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## FROM THE MD

Amid rising concerns about global warming and demands to tackle climate and environmental-related challenges, the European Commission (EC) in December presented its “European Green Deal”, a roadmap for making the EU’s economy sustainable by turning climate challenges into opportunities and accelerating the transition towards carbon neutrality by 2050. These overall goals will be first enshrined in a proposed “EU Climate law” in March 2020 and as a strategy for sustainable and smart mobility by the end of this year.

By summer 2020, the EC will present a comprehensive plan to increase the EU 2030 climate target to at least 50% and possibly towards 55% in a responsible way compared to 1990. To deliver these additional CO2 emissions reductions, the EC will propose to revise, by June 2021, all relevant climate related policy instruments. All sectors of the economy, notably transport, energy, agriculture, buildings, and industries such as steel, cement, telecommunications (ICT),

textiles and chemicals are concerned. As it relates to aviation, specifically, the Commission plans to:

- Restart work on the Single European Sky Regulation (SES2+);
- Consider legislative options to boost the production and uptake of sustainable aviation fuels (SAFs);
- Revise the Energy Taxation Directive to end fossil-fuel subsidies and assess the current tax exemptions for kerosene;
- In coordination with ICAO, address the pricing of carbon emissions, through, e.g. a reduction in the free allowances airlines receive from Members States under the EU Emissions Trading System (EU ETS);
- Propose more stringent air pollutant emissions standards for combustion-engine vehicles;
- Improve air quality near airports by tackling the emissions of pollutants by airplanes and airport operations.

The EU will ramp up efforts to promote and implement ambitious environmental and climate policies across the world through the development of a stronger “green deal diplomacy”. In line with its environmental targets, and as part of its industrial strategy -- the Commission also intends to launch its ‘Refuel EU’ initiative through which every major airport should be able to make use of SAFs by 2025.

It is clear that the drive towards a full decarbonization of Europe’s aviation sector will only accelerate, with an objective to make the continent’s skies the most efficient and environmentally friendly in the world. As an industry, we have a responsibility to contribute to this transition, whilst also better communicating our ambitions and efforts to both passengers and policy makers alike.

A4E members want to be part of the Green Deal solution. It is a challenge we face head-on, and one we are confident we will meet. Since autumn 2019, A4E has led a sustainability initiative together with Europe’s airports, manufacturers, airlines and air traffic controllers. The resulting industry decarbonization roadmap will identify the opportunities to cut aviation emissions in Europe and how each party can act in the short and medium term. To begin, we will focus our work on legislative initiatives such as Europe’s Single European Sky and SAFs.

In parallel, it is important that factual information is shared with policy makers and the public when it comes to sustainable aviation, in order to help them #FlyAware in the future. We take our responsibility very seriously and look forward to continuing the good work that will underpin a greener future for aviation.

*Thomas Reynaert, Managing Director, A4E*



## AIRSPACE

## Study: Fully implementing Europe's Single Aviation Market could save the EU Economy up to €37 bn per year

### Nearly half (€17.4 bn) of cost savings could be achieved by updating and implementing the Single European Sky Regulatory framework

The single market for aviation is one of the major achievements of the EU. It has allowed airline competition to flourish, providing travellers with better connectivity, lower fares and enabling the free movement of people and goods throughout the continent – a cornerstone of European integration.

However a new study<sup>1</sup> found that the single aviation market is incomplete, costing EU airlines, their passengers and society up to €37 billion per year due to gaps in existing legislation and inconsistencies in the way aviation rules and processes are applied by member states. Nearly half of these costs, (€17.4 bn) could be saved by implementing an updated Single European Sky (SES) regulatory framework.

In 2013, the European Commission estimated that implementing the Single European Sky would yield an annual cost savings of €5 bn<sup>2</sup>. Seven years later, this amount has more than tripled due to the continued absence of a seamless European airspace structure and an updated SES regulatory framework. Its implementation would allow airlines to put these costs to better use – for example by investing in new aircraft technologies or sustainable aviation fuels.

<sup>1</sup> ICCSA-University of Bergamo for A4E, Cost of Non-Europe in Aviation (CONEA), Feb 2019.

<sup>2</sup> European Commission, Press Release Single Sky: Commission acts to unblock congestion in Europe's airspace, 11 June 2013

## Airspace Reform: Fewer Delays and Disruptions in 2020?

Another year has passed without the Single European Sky (SES). Another year of inefficient routings, unnecessary emissions, and unnecessary costs (up to €17.6 billion, according to a new study<sup>1</sup>). On the plus side, industry and policy makers rallied like never before to put SES implementation – and the up to 10% reduction in CO2 emissions it could deliver -- back on the table in Brussels, with important decisions on regulatory updates agreed at the December 2019 Transport Council meeting.

Compared to 2018, en-route air traffic flight management delays (ATFM) are down by 9%. There were 24% fewer weather-related delays and over 13% less strike delays. This all contributed to an improvement in the overall delay situation last year. Despite this, however, delays related to structural issues (such as a lack of air traffic controllers and fragmentation of the European airspace) increased by 2.7%, revealing the source of the problem remains unaddressed.

To mitigate these challenges and keep delays in check A4E airlines worked with Eurocontrol's Network Manager, Air Navigation Service Providers and other airlines to implement specific operational measures during the peak summer traffic season. A4E was sceptical – though slightly optimistic, about the success of these operational measures. We viewed them as putting band-aids on a known problem. Did the measures work? Yes. Are they the only reason for the

The study looked at five key bottlenecks which would strengthen the competitiveness of Europe's aviation sector over the long term, preserving connectivity and generating significant socio-economic benefits:

- ✓ Lack of a Single European Sky, due to airspace inefficiencies and their related socio-economic costs (up to €17.4 billion/year);
- ✓ Unilateral aviation taxes which distort the EU's internal market and create an uneven playing field (up to €16.7 billion/year could be gained by abolishing them);
- ✓ Airport charges: More effective regulation and better enforcement of the EU's Airport Charges Directive could yield up to €2bn/year in savings;
- ✓ Reintroduction of border controls within the Schengen area and lack of adequate staffing levels, causing passenger delays and additional operational costs of up to €1 billion/year;
- ✓ Lack of consistent implementation of new EU customs rules (Union Customs Code) causing unnecessary administrative costs and thereby impacting EU cargo carriers' competitiveness (amount undefined).

### Cost of Incomplete Single Market for Aviation in Europe – up to €37 bn/year



reduction in delays this year? No. Most importantly, what happens when the band-aids come off?

In parallel, airline traffic growth reduced to just about 0.8% compared to the around 3% predicted for 2019. Besides the better weather and fewer ATC strikes during the summer months, airlines also introduced their own operational measures to mitigate delays, namely by allocating the equivalent of around 150 spare aircraft, for example, and by hiring more staff on the ground.

The 2019 delays reveal that the structural issues related to capacity, staffing and airspace design will remain problematic in 2020 – and therefore need to be urgently addressed this year (top of the list)! This requires a swift implementation of the European Commission's Airspace Architecture Study recommendations, which A4E will support wherever it can.

Therefore, on airspace reform this year, we expect:

- ➔ A less-congested 2020 summer traffic season, with fewer delays and re-routings (for our passengers, and our planet), and --
- ➔ A sensible update of the SES regulation in the shortest possible timeframe.

<sup>1</sup> The Cost of Non-Europe in Aviation, University of Bergamo for A4E, March 2020

## ENVIRONMENT

## Europe needs a dedicated innovative aviation fuels industrial strategy, now!

Rising up to the challenges presented by climate change will be a defining political and industrial ambition in the years to come. The shift towards a zero and low-carbon economy in Europe will require a radical overhaul of current policies. Doing so, however, would enable robust economic development and limit the rise in global temperatures to well below 2°C, possibly as close as possible to 1.5°C.

Decarbonization of the harder-to-abate sectors is possible, both economically and technologically. It also represents a massive opportunity for Europe to spearhead the global development of a new climate economy. Reducing aviation's carbon footprint and its dependency on fossil fuels will ultimately depend on the development of novel and sustainable jet fuels, bio or synthetic.

Sustainable aviation fuels (SAFs) are obtained from sources other than petroleum, such as woody biomass, recycled waste or other renewable sources, whilst avoiding other adverse sustainability impacts (e.g. land use). These innovative fuels reduce emissions through their production process. They can also be mixed with conventional fossil-based aviation fuels. The use of these fuels does not require any modifications to aircraft, turbines or refueling infrastructure. They allow a reduction of direct 'well-to-wake' CO<sub>2</sub> emissions by up to 70% compared to fossil fuels.

Whilst the technology behind SAFs is proven and certified, their production currently accounts for less than 0.1% of total jet fuel demand. High costs, an absence of incentives for airlines and operators and fragmented regulations are to blame for the current stalemate. The deployment of such fuels is less dependent on the technological feasibility of the innovation than on the implementation of the right energy framework.

A dedicated industrial strategy for sustainable aviation fuels in Europe is urgently needed. It should:

- drive the creation of additional SAF production capacity in Europe (access to finance, loans, grants to facilitate scaling-up of plants);
- stimulate the production and availability of raw materials, including imports;

- support mechanisms to cover additional costs for products delivered into the market;
- include a regulation built on clear objectives, containing an aviation-specific robust life cycle assessment (LCA)/validation methodology that is neutral towards conversion technology and raw materials;
- accelerate R&D and financing programs such as the Innovation Fund, e.g. to expand the feedstock base to market introduction;
- develop hydrogen, carbon capture and storage, renewable electricity for electrofuels.

Supervised by the European Commission's Directorate-General for Mobility and Transport, these elements of the strategy need to be closely coordinated with Europe's future energy, climate, innovation and research policies under the framework of a strategy for green growth. At EU and national level, funding should be earmarked to support the production and market launch of novel fuels.

The European Green Deal is a unique opportunity to set into motion the deployment of this technology. Trying its best, but not succeeding is not an option for Europe's future industrial strategy. If supporting growth and connectivity, limiting social and regional discrimination is what Europe wants and what it needs, then fixing the regulatory failure of SAFs in Europe should be a top priority.



## MEMBER SPOTLIGHT



### 3 QUESTIONS FOR KENTON JARVIS, CEO, TUI AVIATION

#### A4E Why did you decide to join A4E?

**TUI** A4E is the largest and most powerful airline representation in Brussels, therefore

we are looking forward to working with A4E on the very important policy issues that all airlines and tourism partners in Europe face.

#### A4E As the world's largest tourism group, how will you help advance A4E's policy agenda?

**TUI** At TUI we have thousands of employees working in holiday destinations across Southern Europe and around the world and see each day the positive impact that the travel industry has on jobs and growth in these tourism-dependent regions. As airlines and tourism partners, we need to do our utmost to support healthy, sustainable and environmentally responsible

growth for our industry which connects so many people and cultures. This should be supported by European policy makers and we will back A4E to position it high on the policy agenda in Brussels.

#### A4E Which A4E issue is most important to you?

**TUI** For TUI, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our company and beyond. We recognise that sustainable development is critical for long term economic success and we aspire to pioneer sustainable tourism across our sector.

## INTERVIEW



## QUESTIONS FOR BENJAMIN SMITH, A4E's 2020 CHAIRMAN

### A4E What do you hope to achieve as Chair of A4E?

**BS** I'm honored to represent Europe's finest airlines in contributing to the future ambitions of our sector in a milestone year for A4E, and a turning point towards more sustainable air travel.

We must continue to facilitate the safe and secure flow of passengers and goods whilst ensuring our industry's green transition in the spirit of the Green Deal.

A4E wants to take an active part in the environmental transformation of our industry. We are fully engaged to be a credible and proactive partner in crafting the European legislation in this area.

### A4E Sustainability and green aviation are a key focus for aviation leaders these days. How can A4E carriers, including Air France-KLM, best contribute?

**BS** We must all work together in this green transition, alongside manufacturers, airports, and governments. We are not blind to the active role we must play for the next generations. The "flight shame" movement is a reminder of how much passengers care about their environmental impact and want to see the sector step up its efforts.

We've taken decisive action to improve our environmental performance, with significant results like more efficient aircraft and adoption of the CORSIA agreement. The best way to reduce our carbon footprint is radical fleet renewal.

Air France-KLM is accelerating its own commitments, as well. We were once again a world air transport leader in the 2019 DJSI. Fleet modernisation, sustainable aviation fuel use, eco-piloting, weight reduction, efficient ground operations, waste management, removal of single-use plastic items on-board, compensations -- our goal is to reduce our CO2 emissions by 50% per passenger/km by 2030 compared to 2005. We see our commitment to the green transformation as a commitment to European society.

### A4E ATC delays continue to represent a massive challenge for airlines and their passengers. How is Air France-KLM preparing for next summer?

**BS** ATC staffing and capacity shortfalls continue to cause increased delays. At Air France-KLM, we redesigned our flight schedules, allocated additional spare aircraft and increased our in-flight speeds last year to minimize the impact on our passengers. We worked with Eurocontrol's Network Manager, who set up route restriction measures in collaboration with western European Air Navigation Service Providers, to mitigate these structural issues.

This all contributed to a reduction in ATC delays of around 10% compared to 2018, whereas it had doubled in 2018 vs. 2017. Unfortunately, these measures have a significant economic and environmental impact, since our aircraft cannot fly as they optimally should. Regrettably, they are the only ones available in the short-term and for this reason will be implemented again in 2020.

### A4E The Single European Sky (SES) regulatory framework is currently being updated. What do you expect from the European Commission in drafting this update?

**BS** We expect an update of the Single European Sky framework. The first package was adopted in 2004, the second in 2009 and the third was presented in 2013. Unfortunately none of them have been fully implemented.

Apart from the huge efficiency gains for airlines and passengers, there is the fantastic potential of up to 10% CO2 reduction. The European Single Sky achievement is on the EU's Green Deal agenda. We expect the European Commission and the member states, jointly with industry to adopt a common approach for reaching this important goal.

### A4E What would be your primary message to European policy makers?

**BS** We are engaged in the transformation of the European airline industry. Together we can radically move things forward so that the Commission's agenda can be implemented in a way that is both workable and financially sustainable. Rather than introducing aviation taxes, the Commission must support the industry's efforts to move away from fossil fuels.

Sound financial results enable airlines to invest regularly in new aircraft and new technologies to reduce our environment footprint. Sound financial results also mean a competitive level playing field.

Air transport is a major economic player for the development of nations and territories. This means a coherent, comprehensive and incentivised regulatory and fiscal framework should support its necessary energy transition.

### A4E Finally, if you weren't an airline CEO, what would you be doing instead?

**BS** If I wasn't working in aviation, I would have likely been an architect. That said, I have been passionate about airplanes since I was a kid. As a young adult, I never stopped trying to join this fabulous industry. I have gone through every position at every level. Each time I realized how lucky I was to work in such a magical environment, which brings people and cultures together. I have the chance to work in a sector that makes people dream and that has a real societal, economic and environmental role to play.

## COMMENTS OR QUESTIONS?

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