Scene setter

- You will meet Brussels Airlines & the Lufthansa Group.

- In this meeting, you will exchange views on Lufthansa Group’s priorities for the next EU legislative cycle and particularly on how the reduction of aviation’s environmental footprint and the promotion of the sector’s competitiveness can go hand in hand whilst simultaneously safeguarding the EU’s strategic autonomy.

- They will bring notably the following subjects: the lack of “competition-neutrality” regarding the EU regulatory framework on EU aviation, the availability and affordability of Sustainable Aviation Fuels, and the EU’s external aviation policy. We expect Lufthansa Group to mention external competitiveness as a key challenge (carbon leakage). Potentially they could also raise specific issues, for example financial transparency vis-à-vis Qatar.

Objectives

- Explain the efforts and policies of the EU to promote the decarbonisation of aviation at the EU and the international level. Underline the importance of ReFuelEU Aviation for aviation’s decarbonisation.

- Link the adoption of ReFuelEU Aviation in the European Union to the agreement during CAAF3 - last November - on a global framework to promote SAF and achieve a global non-binding target of 5% CO2 emissions reduction in the aviation sector, through the usage of this type of fuel by 2030.

- Stress the fact that, now that ReFuelEU has entered into force, the focus should be in its implementation. To this matter, outreach to stimulate investments to produce SAF in the EU is essential, as well as creating the bridge between the different types of stakeholders involved/addressed by this Regulation such as fuel suppliers, airlines and airport operators. The Renewable and Low Carbon Fuel alliance is an important vehicle to create synergies between interested actors.

Decarbonisation - EU SAF policy & funding

Key messages

- With Fit for 55 package adopted, we are going through the very busy first years of implementation, with many delegated and implementing acts on-going that affect aviation, notably under ReFuelEU Aviation and under ETS.

- The EU is a frontrunner: the ReFuelEU Aviation Regulation will bring long-term market certainty for SAF supply, help deploy it at scale and bring down costs. It is expected to generate considerable CO2
emissions reductions, bring new SAF plants which creation of jobs and growth and decrease the current "price gap" between SAF and kerosene, and diversify energy supplies.

- The adoption of ReFuelEU Aviation Regulation played a pivotal role in shaping the CAAF3 outcome. The Regulation's clear commitment to SAF deployment has sent a strong signal to the global aviation community, encouraging further investment and development in SAF production and infrastructure worldwide. This positive momentum was evident at CAAF3, where participants expressed strong support for SAFs and their role in achieving a sustainable aviation industry.

- International aviation hubs are already announcing measures taken within their government to meet CAAF3 goals. By way of example, Singapore will require all departing flights to use at least 1% sustainable aviation fuel from 2026 and up to 5% by 2030, Turkey is moving ahead with its own SAF policy as well.

- In parallel to the ReFuelEU Aviation Regulation, we are pursuing support measures: (i) to support SAF production (R&D finance and support to accelerate approval of new SAF production pathways and new SAF plants, ETS innovation fund projects), (ii) to incentivise SAF uptake (environmental labelling, taxonomy), and (iv) working together with private sector notably through the Renewable and Low Carbon Fuel Alliance and cross-sectoral cooperation.

- We are also working on the anti-tankering guidelines, on the report regarding the flexibility period (Book and Claim) and the implementing regulation for the environmental labelling. All this secondary legislation will have a profound impact in the aviation sector and will help restore the confidence of the people in aviation. It will also ensure a level playing field for all aircraft operators [both EU and non-EU].

- We are also reflecting about preparing a report to assess international competitiveness including carbon leakage in the aviation sector. The report may point out towards possible remedies in case challenges to the international level playing field are found.

- I understand that the transition to SAF will require significant investments and effort from European airlines. However, the decarbonisation efforts are clear as a license to operate and grow for the aviation sector.

- Your commitment to innovation and collaboration is essential to ensuring that the European Aviation industry remains at the forefront of the global competitiveness and the green transition.
Defensive Points

**Beyond regulations, what else the EU is doing to support SAF?**

- Several financing tools to de-risk SAF production and support SAF development at all maturity stages:
  - Grants under the ETS Innovation Fund, can support development of SAF technologies to advance their commercial maturity. In the Large Scale Call, so far three SAF related projects were selected.
  - Grants under Horizon Europe, through its research programmes Horizon 2020 and Horizon Europe 119 SAF-related projects, with 24 of them directly related to fuels for aviation, with a budget of 493M€ and 150M€, respectively.
  - Financial instruments under InvestEU, thanks to the EU guarantee, the EIB and other partner banks can provide blended finance for high risk and high capex projects and de-risk investments into SAF, e.g. recent EIB loan of 120M€ to advanced biofuel plant in Spain.
  - The revised EU state aid rules, which allow support for SAF production and uptake.
  - European Hydrogen Bank will guarantee the purchase of hydrogen, notably by using resources from the Innovation Fund, through an investment of 3 billion € to help build the future market for hydrogen. It will be using a competitive bidding process in the form of auctions and therefore will provide and an efficient support to promising European projects. While the EHB initiative will support different industries, it will greatly support the production of synthetic aviation fuels in Europe.

- Fast tracking new SAF pathways and new SAF plants reaching the market:
  - EU Clearing House for SAF, that will support SAF producers help to speed up the time to market of new SAF technology pathways.
  - Net-Zero Industry Act lists SAF among net zero technologies, will help with faster permit approval and will potentially facilitate greater funding.

- Building industrial alliances and cooperation to create new value chains and pipeline of projects:
  - Renewable and Low-Carbon Fuels Value Chain Industrial Alliance (RLCF), that is a voluntary collaboration of stakeholders from entire value chain. Its ultimate objective is to ensure that aviation and waterborne transport have sufficient access to renewable and low carbon fuels. The Alliance will identify and address the opportunities and market barriers, including access to feedstock and finance, and support developing a pipeline of R&I and industrial projects.

**EU financial support under FF55 for SAF is divided into 3 distinct tools:**

- The Energy Tax Directive (2025 onwards)
  - If adopted, tax on fossil fuel kerosene will progressively increase until reaching its full rate in 2033 which represents a benefit of 457€/mt when using SAF.
Under ETD, we estimate the total tax incentive of using SAF to equal €0.84 billion from 2025 to 2029 and €4.56 billion from 2030 to 2035.

- Emissions Trading System (not limited in time)
  - The continued SAF zero-CO2 rating under the ETS Directive results in a benefit that is proportional to the carbon price (ETS allowance).
  - Considering a carbon price of 90€ between 2025 and 2030, we estimate the benefit of using SAF during that period to €0.9bn.

- ETS SAF Allowances (2025 – 2030)
  - SAF Allowances are designed to close the remaining price difference between SAF and fossil kerosene after deduction of the ETS and ETD financial incentives while promoting the best-in-class and most sustainable aviation fuels.
  - Depending on their price, we estimate the support of SAF Allowances to be:
    - Between 2.500€/mt and 4.000€/mt for RFNBOs.
    - Between 900€/mt and 1.700€/mt for advanced biofuels.
    - Between 150€/mt and 850€/mt for the rest.
  - Considering a carbon price ranging from 90€ to 100€ between 2025 and 2030, we estimate the total available funding of SAF Allowances to €1.8bn.

**External aviation: If LHG requests convergence on EU environmental and labour standards in EU aviation agreements:**

- The EU is the global pioneer and leader for advancing the provisions of air transport agreements on fair competition, social matters or environmental protection. And we have been very successful in this respect.

- But we should not forget that today most aviation agreements are negotiated by MSs. Therefore, unless MSs start requiring the same high standards as the EU does in these areas and refuse to grant new traffic rights unless they are included in the bilateral agreements, we will not be able to make any progress. This is so because third countries will refuse to negotiate with the EU and will prefer to follow the bilateral route with MSs that is less demanding in these areas.

- LHG should help us in making sure there is a more harmonised aviation policy at MSs level.

**External aviation: What does the EU have to gain from an agreement with Qatar, given the small market?**

- Prior to the EU-Qatar aviation agreement, most Member States had already completely liberalised direct traffic with Qatar. However, none of these agreements provide for a level playing field: They did not cover fair competition, environment, social issues, transparency, and lack comparable strong enforcement mechanisms.
You know that the EU-Qatar agreement was never about market access for EU carriers. It was about ensuring a modern framework for air transport, including robust fair competition provisions as requested by FR and DE in particular at the initiative of LHG and AFKLM. At the request of stakeholders, we have even negotiated a 5-year transitional period for phasing in traffic rights with an even slower pace of liberalisation for hub airports.

We have 100% delivered on the negotiating mandate, and upgraded the fair competition, social and environmental provisions applicable for all traffic between the EU and Qatar. The EU-Qatar aviation agreement has set new global standards on these matters.

**External aviation: In case LHG raises financial transparency in relations to Qatar:**

The EU-Qatar aviation agreement has set new global standards on financial transparency. Qatar Airways is now publishing comprehensive financial information, which it has not done prior to the EU negotiations.

- We have now twice had a detailed discussion at the Joint Committee, for which the Qatari side has made [redacted] available. We continue to take this issue very seriously when implementing the CATA. At the last JC, we have addressed the issues that LHG, AFKLM, ENAA brought to our attention and my team remains available for any useful input you may have.

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External aviation: Stakeholders should be listened to more in future EU aviation negotiations:

- This is always the case: Trade Unions (such as European and International Transport Workers Federations, the European Cockpit Association, or the European Cabin Crew Association) and other stakeholders (such as Lufthansa Group, AirFrance-KLM, airports) are already involved at all stages of EU aviation negotiations. They receive the negotiating documents, are being consulted, and even attend negotiating rounds.

- To give you an example: at the very origin of the negotiations with Qatar were stakeholders’ concerns about unfair competitive practices and insufficient rules in the legal frameworks to address them. In the negotiations, we did not stop negotiating provisions on fair competition, market access and social matters until EU stakeholders were happy with the result. We even negotiated a transition phase that protects the hub airports of LHG.

- I believe that stakeholders are already very well listened to. I encourage your members to continue being active stakeholders also in future EU aviation negotiations.

In case Noise at BRU airport is raised

- At this stage we are not aware of any official request by the Belgian government on this regard. The Commission generally supports Member States measures addressing the health concerns of their citizens, such as mitigating noise exposure around EU airports. As guardian of the Treaties, the Commission must make sure that such measures are also compatible with internal market principles and regulations, and applicable international obligations.
**Background**

**ReFuelEU Aviation**

The ReFuelEU Aviation Regulation entered into force on 20 November 2023. The regulation aims to boost the supply and uptake of SAF in the Union, with the spill over impacts on increased production of SAF worldwide and pioneering the creation of the SAF market by driving the demand.

- ReFuelEU Aviation sets a binding share of SAF to be supplied at Union airports by aviation fuel suppliers the in the scope of the Regulation.

- The overall SAF binding minimum shares includes a dedicated binding share for synthetic aviation fuels (i.e. e-fuels or power-to-liquid) to incentivise investments into these fuels given their high scalability and emissions reduction potential. Synthetic aviation fuels have the potential to have a net-zero carbon impact.

- The binding shares of SAF and synthetic aviation fuels are the same across the whole Union and Members States cannot impose different shares on their territory.

- The eligible SAF include sustainable drop-in fuels of renewable origin that can be classified into 3 categories: (1) synthetic aviation fuels, (2) aviation biofuels and (3) recycled aviation carbon fuels. All of them have be compliant with the sustainability framework laid down under Directive (EU) 2018/2001 to be eligible to fulfil the minimum shares under ReFuelEU Aviation.

**Additional information on key deliverables**

**Book and claim:**

- the Commission will carry out a feasibility study in 2023-24 to assess the needs for additional flexibility for SAF supply and the possible design and impacts of such a system. On the basis of this study, a report we will publish a report by 1 July 2024.

- This is a new concept in EU Energy policy and currently not widely understood in the same way in the industry. Stakeholders have different views on what book and claim means, how it works and who should be in charge of what. Therefore, further research seems pertinent to clarify how such a possible system might look like.

- Such a feasibility study will also take account that after the flexibility mechanism, this is as of 2035, SAF will have to be supplied to all Union airports without exception. The final objective of ReFuelEU Aviation is to ensure all regions of Europe and all airlines have access to (an increasingly higher share of) SAF to replace fossil kerosene.

- While there could be various benefits of such a book and claim system, the related issues need related to the essential functioning of such a system that must be well examined. Notably (i) its compatibility with the existing European legislation (e.g., EU ETS, ETD or RED), (ii) ways to avoid double claims and the risk of fraud, and (iii) the question of overall added value and effectiveness in SAF production, supply and uptake.
Anti-tankering Guidelines

- Anti-tankering provisions in the Regulation are important to keep the Regulation effective and notably to avoid any kinds of circumventions of the blending mandates.
- Exemptions can be granted for safety reasons and on a temporary and exceptional basis by MS authorities in case of serious and reoccurring operational difficulties or structural fuel supply difficulties on certain types of routes.
- We will adopt Guidelines on the procedure to grant exemptions to ensure the equal application across the Union and making sure that the overall ambition of the Regulation is preserved.

Environmental label

- The Regulation sets up a voluntary flight environmental label (Article 14). This environmental label will not define whether a flight is or not green. It will provide a common methodology to communicate the environmental footprint of a certain flight.
- Aircraft operators will be able to opting-in to the environmental label. They will have to do so for all their departing flights covered by ReFuelEU Aviation. Additionally, aircraft operators may wish to add all their flights not covered by this Regulation (i.e., incoming flights into the EU for instance).
- In order for consumers to be able to make an informed choice, robust, reliable, independent, and harmonised information is needed on the environmental impact of flights.
- The methodology for the calculation of the label will be developed by the Commission together with EASA in 2023 and 2024 and will be detailed in an implementing act that will be adopted by the end of 2024. The label will have the possibility to be updated easily to keep up with technological changes and international and European standards.

EU external aviation policy/EU aviation agreements:

Traditionally, air transport agreements are negotiated by Member States, do not include social provisions and mostly focus on market access (traffic rights). The negotiation of EU-level air transport agreements requires a Council mandate. EU aviation agreements go beyond traffic rights. They provide a single set of rules, a level playing field, and a platform for future cooperation on a wide range of issues.

The Commission systematically seeks to negotiate provisions on social matters along other important issues (safety, security, fair competition, ATM, doing-business issues, environment etc.).

There are currently 14 EU-level air transport agreements in place (US, Canada, ASEAN, Qatar, Switzerland, Morocco, Jordan, Israel, Western Balkans, Georgia, Moldova, Armenia, Ukraine and the UK [via the TCA aviation chapter]). An Agreement with Azerbaijan is under negotiation and EU agreements with Oman and Tunisia are pending signature. In 2022, the Commission requested new negotiating mandates for Colombia, India, and South Korea which are still being discussed at Council...
Stakeholders such as LHG or trade Unions, are consulted at all stages of the negotiations along with other stakeholders, receive the negotiating documents, are consulted on them and attend the negotiating rounds.

Not a single existing bilateral air transport agreement of EU Member States includes similar fair competition, social or environmental provisions compared to the latest generation of EU aviation agreements (ASEAN, Qatar etc.).