



Commissioner Adina Vălean

Head of Cabinet Walter Goetz

Meeting with [REDACTED] **IAG**

25 January 2023

CAB room

Brussels

Member of Cabinet responsible:

Member accompanying:

DG participant(s): (including contact number):

Scene Setter

You will meet [REDACTED] International Airlines Group (IAG). The purpose of the meeting is to prepare for a high-level meeting between Commissioner Vălean and [REDACTED] IAG [REDACTED]). Today's meeting is expected to involve an exchange of views on topics of common interest related to aviation, notably (i) ownership & control, (ii) slot regulation revision, (iii) multimodal digital mobility services (MDMS) and (iv) the Green Deal objectives for aviation in general. You may also want to raise a point on (v) the Single European Sky 2+ (SES2+), as airline associations have recently started to question whether any progress on the file will be made and if it would not be better to come up with a new proposal altogether.

On ownership and control, IAG supports the relaxation of rules which require EU airlines to be majority owned and effectively controlled by EU nationals and/or Member States. In relation to slots, IAG would welcome certain aspects of the regulation's revision, but would likely oppose measures that interfere with their flexibility over slot use (e.g. increasing use rate or series length).

Regarding MDMS, IAG supports the initiative in as far as the integration of Computerised Reservation Systems (CRS) Regulation includes retaining neutral display and provisions protecting the fair treatment of airlines by CRSs. IAG would strongly oppose the initiative if it includes an obligation for airlines to provide full content to CRSs and MDMSs.

Objectives

- To identify topics of common interest for the future meeting between Commissioner Vălean and [REDACTED] IAG.
- To update [REDACTED] on the Commission's upcoming proposals in the field of aviation and obtain IAG's views on policy options.
- To exchange on the progress on Fit for 55 files and learn more about IAG's strategy on sustainable aviation fuels.
- To call on IAG to proactively engage with Member States to advocate for progress on the SES2+ and to continue active participation in the development of new metrics for the measurement of environmental performance of air traffic management *[see background]*.

Speaking points

OWNERSHIP & CONTROL

- The Commission will present a revision of the Air Services Regulation in 2023. The impact assessment is currently underway and all contributions to the policy debate are very welcome.
- Ownership and control is one of the most pertinent issues under discussion. The challenges facing the airline sector today make access to capital more important than ever.
- As part of the impact assessment, the Commission is looking at a range of options to ensure that EU airlines can continue to adequately access capital *[see background]*.
- At the same time, the investigated options will aim to safeguard the EU's strategic autonomy, uphold social rights and incentivise the green transition.

SLOT REGULATION

- Changes in the aviation market warrant a revision of the existing slot rules. However, the Commission's proposal from 2011 is no longer fit for purpose. We therefore intend to withdraw it and draft a new revision proposal.
- An impact assessment support study for the revision was launched in November 2022. Targeted consultations of relevant stakeholders will start very soon *[planned end January 2023]*.
- We are working towards adopting a new proposal in Q3 of 2023.

MULTIMODAL DIGITAL MOBILITY SERVICES

- The Commission is carrying out an impact assessment for its forthcoming initiative on multimodal digital mobility services.
- The main objective of the initiative is to enhance comparability of – and facilitated access to – offers so to drive a shift towards more sustainable and multimodal mobility.
- Given the thematic synergies and overlaps, the initiative will also include the provision *[from Regulation 80/2009]* on a Code of Conduct for Computerised Reservation Systems so to cover the entire ticket distribution value chain across different modes of transport.
- The initiative will consider obligations to conclude reselling agreements between operators and multimodal digital mobility services *[both business-to-consumer and business-to-business]* with a framework based on fair, reasonable, and non-discriminatory terms.
- We are currently considering that these obligations should only apply to long-distance operators and multimodal digital mobility services with (very) high market share and negotiating power.
- A public workshop presenting the initiative to relevant stakeholders may be expected in February. Commission's proposal is expected to follow in the second quarter of 2023.

GREEN DEAL OBJECTIVES FOR AVIATION

- We are making steady progress on our Fit for 55 files linked to transport.
- As regards ReFuelEU, the main remaining issues are (i) widening of the definition of sustainable aviation fuels, (ii) flexibility on anti-tankering rules and (iii) the level of ambition and the associated flexibility to set higher national obligations. We hope to see an agreement between co-legislators on the file in Q1 2023 still.
- Under the Alternative Fuels Infrastructure Regulation, the Commission proposed an obligation on all TEN-T airports to provide electricity to stationary aircraft from 2025 at all contact stands and from 2030 at all remote stands. Discussions are ongoing on possible exemptions for smaller airports *[Council requests an exemption for airports with less than 10,000 annual commercial flight movements]*. We expect an agreement on the file by Easter.
- As regards ETS Aviation, an agreement was reached in December. A review of CORSIA shall be undertaken by the Commission in 2026. The free allocation of allowances will be phased out in two years *[2024 and 2025]*, but there will be compensation for some sustainable aviation fuel purchases up to 2030. There will also be a requirement to start monitoring non-CO2 emissions from 2025.
- In relation to energy taxation, the main outstanding issues relate to (i) kerosene and/or ticket tax, (ii) a transitional period for kerosene tax, (iii) geographical and connectivity concerns, and (iv) issues of international competitiveness and fuel tankering.
- What is IAG's strategy in the sustainability space, in particular as regards sustainable aviation fuels?

SINGLE EUROPEAN SKY 2+

- The single European Sky reform remains essential to achieving efficiency and environmental improvements in air traffic management. The clock is ticking – we need to conclude the negotiations by the end of the Spanish Presidency.
- Airlines have a key role to play in conveying the importance of this reform. I hope we can count on you to advocate for progress on this file and to explain the benefits of the reform for the airlines industry to Member States.

[On metrics for assessing environmental performance of air traffic management]

- We need to improve the metrics used to regulate the performance of air navigation service providers. The reform's delay puts into question which changes can realistically be made for the next reference period.
- However, work is ongoing – including by a group of stakeholders coordinated by Eurocontrol. We encourage Vueling and other partners to continue participating in this work in the future.
- We need to have certainty that routes flown are indeed the most fuel efficient, and this will require airlines to share what may possibly be sensitive operational data. It will therefore be critical to think about how the related data flows could be set up and formalised.

Defensives

Multimodal digital mobility services

Why is the Commission considering an obligation on content access if this would deprive airline of the right to freely negotiate with MDMS?

- Any proposed obligations by the Commission will be carefully assessed and based on identified market failures as well as the competitive situation in the specific market and mode.
- Only actors that have a key role in the multimodal transportation system as a result of their high market share and negotiating power will be subject to obligations, based on fair, reasonable, and non-discriminatory terms.

Fit for 55

Why does the Commission not support a book & claim system for airlines under ReFuelEU Aviation?

- The Commission's proposal already provides a flexibility mechanism during the transition period. We must keep in mind the objective of the proposal – that sustainable aviation fuels should gradually be available at all airports.
- The proposal contains a revision clause which would allow to consider a book & claim (or similar) system based on the early experience of the regulation's implementation.
- It is essential that before any similar system is proposed its feasibility and necessity is thoroughly considered, including its compatibility with other EU laws [e.g. ETS, ETD, RED]. It should also not undermine the internal market and environmental integrity of the ReFuelEU Aviation initiative.

Is EU's implementation of CORSIA complaint with ICAO rules?

- The EU is fully committed to CORSIA and will implement it as closely as feasible to the standards which we helped design. The implementation of CORSIA in Europe is undertaken through the ETS Directive.
- The only major difference in COM's proposal relates to the offsetting of emissions stemming from intra-EEA rules. We will only accept another "currency" – the ETS allowance – that represents a higher level of ambition.

SES2+

Why does the Commission not consider a new proposal on SES2+?

- We are paying very close attention to the results of the ongoing negotiations and will not accept any dilution of the existing level of ambition.

Our proposed reform provides concrete means to achieve tangible improvements, notably in terms of improved performance of air navigation service providers and better network management.

- We urgently need to reform the sector. A new proposal could take years to see the light of day. It is essential to focus on tangible incremental improvements as soon as possible, on the basis of what is on the table now.

Background notes

1. Air Services Regulation – ownership & control rules

The revision of the Air Services Regulation covers a wide range of topics. One of the most sensitive concerns is the possible relaxation of the ownership and control requirements.

Stakeholders have been consulted on five policy options: (i) clarification of the current rules, in particular as regards complex structures, (ii) relaxation of ownership restrictions, but retaining existing requirement for EU control; (iii) relaxation of O&C for third country institutional investors only (e.g. pension funds); (iv) relaxation of O&C for all investors, with an aviation-specific screening mechanism to address strategic concerns; and (v) relaxation of O&C for all investors from certain third countries (e.g. those which have a Comprehensive Air Transport Agreement (CATA) with the EU)

2. Slot Regulation – forthcoming revision

The impact assessment for the forthcoming revision of the slots regulation will look at (i) measures to ensure the efficient use of airport capacity and competition, including improving the way capacity declarations are carried out and promoting slot mobility through trading; (ii) measures to improve functioning and independence of slot-coordinators; (iii) measures to align the Slot Regulation with other EU policies and legislation; and (iv) measures to address crises.

3. ETS Aviation – agreement reached in trilogue

The co-legislators agreed to extend the stop-the-clock provision limiting the scope of ETS to intra-EEA flights until the end of 2026. They also request a report of the Commission by 1 July 2026 – accompanied by a legal proposal – assessing whether ICAO has strengthened CORSIA and whether it reaches 70% of coverage of international aviation CO₂ emissions. If the Commission does not make a proposal, the stop-the-clock provision will expire and ETS will apply to all departing flights, which would pose a major threat to CORSIA and climate action in ICAO.

As regards allowances, the agreed phase-out of free allowances in 2024 and 2025 instead of one year later as proposed by the Commission means that full carbon pricing will apply one year earlier. The impact of this change will mostly be felt by airlines that have substantial “grandfathering rights” (to free allocation) and will largely depend on the ETS allowance market price (currently around 84 EUR/tonne after having peaked at 98 EUR/tonne in August 2022). ETS Aviation will also contribute to closing the price gap for airlines between sustainable aviation fuel and kerosene by reserving, for the period from 1 January 2024 until 31 December 2030, a maximum of 20 million of the total quantity of allowances.

Lastly, as regards non-CO₂ emissions, it was agreed to follow a two-step approach. Monitoring and reporting would start in 2025 (based on an Implementing Act). The Commission would then report after two years and make a legislative proposal in 2028 to address the effects of non-CO₂ emissions.

4. Environmental performance of air traffic management – metric development

Vueling cooperates with the Spanish air navigation service provider ENAIRE to develop new metrics for measuring and analysing the environmental performance of air traffic management. The initiative has already delivered some promising initial results which could inform the development of future environment key performance indicators based on the concept of “optimal route”. However, the envisaged new methodology requires further development and testing as it is currently not mature enough for regulatory purposes. It is also conditional on the availability of data, in particular from airlines, which is currently not reported to the Commission.

Contacts:

[REDACTED]