



**WORKING PAPER**

**THIRD CONFERENCE ON AVIATION AND ALTERNATIVE FUELS  
(CAAF/3)**

**Dubai, United Arab Emirates, 20 to 24 November 2023**

**Agenda Item 4: Financing cleaner energy**

**NEED FOR ADDITIONAL MEASURES TO CROWD IN AND DE-RISK PRIVATE CAPITAL  
TO FACILITATE ACCESS TO FINANCING AVIATION CLEANER ENERGY**

(Presented by Kenya)

**SUMMARY**

This working paper highlights the need for additional measures to crowd in and de-risk private capital to facilitate access to financing aviation cleaner energy.

Access to financing remains a key factor in the effort to ramp up investments in SAF and cleaner aviation energy towards the global target of net zero CO<sub>2</sub> by 2050. Additionally, the scale of financing required to unlock growth of the Sustainable Aviation Fuels (SAF) industry is beyond the funding and borrowing capacity of many States, especially the emerging and developing Countries. While recent industry dialogue with financial institutions prospects availability of adequate funds earmarked for investing in cleaner Energy for Aviation, the private capital is yet to strike the right balance of risk and reward in this emerging industry resulting to the current situation where the demand for SAF exceeds supply.

Action by the Conference is in paragraph 4.

**1. INTRODUCTION**

1.1 The ICAO report<sup>1</sup> on Climate Change Financing indicates that international civil aviation currently has no dedicated financial mechanism related to climate change and SAF. International civil aviation is not covered by the Kyoto Protocol, it has no access to any of the Kyoto flexible financing instruments such as Climate Investment Funds (CIF) or Clean Development Mechanism (CDM) and hence

<sup>1</sup> <https://www.icao.int/environmental-protection/Pages/financing.aspx>

the need for ICAO and industry partners to explore financing options for Developing States among other interventions required for capacity building and cleaner energy implementation.

1.2 The CAEP LTAG report assessed the costs and investments associated with LTAG scenarios with Investments from States (i.e. governments) on aircraft configuration and/or energy systems research and development estimated at \$15 to \$180 billion through 2050, Costs and investments for Air Navigation System Providers (ANSPs) for LTAG specific operations measures estimated from \$11 to 20 billion by 2050, Costs and investments for airports and operations measures also estimated to range from \$ 2 to 6 billion across LTAG scenarios among other Investments by aircraft manufacturers and air operators (airlines).

1.3 Noting the projected growth of the African civil aviation sector by ICAO, lack of access to financing, technology and capacity building by African States to meet the cost of implementing any agreed ICAO Global Framework for SAF, LCAF and other Aviation Cleaner Energies and may pose a risk to the anticipated growth and if left unattended will inhibit the growth of African civil aviation sector as well as the achievement of global aviation environmental goal of net zero by 2050.

1.4 Air transport serves an important role in enabling economic growth and development, owing to its unique positioning in facilitating integration of the global economy and providing connectivity on a national, regional, and international scale. In line with ICAO's No Country Left Behind initiative there is need for continuous targeted capacity building and training efforts to institutions and personnel, as well as supporting the availability and access to funding to developing States.

## 2. DISCUSSIONS

2.1 The potential of SAF in Kenya is promising and will not only reshape the aviation industry impact on environment but is already emerging as big contributor to the country economy it comes with its own set of challenges and opportunities. The high cost of production, largely attributed to feedstock expenses and energy-intensive processes, poses an immediate hurdle. The absence of adequate infrastructure for SAF production and blending in Kenya's aviation landscape is another obstacle demanding strategic resolution.

2.2 Kenya is equally championing open skies policy in Africa to address the current air transport connectivity challenges, high cost of air travel, and establishment of a Pan-African airline, leveraging on the African union single Africa Air Transport Market (SAATM). Furthermore, Kenya has committed to work with AFCAC in the initiative to accelerate the development production, and deployment of SAF/LCAF in Africa as a pilot State through sharing of experiences and contributing to the continental efforts to contribute to net zero CO<sub>2</sub> emissions by 2050.

2.3 Like many other emerging sectors in developing countries, the scale of financing required to unlock the high potential for cleaner energy is beyond the borrowing capacity of national balance sheet and considering the risk premium by private capital. The SAF industry in developing countries has several challenges that include:

- a) high price differential between SAF and Jet A;
- b) access to funding and economic incentives;
- c) lack of an integrated financing system for production facilities;

- d) insufficient research and development of SAF technical expertise and appropriate infrastructure; and
- e) lack of SAF policies and sustainability issues.

2.4 Kenya supports ambitious actions to reduce aviation CO<sub>2</sub> emissions at a rate consistent with efforts that will limit the global average temperature increase to 1.5 °C.

2.5 Kenya supports the acceleration of the development and deployment of sustainable aviation fuels (SAF) in developing countries in all regions while, recognising that different states will take different paths and have different priorities.

2.6 Kenya participated in the open discussions at ICAO's Pre-CAAF/3 Outcomes Consultation event held on 25-26 September 2023, where the ICAO Climate and Environment Committee (CEC) presented a draft ICAO Global Framework for SAF, LCAF and other Aviation Cleaner Energies and welcome the work initiated by the ICAO Secretariat on a "Finvest Hub" initiative to facilitate access to financing needed to achieve an ambitious outcome and require this work to include measures to crowd in and de-risk private capital to facilitate access to financing aviation cleaner energy.

### 3. CONCLUSION

3.1 The journey towards SAF deployment in Kenya is undoubtedly a long-term endeavour, with not only poised to make significant contribution to greenhouse gas emission reduction within the aviation sector but also one of the climate positive investment that will catalyse growth trajectory as part of green economy.

3.2 ICAO's further work to respond to the request by Assembly Resolution A41-21 on financing for projects that contribute to the decarbonization of international aviation should adopt a multifaceted approach covering trade, access to finance and any other strategies that target the market failures and risks that drive lack of private capital deployment at scale. Additionally, ICAO should continue providing clear guidance to States on their role in fostering the financial conditions required to attract and accelerate investments in sustainable aviation fuels, low carbon aviation fuels and other cleaner aviation energy.

### 4. ACTION BY THE CAAF/3

4.1 The CAAF/3 is invited to:

- a) consider the need for additional measures to crowd in and de-risk private capital to facilitate access to financing for purpose of accelerating investments in Clean Energy;
- b) support ICAO's ongoing work to respond to the request by Assembly Resolution A41-21 related to financing for projects that contribute to the decarbonization of international aviation;
- c) support ICAO as exposed in CAAF/3-WP/8 on finance elements to support the LTAG, the "Finvest Hub" Initiative, in fulfilment of paragraph 18 in Resolution 21 of the 41st Assembly; and
- d) use information in this paper, for consideration of CAAF/3 outcome.