Contribution to the EIB consultation (May 2011)

The International Air Transport Association (IATA) is grateful to be able to participate to this public consultation on the new policy of the European Investment Bank. IATA fully supports the initiative of linking the credit policy of the EIB with the ambitious political agenda of the EU.

IATA believes that the air transport sector can drive projects leading to

- a smarter growth by responding to the needs of the European economy
- a sustainable growth by reducing the carbon footprint of the sector
- an inclusive growth by developing the employment and the territorial cohesion

These projects linking economy and ecology can only be reality with the support of the EIB.

1/ The Roadmap to a Single European Transport Area: starting point of the new policy

The Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system has been published in March 2011. The Completion of the Single European Sky is the number 2 priority of this key document.

This roadmap is seen by both the European Commission and the European Investment Bank as the starting point of the new credit policy of the Bank.

On 26th July 2010, MEP Tremosa (ALDE ES) put a written question to the Commission on the lack of loans of the EIB to the airlines to renew their fleet. MEP Tremosa was pointing to the incoherence between the ambitious objectives of the EU in terms of environment and the absence of available tools to reach them.

On 8th September 2010, Olli Rehn (Commissioner for Economic and Monetary Affairs) replied to MEP Tremosa: "The Commission would like to attract the Honourable Member's attention to the fact that the Commission plans to issue a Transport White Paper later in 2010. This will allow the EIB to take into account the policy orientations of the White Paper (finally called Roadmap to a Single European Transport Area) in the revision of its transport policy."

On 16th July 2010, Brian Simpson (chairman of the Transport Committee of the European Parliament) raised the same issue in a letter to Philippe Maystadt, President of the EIB

On 2nd August 2010 President Maystadt replied:

"It is important that the EIB’s renewed policy takes full account of EU Policy and therefore aligning with the timetable for the Commission's proposals in the transport sector is essential, as you will appreciate. With that in mind, we expect the process of updating our Transport Lending Policy to be largely completed by the end of this year with a new policy published around spring time in 2011."

A sustainable alternative fuels strategy including also the appropriate infrastructure is foreseen under point 24 of this very same text.

IATA is now expecting concrete actions from the shareholders of the EIB to finance these ambitious objectives.

2/ A new EIB policy to promote a “smarter growth”
A “smarter growth” must take into account several parameters such as **safety, cost efficiency, capacity, and fair governance into the projects.**

As far as **safety** is concerned, the Single European Sky ATM Research (SESAR) will improve the safety performance by a factor of 10. The European Commission has mentioned in its working document the volcanic ash crisis as one of the events proving how urgent it is to move towards an even better integrated EU airspace. SESAR could provide a safe and smart solution to this kind of situation.

Thanks to the de fragmentation of the European sky, SESAR will promote a **cost efficient** system. SESAR will provide Air Traffic Management (ATM) services to the airspace users at a reduced cost of at least 50%. The current cost of inefficiency and fragmentation represents more than 4 billion Euros a year.

The SESAR programme will provide a three-fold increase in capacity. This multiplication of **capacity** will increase the competitiveness of the EU in line with the EU 2020 strategy. This objective is essential since the demand in air transport will increase in the next decades.

The deployment of SESAR in the agreed time frame is an essential step in the completion of the Single European Sky.

Delivering the SES within the agreed milestones is of utmost importance for the future of European Aviation. The Member States have a key role to play to make the SES a reality.

**Fair governance** is also essential; the coordination into the implementation of technology between Ground and Air is the key requirement to reach a “smarter growth” in the air transport sector. A smarter growth must avoid any “last mover advantage” and promote an harmonized implementation of the rules.

The Single European Sky acquis includes the creation (in 2011) of a Network manager function to manage scarce resources from a pan European perspective. The Member States have a key role to play in the implementation of the Performance targets in 4 key performance areas (safety, environment targets, cost efficiency and flight efficiency).

**What kind of technology could be supported?**

The SESAR programme has more than 300 projects. Some technologies included into the SESAR programme could be supported by the EIB such as the Automatic Dependent Surveillance Broadcast (ADS-B) which is a key technology for SESAR. This technology requires a harmonized implementation on the ground and in the air. SPI/IIR which is the mandate to implement ADS-B imposes the implementation of ADS-B technology to the airlines and not to the ANSPs. So far and at global level: 35% of aircrafts are equipped with this technology, 11% are planning to implement it and 54% are not equipped yet.

The coordination between SESAR and the US system (Next Gen) is essential to reach a harmonized system. The US government has already decided to fund the ADS.B technology. Meanwhile, some Member States have decided to refrain from timely implementation of such crucial service. The EIB could help the EU to keep the leadership on this kind of project.

Other technologies such as SAT-COM or ADS-C could be implemented thanks to the support of the Bank. Electronic Flight Bag should be supported as well.

Some technologies could be provided through the renewal of the fleet. On this issue, the EIB could come back to its previous policy (before 2007) regarding the loans to finance new aircrafts.
3/ A new policy to promote a “sustainable growth”

The aviation industry is committed to reach the following targets:

- For the short term (2020), a **1.5% fuel efficiency** improvement on average per year.
- For the mid-term, a **stabilization of net aviation CO\textsubscript{2} emissions** from 2020 onwards.
- For the long-term, a **goal of a 50% net CO\textsubscript{2} reduction** from 2005 levels, by 2050.

To reach these ambitious targets, the industry should get an adequate funding, better infrastructure, advanced technology and a clear coordination between stakeholders for implementation of the rules.

As estimated by the UNFCCC, aviation represents between **2 and 3 % of Global Carbon Emissions**.

The Bank should support the improvement of mobility in a sustainable manner while contributing to a reduction of congestion and pollution.

The Single European Sky ATM Research (SESAR) is one of the golden projects linking both reduction of **pollution** and **congestion**.

As far as the **pollution** is concerned: the SESAR programme contributes to modernise and decarbonise the transport sector. One of the objectives of the SESAR programme is to enable a 10%- 12% reduction in the effects flights have on the environment. The reduction of CO\textsubscript{2} emissions could reach 150 millions tons of CO\textsubscript{2} in 10 years.

As mentioned under the previous chapter, SESAR will multiply the capacity by 3 and will contribute to remove bottlenecks and **congestion** in the European sky.

The quick implementation of SESAR is crucial as far as the EU ETS will kick in 2012.

IATA supports co-modality between different modes of transport. However, it is clear that even within Europe there are isolated communities that depend on aviation and have no practical alternative.

Investments subsidizing fixed electrical ground based power at EU Airports and local level (avoiding APU Emissions) should be supported.

The European Investment Bank (EIB) should support sustainable solutions for those sectors that have few alternatives to using fossil fuels. Although aviation has an impressive track record in achieving fuel efficiency improvements its only realistic emissions reduction technique is bio-jet fuel. The technical and environmental barriers to bio-jet development have been overcome but growth is now restricted by lack of investment. The EIB could support the aviation industry (and correspondingly European agriculture and bio-jet producers) by undertaking the following:

1. Promoting R&D funding - focusing on alternative feedstock with low environmental impacts such as algae. (e.g.: 3\textsuperscript{rd} generation bio-jets)
2. Providing low-interest rate loans, match-funding and loan guarantees for bio-jet investments,

The airlines’ growing demand for sustainable bio-jets is in line with the aviation industry commitment and the EU agenda (Flight-path 2050) of 40% of bio-fuels in aviation by 2050. Bio-jets are already usable from now without modifications on aircraft or engines or on fuel infrastructure.
The USA has successfully introduced new legislation (Renewable Fuel Standard) and large R&D programmes (such as "Farm to Fly") which promotes bio-jet. The EU needs to adopt a similar approach or risk losing this exciting new technology race.

Technologies such as winglets could be supported as well in order to reduce the ecological footprint of aviation.

4/ A new policy to promote an “inclusive growth”

IATA members carry more than 2.4 billion passengers a year and more than 43 million tonnes of Cargo. Aviation has a key role to play in globalization.

Aviation involves 32 million jobs and should be supported to increase this average. The role of aviation into the European and the Global economy could be increased thanks to the implementation of common projects such as SESAR. This project could reduce the ATM cost by 50% and will reduce the flying distance per flight between 10 and 12%.

Aviation is essential in delivering territorial cohesion (regions, islands...). The EIB is well aware about this vital role of aviation since the recent loans to renew airlines fleet were provided to carriers contributing to territorial cohesion. The EIB should keep this element in the review of its policy.

New technologies developed in the SESAR programme should also generate new employment.

5/ Necessity of financial support:

Without public funding, all the benefits of the SES have little chance to materialise in time.

The implementation of a common project such as SESAR must link funding and governance. The EIB should support the air transport sector into the implementation of SESAR but should take into account the responsibility of all the stakeholders involved into the project.

Loans for equipment must be available through European Investment Bank and/or National State Banks. Due to the sheer volume of avionics investment, and the time necessary for the delivery of SESAR benefits, there is a need for special financing mechanisms to reduce the burden of upfront investment.

These loans should only have to be repaid when SESAR benefits, in terms of defined contributions to EU-wide targets, have materialized.

As far as the Bank is concerned: several sources for financing could be foreseen. Some of these sources have been identified by the task force for supporting the Commission in defining a deployment strategy for the SESAR programme in April 2011.

- Standard EIB loans
- Project financing solutions such as the project bonds.
- Equity or quasi equity funds such as the Marguerite fund

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