

**Scene setter**

You have been invited by the European Regions Airline Association (ERA) for dinner. You will give a keynote speech (10-15 minutes) with questions and answers, followed by dinner. Along with the [REDACTED] of ERA, [REDACTED], the [REDACTED] of 13 airlines will be in attendance: Air Malta, ASL, West Atlantic, Cityjet, Emerald, LuxAir, IcelandAir, Link, Binter, Amelia, Croatia Airlines, Sky Express, Air Corsica.

ERA and its members have committed to net-zero carbon emissions by 2050. ERA expects you to speak on COM's measures in support of normalisation of the airline industry in Europe following multiple crises. Additionally, regional airlines are more affected than the average by the increase in the costs generated by FF55; as most costs will come to intra-EU flights, they feel they are targeted disproportionately, and are likely to challenge you on this.

You will be accompanied by [REDACTED].

Event details: **Date:** 23 January 2023 **Time:** 18:30-22:00 **Location:** Stanhope Hotel Brussels by Thon Hotels, Rue du Commerce 9, 1000, Brussels

**Timings:**

- 18:30 – 19:15 – Welcome drinks in the bar area
- 19:15 – 20:00 – Keynote and Q&A Discussion prior to dinner
- 20:00 – 22:00 – Dinner will be served in the Wellington Room

**Objectives**

- Reassure regional airlines that FF55 is not targeting one business model in particular; communicate the necessity of investing in sustainability.
- Express support for the airline industry and in particular the regional airlines; outline EU measures to support them through recent crises.

**Key Messages – Keynote Address**

- Ladies and Gentlemen, distinguished executives, thank you for inviting me here tonight. It is a pleasure to see so many of you again in-person. And it is also a pleasure to see your planes above us in the skies, again full of passengers. I was pleased to read that European airlines are continuing to recover from the impact of COVID-19, with seat numbers in the first week of this year at 92% of pre-COVID levels, a record performance since the pandemic. I am sure that with your continued efforts, and our enabling policies, you will soon be back at 100% and beyond. This is indeed a triumphant return.
- We at the European Commission are committed to supporting the European aviation market, and especially our regional airlines of, which we can be so proud. No longer just commuter airlines, you now link our Union and beyond with over 1,500 routes, and you are an integral part of achieving a net-zero CO2 aviation sector in Europe with your strategy for Destination 2050. From

Reykjavik to Gran Canaria, you transport our citizens and cargo, and link our islands and our regions, and we are committed to supporting your growth.

#### Crisis and normalisation:

- The past three years have been hard for all of us, but your airlines have been among the hardest hit. We have taken numerous measures to support the airline industry during these years of crises, including enabling state aid in the context of COVID and the war in Ukraine, providing flexibility for public service obligations, ensuring slot relief, and providing significant funding for decarbonisation.
- To respond to COVID-19, we launched the State aid COVID Temporary Framework, which enabled Member States to remedy the serious disturbances in the economy, with a total of EUR 3.2 trillion provided. This has been a key instrument in support of the aviation industry throughout the pandemic, with billions of euros of state aid going to airlines, airports, and the aviation industry at large.
- We have also published guidance on the conditions for setting up urgent public service obligations (PSO) in the context of the COVID-19 pandemic, allowing necessary flexibility for Member States to replace commercial offers in crisis times and to ensure a minimum level of connectivity.
- With the additional shock of Russia's unjustified and illegal war against Ukraine, through the Temporary Crisis Framework we allowed Member States to use even greater flexibility under state aid rules to help overcome the difficult situation of the transport sector triggered by the war.
- Under this framework, Member States can compensate specific companies or specific sectors for the damages directly caused by the Russian invasion. This can cover losses and damages caused by the re-routing of planes. We have further amended the framework to provide general liquidity support to the aviation sector, defend against the impact of high energy prices, and provide support for renewable energy production, industrial decarbonisation, and energy efficiency measures.
- The Commission is also preparing a new amendment to the State aid Temporary Crisis Framework to allow Member States to support the green transition of the EU economy.
- Beyond state aid, the EU has also adopted slot relief amendments, protecting slots that airlines cannot operate due to State measures severely restricting air travel in the context of the pandemic. Such protection is also granted to airlines' slots use for routes to/from Ukraine and to/from Russia as the airspaces are closed.

- The Commission is working on an impact assessment to revise the Slot Regulation. I invite you, dear colleagues, to participate in the stakeholder consultation.
- Along with recovering passenger numbers, I am glad to see that fuel prices are slowly coming down from the peak [as of 6 January, globally 41.8% higher than one year ago, in Europe and CIS 23.2% higher - IATA]. I expect that this normalisation will continue through 2023, and that these years of crises are coming to an end. With the recovery, we have a unique opportunity to reconstruct the aviation sector in a sustainable way.

#### Upcoming and recent regulations – burdens:

- Let me now turn to some of our recent and upcoming legislation, especially the ambitious Fit-for-55 package (FF55). You are all fully aware of our plan for net-zero aviation, and indeed for a fully climate-neutral continent. We are certainly in agreement on the way forward – the aviation sector must decarbonize, and the European Commission must support you in this endeavour. We have outlined an ambitious path towards sustainable and smart EU aviation, and my service is working hard to deliver on this.
- It is clear that sustainability is *the* challenge of the 21<sup>st</sup> century for aviation. We cannot run away, nor can we hide from this. The only sensible answer is to embrace this. Sustainability is aviation's licence to grow.
- Already at the beginning of 2021, the Toulouse Declaration signalled the will of regulators and stakeholders to base the recovery on three pillars of sustainability: environmental, economic, and social.
- The Fit-For-55 package's scope is economy-wide. It will give Europe the tools to reach its environmental goals and become carbon-neutral by 2050, in line with the Paris Agreement.
- Carbon neutrality by 2050 is also the long-term goal of international aviation, adopted by ICAO's 41st Assembly, and the vast majority of the reductions will be in-sector. This is an extraordinary achievement. We, your industries, my institution, and the international community, are all in agreement. Aviation will become carbon-free.
- The times when climate action in aviation was synonymous with paying for decarbonisation in other sectors are behind us. Now it is in our power to decarbonise from within the sector, and we are close to sealing the legislation to do so.
- We are investing many millions of euros in the development of zero-emissions aircraft and related infrastructure, which will be particularly useful for the short-range routes that your airlines service.

- However, this is for the future. We need to explore already today the possibilities offered by efficient aircraft powered by sustainable aviation fuels (SAF). The technology is there; we need to unleash this potential and make the market function properly.
- The ReFuelEU Aviation initiative will ramp up production and use of SAF in European air transport. Its scope is on all departing flights. Regardless of the business model, the burden is similar.
- We all agree on the importance for aviation decarbonisation in the conclusion of the ReFuelEU Aviation proposal. I welcome the support of ERA to this proposal. Now it is in the hands of the Swedish Presidency who have committed to continuing the good progress made under the Czechs, hopefully towards adoption in Q1 2023.
- I also welcome the recent political agreement on ETS Aviation for SAF Allowances. This represents an important layer of support for aviation, corresponding to a budget of around EUR 1.6 billion, helping to close the price gap between SAF and fossil fuels, and promoting best-in-class SAF, notably advanced biofuels and synthetic fuels from renewable sources.
- Specifically, 20 million allowances will be made available for SAF support until 2030 according to different fuel categories. Importantly, small islands, small airports and the outermost regions will be able to cover the price differential between kerosene and eligible fuels with 100% of the SAF allowances in order to ensure the availability of the eligible fuels in these locations.
- In addition to the continued zero-rating of biofuels under the EU ETS, we count on this mechanism to further bring down the cost differential with kerosene to make SAF costs affordable, especially for regional airlines. We have also agreed on a new system to monitor and report non-CO2 emissions, which will be vital for our overall climate efforts.
- Additionally, we will implement CORSIA, which will generate requirements as of 2024. This means that not only the emissions on intra-EU flights are priced, but also on the flights to and from third countries. This contributes further to the level-playing field, and ensures we are not discriminating.
- On the EU taxonomy, we are moving forward with drafting the delegated act for aviation taxonomy. We intend to include aircraft manufacturing and leasing, air transport services, and ground handling in the future taxonomy. SAF production and low carbon airport infrastructure are already covered. The inclusion of additional aviation related activities in the EU taxonomy will channel green finance, including through EU green bonds, which will be



necessary to finance the transformation and decarbonisation of the aviation industry. I count on your continued support for the taxonomy.

- In the context of different measures taken by third countries (such as the US with the Inflation Reduction Act), the Commission may need to have recourse to additional measures to ensure that the level playing field of a global sector is not endangered.

CRS Code of Conduct and MDMS initiative - fair competition:

- Fair competition and a level playing field are also being provided by our revision of the computerized reservation systems (CRS) Code of Conduct. Given the strong thematic links, the revised CRS Code of Conduct will be integrated in the new initiative on Multimodal Digital Mobility Services (MDMS).
- This initiative looks at simplifying planning and purchasing of transport tickets across the EU and promoting multimodal trips, while fostering competition and innovation in ticket distribution, for the benefit of consumers.
- The level playing field between all players active in the ticket distribution market will be ensured by common key rules and principles (such as neutral display) and integration of the remaining sector-specific provisions from the revised CRS Code of Conduct.
- The Commission is carrying out an impact assessment in view of our initiative on MDMS, and I welcome your input. A possible legislative proposal is expected by the second quarter of 2023.

CEF Calls/CP1:

- Further support for the airline industry, and especially for regional airlines, is coming from the Connecting Europe Facility. Since 2021, we have been launching calls for proposals addressing SESAR/ATM modernisation topics, targeting as a first topic the SESAR 'Digital Sky demonstrators' in the first CEF call.
- In 2022, the SESAR 3 JU launched its first 'open' calls for proposals under its new work programme and CINEA launched the first call for proposals for a targeted set of Common Project 1 (CP1) ATM functionalities. The CEF call for proposals also included a second round for the Demonstrators (as planned in the SESAR 3 JU work programme) and a topic dedicated to CNS enablers, including on-board equipage.
- Unfortunately, the amount of funding available under the Horizon Europe and CEF programmes is less than in previous exercises. That is why we need to focus these funds on the most urgent topics and we will have to be

very strict in the selection process to award projects demonstrating high quality, high readiness and high impact.

- However, compared to the CEF1 Regulation, CEF2 allows to co-fund on-board equipment up to 50% of the cost instead of 20%.

SES2+:

- Lastly, let me end by discussing the Single European Sky reform. This remains absolutely necessary to drive efficiency and environmental improvements and address unnecessary emissions from congestion problems that are affecting airlines and citizens across Europe.
- We know that airlines are frustrated by the slow pace of the negotiations. This is a complex file, and progress has been steady under the Czech Council Presidency. But indeed, the clock is ticking, and we need to conclude the negotiations by the end of the Spanish Presidency later this year.
- Airlines have a key role to play in conveying the importance of this reform. If you want to see change, you must strongly advocate for progress on the file. I encourage you to reach out to Member States to explain the benefits of the reform for the airline industry, and the need to be open to alternative ways of working as regards performance regulation.
- It is also important to convey the message that elements that ensure that the network interests prevail in the network management are crucial to address issues of the past, and that the commitments that ANSPs have taken regarding air traffic control capacity must be delivered.
- I also want to be clear that we are paying very close attention to the results of the negotiations, and I will not accept any dilution of the existing level of ambition. The proposed reform provides concrete means to achieve tangible improvements, in particular in terms of improved performance of ANSPs, and in terms of better network management.
- Dear colleagues, dear friends, I hope that this all makes clear that we are coming to you with many carrots, not just the stick. We have supported you through the pandemic and the war in Ukraine, and we will continue to support you towards decarbonisation. Let me now open the floor to questions.

## **Background**

### **Funding for decarbonisation**

InvestEU can provide financial instruments for R&D, deployment of sustainable infrastructure and to SMEs. This includes projects related to the airports being part of the TEN-T network, ground-handling, alternative fuel infrastructure for air transport, and emission reduction projects as well as clean mobile assets and SAF production.

Connecting Europe Facility for 2021-2027 can support connections to airports, ATM systems, alternative fuels infrastructure, safety and security. The Alternative Fuels Infrastructure Fund within CEF, runs a permanent open call with several cut-off deadlines until 2023.

The ETS Innovation Fund can support demonstrations in SAF, green hydrogen and energy storage technologies.

Member states funding can also support green transition. For this purpose the Climate, Energy and Environmental Aid Guidelines (CEEAG), adopted by the Commission by the end of 2021, provides that airports as well as airlines are eligible to receive State aid for greening purposes. Ground-handling equipment is also covered. It also covers support to renewable energy, such as SAF.

Concerning aircraft, state aid can be granted to (i) aircraft that have zero direct (tailpipe) CO<sub>2</sub> emissions or (ii) aircraft with substantially improved environmental performance as compared to aircraft corresponding to an alternative widely available on the market.

### **CEF Calls/CP1**

ERA is represented on the S3JU Governing Board through the Airspace Users' representative ([REDACTED]-IATA). The AUs have 10% of the voting rights. Therefore, they have access to all the info on the S3JU activities and calls.

ERA members are not much affected by the current CP1 functionalities, but they are interested in deploying Communications, Navigation and Surveillance (CNS) airborne infrastructure. This is why they were [REDACTED]

To be noted that the entire CEF budget for the topic that includes ATM is EUR 400M for all transport modes. No pre-allocation of budget per priority has been established. [REDACTED]

A possible solution to help smaller AUs to present applications may come from the future 'CNS programme manager', who could also assist stakeholders in setting up CNS projects.

**Contact:** [REDACTED]