

Memory jogger

1. Slot Relief – Summer 2022 & LH “unnecessary flights” media story

Delegated Act adopted on 17 December (now in EP/Council scrutiny for 2 months). Traffic outlook justifies a slot use-rate of 64% + JNUS (force majeure) exception. Airlines and airports welcomed this 64% use rate.

- Progress in booster vaccination + successful use of EU DCC
- Eurocontrol forecast predicts yearly average of 89% in 2022 [*NB. This is according to middle scenario, excluding new variants of concern. Low scenario predicts 74% in 2022. 64% still defensible though*]
- Initially we intended to set the rate at 70% but revised downwards because long-haul traffic recovery is lagging behind which also has an impact on intra-EU feeder traffic.
- Early January actual air traffic forecast is 77% compared to the pre-Omicron forecast of 79% for the same period. This demonstrates that the 89% forecast for the whole of 2022 is achievable.
- **Lufthansa’s “unnecessary flights” – LH failed to present any evidence! Very harmful stunt for the whole industry to play the “green” card! Aviation as a whole is back in the negative spotlight!**

2. Fit for 55 Package

- **ETS:** Gradual phase out of free allowances by the end of 2026. Application for intra-EU flights only.
- **ReFuelEU:** fuel suppliers to blend at least 2% by 2025, 5% by 2030, 20% by 2035. We include sub-targets for e-fuels, with 0.7% by 2030 and 5% by 2035. Flanking measures: Renewable and Low Carbon Fuels Alliance, Funding Mechanisms (R&D/Green Taxonomy).
- **ETD:** Kerosene will be gradually taxed from 2023 to 2033, SAF + e-fuels will benefit from a minimum zero rate for a 10-year transitional period (afterwards very low tax rate). This will benefit SAF uptake.
- **CORSIA:** EU remains committed to implement CORSIA –started its offsetting phase in January. At the same time, to reflect the EU’s climate ambition, we proposed to pay particular attention to certain aspects of CORSIA i.e. (i) the need to avoid the risk of double counting of emissions; (ii) the need to foster high participation by States and (iii) the need to ensure compliance.
- **AFIR:** we impose an obligation (on airport managing bodies) to ensure that stationary aircraft are supplied with electricity at TEN-T core and comprehensive airports → 2025 – for all gates (points connected with a passenger boarding bridge); 2030 – for outfield posts (points not connected with a passenger boarding bridge).

SES reform

- Council General Approach & EP positions adopted respectively last June. July-December 2021: Two political trilogues and several technical trilogues, mainly on network management, certification and independence of NSAs. Not yet possible to conclude on those topics. SI PCY presented state of play at the 9 December Transport Council.
- Lack of flexibility from EP and Council on network management, despite sharing the same objectives.
- Unclear signals from FR PCY as regards level of ambition to bring the file forward. FR may start discussions on complex topics of service provision (economic regulation, voluntary liberalisation).
- Outcome of the reform is in jeopardy without a strong shift of mindset from Member States and from stakeholders. If you want things to change, you and in particular your members have to be a strong advocate for this file.

SES – Network Management Board

- ***My understanding is that the Single Sky Committee is not supporting [REDACTED] nomination to the NMB and as their vice chair. Can you provide more details? Is there a way we can convince them otherwise?***
- Indeed [REDACTED] nomination to the NMB was blocked in the SSC. The reason for that is that [REDACTED] not deemed to have sufficient operational experience. As you know, EU Member States are keen to ensure that the NMB remains an operational body. It seems also this will be a persistent problem so we will need to find another candidate. However, I don't see this as a personal issue against [REDACTED]. I trust that A4E can support a process whereby we come up with an alternate candidate, which can be approved by the SSC. Ideally, we should have a new name by the end of January in order for us to have time to adjust our legislative proposal that goes to the SSC.
- ***Why can't the Commission support the nomination of NATS to the NMB? Their participation is crucial for the pan European network.***
- The Commission is still examining this nomination and the SSC will have to come back to the issue at its next meeting in March. It can't be excluded however that Eurocontrol will have to nominate a new candidate or that this seat will have to remain empty for the time being. It should be clear in any case that the Commission and the SSC have a margin of discretion since this is an issue for Union legislation and by no means are they obliged to follow the proposals for nomination by stakeholders.

Defensives

Can airlines afford SAF? What is the price gap with fossil kerosene?

- It is true that SAF is more costly than fossil kerosene. Airlines will incur a higher price. But this is far from unsurmountable! The SAF that will be on the market tomorrow (HEFA) is around 4.5 times the price of fossil kerosene. Thanks to the Emissions Trading System, the difference in what airlines pay is further narrowed. Also the Fit for 55 proposal on taxation of jet fuels provide important financial benefits to SAF compared to kerosene.
- With the targets we proposed (2% by 2025, 5% by 2030 and 20% by 2035) the ticket price increase will be very moderate (the Impact Assessment estimated ~1% by 2030 and ~5% by 2040)!
- Of course, if you look at e-fuels, it's even more expensive than fossil kerosene. But the e-fuels industry and experts are confident that this price will also come down over time. Economies of scale will play a role, as well as the expected steady rise of fossil kerosene prices.
- IATA also confirm that SAF prices are expected to significantly decrease over time and become price-competitive with fossil kerosene before 2050.
- To bring prices down, the key is to scale up production. Apart from the SAF blending mandate, the Commission is also launching an industrial alliance on Renewable and Low Carbon Fuels with a focus on SAF. The purpose of the alliance is to scale-up production and make SAF more economically attractive.

Under ReFuelEU Aviation, what can we do to limit the impact on the competitiveness of EU airlines?

- Under ReFuelEU Aviation, all airlines (EU and non-EU) are subject to the same obligations, regardless of nationality or destinations. We must preserve by all means the EU-level of ambition. Differing national obligations would be unmanageable for the airlines and would create real distortions.
- However, it is possible that EU airlines flying long intercontinental flights may have to bear a higher SAF cost than their direct competitors flying through non-EU hubs (e.g. via Istanbul or Gulf States).
- We are aware of some proposals made by certain airlines to reduce the scope of the SAF mandate to only intra-EEA flights. This is impossible for several reasons.
 - It would reduce significantly the climate ambition of the measure.
 - It would not decarbonise extra-EEA flights, whereas medium and long-haul flights account for the bulk of emissions.
 - It would cause distortions of competition on regional or point-to-point airlines vis-à-vis inter-continental airlines.
- We are aware of some proposals by airlines (Lufthansa) in favour of a ticket levy for SAF according to the passenger's final destination, where the revenues would be earmarked

for Member State-level SAF procurements. I see this as difficult to implement and possibly quite heavy bureaucratically. I could also see quite strong opposition from non-EU airlines, on which 1st-leg flight a ticket levy would be applied for the entire journey. (e.g. a passenger flying from Paris to Tokyo via Istanbul would pay the SAF ticket levy on the Paris-Istanbul flight, for an amount proportionate to the whole length of the journey towards Tokyo).

ReFuelEU Aviation: Why has COM not proposed a book & claim system for airlines?

- We would have considered the possibility of such a system if the Regulation set quantified SAF targets on airlines. But this is not the case. The Regulation imposes obligations on fuel producers to ensure that the EU market is supplied with a minimum level of SAF.
- We do not see a need for book & claim because by 2030, the Regulation requires SAF to be supplied to all airports. If an airline wishes to use more SAF, this should be possible by requesting their fuel supplier to do so. No need for any legal requirement or obligation to do so.
- Indeed, the proposed Regulation set out a minimum SAF share to be supplied to the aviation market. It is based on the principle of market freedom. Airlines wishing to use SAF at a given airport (even if not covered in the scope) or more SAF than the minimum share supplied at a given airport would be fully free to do so.
- In any case, the delivery of SAF to a particular airline at any given airport will rely on contractual arrangements made between that airline and its fuel supplier. There is no need for a book and claim system for this purpose, as this is already how things work for the supply of fossil kerosene.
- For smaller airports not covered under the proposed Regulation, a possibility of opt-in would allow them to be supplied with the same minimum SAF shares as other airports.
- Besides, a book & claim system could easily lead airlines to communicate and “double claim” SAF use. The airline that paid for the SAF and the airline that is actually using it could both declare that they are flying “more sustainably”.
- Even with strong safeguards against such double, a book and claim system would make it possible for an airline flying without SAF on a flight e.g. Paris-Frankfort, to claim it is flying “more sustainably” whereas the actual physical SAF uplift took place on a flight e.g. Singapore-Bangkok. And let’s not ignore the complexity of the matter regarding the differences on the set of sustainability criteria and eligible feed-stocks that SAF bought in Singapore or California and in Amsterdam or Madrid will certainly have, which would render any Book and Claim system almost impossible.
- What we need is airlines claiming use of SAF when and where they actually use SAF. Not a new controversy or the aviation sector about airlines making fallacious or difficult to understand sustainability claims.

- Finally, there is no precedent of such a book and claim system whose complexity cannot be denied. It could become very sensitive if it is not perceived by all as a perfectly fraud-proof system. It is not clear what impact it would have on the environmental integrity of the Regulation and on the administrative burden.

ReFuelEU Aviation: How do you avoid putting EU aviation industry at competitive disadvantage with non-EU industry?

- It is essential that all aviation players (EU and non-EU) contribute to the SAF transition and bear the (financial) effort of using SAF. There should be no difference of treatment depending on the nationality of the airlines. An anti-tankering measure will ensure that all airlines take up SAF.
- With moderate targets at the start, the impact on ticket prices will be minimal (around 1% increase by 2030). We don't see any potential for distortion with such levels.

We need to continue working at ICAO level towards establishing global SAF targets. This will ensure even further a level playing field.

[REDACTED] (Tel. [REDACTED]) MOVE E1

[REDACTED] (Tel. [REDACTED]), [REDACTED] (Tel. [REDACTED]) MOVE E3