



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

Dubai, United Arab Emirates, 20 to 24 November 2023

### Agenda Item 4: Financing cleaner energy

#### ICAO FINVEST HUB INITIATIVE

(Presented by the ICAO Secretariat)

##### SUMMARY

This paper provides information on the ICAO Finvest Hub initiative (CAAF/3-WP/8, paragraph 4 refers).

In response to the Assembly request, the Secretary General has outlined a proposal for the ICAO Finvest Hub initiative to facilitate enhanced access to public and private investment capacities and funding from financial institutions (with a focus on developing countries and States with particular needs) for projects that contribute to the decarbonization of international aviation.

As outlined in the Concept Note in the Appendix, key activities of the Finvest Hub would include: establishing an exchange for projects contributing to the decarbonization of international aviation, thus enabling investors to assess and identify suitable projects; facilitating the development of financial instruments and risk mitigation mechanisms; fostering public-private partnerships; providing technical assistance and capacity building on financing; and conducting outreach and advocacy.

The project would be brought forward in three phases, from 1) planning and set-up; 2) operationalisation and implementation; through to 3) scaling up and continuous improvement. Work is underway to develop the detailed structure of the Finvest Hub. In addition to putting in place a small Secretariat team to act as the ICAO focal point for these activities, a suitable governance structure will be implemented to ensure coordination across the Secretariat. An appropriate forum is being considered in order to ensure that feedback and proposals from key external stakeholders may be obtained.

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**APPENDIX**  
**ICAO FINVEST HUB**  
**CONCEPT NOTE**

**1. EXECUTIVE SUMMARY**

1.1 Achieving the LTAG depends on the immediate and substantial scale up and deployment of Sustainable Aviation Fuels (SAF). The area where ICAO's leadership can bring about the most immediate and direct impact is by supporting the financing which is necessary for SAF projects, building on relatively similar experience relating to the financing of airport infrastructure and airline projects.

1.2 This concept note proposes the establishment of the ICAO Finvest Hub to facilitate enhanced access to public and private investment capacities and funding from financial institutions, with a focus on developing countries and States with particular needs. The initial objective of this initiative is to support projects that contribute to the decarbonization of international aviation, by encouraging new and additional funding for this purpose. An initial phase of the project would intend to address the request made of the Council in Assembly Resolution A41-21, paragraph 18(a).<sup>1</sup> This does not preclude the possibility that in parallel, but with a different timeline, the project could address the request made of the Council in paragraph 18(b).<sup>2</sup>

1.3 The establishment of the Finvest Hub would see ICAO act as a facilitator to foster collaboration between States and private and public stakeholders, including feedstock and SAF producers, airports, airlines, OEMs, donors, financial institutions, and the investment community. ICAO would serve as a bridge to connect these different parties in support of efforts to find the appropriate public or private investment partners to develop and deploy projects associated with climate change mitigation.

1.4 The Finvest Hub aims to achieve the following objectives:

- a) **Enhance Access to Public and Private Investment Capacities:** act as a platform to connect projects contributing to the decarbonization of international aviation with potential public and private investors.
- b) **Facilitate Funding from Financial Institutions:** collaborate with financial institutions, such as development banks, to create pathways for the funding of projects contributing to the decarbonization of international aviation.
- c) **Support Developing Countries and States with Particular Needs:** prioritize the provision of support to developing countries and States facing unique challenges in financing projects contributing to the decarbonization of international aviation, by offering technical assistance, capacity building, and guidance on the development of legal and policy frameworks that facilitate its access to financial resources to ensure inclusivity and equitable participation in the decarbonization projects.

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<sup>1</sup> The Council is requested to "initiate specific measures or mechanisms so as to facilitate, in particular for developing countries and States having particular needs, better access to private investment capacities, as well as funding from financial institutions, such as development banks, for projects contributing to the decarbonization of international aviation, as well as encourage new and additional funding to this purpose."

<sup>2</sup> The Council is requested 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."

- d) **Encourage New and Additional Funding:** actively engage with governments, financial institutions, and private sector stakeholders to encourage and accelerate access to new and additional funding for projects contributing to the decarbonization of international aviation, by exploring innovative funding mechanisms, incentivizing investments, and promoting collaboration among stakeholders to mobilize financial resources effectively.

1.5 Working across all areas of the Organization with a coordinated approach, this initiative needs to be underpinned by a robust enabling policy framework, and implementation support programme.

## 2. PROBLEM STATEMENT

2.1 The aviation sector faces an existential challenge: how to balance its environmental impact with its ability to continue to provide social and economic benefits for future generations and concerted efforts are required to address that challenge. However, the high costs associated with decarbonization initiatives and the scale of investment needed, pose challenges especially for developing countries and States with limited financial resources. Recognizing the need for innovative financing mechanisms, including access to private and public sector financing, as well as blended investments, the Finvest Hub aims to address these challenges, facilitating the flow of finance to the aviation sector in a manner that ensures a level playing field for all ICAO Member States.

2.2 The ICAO LTAG Report<sup>3</sup> published in March 2022 recognized that SAF will be the key contributor to aviation decarbonisation efforts towards 2050, which was also recognized in Resolution A41-21. This has also been reflected in IATA's recently published Net Zero Roadmaps.<sup>4</sup> Although many developing countries have good potential biomass feedstock, a large number lack the know-how, capability and capacity to utilizing this resource to produce SAF. Effectively and quickly scaling up of SAF production and deployment represents the key action needed to meet ICAO's collective environment ambition. ICAO is well placed to support Member States realising the opportunities presented by SAF – consistent with global environmental objectives. In June 2022, ICAO launched the "ICAO Assistance, Capacity-building and Training for Sustainable Aviation Fuels (ACT-SAF) programme". In accordance with Assembly Resolution A41-21, paragraph 18(c), ACT-SAF intends to provide a robust assistance and cooperation programme in order to share information on best practices, provide guidance, capacity building and other technical assistance for States to develop their full potential in SAF development and deployment (including through SAF Feasibility Studies) and facilitate and attract financing<sup>5</sup>. SAF Feasibility Studies which are either already underway or those which will be undertaken in the future are going to play a critical role in facilitating the flow of finance to the aviation sector because those studies assess the implementation support needs of States as they evaluate the potential for SAF production, including feedstock production. As such the studies will provide essential information to decision makers in the allocation of resources for implementation at a State or regional level.

2.3 In light of the requests made of the Council in Assembly Resolution A41-21, paragraph 18(a) and (b), this Concept Note builds upon the experiences on public private financing for the civil aviation sector and complements the successful launch of the ACT-SAF programme, by proposing a three-phased approach for the establishment of the Finvest Hub to facilitate the enhanced access to public, private investment capacities and funding from financial institutions, to effectively steer and assist the implementation support of the LTAG. This does not preclude the possibility that in parallel, but with a

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<sup>3</sup> ICAO LTAG Report: [Long term global aspirational goal \(LTAG\) for international aviation \(icao.int\)](https://www.icao.int/Long-term-global-aspirational-goal-LTAG-for-international-aviation)

<sup>4</sup> [IATA - Net Zero Roadmaps](#)

<sup>5</sup> ICAO ACT-SAF Platform website: [ICAO Assistance, Capacity-building and Training for Sustainable Aviation Fuels \(ICAO ACT-SAF\)](#)

different timeline, the project further consider the establishment of a climate finance initiative or funding mechanism under ICAO, while addressing the possible financial, institutional and legal challenges. Depending on progress, these phases may be sequential or concurrent. This concept note also recognises that this policy area is evolving rapidly and ICAO engagement will need to learn from doing and be regularly refreshed. However, the starting premise is that SAF investment is the top priority.

### 3. KEY ACTIVITIES

- a) Establish an exchange for projects contributing to the decarbonization of international aviation: Building upon existing and future feasibility studies, the Finvest Hub will create a central platform that catalogues and showcases projects contributing to the decarbonization of international aviation. This will enable potential investors and financial institutions to assess and identify investment opportunities that align with their objectives.
- b) Facilitate the development of financial instruments and risk mitigation mechanisms: The Finvest Hub will collaborate with governments and financial institutions to contribute to the design of legal and policy frameworks, as well as innovative financial instruments tailored to the unique needs of aviation decarbonization projects. It will also explore mechanisms to mitigate investment risks associated with these initiatives, including legal and policy instruments, insurance and guarantees, among others.
- c) Foster Public-Private Partnerships: The Finvest Hub will facilitate dialogue and collaboration between governments, private investors, and aviation stakeholders to foster public-private partnerships. This will promote knowledge sharing, policy making, resource pooling, and joint investment in aviation decarbonization projects.
- d) Provide Technical Assistance and Capacity Building: The Finvest Hub will offer technical assistance and capacity-building programs to support developing countries and States with limited expertise in accessing financing for decarbonization projects and the related policy making. This will include provision of expertise and training on policy making and financial aspects of project development, financial planning, and investment promotion. It is understood that ICAO would contribute to the capacity building but would not be party itself to any agreements between relevant parties.
- e) Conduct Outreach and Advocacy: The Finvest Hub will actively engage in advocacy and awareness-raising campaigns to promote the importance of sustainable aviation and the need for financing for aviation decarbonization to attract financial resources. It will organize conferences, workshops, and seminars to disseminate information, and share best practices regarding the enhanced access to financing to support projects that contribute to aviation decarbonization.

#### 4. **THREE-PHASED APPROACH**

##### **Phase 1: Planning and Establishment**

- 1) Needs Assessment and Stakeholder Engagement:
  - Conduct a comprehensive needs assessment with a view to resolving the specific financing challenges and gaps for aviation decarbonization.
  - Engage with relevant stakeholders, including governments, financial institutions, aviation industry partners, development banks, private investors, and civil society organizations, to gather insights, understand perspectives, and build support for the establishment of the Finvest Hub.
- 2) Design and Framework Development:
  - Develop a detailed design and framework for the Finvest as a platform to facilitate access to financing, outlining its objectives, scope, governance structure, operational mechanisms, and the funding arrangements for the Hub.
  - Define the roles and responsibilities of the Finvest Hub as a platform to facilitate access to financing, including the establishment of a small Hub secretariat and the formation of a task force comprising relevant stakeholders.
  - Define the specific services to be provided by the Finvest Hub, such as project matchmaking, financial instrument development, capacity building, and knowledge sharing on aviation decarbonization financing.
- 3) Resource Mobilization and Funding:
  - Secure adequate funding and resources to establish and sustain the Finvest Hub's operations, including core funding for a small Hub secretariat, project funding, and capacity-building programs.
  - Engage with potential funding sources, including member states, development banks, private funds, and philanthropic organizations, to secure financial commitments and explore partnerships.
  - Develop a financial sustainability plan to ensure long-term viability and financial independence of the Finvest Hub.
- 4) Secretariat Establishment and Staffing:
  - Establish the secretariat of the Finvest Hub, recruiting a team of qualified professionals with expertise in climate change finance, sustainable aviation, project management, and communications.
  - Develop the necessary administrative processes, infrastructure, and technology systems to support the day-to-day operations of the Finvest Hub.

**Phase 2: Operationalization and Implementation**

## 1) Collaborations and Partnerships:

- Forge partnerships with financial institutions, development banks, aviation industry stakeholders, research institutions, and NGOs to collaborate on financing projects for aviation decarbonization.
- Engage with governments and regulatory authorities to align policies, regulations, and incentives to support the Finvest Hub's objectives and mobilize public-private partnerships.
- Collaborate with international organizations and climate finance mechanisms to leverage additional funding opportunities and explore possible integration of the Finvest Hub's initiatives into global climate finance frameworks as appropriate.

## 2) Platform Development and Outreach:

- Develop and launch the platform or clearing house for aviation decarbonization projects, including an online portal for project submissions, investor matchmaking, and knowledge sharing.
- Conduct outreach activities to raise awareness about the Finvest Hub and its services, targeting potential investors, financial institutions, governments, relevant international organisations, aviation industry stakeholders and traditional/social media.
- Organize workshops, webinars, and events to facilitate dialogue, share best practices, and build capacity in aviation decarbonization financing.

**Phase 3: Scaling Up and Continuous Improvement**

## 1) Scaling Up Initiatives:

- Expand the range of services and initiatives offered by the Finvest Hub to cater to a broader set of aviation decarbonization financing needs, such as expanding project matchmaking, facilitating the development of new financial instruments, and offering specialized advisory services on aviation decarbonization financing.
- Identify and prioritize key investment areas and focus on scaling up SAF production, renewable energy infrastructure, low-carbon technologies, and other decarbonization projects.

## 2) Monitoring, Evaluation, and Reporting:

- Establish a robust monitoring and evaluation framework to assess the impact and effectiveness of the Finvest Hub's activities, track progress, and measure outcomes.
- Regularly report on the achievements, challenges, and lessons learned to stakeholders, including member states, relevant ICAO bodies, financial institutions, and aviation industry stakeholders.
- Continuously improve and refine the operations of the Finvest Hub based on feedback, evaluation results, and emerging best practices.

3) Global Collaboration and Advocacy:

- Strengthen collaboration with international organizations, governments, and financial institutions to advocate financing for aviation decarbonization.

5. **CONCLUSION**

Building on ICAO's strict neutrality, objectivity, and transparency, devoid of any commercial or national interest, the Organization can act as a facilitator, while its global leadership in civil aviation can provide confidence for States, industry stakeholders and the investment community to positively invest in projects contributing to the decarbonization of international aviation.

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