

Aviation Covid Recovery: Sustainability and Resilience

A sustainable and secure future for aviation

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Summary

The aviation sector is reeling from the impact of Covid, putting at risk an industry which is essential for Europe's economy and connectivity. Steps have already been taken by regulators to ensure the sector survives, with further measures under consideration to help the sector get back on its feet.

What measures are adopted will be influential not only in ensuring the sector survives, but also in determining the sustainability of the sector, offering the opportunity to combine measures which support the sector, with measures which can reduce its climate impact in line with the EU's objectives of net zero emissions by 2050.

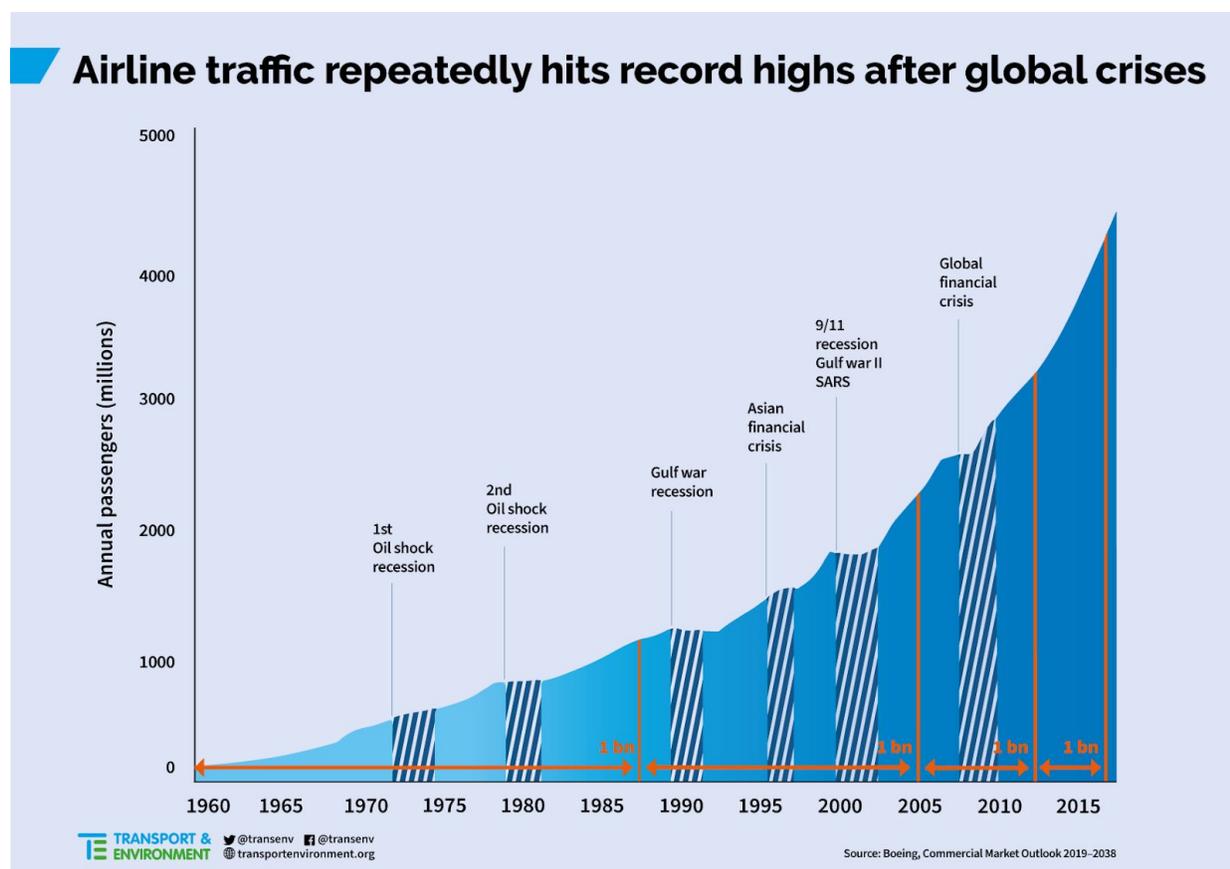
In adopting these measures, T&E believes the following principles are key:

- **Credible forecasts of future growth** are needed, taking into account changing attitudes towards travel in the leisure and corporate sectors. This would ensure investments are directed appropriately, preventing unnecessary lock-in investments such as airport expansion.
- Measures adopted should **ensure that existing employment is protected** and, when developing strategies for the future, **prioritise the creation of employment in areas relating to decarbonising aviation.**
- Measures adopted, such as state aid guidelines, Covid Recovery Funds and the EIB lending review, **should direct investment towards greening the sector.**

1. Introduction

Aviation's important role in Europe's economy has come with a heavy environmental cost, with its climate impact growing year-on-year, and increasing to 3.7% of total EU emissions¹. That has been the result of passenger growth outstripping efficiency improvements, and a failure to adopt new fuels or technologies in the sector. Unchecked, such growth in emissions will undermine efforts made by other sectors to decarbonise, and imperil Europe's objective of achieving net zero emissions by 2050.

The Covid crisis has caused a severe, but temporary, fall in demand and therefore emissions. Directly, it does nothing to resolve the aviation's underlying climate which is its reliance on fossil fuels, and experience has shown that the sector can quickly bounce back from crisis to resume growth in demand and therefore emissions.



¹ <https://www.transportenvironment.org/what-we-do/aviation-and-eu-ets>

Therefore reducing aviation's climate impact will not be achieved by assuming that the public will continue with its aversion to flying. Instead, the measures adopted to support the sector, fiscal and otherwise, should be oriented towards putting the sector on a sustainability pathway consistent with the EU's Paris objectives of net zero emissions by 2050.

1. Reasonable growth assumptions

Decisions on supporting the sector must first and foremost be based on reasonable assumptions of future growth. Overestimating growth will result in wasted investments, particularly in airport capacity, and that will come with an opportunity cost due to underinvestment in other areas of the sector, particularly investments which can cut emissions.

Forecasting will always prove challenging, but in doing so, the most recent developments must be taken into account in order to improve accuracy. Forecasts which existed prior to Covid should be revised, to take into account a potentially greater use of video conferencing post-crisis. Forecasted growth in leisure travel must also be challenged, given growing concern by some regions regarding overtourism and preferences by some for other, lower-carbon, means of travel.

Requesting an examination of future growth is not to call into question existing employment, investments or connectivity. It is rather to ensure that future investment, employment and connectivity is directed appropriately.

Recommendation: a more realistic assessment of how much aviation will grow in Europe, taking into changing attitudes to leisure and business travel. This should be reflected in the Smart and Sustainable Mobility Strategy due to be published by the European Commission by the end of 2020.

2. Protecting current and developing sustainable future employment

Europe should aspire to have a successful aviation industry, creating employment across the union, in many different parts of the aviation value chain. That employment should have strong social projections, including during crisis periods such as which exists at present.

In measures adopted, especially financial aid granted to airlines, there should be a strong focus on protecting existing employment in the sector. The crisis should not be used by recipients of aid to reduce worker protection, and the sector's return to profitability should not come on the back of reduced workers rights.

Beyond protecting existing employment, consideration needs to be given to what level of future employment creation is possible, especially given a potentially slow return to pre-Covid levels of demand. This however creates an opportunity to look for increased employment in other aspects of the aviation sector, particularly in those areas related to cutting its climate impact.

New jobs can be created in areas relating to developing new fuels, particularly synthetic kerosene (efuels) through the development of additional renewable energy resources, hydrogen production, CO2 capture and refining. Employment can also be created through the R&D needed to develop new and cleaner aircraft. Such technologies can be exported, creating even further economic opportunities for the European aviation sector.

Recommendation: measures adopted should protect existing employment in the sector and ensure that the crisis is not used as an opportunity to weaken employment rights. Future employment should focus on the technologies needed to decarbonise aviation, such as new fuels and aircraft design.

3. Directing sustainable investment

The fall in passenger numbers has already created a fall in investment in the sector, and this crisis may create a lasting aversion by private investment in particular². Given the enormous investment needed to decarbonise the sector, this may ultimately harm efforts to place the sector on a more sustainable footing.

A clear framework is needed therefore to ensure investor certainty in the sector, directed in particular at decarbonisation. The EU has numerous tools at its disposal to ensure such certainty, and should use all of these. The decisions made by public regulators and particularly with public money can act as important signals to the private sector.

First and foremost are the Covid recovery funds (e.g. Next Generation EU). If public support is given to the aviation sector, this should be limited to developing the fuels and technologies needed to decarbonise aviation. Likewise for the review of the EIB transport lending policy, which should focus on similar investments and end the bank's investment in airport expansion. The revision of EU state aid guidelines for airports and airlines should reflect that reality that, in light of suppressed demand, many recipients of such operational aid are now unlikely to become profitable. Public money should therefore be directed at decarbonising the sector rather than keeping such airports afloat.

² "Warren Buffet sells all stakes in US airlines", *Financial Times*, 03/05/2020
<https://www.ft.com/content/4b707086-4b48-48ab-9369-a3fcf5dd1af3>

However, it is not sufficient simply to grant public money for new fuels and technologies, without regulations in place to ensure that such fuels and technologies will be deployed when available. Therefore complementary measures are needed to ensure uptake, such as a GHG blending mandate for fuels.

Recommendation: investment in aviation should be secured through directing that investment towards decarbonising the sector, for example through the Covid recovery fund, EIB transport lending review, and state aid guidelines. Regulations are needed to ensure that new fuels and technologies are deployed to the sector.

3. Conclusions

The aviation sector, crucial to Europe's economy and connectivity, is facing an existential crisis. Significant government support is needed to ensure its continued survival and indeed prosperity. However in granting such support, fiscal or otherwise, the foundations must be laid for a more sustainable aviation sector. The following three criteria for such aid are therefore essential:

- 1) Credible growth assumptions
- 2) Protecting current and developing sustainable future employment
- 3) Directing sustainable investment

Further information

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