AmCham EU
SPEAKING FOR AMERICAN BUSINESS IN EUROPE

Our position

Ensuring a competitive and sustainable European aviation sector

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3.4 trillion in 2021, directly supports more than 4.9 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

American Chamber of Commerce to the European Union
Speaking for American business in Europe

Avenue des Arts/Kunstlaan 53, 1000 Brussels, Belgium • **T** +32 2 513 68 92
info@amchameu.eu • amchameu.eu • European Transparency Register: 5265780509-97

Executive summary

The American Chamber of Commerce to the EU (AmCham EU) supports the EU's ambitions to reduce carbon emissions and encourage a more sustainable European aviation industry in line with the European Green Deal and industry's own ambitious climate objectives. Technological advancement and the introduction of alternative fuels, such as sustainable aviation fuel (SAF) or even hydrogen, will be the largest contribution towards this goal. These developments, however, will need sufficient regulatory support to create the necessary market conditions and incentives that can provide an effective framework for this transition.

The EU's Fit for 55 (FF55) package – particularly ReFuel EU Aviation, the EU Emissions Trading System (ETS) revision for aviation and the Alternative Fuels Infrastructure Regulation (AFIR) – are critical to the successful decarbonisation of the sector. Policymakers must view these initiatives in relation to each other and not silo them as they proceed through the legislative procedures. Only by building on synergies of their respective strengths can the FF55 package achieve the EU's climate targets.

Introduction

The proposal for a regulation to help cut emissions from the transport sector will be critical for the future of the aviation sector. SAFs are one of the most direct ways to make substantial reductions in net carbon emissions for aviation across all market segments and aircraft sizes. AmCham EU members representing key players along the aviation value chain have been and remain committed to the development and the scaling up of SAF. Below are a few areas for policymakers to consider in future discussions on the proposal.

Uniform application of SAF blending mandates throughout the EU

The ambitious SAF blending mandates introduced in the ReFuel EU regulation will need to be implemented while considering the EU's alternative fuel capabilities and carriers' means. The uniform application across the EU of any blending mandate will prevent national differentiations, ensure a single European market for SAF and avoid distortive effects that could disadvantage certain regions. While carriers will have the option to go beyond a European blending mandate in coordination with their fuel providers, Member States must not mandate higher ambitions or different sub-targets at a national level. This would create a patchwork across the EU that would inevitably increase complexity, burdens and costs for governments, fuel providers and carriers.

Availability of SAF at all airports

Fuel providers may struggle to ensure availability at all EU airports – especially during the introductory phases of a SAF blending mandate – given the current maturity of the alternative fuel infrastructure. Even with an extension of the ReFuel EU proposal's transition period, it will be a challenge for them to attain the required levels of availability. The development of a common EU Book & Claim system for SAF suppliers could be a longer-term solution to provide access to SAF across the EU. Such a system should include all EU airports that are covered by the regulation and allow fuel suppliers to trade SAF

certificates that airlines can use to claim CO2 reductions under the appropriate greenhouse gas trading scheme.

This system should, moreover, enable airlines to purchase SAF beyond the level of the mandates. This would reduce the burdens linked to the delivery of physical SAF to all airports and allow producers to leverage existing production synergies (ie proximity to large amounts of renewable energy) while ensuring SAF availability to all carriers across the EU. Since this system would apply to only SAF in airports and only for aviation activities, a Book & Claim system could be established without conflicting with the more general mass-balance approach to certification provided in article 30 of the Renewable Energy Directive (REDII).

Incentives to support the transition to SAF

SAFs remain up to five times more expensive than standard jet fuel. Even as production facilities mature and overall output increases, a price premium will likely persist. The uptake of SAF in accordance with the blending mandates in ReFuel EU, the removal of free ETS allowances – even for sectors threatened by carbon leakage – and the introduction of an energy tax in the Energy Taxation Directive will result in monumental additional costs for the European aviation sector, estimated to be €576.9 billion from 2023 to 2050.[1]

The industry needs a well-balanced framework that can not only send the right market signals but also establish incentives to offset some of the additional cost in order to maintain a vibrant European air travel sector. A powerful instrument available to the EU is the role of SAF in the ETS; policymakers should extend the current 'zero rating' of emissions from biofuels under the ETS to include renewable fuels of non-biological origin (RFNBO). Moreover, policymakers could consider creating a special allowance reserve that further incentivises the use of SAF in the ETS. Such an instrument could distribute a number of ETS credits in accordance with the carbon lifecycle reduction benefits of a given SAF pathway, with RFNBOs enjoying a higher multiplier given their low carbon intensity.

The US has also adopted a range of measures to boost the production and uptake of SAF to decarbonise the aviation sector. Closer transatlantic cooperation to build on synergies and best practices will help maximise SAF's potential.

US SAF Grand Challenge

The SAF Grand Challenge announced by the White House in a Memorandum of Understanding from September 2021 reflects the US government's commitment to SAF. US authorities will attempt to produce 3 billion gallons (11 billion litres) per year by 2030 (equal to about 10% of US fuel demand) and 35 billion gallons (132 billion litres) per year by 2050 (equal to 100% US fuel demand).

US SAF Blenders Tax Credit

[1] SEO & NLR (2022), The Price of Fit for 55

The proposed Build Back Better package included a federal SAF Blenders Tax Credit worth $1.25 to $1.75 per gallon depending on the lifecycle emissions reduction potential compared to conventional fuel. This proposal was intended to temporarily help close the existing jet fuel price gap.

Supporting the development of the next generation of aircraft technologies

The introduction of novel aircraft technologies will be critical to decarbonising the sector. For the EU to truly benefit, industry will need to have developed entirely new aircraft models with a step change in efficiency and have introduced zero-CO2 emission solutions that are ready for entry into service by 2035. Developing new aircraft takes decades and billions in investments. Close cooperation with regulators and public support will be critical to ensure a shortened timeframe in line with public expectations, availability, safety and performance standards. The ETS Innovation Fund should be focused on developing next generation technologies. With the increasing value of ETS credits, the fund will have significant resources to support the decarbonisation of ETS industries, including the aviation sector. Policymakers should ensure that a portion of the Innovation Fund is made available to the aviation sector, particularly for disruptive research and development activities.

Ensuring the right alternative infrastructure at airports to support all air transport activities

The AFIR proposal ensures that electricity supply is available for stationary aircraft at EU airports. However, because this requirement should apply to all air transport operations, regulatory clarity is needed, since air cargo operators are usually located a lengthy distance away from passenger terminals at airports. AFIR's express referencing of air cargo operations is necessary to clarify the need for Member States to plan adequate electricity supply not only near passenger gates but also near air cargo facilities.

Conclusion

These recommendations can support the creation of a successful marketplace for sustainable aviation fuel in the EU. Through the uniform application of SAF blending mandates, increased availability of SAF at airports, more incentives for SAF as well as accelerated technological development and alternative infrastructure, the aviation industry is poised to make essential strides within the EU to achieve common climate objectives.