

impact

on sustainable aviation

A new approach to decarbonizing aviation



impact
January, 2023

Time flies.

AVIATION FINANCE NEEDS EMISSIONS STANDARDS

impact brings together aviation and financial institutions that see the need for clear and simple emissions standards in financing contracts. They recognize such covenants as crucial levers to make flying more sustainable at last.

An independent non-profit association, impact's members include banks, lessors, investors, law and accounting firms, and academic institutions from all over the world.



impact combines different stakeholder groups. Its priorities are set “bottom up” by its members, rather than “top down” by vested interests. Impact is run by its members for its members.

A non-profit organization, free of vested interests

A GROWING NUMBER OF SUPPORTERS

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APOLLO | PK AirFinance

ATOZ
AVIATION FINANCE

AVINOMICS
DECODING AIRLINE STRATEGIES.

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KFW IPEX-Bank

KPMG

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NATIXIS
CORPORATE AND
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SGI AVIATION

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dublin
University College Dublin
Ireland's Global University

THE SUSTAINABILITY CONUNDRUM

The world is committed to net-zero emissions by 2050.

The “sustainability conundrum” that aviation needs to tackle:

As long as fuel-efficiency gains remain too small to offset the added emissions of air-traffic growth, CO₂ emissions will continue to rise as revenue passenger kilometers do.

KPI	Timeframe	yoy change
RPK	2010 – 2019	4.9% ¹⁾
CO ₂	2010 – 2019	3.5% ²⁾
Intensity (CO ₂ /RPK)	2005 – 2020	-3.4% ³⁾
Target CO ₂	2019 – 2050	-5.0% ⁴⁾

The IEA estimates aviation needs to cut emissions by at least 5% a year to reach net zero in 2050. At current trends, aviation’s share of global emissions looks set to rise sharply.

1) <https://www.icao.int/annual-report-2019/Pages/the-world-of-air-transport-in-2019.aspx>

2) <https://www.iea.org/fuels-and-technologies/aviation>

3) <https://www.mckinsey.com/industries/aerospace-and-defense/our-insights/future-air-mobility-blog/fuel-efficiency-why-airlines-need-to-switch-to-more-ambitious-measures>

4) IEA 2021: Net Zero by 2050: A Roadmap for the Global Energy Sector



INTRANSPARENCY CONFIRMS NEED FOR STANDARDIZATION

Risks

- Reporting inconsistencies
- Misaligned regulation
- Accusations of greenwashing

Intransparency increases risk

Result:

- Less than 15% of airlines report emissions – and they use many different methods
- An airline can voluntarily file up to 27 different reports to various bodies every year
- A jumble of definitions confronts regulators, financiers, NGOs and industry bodies

Risks:

- Voluntary-reporting inconsistencies as damaging as non-reporting
- Public accusations of greenwashing and calls for government action
- Misaligned regulation that harms the industry more than necessary

FINANCE CAN FORCE MORE TRANSPARENCY



Governmental action like EU Taxonomy gives financial institutions major role in pushing aviation to net zero by 2050.



Financial industry has the power to demand more emissions transparency and agree transition-finance standards.



Financial industry has interest to preempt governmental action. Flight bans, price caps, capacity limits would hit asset values and returns.

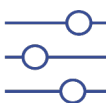
IMPACT'S HOLISTIC APPROACH TO DECARBONIZATION

impact is focused on decoupling aviation's CO₂ emissions from the industry's economic output – an idea pursued by the EU and OECD, among others. impact proposes airlines use three KPIs to make emissions transparent and allow target-setting.



Emissions footprint (effectiveness)

How much CO₂ does an airline emit in total?



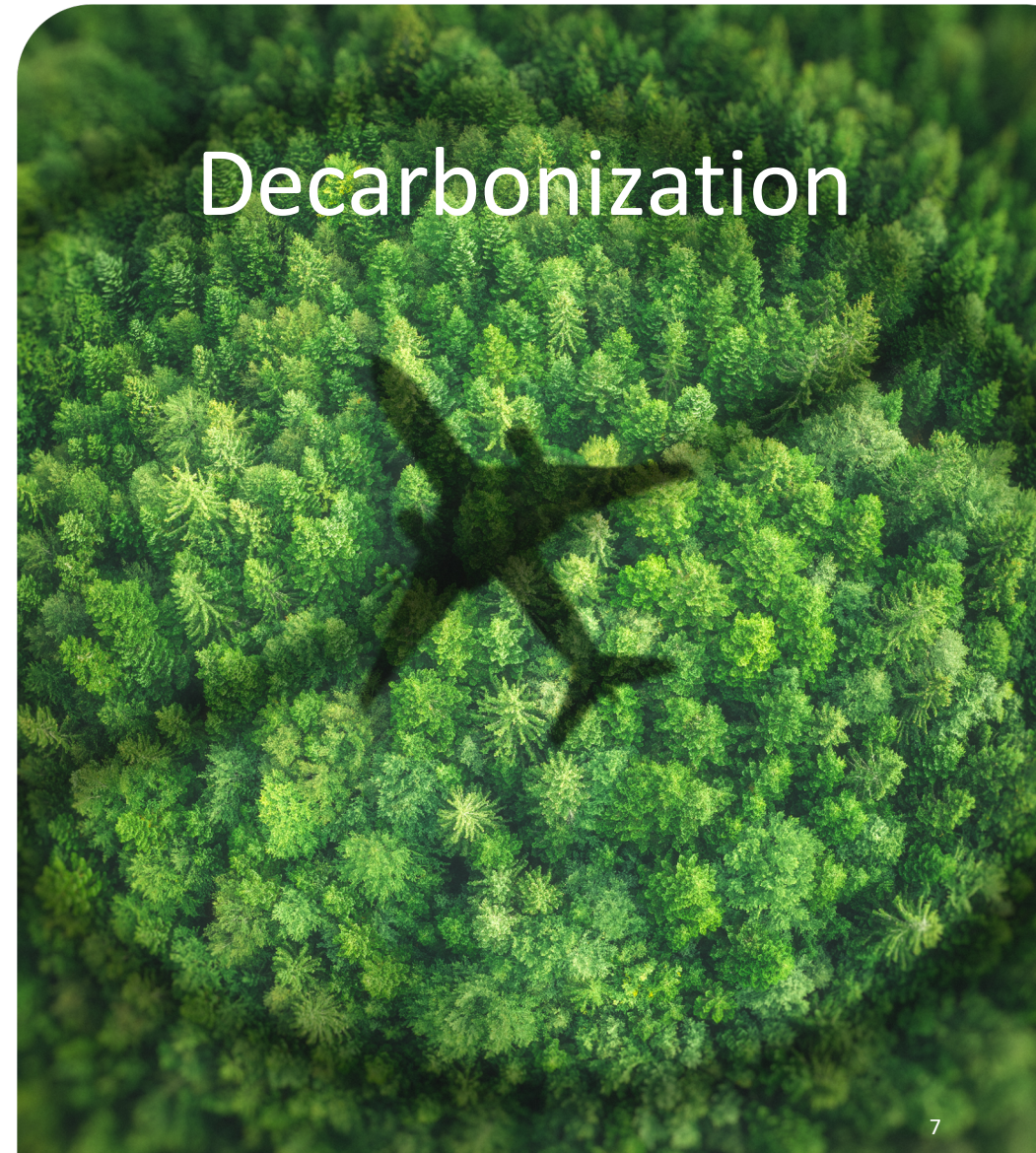
Emissions intensity (efficiency)

How much CO₂ is needed to produce a certain unit of capacity?



Emissions decoupling (transition trend)

How closely are CO₂-emissions trends coupled with capacity changes?



BUILDING TRANSPARENCY INTO FINANCING



These KPIs should be used by financiers to encourage airlines and aircraft lessors to reduce carbon intensity. Incorporating the KPIs into financing contracts would

- Make access to capital subject to compliance with sustainability standards
- Encourage an open debate about options and challenges regarding net zero
- Reduce the risk of greenwashing accusations and outside rule-making

Sustainable aviation requires airlines to adopt KPIs to define and monitor credible emissions targets – and financing institutions to hold airlines to them.

HOW IMPACT'S APPROACH DIFFERS

IMPACT

- 1. Monitors each airline's emissions and RPK to show in how far CO₂ trends are decoupling from air-traffic growth**
- 2. Advocates each airline adopts emissions milestones based on its own transparent reduction path**
- 3. Fosters knowledge transfer and collaboration between finance, aviation, technology and renewable energy providers**



Other approaches

1. Measure only emissions intensity (CO₂/RPK), an approach that flags “improvements” even as an airline’s overall emissions increase
2. Rely on assumption-heavy external forecasts to measure intensity (and trigger renegotiation of finance contracts if missed)
3. Limit their activity to mainly providing guidance on intensity metric

HOW IS IMPACT ORGANIZED?

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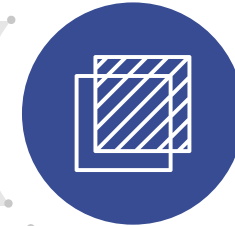
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All members are invited to use impact as a forum to chart a common path to sustainability. Net zero is aviation's license to operate in a cleaner future.

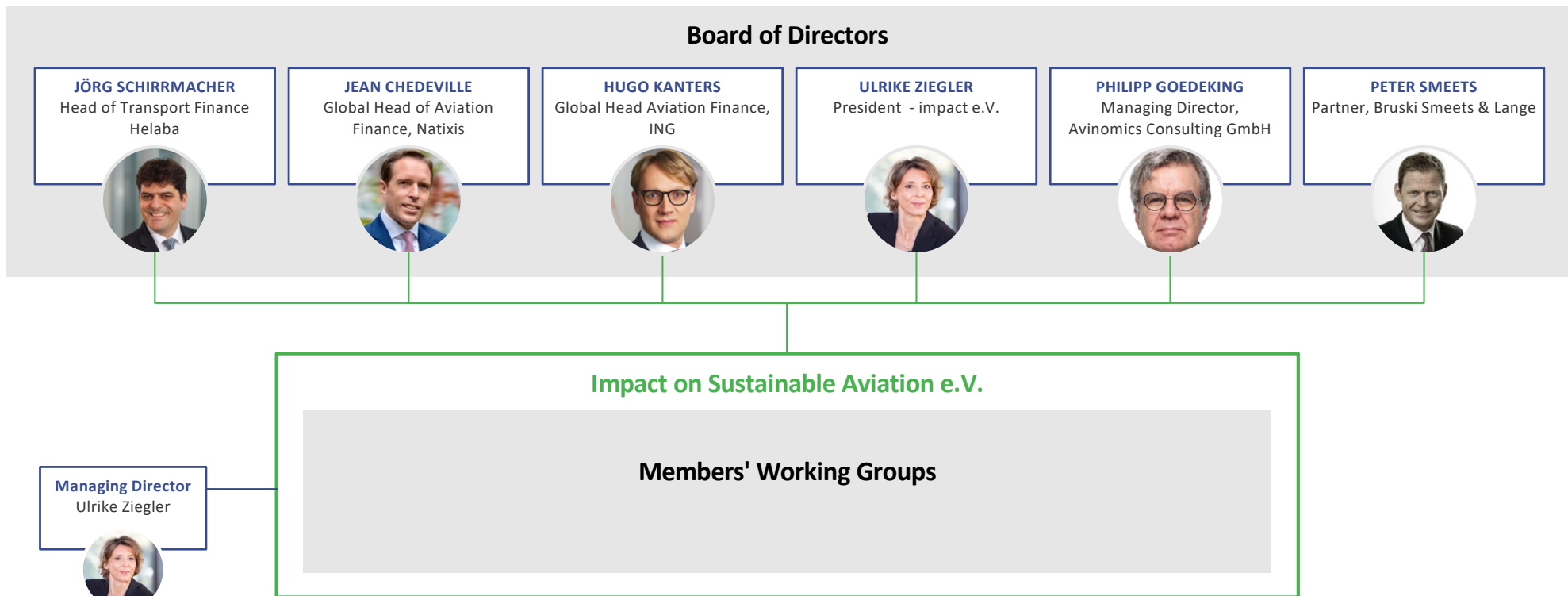


impact brings together decision makers in aviation and aircraft finance to ensure continued capital flows, reduce financial risks and complexity, and avoid bad press.



impact aims to become a champion of transparency, a conduit between aviation and the finance sector, a bullwark against greenwashing – to be recognized as a quality seal for aviation sustainability.

IMPACT SET-UP



JOIN IMPACT TO HELP CHANGE AVIATION



1

Contribute to decarbonizing aviation by establishing new market standards

2

Help preempt heavy-handed regulatory action – and so keep aviation viable

3

Share your expertise and gain from access to other industry stakeholders

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