

Carbon Market Trend Brief

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A Decade of CORSIA: Host Country Approval Becomes the Bottleneck in the Aviation Carbon Market

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A Decade of CORSIA: Host Country Approval Becomes the Bottleneck in the Aviation Carbon Market

While the potential supply from CORSIA-eligible programs is estimated at 700 million to 1 billion units, credits designated as eligible in actual registries amount to only about 44 million units. As ICAO identified Letters of Authorization (LoAs) as a major supply constraint, the market bottleneck is shifting from project development and credit issuance to national approval procedures. Ahead of the Phase 1 cancellation deadline in 2026 and the expansion into Phase 2 in 2027, securing volume with actual usage approval will become far more critical than relying on issuance potential. Consequently, host countries' Article 6 implementation policies and approval capacities are emerging as key variables shaping airlines' credit procurement environments.

A Decade of CORSIA: Why Eligible Credits Cannot Be Used

On October 6, the International Civil Aviation Organization (ICAO) released an implementation status update marking the 10th anniversary of CORSIA's adoption. Adopted at the 2016 ICAO Assembly, CORSIA is an international aviation carbon offset scheme that requires airlines to offset emissions exceeding baseline levels by canceling eligible carbon credits or using Sustainable Aviation Fuel (SAF). Following Phase 1 (ending in 2026), Phase 2 will begin in 2027, expanding participating countries subject to offsetting obligations from 88 to 134. This expansion is estimated to cover approximately 90% of international aviation emissions.

However, compared to the expanding scope of the mechanism, the supply of actually procurable credits remains limited. According to ICAO, while potential supply from 10 Phase 1 eligible programs ranges from 700 million to 1 billion units, credits confirmed as CORSIA-eligible in registries stand at roughly 44 million units. ICAO cited challenges in securing Letters of Authorization (LoAs) as the primary reason for this gap. Even if a project possesses the potential to issue credits, without host country approval for international transfer and CORSIA use, it cannot translate into procurable supply.

On the same day, the International Air Transport Association (IATA) highlighted the procurement pressure facing airlines. Airlines are required to cancel over 200 million units of credits by January 31, 2028. However, as of August 2026, the volume covered by 42 issued LoAs totals only about 72 million units. IATA estimates the resulting supply deficit at approximately 150 million units and set a target to secure a supply of 225 million to 250 million units by spring 2027. This indicates that a host country's approval speed and scope—alongside issuance capacity—will dictate whether airlines can fulfill their compliance obligations.

Notes:

**LoA : Letter of Authorization, A document in which the host country issuing the credits approves their use for international aviation offsetting and confirms that the reductions will not be double-counted toward its own national target.*

Implications

Host Country Approval Determines Global Credit Supply Competitiveness

The approval bottleneck seen in CORSIA extends beyond aviation. As Article 6 international transfers expand, host country approval and corresponding adjustments—beyond mere issuance potential—become practical preconditions for supply. Notably, the EU allowed room for limited international credit use from 2036 in its 2040 target, while SBTi's Net-Zero Standard 2.0 proposed reporting host country approvals and corresponding adjustments for removal credits.

As demand sources diversify, the gap between total reduction potential and actually transferable volume becomes critical. Delayed approvals or unclear national policies prevent potential reductions from reaching the market. Future project competitiveness will depend on securing transferable volumes aligned with host countries' approval frameworks and transfer policies.

Competition to Pre-secure Approved Volumes and the Emergence of Credit Price Differentiation

As LoA specify uses cases and transfer conditions, credits from the same project vary in utility based on CORSIA eligibility or transfer approval. To prevent double counting across targets, credit issuance alone cannot determine procurement value, and host countries must strategically balance NDC targets against transfer authorization.

These conditions expand carbon market competition beyond price and quality to supply stability, including approval status, authorized scope, and transferable volume. In CORSIA, where cancellation deadlines are fixed, demand to proactively secure pre-approved volumes will rise, creating price differences among credits from the same program based on eligibility and delivery timelines. Buyers must verify approval status and transferability at contracting, making host country approval policies a primary variable in market value and contract terms.

Notes:

***Corresponding Adjustment** : An accounting adjustment where the host country deducts the transferred credits from its own Nationally Determined Contribution (NDC) progress to match the amount used abroad national target.

Related Articles & References

- 1) ICAO(Uniting Aviation) A decade of CORSIA: Building a global approach to international aviation emissions
- 2) Aviation Today, IATA Cautions Against EU Carbon Rules Undermining Global CORSIA Framework