

# Fit for 55 Package: IAG<sup>1</sup>'s support & policy recommendations

## February 2022

1. Introduction
2. IAG's Policy Recommendations
3. EU to lead global net zero & avoid carbon leakage
4. Further considerations on SAF
5. IAG global leader in Sustainability

---

## 1. Introduction

---

International Airlines Group (IAG) vision is to be the **world leading airline group on Sustainability**, therefore, we are taking action to drive change and create a truly sustainable airline industry. In October 2019, IAG has become the first airline group worldwide to commit to achieving net zero carbon emissions by 2050. In 2021, we became the first airline group in Europe to commit to powering 10% of its flights with Sustainable Aviation Fuels (SAF) by 2030. These commitments can only be achieved with the **right policy frameworks at both regional and global levels, with an essential support for Sustainable Aviation Fuel (SAF)**.

IAG supports the transition to a net zero economy as well as international efforts to limit global warming before it reaches the 1.5°C. The publication of the European Commission's "Fit for 55" package (FF55) is critical to support and align objectives at the EU level. FF55 is an important package that IAG supports, and on whose objectives we are fully aligned, especially when talking about the "Net Zero Emissions by 2050."

Nevertheless, it is relevant to note that aviation is a global business and for FF55 to deliver its objectives the **EU should be able to retain the traffic flows currently connecting through Europe from other regions** of the world, and prevent carbon leakage to other regions of the world that have different sustainability commitments. Traffic that connects through Europe is critical to supporting the range of international flights offered by airlines. If departing passengers from the EU are penalized, this traffic can easily deviate to non-EU hubs resulting in the subsequent increase of CO<sub>2</sub> emissions and loss of economic benefit to the EU.

It is key that the design of the **FF55 ensures ambitious EU commitments while at the same time incentivizing the rest of the world to adopt similar standards**. The EU can achieve this goal by applying policy measures to intra-European flights and at the same time fostering strengthened multilateral policy that is mutually agreed between States. This approach coupled with the **development of a strong Sustainable Aviation Fuels (SAF) industry across Europe are essential levers to achieve the goal of CO<sub>2</sub> neutrality**. In IAG's views:

- The EU and Member States must respect multilateral obligations under ICAO by **fully implementing CORSIA on intra-European international flights**. The proposed non-implementation of CORSIA for those flights would seriously undermine support for CORSIA at ICAO and could possibly result in damaging the advances that have been made to build a global market-based measure for aviation emissions.
- For the EU to lead on SAF globally, the EU needs to promote investment and **focus on intra-EU scope and encourage others to follow and raise the ambition to 10-15% by 2030**.
- IAG is very **concerned about the removal of the exemption of jet fuel taxation**, that is an ICAO standard, which will increase the EU aviation sector tax burden, and as a result reduce the investment capacity in new decarbonization technologies, cleaner fleet or sustainable aviation fuels.

If the EU implements all the proposed policies proposed in the Fit For 55 package, by 2035 aviation will be **paying four times for its carbon emissions, significantly impacting its ability to invest in low carbon solutions**. CO<sub>2</sub> reductions in aviation can be better achieved through market-based measures, which are already applied to aviation through the EU Emissions Trading System (ETS), and globally through ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

---

<sup>1</sup> International Airlines Group (IAG) is one of the world's largest airline groups, with a fleet of 533 aircraft. IAG is the parent company of leading European airlines: Aer Lingus, British Airways, Iberia, Level and Vueling. Before the impact of the COVID-19 pandemic it operated to 279 destinations and carried around 118 million passengers each year. It is a Spanish registered company with shares traded on the London and Spanish Stock Exchanges.

## 2. IAG's Policy Recommendations:

### Comprehensive approach to scale up EU SAF production and ensure global commitments

- **SAF is instrumental to EU aviation decarbonization** as it is the nearest short-term opportunity to drive down emissions and reduce lifecycle emissions relative to fossil aviation fuel by up to 90% or greater for those SAF production facilities that carbon capture integrated within its process.



Accelerating the pace of aviation decarbonization will require a **comprehensive set of policy interventions** including financial and fiscal measures that rapidly strengthen the business case for private investment, bridge SAF's price differential with conventional jet fuel, and hence stimulate SAF demand.

- Supportive policies can include measures such as the **Contracts for Difference (CfDs)** to bridge the price differential between SAF and conventional aviation fuel or by earmarking the **revenues of the ETS Innovation Fund** to financially support research and innovation. The **SAF Alliance** ("Renewable and Low Carbon Fuels Value Chain Alliance" or a targeted policy by the **European Investment Bank (EIB)**, among other measures should also be promoted.
- The value of SAF to airlines through the EU ETS should be strengthened helping to increase the economic value of using SAF and closing the fossil-SAF price gap. **Aircraft operators covered under the ETS Directive shall receive free allowances when using SAFs and RFNBOs or RCFs** for activities covered under this directive. To achieve this, a corresponding reduction in auctioned allowances for aviation would be necessary.
- **Mirroring the U.S.** federal and state-level tax credits, loan guarantees, grants and support for carbon capture and storage (CCS) establishing the U.S. **as the most advantageous region of the world to produce and use SAF**, this system, combined with the zero-rating of SAFs, would equip Europe's SAF industry and airlines with an additional tool to better compete on the global stage.

- The EU has a responsibility to push for global commitments on SAF. To do so, it should focus its mandate on **intra-European flights and raise the ambition to 10-15%. Flights beyond the EU should be addressed through agreement at the International Civil Aviation Organisation (ICAO) and the EU should give reasonable time for ICAO to reach this commitment.** Notably, by placing the focus on intra-EU flights and leaving any EU-3<sup>rd</sup> countries focus to global agreements certain key questions would be automatically solved: avoiding non-EU retaliation; avoiding EU competitiveness loss and avoiding the risk of increased tankering.



**SAF should be efficiently & sustainably deployed across the air transport system** to minimise downstream logistic emissions and ensure the lowest possible cost with the highest efficiency. A **Book and Claim system for suppliers** would eliminate the need to deliver SAF physically and permit to meet the mandate in an efficient and effective manner. **Tankering** should continue to be permitted: it has an important economic component as **it avoids potential monopolistic behavior** by fuel suppliers as a form of indirect competition.

### Further alignment of EU ETS to CORSIA & support with its revenues to fund decarbonization solutions

- IAG has been a longstanding supporter of smart economic measures that achieve emissions reduction through carbon pricing. The EU approach to CORSIA is pivotal for the success of the global scheme and its credibility. Our main areas of concern are EU ETS extension, eligibility criteria and CORSIA implementation.



The EU and Member States must respect multilateral obligations under ICAO **by fully implementing CORSIA provisions on intra-European international flights.** The non-implementation of CORSIA for intra-European flights will seriously undermine support for CORSIA at ICAO.

- Double regulation of the same CO<sub>2</sub> emissions can be avoided. Since the same CO<sub>2</sub> would be captured to some extent by both EU ETS and CORSIA, **this can be ameliorated by allocation of free allowances equal to the amount of CO<sub>2</sub> covered by CORSIA.**
- The EU ETS should continue to focus on intra-European flights. Applying **more stringent eligibility criteria of credits for EU carriers will create competitive distortion** – these standards should be advocated through ICAO to ensure a level playing field.

## Energy Taxation Revision must support investment capacity in decarbonization

**IAG calls on EU Institutions not to remove the exemption of jet fuel taxation**, that is an ICAO standard, Resources drained from airlines through the proposed intra-EU kerosene tax will not meaningfully reduce CO<sub>2</sub> emissions but **will limit the financial ability of airlines to further invest in decarbonization** technologies, cleaner fleet or sustainable aviation fuels.



- In addition to EU ETS, CORSIA & SAF mandates, jet fuel taxation will result in EU airlines paying multiple times for their carbon emissions and will reduce their ability to invest in low carbon solutions. Policy should focus on solutions that reduce CO<sub>2</sub> emissions such as SAF, EU ETS & CORSIA and not in a proposal **that diverts investments from more sustainable and effective measures.**
- Taxation is a non-effective solution: several experiences with taxes and charges across Europe<sup>2</sup> show good examples of flights from point “A to B” not becoming more sustainable due to the tax imposed on fuel.
- If the goal of the kerosene tax is to ensure that **aviation contributes to States budgets**, it must be emphasised that airlines, unlike other sectors, already pay for their infrastructure through airport charges and airport security/ANSPs charges. Furthermore, the sector is not subsidised in the same way as other transport modes.

## Other proposals of FF55 package

- In IAG’s view, a **Carbon Border Adjustment Mechanism (CBAM) is not necessary if the EU FF55 package is properly tailored** and minimises market distortion and carbon leakage. Policy measures applied to intra-European flights achieve this goal. In parallel the EU should foster strengthened multilateral policy that is mutually agreed between States, with particular focus on global commitments in terms of a SAF blending mandate and emissions trading as mentioned in previous paragraphs.
- The aviation sector has limited options to reduce its emissions in the near term. Therefore, it is essential that **in the Revision of the Renewable Energy Directive SAF production is prioritised vis-à-vis fuels for other sectors, which can benefit from alternatives to achieve decarbonisation.**
- **Alternative Fuels Infrastructure Regulation (AFIR).** IAG supports measures to decarbonise ground operations and equipment at airports, where electrification can play a role. However, for many airports the proposed targets will require additional investment in the coming years. Given that these targets could be passed into airlines through the airport charges, it is important to ensure that such investments are costed and scoped efficiently<sup>3</sup>.

## Single European Sky (SES) reform: an immediate, cost-efficient decarbonisation solution

- Policy support could deliver a **rapid reduction in CO<sub>2</sub> emissions of 10% (18 million tonnes CO<sub>2</sub> per year) by better airspace management** with more direct routings and avoiding aircraft holding at airports. More efficient routings also reduce the need for contingency fuel, making aircraft lighter and reducing CO<sub>2</sub> output further.
- IAG relies on strong European leadership for fuel-efficient airspace, which would provide a **predictable framework allowing airlines to invest billions of euros into SAFs and new aircraft.**

<sup>2</sup> [IATA position paper tax-exemption-on-jet-fuel](#): “Despite the introduction of a departure tax on 1 January 2011 in Germany, CO<sub>2</sub> emissions increased by 4.2% that year. Likewise, although Italy increased departure taxes by almost 40% on 1 January 2016, its CO<sub>2</sub> emissions increased by 5.2% that year, while traffic from Italy fell by just 1.4%”

<sup>3</sup> And subject to review by the national Independent Supervisory Authority established under Directive 2009/12/EC.

### 3. EU to lead global aviation net zero and avoid carbon leakage

#### SAF will be the key decarbonisation solution in the short and medium term

IAG is a supporter of both hydrogen and SAFs for aviation. However, with the aviation industry relying on fuel-based propulsion for the foreseeable future, SAF is the largest near-term opportunity to drive down our emissions.

- These drop-in fuels are compatible with existing engine technologies and **can reduce lifecycle CO<sub>2</sub> emissions by up to 85%**. IAG has been involved in developments to boost the production of SAF manufactured from waste and residues<sup>4</sup>, partnering with several companies to bring new technologies to commercial scale.
- For hydrogen, it will be 15-20 years before aircraft > 150 seats will enter service and it will also need increased investment into renewable hydrogen capacity and infrastructure to be able to make substantial contributions to tackling emissions, so we believe that **the immediate priority must be SAF**.

#### Attract investment to scale up SAF and reduce its price

To date, the **EU SAF supply remains extremely low with a very high price**, compared to conventional jet fuel, with only one source of SAF in the EU producing 100,000 tonnes of fuel (less than 0.2% of EU's kerosene use). SAFs currently accounts for less than 0.1% of global aviation fuel consumption.

The aim of moving towards the **1-2% by 2025 in Europe represents a huge challenge**. In the near term the **price of SAF is likely to be 3-5 times higher than the fossil fuel and carbon price equivalent**. Current market prices are approaching \$3000 per tonne creating a major barrier to uptake.

#### ***The US case: becoming the most advantageous region in the world to produce SAF***

*Recent US policy changes recognise this price hurdle. The US regulators have taken steps to provide incentives to close this price gap for airlines, establishing the US as a key market for SAF supply and investment.*

*For SAFs to become more cost-competitive and to support further uptake, fuel suppliers require a stronger market signal to develop production for the aviation sector. SAF's underlying production economics are more challenging than those of other renewable fuel types because, per unit of feedstock, current technologies typically yield less fuel, require more energy inputs resulting in very limited production capacity being prioritised for SAF.*

*In this sense, a broad range of policy measures to attract capital to expand SAF supply, and to assist SAF facility operation are necessary. Policy measures could include SAF producer bankable carbon credits, loan guarantees, grants or contracts for difference all of which will help to bring the cost of SAF production down. Also, tax support for upscaling and innovation including carbon capture and storage (CCS) or green bond investments.*

*With a strategy clearly in this direction, the US is presently the most advantageous area in the world to produce SAF, leading by a considerable margin in terms of attracting investment to SAF infrastructure. The US recognises the importance of keeping US aviation competitive and therefore is prioritising incentives over mandates. SAF in the US will almost be at cost parity with fossil kerosene, meaning that US aviation will have a significant advantage over EU based carriers in having access to a growing volume of low cost SAF enabling customers to buy low carbon flights at an affordable price. In this sense, the US is leading the world race because:*

- *It recognises the need of pre-revenue companies investing in SAF production through clear access to non-dilutive capital via federal grants and federal loan guarantees -sometimes up to 80% for first of a kind project.*
- *Incentives for SAF production. As an example, qualified producers or blenders of SAF derived from biomass have access to the US' Blender's Tax Credit. In particular, it provides a tax credit of USD 1*

<sup>4</sup> IAG: <https://www.iairgroup.com/en/sustainability/sustainability-in-action>

per gallon (up to USD 300 per ton) of biofuels produced or blended in the US. This scheme has been vital for the production and scale up of SAF in the US.

- US Producers have stackable incentives: they can claim both state (Low Carbon Fuel Standard, LCFS) & national (Renewable Fuel Standard, RFS) production incentives.
- The US incorporates mechanisms to encourage significant advances in SAF production capacity expansion, further technology development or to drive efficiencies to provide sufficient supply to achieve decarbonization of the aviation sector. As an example, further federal subsidies are available, through simple payments, to encourage investment in (1) carbon capture and (2) SAF production.

The US continues to propose measures in this direction. For example, in May 2021, the White House introduced the Sustainable Aviation Fuel Act to incentivise the production of sustainable aviation fuel and create a new blender's tax credit for SAF<sup>5</sup>, linked to carbon reductions, as well as an investment.

## ReFuelEU – tackling Carbon Leakage and unintended consequences

Some of the EU policies can potentially have a **severe impact on EU aviation and penalise connectivity through Europe**, while making flying via non-European hubs more attractive for the carriers resulting in carbon leakage. Two examples are fuel taxation and SAF blending mandates on global routes.

For network carriers, that deliver EU connectivity to the rest of the world efficiently with hub operations, **a regional blending mandate that affects global routes originating or connecting through Europe would cause unintended consequences** – damage to competitiveness of European airlines, carbon leakage, where passengers and emissions are displaced to non-European airlines, and for EU-international relations (as did full scope ETS). This would undermine the global CORSIA mechanism that we need to help strengthen. Adjustments to the EU policy proposals are needed to avoid these problems and support a level playing field with non-EU based competitors.

IAG has conducted independent economic analysis that shows distortion and carbon leakage for intercontinental flights, where passengers have an option to fly through hubs outside the EU such as Istanbul. This study has found that the level of the impact of traffic deviated out of the blending mandate, and that the 2% SAF blending mandate on international flights will cause a 2% reduction in traffic through the EU.

### IAG's Independent Study

Based on a SAF premium of \$1500/tonne<sup>6</sup> above fossil jet fuel pricing, the table below illustrates the impact<sup>7</sup>. Note that carbon leakage is significant in such cases because the activity and associated emissions do not reduce significantly overall but are simply displaced from EU carriers to non-EU carriers as seen in the table below. Carbon emissions overall may even increase fuel costs, which will result in avoiding EU hubs, with flights of longer and less direct distances outside the EU.

Level of mandate	EU carrier - reduction in traffic	Non-EU carrier increase in traffic
2%	-2.0%	1.80%
5%	-4.9%	4.4%
20%	-19.6%	17.6%

<sup>5</sup> The bill contains elements such as: - \$175 million (€145 billion) in research funding to push the limits of existing SAF technology to try to lower SAF carbon emissions even more. - A new blenders tax credit for SAF (and SAF alone) between \$1.50 and \$2.00 per US gallon, depending on the fuel's greenhouse gas (GHG) reduction – a simple cash payment from the US IRS1 to the SAF blender. The increased value over the current \$1 blender's tax credit for all biofuels clearly shows the US recognises that cost of production for SAF is higher than that for renewable diesel. In addition, the significantly increased 10-year term of the SAF blenders tax credit (from 1 year for renewable diesel) illustrates US understanding that bankable policy is required to build SAF production capacity and, importantly, encourage second generation technology deployment and scale-up. - The expansion of the existing energy investment tax credit (ITC) to include SAF production facilities and related infrastructure. The credit would be: 30% through 2026, and phase down to 24% in 2027, 18% in 2028, and 12% from 2029-2035.

<sup>6</sup> Note today's SAF pricing is trading higher at around \$2000/tonne premium over fossil jet fuel according to the Argus price reporting agency.

<sup>7</sup> This model was based on flights from the USA to Asia which have the possibility to connect within or outside the EU.

This will have a significant impact not only on EU connectivity with third countries, but also within the EU itself. Significant proportion of passengers on intra-EU flights connect through EU hubs onto long haul flights or onto the intercontinental flights, could now be reduced as a result of policies not properly targeted. This not only puts the connectivity in danger but can potentially decrease the economic and social benefits associated with aviation.

Challenge	Possible Solution
<p>EU policy should prevent the loss of competitive position of EU airlines while preserving its ambition</p>	<p>IAG encourages EU institutions to <b>focus on intra EEA flights for the ReFuelEU</b> Mandate and increasing the <b>level of ambition to 10-15%</b> in 2030 while promoting <b>SAF mandates applying to intercontinental travel through ICAO</b> and urges the EU to work with other global governments in driving global take-up of SAF with corresponding strong sustainability standards. A full scope regional mandate is likely to cause negative impacts in a sector still affected significantly by COVID and a</p>

### Support long-term climate goal via United Nations Agency, ICAO

In 2008, the aviation industry, through its global associations, pledged to halve net CO<sub>2</sub> emissions by 2050, but the science that led to the **2015 Paris agreement makes it clear we must go further**. As momentum for net zero CO<sub>2</sub> emissions builds across the aviation industry, we now need Governments of the world to unite in agreeing on a long-term net zero emissions goal for aviation.

As aviation is represented by governments globally through the UN agency ICAO, we are asking our industry associations and Governments to **support the long-term target taskforce at ICAO to agree on a meaningful commitment at the 2022 General Assembly** to carbon emissions reductions, in line with the 2015 Paris Agreement. Securing this will help drive the aviation industry’s collective effort and create the context for coordinated global policy and support that will help ensure the industry can attract investment and innovation to decarbonise.

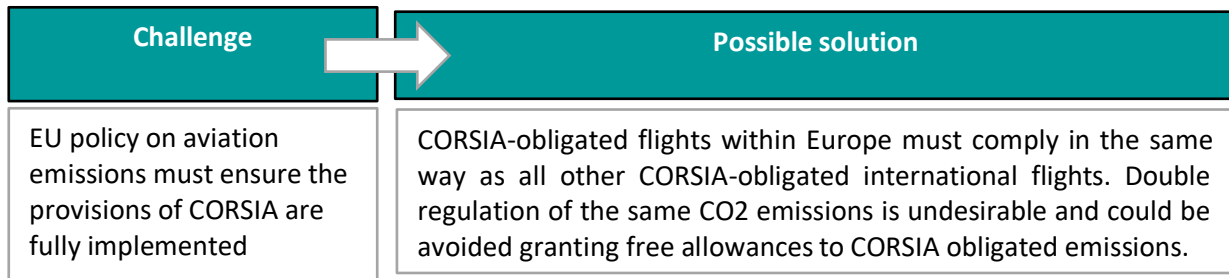
### Smart global carbon pricing for aviation and ETS revision

IAG has been a longstanding supporter of smart economic measures that achieve emissions reduction through carbon pricing. Harnessing the power of market forces to seek **cost-effective emissions reductions** and innovation is vital to ensure ambitious climate change targets are met whilst ensuring costs to our customers are no more than necessary. Measures should be applied equitably in air transport markets, including both direct and indirect flights, and at global level as far as possible. Careful attention should be given to **avoid competitive distortion and carbon leakage**.

IAG has consistently advocated for **global carbon trading for aviation and supported its inclusion in the EU ETS for intra-EEA flights as a first step**. Global policy is critical for our industry, so despite the challenges of reaching an agreement, every effort must be made to build on CORSIA and achieve higher internationally agreed ambition. EU policy must be moulded so that it is complementary to global policy.

- CORSIA made aviation the first industry to adopt a global carbon pricing system for tackling its carbon emissions, and **the success of this scheme is crucial to global efforts aiming to decarbonise aviation**. We recognise the contribution made by the EU to achieve the significant milestone of global adoption of CORSIA, and we are committed to support its successful introduction.
- Just as the EU ETS began modestly and faced criticism, **CORSIA can be adjusted over time to drive robust but cost-effective decarbonisation of aviation at the global level**.

**International flights within Europe should meet their CORSIA obligations in the same way as all other CORSIA-obligated flights**. The EU ETS is not substitute for the provisions of the ICAO Resolution on CORSIA as is currently proposed in FF55, neither can intra-European flights be considered ‘domestic’. Challenge & Possible solution text deletions



#### 4. Further considerations on SAF

There are certain elements of the proposal on ReFuelEU whose considerations would be welcome:

- SAF should be efficiently & sustainably deployed across the air transport system
  - The implementation of a Book & Claim (B&C) system for suppliers would eliminate the need to deliver SAF physically to each Union airport, enabling suppliers who do not have physical access to SAF, as well as suppliers at smaller airports, to meet the mandate in an efficient and effective manner. Therefore, IAG advocates to adjust some of the principles of the ReFuelEU Aviation proposal so that a **B&C system for SAF suppliers an integral part of the European solution**. It also ensures a level playing field for suppliers, airlines and airports in the EU while stimulating SAF production into the system. Also, a B&C system would eliminate the need for a transition period as suppliers will be provided with the flexibility to compensate their share of SAF at each airport with SAF credits.
 

Notably, **Such B&C systems already exist in EU** law across EU Member States, the most prominent one to issue Guarantees of Origin (GoO) for renewable power supplied to the common grid under the Renewable Energy Directive (RED). Experience with B&C systems for liquid fuels within the framework of the RED II (e.g. in the Netherlands and France) shows that a B&C system is an effective and efficient way to achieve, verify and administer climate change benefits.
  - **Tankering is a standard industry practice that should continue to be permitted** as it has an economic component as it avoids potential monopolistic behaviour by fuel suppliers. By allowing tankering this represents indirect competition as if prices are excessive in an airport, fuel suppliers know that fuel may be uplifted elsewhere. This form of indirect competition increases price competitiveness.
- **A number of fuel pathways need additional support to get to commercial scale, synthetic fuels being one of them.** Current supplies of e-fuel cost over \$10,000/t and with larger scale, cheaper renewable power this should reduce over time, but the view is that even in 2050, this will be the most expensive SAF on the market (ICF study). IAG is supportive of early intervention in the development of synthetic fuels. However, e-fuel and other advanced technologies not commercially mature and urgently need additional support beyond a simple mandate. This should be delivered through a combination of policy incentives as has been implemented in the US. In IAG's views, there is a need for sub-targets, but these should be agreed once these technologies have been practically demonstrated at scale.
- **Strong links and alignment with ICAO, CORSIA and ETS should be maintained** in areas such as reductions of ETS emission factor for jet fuel or sustainability criteria of feedstock.
- IAG welcomes the **choice of a regulation** over a Directive, focusing on ensuring the integrity of the EU single market for aviation. An EU mandate should supplant national mandates and harmonise all relevant legislation.
- IAG suggests including a **closer monitoring of the SAF market**, especially in this very first stages where aspects such as price evolution and SAF availability are critical to the sector. In this sense, in our views, the monitoring should start by January 2026 and every three years thereafter.

## 5. IAG a global leader in Sustainability

IAG is an innovative, customer oriented, global business that is **pioneering sustainable air travel**. We are determined to play our full part in tackling climate change, supporting the long-term prosperity of the communities we serve, and drive wider change towards a more sustainable industry.

IAG was the **first airline group worldwide to commit, in October 2019, to achieve net zero carbon emissions by 2050** through its programme [Flight Path Net Zero](#). IAG has driven and supported industry announcements joining us in meeting this goal: our partners in **oneworld** in September 2020, the EU aviation industry in February 2021 with its [Destination 2050](#) commitment, and most recently in October 2021, the [IATA \(International Air Transport Association\) which represents 290 airlines worldwide](#).

Despite the current crisis, IAG has redoubled efforts<sup>8</sup> to reduce its carbon footprint, and earlier in 2021 became the **first airline group in Europe to commit to powering 10% of its flights with Sustainable Aviation Fuel (SAF) by 2030**<sup>9</sup> and we welcome that others are following IAG’s initiative on SAF, like the [World Economic Forum](#) in September 2021 or **oneworld** in October 2021. IAG is also investing €360 million in sustainable aviation fuel in the next 20 years. IAG was an aviation pioneer in signing the [United Nations Climate Ambition Alliance](#) and **one of the ten global companies recognised by the UN in 2020 for their ambitious carbon targets**.

IAG continues to lead global aviation towards net zero



The group is **redoubling its efforts** to reduce its carbon footprint, as mentioned in the Overview part of this report and included in the above graph.

Our work tackling climate change also continues to be recognised as industry-leading. In 2021, for the second year running, IAG was the only European airline to receive a Leadership grade (A-) in the Carbon Disclosure Project (CDP) rankings of corporate climate action. The grade from CDP places IAG in the top 7% of global respondents and is the third leadership grade in five years, more than any other airline worldwide. IAG also received the joint-highest score of any airline from the Transition Pathway Initiative (17 of 18 criteria met), which assesses companies' readiness to transition to a low carbon economy.



In addition, IAG is fully committed to reducing waste and single-use plastics. Initiatives include reducing and recycling plastic, glass, metal cans, paper and onboard food waste. For example, Iberia’s LIFE+ zero cabin waste project involved taking out tonnes of plastic wrappers, bags, and straws and over 1 million cans and reduced waste per passenger by 12% between 2016-19. In 2019, initiatives across the Group removed 160 tonnes of single use plastic waste.

In 2021, IAG set new and comprehensive waste reduction targets. The “5 through 2025” waste strategy covers the five core areas of single-use plastic (SUP), onboard, office, cargo, and maintenance waste, and includes

<sup>8</sup> See in Annex I full detail of IAG initiatives.



separate reduction and recycling targets for 2025 applied to all four main airlines and to IAG Cargo. IAG plans to report detailed progress against these targets in 2022.

## Detail of IAG initiatives

With **Flightpath net zero**, we are putting environmental sustainability at the heart of IAG:

- **Embedding sustainability in our processes and decision-making** - IAG has introduced management incentives aligned to our climate goals to ensure the business is focused on these and we have embedded sustainability in processes to ensure the allocating appropriate capital and resources.
- **Investing in new, more efficient aircraft** – 121 new aircraft are being introduced by 2027, that are 20-40% more efficient than the aircraft they replace.
- **Applying a laser-focus to operational efficiency** - investing in state-of the art technology and ensuring operational best practice to reduce emissions for example by reducing weight on board and using ground based renewable energy while aircraft are on stand.
- **Taking a leading role in sustainable aviation fuels (SAF)** – we are investing €360m in the development and purchase of SAF over the next 20 years. IAG is one of the industry pioneers and, in partnership with Velocys and Shell, is constructing Europe’s first plant creating sustainable jet fuel from household waste that emits at least 70% less CO<sub>2</sub> than conventional fuel.
- **Advocating smart government policy measures** – we are active in building consensus for policy solutions to achieve carbon reductions through carbon pricing and to accelerate decarbonisation and innovation.
- **Raising the ambition of the wider aviation industry.** IAG is a member of multiple trade associations and is proactively driving trade association positions towards consistency with global 1.5°C climate ambitions. Where positions with trade associations are inconsistent, IAG representatives take roles on task forces and working groups and respond to consultations to communicate our stance and constructively move to alignment.
- **Funding high quality verified carbon reductions** – our participation in smart market-based measures such as the EU ETS and CORSIA will fund CO<sub>2</sub> reduction initiatives around the world such as solar energy, forest protection and reforestation projects. British Airways will also offset emissions from UK domestic flights from 2020.
- **Providing access to high quality voluntary offsets for passengers and corporate customers.**
- **Supporting development of carbon capture technology** - through our Hangar 51 Accelerator programme<sup>10</sup> in 2019 we collaborated with start-up company Mosaic Materials which created an innovative absorbent material to capture CO<sub>2</sub> from the atmosphere. IAG are currently members of the Coalition for Negative Emissions, advocating for global and UK support to scale up high-quality negative emissions solutions.
- **Supporting innovation and R&D to accelerate the delivery of low carbon aircraft of the future** – also through Hangar 51 we are engaging with several start-up companies to support their work in developing electric, hybrid electric and hydrogen powered aircraft. For example, British Airways made an investment in hydrogen aircraft pioneer ZeroAvia in 2021.
- **Supporting the scientific community** to better understand the environmental and climate impact of aviation and propose improvements to achieve our vision of sustainable aviation. Through La Cátedra Iberia, a collaboration between Iberia and the Polytechnic University of Madrid (UPM), and the participation in projects financed by the European Union such as LIFE and Horizon Europe.

## Other sustainability initiatives:

- **Renewable energy** - 86% of the group’s electricity demand is now supplied through renewable sources and Iberia’s solar power plant for self-consumption.
- **Reducing energy use in our properties** – LED lighting in Iberia’s cargo and maintenance facilities saved more than 3 million kWh in 2018, equivalent to the consumption of around 900 households in Spain.
- **Expanding our electric and hybrid vehicle fleets** – continued deployment of electric vehicles at airports including, pre-pandemic, 40% of Iberia’s vehicles and British Airways using electric tugs at Heathrow.

<sup>10</sup> [Hangar 51](#) is IAGs unique innovation accelerator providing start-up companies in a range of fields with opportunity to test and deploy their ideas in a live business environment.