



WORKING PAPER

ASSEMBLY — 41ST SESSION

EXECUTIVE COMMITTEE

Agenda Item 17: Environmental Protection – International Aviation and Climate Change

FINANCING THE IMPLEMENTATION OF AN AMBITIOUS LONG-TERM ASPIRATIONAL GOAL AND SUPPORTING CAPACITY BUILDING

(Presented by Czechia on behalf of the European Union¹ and its Member States, the other Member States of the European Civil Aviation Conference², and EUROCONTROL)

EXECUTIVE SUMMARY

The achievement of an ambitious long-term global aspirational goal for international aviation CO₂ emissions reductions (LTAG) will require various means of implementation, including investments to finance the necessary operational changes, technological improvements, and greater production and uptake of sustainable aviation fuels that are needed to decarbonise air transport.

It is conceivable that a number of States, notably those that have a less mature aviation system, in particular developing States, would benefit from support to develop technical expertise, access finance and secure investment.

This is essential to ensure that no country is left behind in the environmental transition of aviation.

This paper lists possible avenues to support all States with effective means of implementation for an ambitious LTAG and proposes actions to ensure that it is achieved.

It includes in particular proposals to enhance capacity building as well as 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.

Action: The Assembly is invited to approve the actions referred to below (also in paragraph 5):

- a) agree on the importance of means of implementation and capacity building efforts in helping all ICAO States to achieve an ambitious LTAG for international aviation;
- b) call upon States, industry, international and regional organisations to provide capacity building to support those States that need help to achieve an ambitious LTAG, including voluntary contributions to ICAO and support to the *No Country Left Behind* initiative;

¹ Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden

² Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Iceland, Republic of Moldova, Monaco, Montenegro, North Macedonia, Norway, San Marino, Serbia, Switzerland, Türkiye, Ukraine and the United Kingdom

<p>c) endorse the proposal for a comprehensive climate finance initiative to support all States, in particular least developed countries, landlocked developing countries and small island developing States, to access private and public sector financing to support their effort to reduce CO₂ emissions and decarbonize aviation by 2050;</p> <p>d) request that ICAO undertakes necessary actions to facilitate access of its contracting States to sources of financing and to provide tailored assistance to States;</p> <p>e) request that ICAO consults with 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; and</p> <p>f) 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.</p>	
<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective – <i>Environmental Protection</i> .
<i>Financial implications:</i>	
<i>References:</i>	

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 States.

1.2 The ICAO Committee on Aviation Environmental Protection’s (CAEP) study into the feasibility of a LTAG highlights the potential for substantial CO₂ reductions through the use of aviation in-sector measures including innovative technologies, operations and fuels.

1.3 Means of implementation can support States in achieving an ambitious LTAG. Some States are currently better endowed in this regard and others, less equipped, should be supported in their efforts, in line with the *No Country Left Behind* (NCLB) initiative. Consideration should be given to the support needs of States for enabling access to finance with a view to help addressing investment needs and other costs, while preventing the risks of inhibition to the growth of the aviation sector and sharing the benefits and growth allowed by aviation decarbonisation.

1.4 Sustainable Aviation Fuels (SAF) will be the key contributor to aviation decarbonisation efforts. The CAEP study concluded the largest CO₂ reductions by 2050 will come from fuels and cleaner energy sources, of up to 55 per cent. 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 States.

1.5 Whereas there is currently very low penetration of SAF technology and manufacturing in some States, many have good but untapped biomass and waste feedstock resources and natural conditions related to the production of renewable energy. Some States currently export these feedstocks to other States investing in renewable energy sources at the same time as importing kerosene. Improving State capability to generate SAF from existing resources could improve energy and economic security.

1.6 Effectively and quickly scaling up SAF represents a key short to medium-term action needed to meet our collective environment ambition. ICAO is well placed to support States to realise the opportunities presented by SAF consistent with our wider environmental objectives.

2. ACCESS TO PUBLIC FUNDING FOR CLIMATE CHANGE MITIGATION

2.1 As set out on the ICAO website, there are a multitude of sources for financial support for aviation emissions reduction for States to contribute to achieving an LTAG. The guidance on financing aviation emissions reductions – produced by ICAO and the United Nations Development Programme (UNDP) assistance project (2015-2019) contains a valuable resource for States in search of financial support, as it provides a directory of public financing programmes for mitigating aviation emissions.

2.2 An analysis of the available funds shows that a significant amount of financial resources are being directed toward programmes associated with climate change mitigation and that these programmes are closely tied to public climate financing through the United Nations, multinational development banks, non-governmental organizations, and various private partners and stakeholders. The guidance examines grants, loans, bonds, guarantees and insurance as well as direct equity investment. It addresses multilateral climate funds, bilateral finance, multilateral and regional development banks, regional and national funds. It provides assistance on how to identify and access financing and covers renewable energy, energy efficiency, electrification and SAF.

3. CLIMATE FINANCE INITIATIVE TO ASSIST STATES IN THEIR EFFORTS TO DECARBONISE AVIATION

3.1 At the same time as ICAO agrees a LTAG, we need to help those States who need most support access the finance and investment required for significant new infrastructure development. Given the scale of the investment needed – potentially over USD 1 trillion – access to private and public sector financing will be needed. 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 particular flows in a manner that ensures all ICAO States, including developing States, can benefit.

3.2 ICAO has heard from the finance sector 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. 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 States. Further, there are a number of existing public funds for which aviation decarbonisation projects in developing countries are eligible.

3.3 Moreover, there is a need to better link States and investors and raise awareness, on both sides, about the significant opportunities of aviation decarbonisation projects, particularly in developing States. Ideas such as appointing a climate finance Special Envoy could be considered. Many States would also benefit from support to cultivate a positive business environment to encourage investment in projects.

3.4 Though States and industry have the primary role in aviation decarbonisation projects, there is a clear need for ICAO, under the NCLB initiative, to assist least developed countries (LDCs), landlocked developing countries (LLDCs) and small island developing States (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.

3.5 ICAO is well-positioned to play a major role in enhancing partnerships between 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 States and the private sector alike to invest in much needed SAF production facilities

in all States. 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.

3.6 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 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 States in developing state-of-the-art projects, and in raising awareness of and facilitating access to sources of finances and investors that are well suited to meet their requirements;
- 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; and
- d) acting as a trusted facilitator, in those 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 States by developing an appropriate Implementation Package.

3.7 Urgent action is needed to secure sufficient investment in SAF and other decarbonisation projects to meet our environmental goals and to support 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, such as leveraging its successes in setting global standards for the sustainability of aviation fuel.

4. VOLUNTARY CONTRIBUTIONS AND CAPACITY BUILDING

4.1 In addition, there is also a need for capacity building and voluntary contributions to support the necessary transition to decarbonised air transport. 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 States to develop their full potential in SAF development and deployment, in line with the NCLB Initiative, the 2050 ICAO Vision for SAF, and the three main pillars of sustainable development recognized by the United Nations. States, international organisations and industry should all contribute to this programme.

4.2 Furthermore, the ICAO Voluntary Environment Fund should be more visible, and States should be encouraged to contribute to it, whilst earmarking contributions for specific ICAO activities on LTAG.

4.3 Finally, other capacity building and support activities can be undertaken on a bilateral basis in the context of cooperation programmes, technical assistance and similar activities.

4.4 These activities should notably enable to strengthen the skills and capacity of experts in States in order to ensure the effective fulfilment of their responsibilities. It could also include workshops

on solutions that States can implement to reach goals, including understanding likely costs, and assistance on monitoring and measuring CO₂ emissions from international aviation, as well as experience-sharing workshops.

4.5 The European region has been supporting numerous capacity building activities in the area of climate change over the past years, such as the ICAO – EU Assistance Project under ACT-CORSIA and the ECAC capacity building programme on environment, and is committed to continuing doing so.

5. ACTIONS

5.1 The Assembly is invited to:

- a) agree on the importance of means of implementation and capacity building efforts in helping all ICAO States to achieve an ambitious LTAG for international aviation;
- b) call upon States, industry, international and regional organisations to provide capacity building to support those States that need help to achieve an ambitious LTAG, including voluntary contributions to ICAO and support to the *No Country Left Behind* initiative;
- c) endorse the proposal for a comprehensive climate finance initiative to support all States, in particular least developed countries, landlocked developing countries and small island developing States, to access private and public sector financing to support their effort to reduce CO₂ emissions and decarbonize aviation by 2050;
- d) request that ICAO undertakes necessary actions to facilitate access of its contracting States to sources of financing and to provide tailored assistance to States;
- e) request that ICAO consults with 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; and
- f) 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.