



## **HIGH LEVEL MEETING ON THE FEASIBILITY OF A LONG-TERM ASPIRATIONAL GOAL FOR INTERNATIONAL AVIATION CO<sub>2</sub> EMISSIONS REDUCTIONS (HLM-LTAG)**

**Montréal, 19 to 22 July 2022**

### **Agenda Item 2: Means of implementation for a long-term global aspirational goal for international aviation**

#### **SUPPORTING STATES TO MOBILISE FINANCE IN PURSUIT OF AN AMBITIOUS LONG-TERM ASPIRATIONAL GOAL**

(Presented by Australia, Costa Rica and the United Kingdom)

##### **SUMMARY**

This paper presents a proposal to establish a Climate Finance Initiative led by ICAO to bring States, industry, finance institutions, and the investment community together with the aim of providing leadership and facilitating access to investment in, and technical support for, infrastructure development projects to help the decarbonisation of aviation by 2050, in line with the *No Country Left Behind* (NCLB) Initiative.

Actions for consideration by the HLM for proposal to the Assembly could include:

- a) endorse the proposal for a comprehensive climate finance initiative (CFI) to support all Member States, in particular least developed countries (LDCs), landlocked developed countries (LLDCs) and small island developing states (SIDS), to access private sector financing to support their effort to reduce CO<sub>2</sub> emissions and decarbonize aviation by 2050;
- b) request that ICAO develops appropriate arrangements to build ICAO's role as a trusted climate finance facilitator and to provide tailored assistance to Member States - including dedicated quality assurance processes, project support, and a defined governance structure - to ensure the virtuous leadership, management and transparency of all interactions and consider the merit of the President, on behalf of the Council, appointing a climate finance Special Envoy;
- c) request that ICAO initiates contacts with Member States, financial institutions and public and private investors to map available investment and, in time, facilitate access by 'matching' investors with infrastructure development projects, in particular dedicated to Sustainable Aviation Fuels (SAF), and other related initiatives;
- d) request that ICAO initiates work on the development and implementation of a strategic plan for the next triennium 2023-2025 for the purposes set out above (a - c) with appropriate resource and to explore avenues for revenue generation to ensure this initiative becomes self-sustaining; and
- e) urge Member States, international organizations, and industry to support ICAO's climate finance activities, including through the provision of voluntary financial and in-kind contributions.

## 1. INTRODUCTION

1.1 Decarbonisation of the aviation sector, in support of ICAO's global aspirational environment goals, creates significant political, social and economic opportunities for ICAO Member States.

1.2 The ICAO Committee on Aviation Environmental Protection's (CAEP) study into the feasibility of a long-term global aspirational goal for international aviation (LTAG) highlights the potential for substantial CO<sub>2</sub> reductions through the use of aviation in-sector measures including innovative technologies, operations and fuels.

1.3 Sustainable Aviation Fuels (SAF) will be the key contributor to aviation decarbonisation efforts. The CAEP study concluded the largest CO<sub>2</sub> reductions by 2050 will come from fuels and cleaner energy sources, of up to 55 per cent.

1.4 SAF are expected to create or sustain up to 13.7 million jobs and will require a total investment of 1.1-1.4 trillion USD. Between 5,000 - 7,000 small-scale production facilities will be needed to produce the required volume of SAF, improving energy security and resilience for many nations. Many developing countries have good potential biomass and waste feedstocks, such as perennial grass, cover crops, or forest residues, which are not currently traded in the market. Some States currently export these feedstocks to other countries investing in renewable energy sources at the same time as importing kerosene. Improving State capability to generate SAF from existing resource could improve energy and economic security.

1.5 Effectively and quickly scaling up SAF represents the key short term action needed to meet our collective environment ambition. ICAO is well placed to support Member States in support of this action and realising the opportunities presented by SAF – consistent with our wider environmental objectives.

1.6 In June 2022, ICAO launched the "ICAO Assistance, Capacity-building and Training for Sustainable Aviation Fuels (ACT-SAF) programme". The ACT-SAF programme intends to provide a support framework for Member States to develop their full potential in SAF development and deployment, in line with the ICAO's *No Country Left Behind* (NCLB) Initiative, the 2050 ICAO Vision for SAF, and the three main pillars of sustainable development recognized by the United Nations.

1.7 This paper complements the ACT-SAF initiative by proposing the establishment of an ICAO Climate Finance Initiative (CFI). The aim of the initiative is to bring all Member States, industry stakeholders, finance institutions, and the investment community together with the aim of providing leadership, raising awareness among Member States and facilitating access to investment in, and technical support for, infrastructure development projects to help the decarbonisation of aviation by 2050, also in line with the NCLB Initiative.

## 2. CLIMATE FINANCE INITIATIVE TO ASSIST MEMBER STATES IN THEIR EFFORTS TO DECARBONISE AVIATION

2.1 At the same time as ICAO agrees a long-term global aspirational goal to reduce aviation carbon emissions, we need to develop a plan to enable those Member States who need most support access the funds required for significant new infrastructure development. Given the scale of the investment needed – potentially over USD 1 trillion - private and public sector financing will be critical. Sufficient public and private financing for aviation decarbonisation projects already exists - however, there are actions to be taken to ensure that this finance flows to the sector, and in particularly flows in a manner that ensures all ICAO Member States, including developing States, can benefit.

2.2 ICAO has heard from the finance sector (CDPQ informal Council briefing, 15 June) that the resources necessary are already held in private and institutional finance by funds that are increasingly looking

for environmentally-beneficial projects in which to invest<sup>1</sup>. Moreover, industry has said repeatedly that the single most important action ICAO can take to boost financing for SAF and other decarbonisation efforts is to agree an LTAG. This would provide the necessary market signal by further increasing the demand for SAF and other decarbonisation projects in the long-term. Building genuine partnerships between private and public sector - blended finance - in which public, institutional, private, strategic and philanthropic capital and resources come together in innovative platforms, should be pursued to encourage the mobilization of capital in all Member States.

2.3 The other major challenge is in accessing financing. In particular, there is a need to better link Member States and investors and raise awareness, on both sides, about the significant opportunities of aviation decarbonisation projects, particularly in developing States. Many Member States would also benefit from support to cultivate a positive business environment to encourage investment in projects.

2.4 Though Member States and industry have the primary role in aviation decarbonisation projects, there is a clear need for ICAO, under the NCLB initiative, to assist LDCs, LLDCs and SIDS in particular through sharing blueprint project proposals, investment networking and improving the national regulatory and policy framework necessary to encourage low carbon technology deployment, which is critical to stimulating private sector market activity and attracting investments.

2.5 ICAO is well positioned to play a major role in enhancing partnerships between Member States, industry stakeholders (including feedstock and SAF producers, manufacturers, airports, and the airlines), donors, financial institutions and the investment community. Its global leadership in civil aviation will provide confidence for Member States and the private sector alike to invest in much needed SAF production facilities in each country. More specifically, ICAO has over 70 years' experience in providing technical and project infrastructure management assistance to States, guaranteeing strict neutrality, objectivity and transparency, devoid of any commercial or national interest, which could be applied to environmental infrastructure projects.

2.6 Accordingly, ICAO should establish a 'Climate Finance Initiative', acting as a trusted facilitator to foster collaboration between private and public stakeholders, including:

- a) serving as a bridge or 'matchmaker' to connect private investors, financial institutions, industry and Member States in support of their efforts to find the right public or private investment partner(s) to develop and deploy projects; and facilitate the dialogue between financial institutions, governments and industry to maximize value and reduce risk from investments in decarbonisation projects at the same time as raising awareness amongst States of the direct and indirect economic benefits of investment in decarbonisation projects;
- b) assisting Member States in developing state-of-the-art projects, and in accessing funds and investors that are well suited to meet their requirements, and in getting support to their implementation whenever needed;
- c) assisting LDCs, LLDCs and SIDS in cultivating a positive business environment that encourages the private sector to finance aviation decarbonisation projects in their States and reduces risk exposure for those investors, as well as to incentivize investments in those Member States; and
- d) And acting as a trusted facilitator, in those Member States where needed, between the States, financial institutions, investors and industry partners involved in the development and deployment of these projects. Similarly, ICAO could help raise awareness of these issues and SAF more widely in Member States by developing an appropriate iPack.

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<sup>1</sup> Around \$200 trillion in assets is held by pension funds and other institutional managers worldwide. SAF infrastructure is an example of the type of long-term and stable investments preferred by these funds.

### 3. **PROPOSED WAY FORWARD**

3.1 Urgent action is needed to secure sufficient investment in SAF and other decarbonisation projects to meet our environmental goals and to support Member States in doing so. As more States and industry get involved, it is anticipated that this initiative will create positive ripple effects globally, and help unlock more opportunities. It will also build upon the action already taken by ICAO on climate change, for example leveraging the successes of the organization in setting global standards for the sustainability of aviation fuels.

### 4. **ACTIONS FOR CONSIDERATION BY THE HLM FOR PROPOSAL TO THE ASSEMBLY COULD INCLUDE:**

- a) endorse the proposal for a comprehensive climate finance initiative (CFI) to support all Member States, in particular LDCs, LLDCs and SIDS, to access private sector financing to support their effort to reduce CO<sub>2</sub> emissions and decarbonize aviation by 2050;
- b) request that ICAO develops appropriate arrangements to build ICAO's role as a trusted climate finance facilitator and to provide tailored assistance to Member States - including dedicated quality assurance processes, project support, and a defined governance structure - to ensure the virtuous leadership, management and transparency of all interactions and consider the merit of the President, on behalf of the Council, appointing a climate finance envoy;
- c) request that ICAO initiates contacts with Member States, financial institutions and public and private investors to map available investment and, in time, facilitate access by 'matching' investors with infrastructure development projects, in particular dedicated to SAF, and other related initiatives;
- d) request that ICAO initiates work on the development and implementation of a strategic plan for the next triennium 2023-2025 for the purposes set out above (a - c) with appropriate resource and to explore avenues for revenue generation to ensure this initiative becomes self-sustaining; and
- e) urge Member States, international organizations, and industry to support ICAO's climate finance activities, including through the provision of voluntary financial and in-kind contributions.

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