	Country
B S	GS-VER	Biomass - Cogeneration	Asia/China
B S	GS-VER	Energy Efficiency	Asia/Cambodia
			Asia/Laos
			Latin America
			/non-r Africa/Mauritius
			/non-r Asia/China
			/non-r Asia/India
			/non-r North America
			Africa/Congo
			Africa/Kenya
			Africa/Zambia
			Latin America
B S	VCS-VCU	Forest Carbon	Latin America
B S	VCS-VCU	Forest Carbon	Latin America
B S	VCS-VCU	Reforestation	Latin America

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?

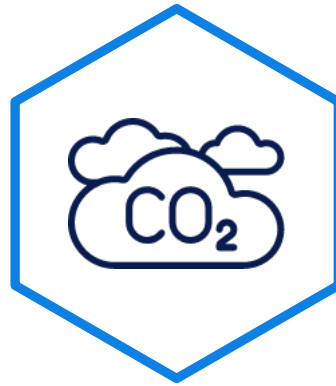
ACE can be accessed for trading by all airlines and carbon-market participants, acting as buyers or sellers:



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!

