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Comments from International Air Transport Association (IATA) on the report Ds 2023:3 on Swedish airport system

The International Air Transport Association (IATA) is a global trade association, representing some 300 airline members across the world and accounting for 82% of total global air traffic. Our members include approximately 50 airlines operating air services to/from Sweden. IATA supports many areas of aviation activity and helps to formulate industry policy on critical aviation issues to drive a safe, secure, and a sustainable industry. For more information on IATA and its work, you can visit www.iata.org

IATA welcomes the opportunity to comment on the report Ds 2023:3 regarding the developments on Swedish airport system. Air transport generates benefits to consumers and the wider economy by providing speedy connections. These virtual bridges in the air enable the economic flows of goods, investments, people and ideas that are fundamental.

Comments on Airport Privatization

The document mentions some thoughts on the possible privatization of Swedavia. Privatization is a major undertaking and IATA has developed together with Deloitte an in-depth view on Airport Ownership and Regulation, which can be accessed and downloaded here: <https://www2.deloitte.com/xe/en/pages/finance/solutions/airport-ownership-regulation-iata-guidance-booklet.html>.

Several key elements are already mentioned in the report such as the problem of cross-subsidization and an investor's interest in the most profitable airports only instead in the entire system operated by Swedavia. There are, however, some items we find concerning.

The argument that a privatized airport can borrow capital at lower rates is not what we observe in practice. It is more on the contrary that we see that government owned airports have access to cheaper capital than privatized airports due to the fact that the government is always seen as a lender of last resort from a creditor point of view. Furthermore, the examples mentioned such as the UK and Denmark have to be seen with extreme caution. In Denmark, there had been a long ongoing discussion about the relationship between Copenhagen Airport (CPH) and airlines. Only after a change of the Danish regulation is the situation more balanced. We often observe that during the privatization process, regulatory frameworks are being changed to the benefit of the future investor and to the clear disadvantage of the airlines and the travelling public.



The same applies to the UK airports where regulation has been limited to Heathrow Airport (LHR) and Gatwick Airport (LGW). Many of the other airports since the privatization of the UK airports are since abusing their market power. For Manchester Airport (MAN), an airline has recently filed a market power assessment request with the UK CAA (Civil Aviation Authority). These developments are evidence of the difficulties with airport privatization. As the current concept works well with Swedavia and has even improved in the past, changes should be considered very carefully if at all.

Comments on charges, finance, and costs

The document touches upon the concept and importance of aviation charges several times but does not mention the methodology or reference to ICAO doc 9082. The charges consultation process is well established with Swedavia and has significantly improved the last years, thanks also to the role of the regulator. It needs to be mentioned that airport charges play a major role in the determination of the cost of air travel, and it is recommended that the document should elaborate more on the principles. With reference to ICAO doc 9082, the four key charging principles should be mentioned: cost relatedness, non-discrimination, consultation, and transparency. Within the methodology to determine airport charges, the concept of the weighted average cost of capital is important to highlight, as it represents the determination of the profit, which is equivalent to dividend payments to the airport owner.

With regards to the Swedish emergency airport system, the costs associated to this function should be fully covered by the government as normal charging principles do not apply for this airport service. The same logic applies to remote airports where their existence is only justified to guarantee connectivity to remote areas but where there is only a limited business interest. Airlines should not be charged for services they do not receive or ask for.

The discussion about loss recovery, which has surfaced after Covid and which Swedavia does rightly not follow, should be clearly mentioned as being excluded. Airlines cannot ask their passengers for loss recovery as this would contradict market principles. Airports are being compensated for business risks with the cost of capital component and events such as Covid are black swan events happening extremely rarely.

Environment and importance of aviation

The aviation industry has jointly committed to achieving net zero from their operations by 2050. This has been materialized through the Fly Net Zero commitment by IATA member airlines in 2021.

On the one hand, the Swedish Parliament has set a net zero target for greenhouse gas emissions from the transport sector by 2045. On the other hand, Sweden's Climate Action plan outlines the measures applicable to aviation, the following being implemented so far:

- **Mandatory blending of renewable fuels for aviation through reduction obligation. Emission reduction levels are proposed for 2021-2030, starting at 0.8 per cent in 2021 and gradually increasing to 27 per cent in 2030.**
- With the Refuel EU political agreement reached in April 2023, the SAF uplift at European airports has been set at 6% by 2030, raising it to 20% in 2035. Because aviation is international, the Commission has called for the States to adhere to this single EU SAF mandate and avoid a patchwork of national approaches with different requirements and objectives. IATA strongly supports Commission's view and recommends Sweden to refrain from any deviating ambitions. Applying measures that create a duplicity of regulations at national, regional, or global level, decrease the ability of the national players to compete in an industry that already now suffers from great scarcity of SAF production, as well as from considerably high pricing.



- **The Swedish Environmental Objectives Committee (Milömålsberedningen) has proposed interim targets for the climate impact of aviation.**
 - Due to aviation's inherently global nature, IATA strongly recommends adhering to globally or regionally set targets. . If any deviations in national targets are to be put in place, this should only happen in combination with a robust set of incentive schemes that support de-risking private investment, incentivizing feedstock development and production while ensuring institutional barriers are unblocked. Public support and financing for selected decarbonization strategies should be made available similarly to the US Inflation Reduction Act or EU Net Zero Industry Act.
- **Following an amendment (2021:666) to the Swedish Act on Airport charges, (2011:886), the Swedish government has introduced a requirement that airport charges should be differentiated for environmental purposes. Swedavia has therefore introduced an environmentally differentiated charge, the CO2 Emission Charge, at Stockholm Arlanda and Gothenburg Landvetter.**
 - The new regulations state that airport charges relating to take-off or landing of aircrafts shall be differentiated in accordance with the aircrafts' climate impact and that the differentiation shall reduce the climate impact of aviation.
 - IATA is against setting airport or air navigation charges based on environmental performance. Airspace users already have strong financial incentives to reduce greenhouse gas emissions and fuel use as a result of fuel costs and market-based measures such as CORSIA and EU ETS. Firstly, CO₂-modulation at an airport is not effective and "Green investments" should be treated as any other investment. The modulation of airspace user charges could even act as an incentive for operators to fly longer routings to avoid more costly charging schemes, potentially leading to higher fuel use and CO₂ emissions. Secondly, airlines have been investing in new and quieter aircraft for decades already: today's aircraft are over 80% more fuel efficient and quieter than their predecessors six decades ago. While charges will be considered by airlines in their fleet planning, they are just one of the many factors that are taken into account by airlines. Moreover, it is important to consider that the development of new technologies happens in step changes of usually more than 10 years. In addition, the usual lifecycle of aircraft is around 30 years, making it difficult for airlines to make abrupt changes to their fleet.
- **Transport analysis (Trafikanalys) has submitted proposals for mandatory climate declarations in the marketing and sale of long-distance travel by air, rail, bus, and ferry.**
 - We strongly advise Sweden not to create any additional reporting and administrative burden to the operators, in addition to the already existing ones. Therefore, following the proposal of the Swedish government proposed in its 2021 memorandum that the requirement for climate declarations should initially apply only to air travel on the grounds that airlines already have access to data and information on air travel through existing EU ETS and Corsia frameworks that is largely also fit for purpose, is supported by IATA.
- IATAs four-pillar strategy for reaching net zero by 2050 consists of an efficient and fast **scale-up of sustainable aviation fuels (SAF), the use of new technologies such as hydrogen and battery-electric solutions, applying more efficient infrastructure and operations, as well as removing, capturing, and storing carbon, while offsetting** the residual emissions during the interim period. The heavy weight in the next decades is borne by SAF, and therefore, broad availability of SAF should be supported, as is also proposed in the report. The production, scale-up and demand should be incentivized, but preferably using "carrot" and not a "stick"-approach, i.e., not penalizing those operators that cannot have access to SAF as yet, due to their scarce availability and prohibitive prices. A state can support in putting in place price stabilization measures, e.g., through the contracts for difference -system. A necessary step in building SAF infrastructure is the development of accounting mechanisms that can ascertain the chain of custody, such



as "Book and Claim". This type of chain of custody -system separates the fuel purchase from its physical location, which simplifies supply chains, increases market potential, and reduces production cost. A prerequisite for Book and Claim is that fuel suppliers provide aircraft operators with full and complete sustainability documentation associated with the SAF they have procured or produced.

- The Swedish government has announced its decision to invest at least SEK15 million a year to help **enable electric aviation** in the country and is considering the introduction of electric aircraft on subsidized public service obligation routes. This is a good example of a bold focus of public investment into a decarbonization technology, by making it attractive for the private sector, and boosting R&D simultaneously.
- The report refers to the feedstock independence potential of Sweden. Due to the great need of SAF and thus, their feedstock, we support a **feedstock-agnostic approach**, all the while ensuring the sustainability criteria of SAF according to the globally harmonized programs. Important is to identify the exact feedstock production potential Sweden has and invest into their commercial exploitation.
- There should also be focus in improving the **technical understanding of the effects of aviation**, especially non-CO2 through robust R&D programs, such as Clean Aviation at the EU level. Important is to find measures that attract private investment, like the examples provided above from the US and the EU.
- Ensuring that Sweden also contributes to the net zero goal, it can support in **accelerating the R&D of the state-of-the-art technologies, lowering investment risk, providing fiscal and other financial incentives and support tools** such as credit guarantees like proposed in the report, and **removing administrative hurdles**. Environmental measures can be put in place at airport level, for example, by:
 - Refraining from penalizing schemes, such as ATM/ANS charges levied based on environmental performance
 - Applying incentive schemes, where the payers are not the operators but where funds are collected through airport´s commercial operations
 - Investment into R&D and set-up of required charging/refueling infrastructure and logistics for aviation fuelled by SAF, hydrogen, battery-electric and hybrid models while ensuring the conventional jet fuel infrastructure is in place at least through 2050
 - Creation of standard procedures for ground operations that consider the different new generation aircraft models and their needs on the ground
 - Assessment of how ground operations can be made more sustainable, e.g., via electrification, automatization, using IOT and AI solutions etc. However, should there be major investments, the effort should by no means be translated into an automatic increase of user charges. Instead, such investments should go through a transparent and fair CAPEX/OPEX calculation and stakeholder consultation
 - Conduct a thorough multi-stakeholder noise impact assessment, utilizing the ICAO balanced approach for addressing any noise mitigation needs
- The report also suggests setting up an "**aviation fuels commission**", bringing together representatives from industry, academia, and the public sector at national level. We support such cross-industry and stakeholder collaboration formats, which enable finding common ground, understanding better the needs of all players, and facilitating an aligned view across the aviation ecosystem, including the regulatory bodies.
- Aviation is a key driver of economic and social development. This materializes in its global role in helping to deliver 15 of the 17 **Sustainable Development Goals (SDGs)** of the United Nations, while building more secure and inclusive societies and generating connectivity between nations. The 15 SDGs in which aviation plays a key role are: 1) No poverty, 2) Zero hunger, 3) Good health and wellbeing, 4) Quality education, 5) Gender equality, 6) Clean water and sanitation, 7) Affordable and clean energy, 8) Decent work and economic growth, 9) Industry, innovation and infrastructure, 10) Reduced inequalities, 11) Sustainable cities and communities, 12) Responsible consumption and production, 13) Climate action, 14) Life below water,



15) Life on land, 16) Peace, justice and strong institutions and 17) Partnerships for the goals. A successful climate policy considers the **above SDGs** that do not see policy decisions taken in a vacuum but consider the different environmental, economic, and social dimensions all together. Therefore, whatever measures are considered, they should be embedded into a holistic policy framework that aims to create a sustainable balance between all needs of a society.

- The clear links to UN SDGs demonstrate the contribution of aviation to the wellbeing of the world and its societies. Concretely in Sweden, the **value of aviation** can also be shown in some key economic indicators:
 - Airlines, airport operators, airport on-site enterprises (restaurants and retail), aircraft manufacturers, and air navigation service providers **employ 49,000 people in Sweden**. In addition, by buying goods and services from local suppliers the sector supported **another 39,000** jobs. On top of this, the sector is estimated to support a **further 24,000 jobs** through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services.
 - Foreign tourists arriving by air to Sweden, who spend their money in the local economy, are estimated to support an additional 80,000 jobs. **In total 191,000 jobs** are supported by air transport and tourists arriving by air.
 - What comes to spending the air transport industry, including airlines and its supply chain, are estimated to support **US \$12 billion of GDP in Sweden**. Spending by foreign tourists supports a further US \$7.2 billion of the country's GDP, totaling to US \$19.2 billion. In total, **3.7 percent of the country's GDP** is supported by inputs to the air transport sector and foreign tourists arriving by air. (Source: IATA Value of Aviation report, 2019).

We thank you in advance for taking these comments into account, while we welcome any opportunity to further discuss the details of the above positions as part of additional consultations or hearings. If you have any questions or concerns, please don't hesitate to contact us at IATA.

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