

# Assessment of the cost of regulatory compliance of European Airlines

## *EXECUTIVE SUMMARY*



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Our ref: 2485001

## Executive Summary

### Introduction

The liberalisation of the EU air transport sector through the implementation of the Single Aviation Market has led to significant benefits for passengers and freight transport customers. Air travel has become more accessible, has offered cheaper prices, better connectivity, and improved services.

Over the past decade, numerous legislative actions at both European and Member State levels have imposed significant requirements on airlines. Furthermore, challenges remain particularly in the next generational leap towards decarbonising Europe.

### Objective of the study

The objective of the study is to present the historic, current, and future situation (to 2030) of A4E Member airlines in terms of compliance costs and taxes levied on aviation. The study also considers the additional costs generated by the inadequate implementation of European legislation in specific cases.

### Methodological approach

The methodological approach taken in this study has involved a literature review of existing reports, papers and other relevant documents, engagement with stakeholders mainly through a detailed questionnaire that was distributed to A4E Members, analysis of the confidential material sent, and views expressed by stakeholders during the consultation exercise and modelling of projections.

### Legislative requirements for airlines in Europe

Airlines operating in Europe must comply with various regulatory requirements for operating in Europe. They stem from legislation, either at European level because a significant part of air transport or environmental law is regulated at this level, or at national level set by Member States.

#### Compliance and tax requirements

The requirements considered in this study are described below. Those are either existing or forthcoming, each with significant cost implications for airlines.

**Table 1: Compliance and tax requirements considered in this study**

Requirement	Description
<b>Environmental compliance</b>	
Emission Trading System (ETS)	Existing cap-and-trade system for CO <sub>2</sub> emissions, with increasing costs due to rising allowance prices and the phasing out of free allowances by 2026.
Monitoring and reporting of greenhouse gas emissions	Existing reporting obligation for companies that participate in the EU ETS.
Non-CO <sub>2</sub> Monitoring Reporting Verification (MRV)	Future requirement from 2025, expanding to all EEA flights by 2027, with costs for data collection and verification.

Requirement	Description
Sustainable Aviation Fuel (SAF) Mandate	EU Mandate from 2025, with higher costs for SAF and e-fuels compared to conventional jet fuel.
Environmental Labelling Scheme	Future voluntary scheme expected to become mandatory after 2027. Only reported in this study qualitatively owing to lack of information on the mandatory scheme requirements.
<b>Taxes</b>	
Ticket taxes	Existing taxes imposed by Member States to raise general state revenues which are charged on departing passenger tickets. Tax scope dependent on destination or journey characteristics.
Value Added Tax (VAT)	Potential future application to international intra-EU flights, increasing ticket costs. Discussed in this report but not included in the results of this study as there are no clear plans to introduce this measure.
<b>Operational compliance</b>	
Air Passenger Rights	Existing Regulation 261/2004 providing air passengers with care, assistance and compensation in case of travel disruptions.
Rights for Passenger with Reduced Mobility (PRM)	Existing Regulation providing rights for PRMs travelling by air.
<b>Corporate disclosure</b>	
Corporate Sustainability Reporting Directive (CSRD)	Requirement from 2025, with costs linked to complex information collection and reporting for airlines and their value chain.
Corporate Sustainability Due Diligence Directive (CS3D)	Future requirement from July 2027, with costs for updating policies and complex reporting of chains of activities.
<b>Border control and security</b>	
Passenger data (API and PNR)	Existing requirement, with minor costs per passenger per transmission. Not modelled as legislation has been in place for a while.
ETIAS and EES	Future systems requiring additional IT and operational costs.

## Cost of Non-Europe

European legislation has contributed to the successful development of the single aviation market. However, in some areas, issues remain despite legislation in place. As a result, where there should be a true single European market, there is a gap in the European market, which we call “non-Europe”, and which generate costs for airlines.

According to A4E Members, this is mainly the case where:

- There is lack of a fully integrated Single European Sky (SES);
- There is a lack of a fully adequate regulatory framework on airport charges; and
- There are temporary reintroductions of border controls within the Schengen Area.

Note that only the first two were addressed in this study as costs for airlines due to temporary reintroduction of border controls are minor.

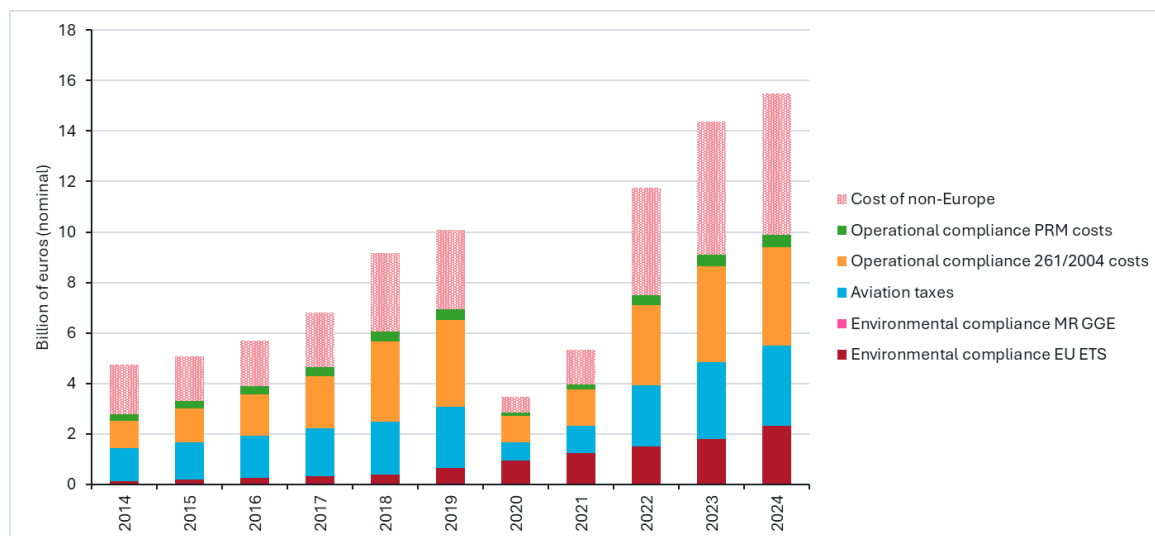
## Resulting costs

Overall, A4E airlines spent approximately €9.9 billion in 2024 to fulfil existing European and national legislation on environmental compliance, corporate disclosure, taxation, operational compliance and border and security requirements. The main drivers are compliance with Regulation 261/2004, national aviation taxes and the EU ETS.

If we add to this the inefficiency costs of existing European legislation mainly generated by the Single European Sky, the total costs for A4E Members in 2024 rose to more than €15.5 billion. For A4E Member airlines, this represented in 2024 an average cost of €30 per passenger.

Since 2014, these costs have increased at an annual rate of 11% (without the cost of non-Europe) and 10% (including the cost of non-Europe) in real terms compared with the annual increase of departing EEA passenger traffic for A4E Members of 4.0% in the same period.

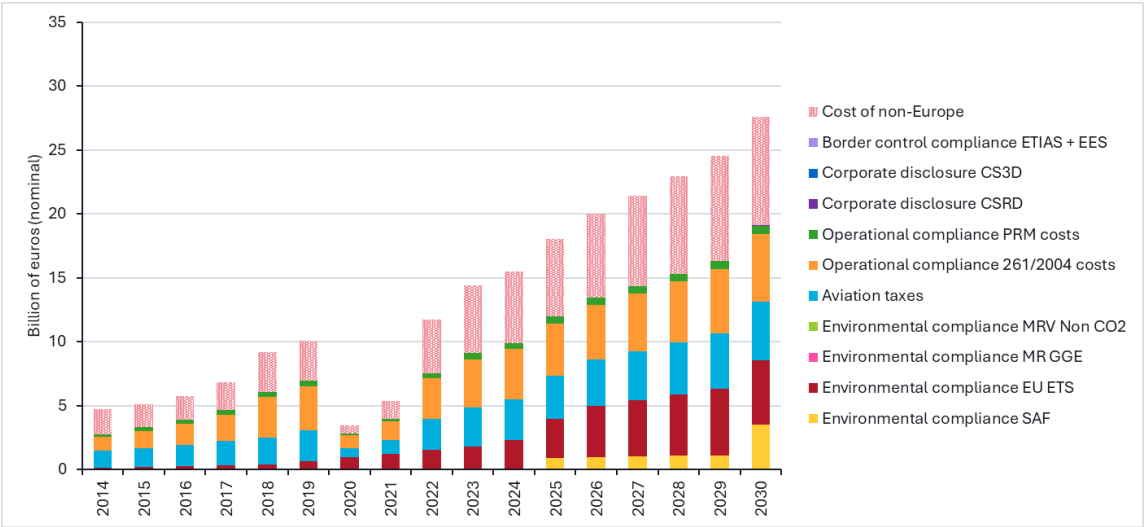
**Figure 1: Current situation for A4E Members**



Source: Steer analysis

Looking forward, under the assumptions used in this analysis, compliance and taxation costs are expected to double in nominal terms in just 6 years to reach €19.1 billion in 2030 (excluding costs of non-Europe). The costs of non-Europe inefficiencies in 2030 reach €8.5 billion mainly because of the cost of Air Traffic Management (ATM) delays, followed by inefficient trajectories, and to a lesser extent because of inadequacies in the Airport Charges Directive.

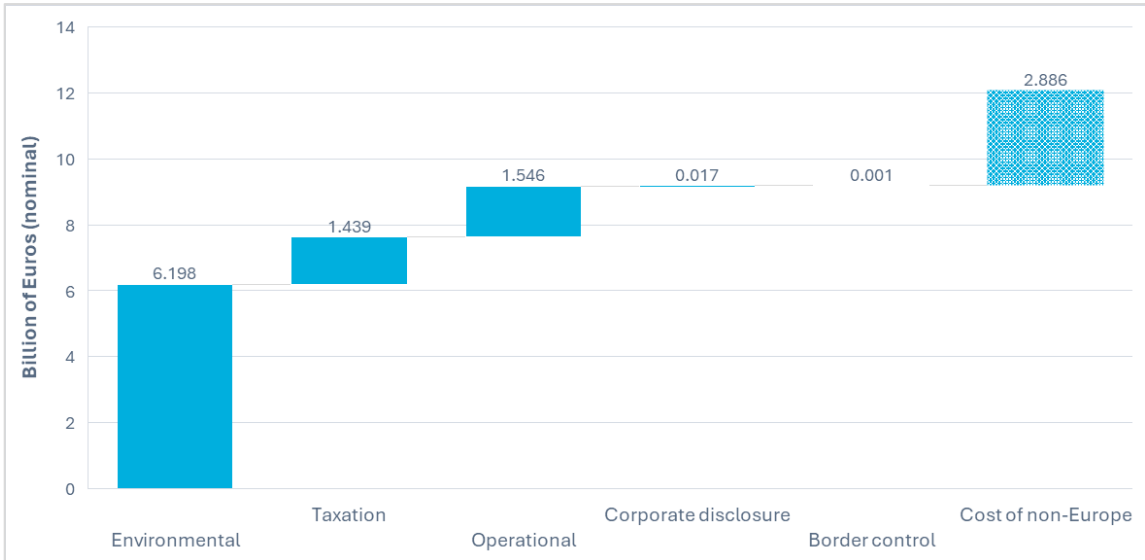
Figure 2: Likely future evolution to 2030 for A4E Members



Source: Steer analysis

In contrast to the situation up to now, there is a change in the cost drivers up to 2030: the introduction of the CSRD and CS3D leads to a strong increase in corporate disclosure costs, but these are relatively low in value compared to the very large impact of the environmental legislation which in 6 years adds €6.2 billion of annual costs to A4E Members. This is due to the combined effect of the start of the EU SAF Mandate implementation, as well as the sharp increase in ETS costs. Following this, the cost of Non-Europe adds a further €2.9 billion annually under the SES inefficiency scenario 2<sup>1</sup>.

Figure 3: Evolution of A4E Members annual costs of compliance and of non-Europe, 2030 vs 2024

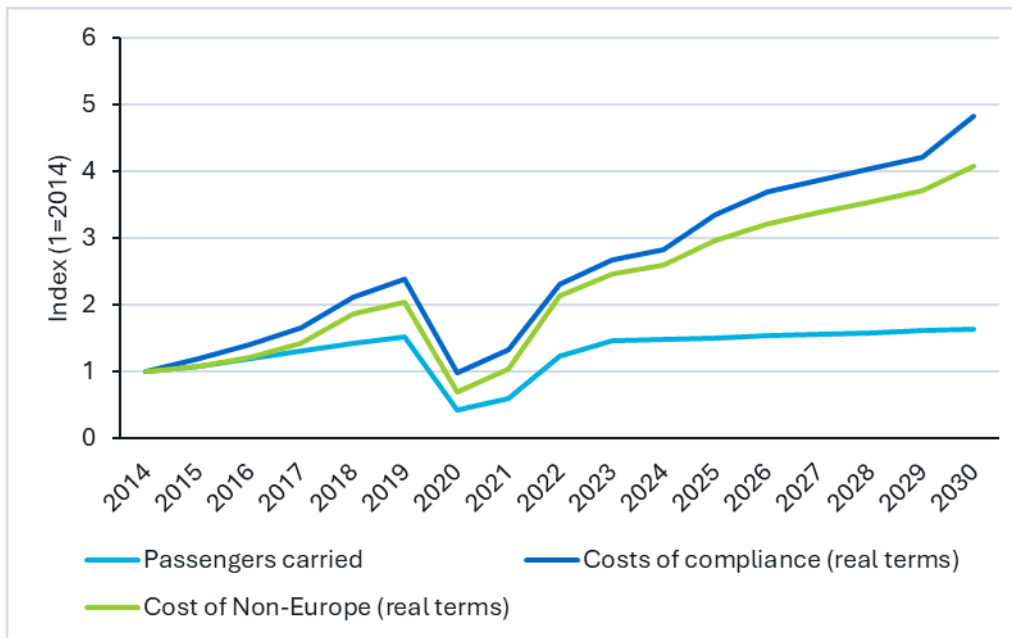


Source: Steer analysis

<sup>1</sup> Scenario 2: all delays increase with the same growth rate as ATFM en-route delays, increasing between 2024 and 2030 to reach 2.8 minutes/flight by 2030. This is the equivalent to an increase of 33% over the 2024-2030 period, or an annual increase of 4.9%;

During the period 2024-2030, these costs are expected to increase at an annual rate of 9.3% (without the cost of non-Europe) and at an annual rate of 7.9% (including the cost of non-Europe) in real terms compared with an annual increase of departing EEA passenger traffic for A4E Members of 2.3% in the same period.

**Figure 4: Comparison of the projected evolution of costs and traffic for A4E members**



Source: Steer analysis

Furthermore, what is of significant concern to A4E Members is the evolution post 2030 of the EU SAF Mandate as it becomes much more stringent. Based on the recent Destination 2050 report, costs of the SAF Mandate implementation for A4E Members (and their customers) have been estimated to be €33 billion in 2050, i.e. nearly 10 times higher than costs for the same legislation in 2030 – which will need to be added to all the other costs of compliance, taxation and non-Europe inefficiency costs which are expected to keep growing as well. Moreover, the inclusion of other new costs on airlines in Europe cannot be ruled out either.

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## 01/04/2025

