



WORKING PAPER

ASSEMBLY — 42ND SESSION

EXECUTIVE COMMITTEE

Agenda Item 16 : Environmental Protection – International Aviation and Climate Change

FINANCING FOR AVIATION CO₂ EMISSIONS REDUCTION MEASURES

(Presented by Brazil)

EXECUTIVE SUMMARY

Paragraph 18b of the International Civil Aviation Organization (ICAO) Assembly Resolution A41-21 requested the Council to “further consider the establishment of a climate finance initiative or funding mechanism under ICAO, while addressing the possible financial, institutional and legal challenges, and report to the 42nd Session of the ICAO Assembly”.

ICAO estimates the scaling-up of fuels in support of the Long-term aspirational goal (LTAG) would require cumulative investments from fuel suppliers of up to USD 3.2 trillion by 2050 and up to \$4.07 trillion from aeroplane operators until year 2050. The amount of concessional finance required to support developing countries in “fuel-related investment needs only” could range from \$106 billion to \$275 billion dollars by 2050; and in “total investment needs (including aircraft technology and operations)” could range from \$141 billion to 321 billion dollars by 2050.

These projections point out to huge financing needs and gaps. Brazil believes these needs and gaps must be discussed by member States with a view to present a concrete Climate Finance proposal until the 43rd Assembly of ICAO, which will occur only two years before the deadline to achieve ICAO’s *collective global aspirational Vision* to reduce CO₂ emissions in international aviation by 5 per cent by 2030 through the use of Sustainable Aviation Fuels (SAF), Lower Carbon Aviation Fuels (LCAF) and other aviation cleaner energies.

Action: The Assembly is invited to recognize the principles highlighted in Section 2 of this document and reflect them on the Action Items of the *Assembly Working Paper “Climate Change - Global Framework for SAF, LCAF and Other Aviation Cleaner Energies”* (A42-WP/25).

<i>Strategic Goals:</i>	This working paper relates to the Strategic Goal – <i>Aviation is Environmentally Sustainable</i> .
<i>Financial implications:</i>	
<i>References:</i>	Resolution A41-21 <i>Assembly Working Paper “Climate Change - Global Framework for SAF, LCAF and Other Aviation Cleaner Energies”</i> (A42-WP/25)

1. INTRODUCTION

1.1 Paragraph 18b of the International Civil Aviation Organization (ICAO) Assembly Resolution A41-21 requests the Council to “further consider the establishment of a climate finance initiative or funding mechanism under ICAO, while addressing the possible financial, institutional and legal challenges, and report to the 42nd Session of the ICAO Assembly”.

1.2 Moreover, Paragraph 17 of that same Resolution recognized that the achievement of the Long-term aspirational goal (LTAG) will require substantial investments for States, according to their national circumstances, and that various possible modalities and/or funding mechanisms could be used by ICAO to facilitate financing and investment support for implementation of specific aviation CO₂ emissions reduction measures.

1.3 According to the LTAG Report, the scaling-up of fuels in support of the LTAG would require cumulative investments of up to USD 3.2 trillion by 2050 from fuel suppliers and up to \$4.07 trillion from aeroplane operators until year 2050.

1.4 One of the sources of inputs considered by the work of the ICAO Council’s *Small Group on Financing for CO₂ Emissions Reductions Measures* presented projections related to achieving LTAG by 2050 in developing countries, which would require an ideal fund size ranging between \$3 billion and \$8 billion, based on global investment needs, blended finance leverage ratios and on the assumption that multilateral climate finance represents around 15% of total public climate finance, which also includes national and bilateral sources. It also estimated that the amount of concessional finance required to support developing countries in “fuel-related investment needs only” would range from \$106 billion to \$275 billion US dollars by 2050; and in “total investment needs (including aircraft technology and operations)” would range from \$141 billion to 321 billion US dollars by 2050.

1.5 Brazil has actively engaged in the discussions of the *Small Group*, which made a lot of progress in terms of supporting the ICAO Council to address the challenge of climate finance in international aviation. Despite the progress achieved in Council’s discussions related to funding mechanisms, Brazil believes member States still need to agree on concrete processes and goals to mobilize financing towards the next 43rd Assembly in 2028, which will occur just two years before the deadline to achieve our *collective global aspirational Vision* to reduce CO₂ emissions in international aviation by 5 per cent by 2030 through the use of Sustainable Aviation Fuels (SAF), Lower Carbon Aviation Fuels (LCAF) and other aviation cleaner energies..

2. PRINCIPLES WHICH SHOULD BE REFLECTED IN APPENDIX G OF ASSEMBLY WORKING PAPER “CLIMATE CHANGE - GLOBAL FRAMEWORK FOR SAF, LCAF AND OTHER AVIATION CLEANER ENERGIES” (A42-WP/25)

2.1 As stated in **paragraph 40 of Global Framework for SAF, LCAF and other Cleaner Energies**: “States recognize that, in its work preparing the report under A41-21 paragraph 18. b), the ICAO Council should consider, among others, the following aspects: (a) achieving the LTAG in a fair and sustainable manner; (b) the role that a climate finance initiative or a funding mechanism could play in reinforcing and complementing the work of the Fininvest Hub, and other mechanisms of the Organization, such as the ACT-SAF programme, the ICAO Technical Cooperation Program and the ICAO Voluntary Environment Fund; (c) *The need for a gap analysis to identify where there are specific needs with attention to developing States and States having particular needs*; and (d) the objective of promoting the increase of SAF production worldwide and concomitant economic, social and environmental benefits across all regions.”

2.2 In the *Assembly Working Paper* “Global Framework for SAF, LCAF and Other Aviation Cleaner Energies” (A42-WP/25), Appendix G is related to “Consideration of the Establishment of a Climate Finance Initiative or Funding Mechanism under ICAO”, in line with the previously mentioned mandate established by paragraph 18. b) of Resolution A41-21. In order to properly reflect previously agreed high-level commitments and support the full implementation of the Global Framework, Brazil believes the following principles must be incorporated into the *Assembly Working Paper*:

- a) The Assembly must urge ICAO Member States to make regular and substantial contributions to the ICAO Voluntary Environment Fund, to address specific ICAO activities on the LTAG, including the ACT-SAF programme, aiming at assisting developing States and States having particular needs;
- b) The Assembly should set a mandate to establish clear funding targets, through a collective, quantitative annual contribution target for the Voluntary Environmental Fund, while ensuring contributions are as unrestricted as possible, while aligning with SAF-specific objectives;
- c) The Assembly should establish a mandate to fully implement paragraph 40 of the Global Framework with regard to financing and “the need for a gap analysis to identify where there are specific needs with attention to developing States and States having particular needs”;
- d) The Assembly must reiterate and reinforce the immediate priority of Sustainable Aviation Fuels (SAF) and Lower Carbon Aviation Fuels (LCAF) as the main contributor to the achievement of the LTAG and of the *collective global aspirational Vision* to reduce CO₂ emissions in international aviation by 5 per cent by 2030, with a special focus on developing countries and States with particular needs;
- e) The Assembly should establish a dedicated Council workstream to discuss the level of resources to be collected and their destination, as well as to assess the best options in terms of sourcing (voluntary and/or mandatory) and governance (ICAO or external);
- f) The Assembly should urge member States to leverage the ICAO Voluntary Environmental Fund by discussing ways to increase voluntary contributions from States and private sector stakeholders. It would be important to set clear funding targets, by means, for example, of a collective, quantitative annual contribution target for the Environmental Fund. Brazil believes member States need to ensure contributions are as unrestricted as possible, while aligning with SAF-LCAF-specific objectives;
- g) In order to ensure the attainment of implementation support’s objectives, while taking into account transparency, accountability and inclusivity concerns, member States should identify the aspects of the Fund’s operational rules that should be reviewed and revised. To facilitate rapid action, the Assembly should provide specific parameters to operationalize the Voluntary Environmental Fund’s expansion;
- h) In order to foster trust, ensuring transparency, and enhancing the effectiveness of resource allocation, it is recommended that the Council consider enhancements to the reporting, monitoring, and evaluation arrangements associated with the use of the ICAO Environmental Fund. This may include, inter alia, the development of performance indicators, the establishment of clear eligibility criteria, and the promotion of good practices in joint management with beneficiary States; and
- i) The Assembly should specify the Environmental Fund’s role in Implementation Support, taking into account the LTAG Resolution and the Global Framework on SAF, LCAF and other cleaner

energies. The Fund should provide comprehensive support for decarbonization, particularly in Sustainable Aviation Fuel (SAF) development, production, and deployment. Key activities should include:

- 1) Assisting States in developing and implementing voluntary action plans and roadmaps;
- 2) Facilitating knowledge-sharing on SAF technologies and best practices;
- 3) Supporting the creation of national/regional regulatory frameworks;
- 4) Conducting feasibility studies to guide States in identifying viable SAF solutions;
- 5) Providing training to enhance project readiness and attract investment;
- 6) Promoting small-scale pilot projects and scaling them up for broader implementation;
- 7) Enabling technology cooperation and fostering basic research in state institutions; and
- 8) Upgrading public infrastructure, such as labs and certification facilities, to support SAF deployment.

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