



WORKING PAPER

**SEVENTH WORLDWIDE AIR TRANSPORT CONFERENCE
(ATCONF/7)**

Montréal, HQ, 16 to 20 November 2026

Agenda Item 2: Fostering aviation growth and air connectivity through investments in infrastructure, human capital and partnerships
2.2: Investment for the development and modernization of civil aviation infrastructure

**REDUCING AVIATION INFRASTRUCTURE FINANCING COSTS BY
REMOVING AVOIDABLE REGULATORY RISK**

(Presented by Saudi Arabia)

EXECUTIVE SUMMARY

ATConf/7-WP/3 recognizes that a transparent, stable and predictable regulatory environment is critical to attracting private participation and long-term financing for aviation infrastructure. Existing International Civil Aviation Organization (ICAO) policy and guidance address cost recovery, consultation, economic oversight, efficient investment and cost of capital. They do not, however, set out a consolidated project-level process for defining, before capital is irrevocably committed, how a prudent and efficient airport investment will be treated through the regulatory cycle. This paper proposes four adaptable ex-ante mechanisms to reduce avoidable regulatory risk: an investment treatment determination; prospective application of subsequent regulatory changes; defined reopening and adjustment provisions; and continuity pending a successor decision. By reducing uncertainty attributable to the regulatory process, these mechanisms may improve project bankability and reduce an avoidable financing premium. They would not freeze regulations, guarantee returns or transfer traffic, construction, operating or commercial risks to users or States.

Action: The conference is invited to:

- recognize that predictable regulatory treatment of prudent and efficient airport and air navigation investment can support project bankability and avoid an unnecessary financing premium;
- agree that practical guidance would assist States in implementing ex-ante regulatory mechanisms while preserving regulatory authority and safeguarding users; and
- request ICAO, within its ongoing work on aviation economics and airports and air navigation infrastructure financing, to develop non-prescriptive guidance and model elements for the four adaptable ex ante mechanisms set out in Section 3, in consultation with relevant stakeholders.

<i>Strategic Goal:</i>	This working paper relates to Strategic Goal: <i>The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All.</i>
<i>Financial implications:</i>	Limited. The proposal concerns guidance within ICAO's existing work on economic oversight and infrastructure financing. It does not require financial support to infrastructure providers.
<i>References:</i>	ICAO Assembly Resolution A42-26, Appendix C

	Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i>, Tenth Edition, 2024 Doc 9562, <i>Airport Economics Manual</i>, Fourth Edition, 2020 Doc 10170, <i>Manual on Economic and Financial Analyses for Aviation Infrastructure Projects</i> ATConf/7-WP/3, <i>Financing for Aviation Infrastructure</i>
--	--

1. INTRODUCTION

1.1 Airport and air navigation services infrastructure is financed over long periods. Economic regulation affects the revenues available to recover efficient investment and service debt. The International Civil Aviation Organization (ICAO) already addresses cost recovery, consultation, economic oversight, infrastructure financing and cost of capital.

1.2 The issue addressed by this paper is narrower. A lender or investor may price additional risk where the regulatory framework does not state, before capital is committed, how an approved investment will be treated. That premium increases financing cost without improving the allocation of traffic, construction, operating or commercial risk.

1.3 The regulatory objective should therefore be precise: remove uncertainty created by the regulatory framework where that uncertainty is not required to protect users, preserve regulatory powers or allocate project risk efficiently.

2. AVOIDABLE REGULATORY RISK

2.1 Four regulatory uncertainties are material to long-term infrastructure financing: (i) whether an approved investment will be recognized for recovery; (ii) whether its established regulatory treatment may later be changed retrospectively; (iii) the events and scope under which an existing regulatory decision may be reopened; and (iv) the treatment that applies if a successor regulatory decision is delayed.

2.2 These risks are distinct from traffic, construction, operating and commercial risks. The latter should remain with the party best able to manage them. The four risks identified above arise from the design or administration of the regulatory framework and can be reduced through rules set before financing is committed.

2.3 Existing ICAO material addresses relevant principles, including cost recovery, consultation, economic oversight, infrastructure financing and cost of capital. It does not, however, set out a consolidated project-level approach addressing, before financial close: (i) the regulatory treatment of an approved investment; (ii) the prospective or retrospective application of subsequent methodological changes; (iii) the grounds and scope for reopening a final decision; and (iv) continuity where a successor decision is delayed. The proposed approach is intended to complement, rather than duplicate, existing ICAO guidance.

3. PROPOSED EX-ANTE MECHANISMS

3.1 The following mechanisms are proposed as adaptable regulatory options. Their design and application would remain subject to each State's national legal and regulatory framework.

3.2 **Ex-ante investment recovery determination.** Before financial close or an irrevocable investment commitment, the competent authority could be able to determine the approved expenditure eligible for regulatory recovery, the recovery methodology, the conditions attached to recovery and the date or event from which recovery starts. The determination would be expected to not protect inefficient expenditure, cost overruns, traffic risk or a target return.

3.3 **Protection of established regulatory treatment.** An investment made in reasonable reliance on a final regulatory decision should consider retaining the treatment established by that decision. A later change in methodology would be expected to apply prospectively unless predefined grounds require otherwise, including legality, safety, security, fraud or another stated overriding public-interest ground.

3.4 **Pre-defined reopening rules.** A regulatory decision should consider stating the events that permit an extraordinary reopening, any materiality threshold, the matters that may be reopened and the available regulatory responses. A reopening would be expected to not automatically result in higher charges.

3.5 **Decision-delay continuity rule.** Where a successor regulatory decision is not effective when the existing decision expires, the framework should consider stating that the temporary treatment applies until the new decision takes effect and any subsequent reconciliation required.

4. EFFECT ON FINANCING AND USER PROTECTION

4.1 The four mechanisms give lenders and investors defined regulatory assumptions before financing is committed. This allows regulatory downside scenarios to be assessed separately from project and commercial risks. Where avoidable regulatory uncertainty is material and has been priced into financing, its reduction may improve project bankability and be reflected in lending margins, equity return requirements, financing tenor or leverage.

4.2 A lower financing premium reduces the financing component of the revenue requirement, all else being equal. The benefit can therefore flow through the aviation value chain without a subsidy, sovereign guarantee or automatic increase in user charges.

4.3 The mechanisms would apply only to prudent and efficient investment. They should preserve transparency and consultation, prevent double recovery, maintain incentives for efficiency and leave ordinary project and commercial risks with the parties responsible for managing them.

5. CONCLUSION

5.1 ICAO policy already supports stable investment conditions and efficient infrastructure financing. The next practical step is to define how economic regulation can remove avoidable uncertainty before that uncertainty is priced into financing.

5.2 Saudi Arabia invites the Conference to support the proposed approach and encourage ICAO to further consider the four ex-ante mechanisms described in Section 3 in the development of practical guidance on infrastructure financing and economic oversight.

— END —