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## **Remarks of Giovanni Bisignani: Greener Skies for Asia**

The China Club, Hong Kong - It is a pleasure to be with you in Hong Kong. I love to visit this great city which is full of energy and overflowing with a great “can-do” spirit. Thanks to Orient Aviation for organising such a relevant conference.

The first Greener Skies conference last year was an important event for our industry. We saw the CEOs of two of the region’s strongest players - Cathay Pacific and Singapore Airlines - join me in ringing a warning bell saying that Asia needed to be a part of the debate on aviation and climate change.

When we met last year, Europe was in a mess. Wild accusations about aviation and climate change were flying in the press - totally unrelated to reality and a long way from the facts. As a result, environment was fast becoming our industry’s top political issue in Europe.

By contrast, Asia was relatively calm. Growth was the motif for the region. And the aviation world’s attention was on China and India - the two growing stars of the industry.

So Greener Skies delivered two wake-up calls for Asia. The first message was that growth must be balanced with environmental responsibility. The second was that we needed to communicate effectively as an industry about our good track record, our current efforts and our future goals.

Fortunately, we had two powerful tools to start working effectively: a good track record and a strategy.

Over the last 40 years aviation improved fuel efficiency by 70%. As a result the Nobel Prize winning Intergovernmental Panel on Climate Change (IPCC) estimated that Aviation was 2% of global carbon emissions - a figure that had not changed in two decades. Compared to other sectors, that is small -18% for cars, 4% for shipping, 35% for power generation etc.

To improve our good track record, the IATA Board had agreed to a clear four pillar strategy to address climate change:

1. Invest in technology
2. Fly airplanes effectively
3. Build and use efficient infrastructure
4. And use the positive economic incentives, including tax credits and research grants; and including emissions trading provided it is fair, global and effective.

### **The Vision**

Combine our track record with the strategy, and even with 5-6% annual growth, our carbon footprint is expected to grow to only 3% by 2050%. Small? Yes, but a growing carbon footprint - no matter how small - is not politically acceptable for any industry. Our strong track record and clear strategy were not enough. We needed a vision to tell the world where we were going.

Developing a consensus around a vision would take a long time. And we were in the middle of a crisis. So I took a risk. At our Annual General Meeting in Vancouver in June - before the CEOs of our 240 member airlines, the CEOs of the manufacturers and the whole industry - I announced a vision for aviation. We will become an industry that does not pollute, with a target of carbon neutral growth, leading to a carbon free future. Within 50 years I challenged the industry to develop carbon-free technology.

It was a bit of a shock. Some people probably thought that I was crazy. So I needed to explain how I had become convinced that this was possible.

In 1903 the Wright Brothers made their first flight with nothing more than some wood, cloth and a basic engine. In less than 50 years the jet engine allowed people to fly across oceans. And today - just 105 years after the Wright Brothers - we are an industry that safely flies 2.2 billion people each year. With our level of technology - and if governments set an effective regulatory environment - I am absolutely convinced that carbon-emission-free flight is achievable.

Challenging, but nobody said “impossible”. And in the months that followed I personally visited the CEOs of Boeing, Airbus, Pratt & Whitney, Rolls Royce and others to build a consensus among the manufacturers.

When the International Civil Aviation Organisation’s (ICAO) Assembly came around in September, the industry was 100% united behind the vision and strategy. All 179 states attending the Assembly endorsed both, so now the consensus involved governments

## **Europe**

Then came the problem child - Europe. Despite agreeing to ICAO cooperative approach, almost immediately Europe began pursuing a different agenda with a single minded unilateral focus on emissions trading. Why? Europe was more interested in politics than facts. A Single European Sky would save 12 million tonnes of CO<sub>2</sub> and 2-3 billion Euros and make travellers happy with shorter trips and reduced delays. But a Single European Sky is tied up in 15 years of talks and political hot air. By comparison emissions trading has a timetable of less than 5 years.

We have to ask what difference emissions trading will make. The answer is “not much”. This year’s fuel bill will be US\$149 billion -30% of our costs. Already this is the biggest incentive of any industry to reduce fuel burn and improve environmental performance. And Europe’s unilateral approach, in contravention of the Chicago Convention, will only invite legal and trade battles from the US and others.

When the European Parliament got involved in the debate folly turned to farce. In just 30 minutes Members of the European Parliament voted on 100 amendments to the Commission's emissions trading proposal.

Europe is just playing politics. Politicians and governments want to paint themselves green. Results for the environment are of little interest.

The final form of the emissions trading proposal is still being discussed. But we know that it will not be cheap - at least EUR 2.3 billion in the first year, rising to EUR 8.8 billion annually after 10 years.

To be clear, IATA does not oppose emissions trading. An effective, fair and global emission trading scheme has a firm position in our strategy. But the strategy also includes technology, operations and infrastructure. If we must pay to pollute, Governments must do their homework and make sure that the infrastructure is efficient so that airlines can fly with minimum emissions. And we cannot accept regional schemes that do not play a role in achieving a global solution to a global problem.

## **Taxes**

We bring the same arguments to governments who view environmental taxation as a great new money making opportunity. Last year we discussed Gordon Brown's billion pound environment tax. Instead of planting trees he was filling a hole in the UK budget. The Dutch followed with their environment tax. When I asked the Minister what their tax proposal would do for the environment, he understood my concern. But instead of taking away the tax, he took environment from the name. So instead of an "environment tax" we were left with a just a "tax". Not the best result, but honest. We are already a cash cow for too many governments and we will fight hard to stop this taxation silliness and focus on results that help the environment.

## **Results**

My focus is on reducing carbon emissions. In 2007, I am proud to say that IATA's work helped the industry to achieve 10.5 million tonnes of CO<sub>2</sub> savings. How? By reducing fuel burn. That is what is at the heart of the issue. Every litre of fuel we use emits over 3 kilogrammes of CO<sub>2</sub>. Consequently, every litre we can save reduces CO<sub>2</sub> emissions by over 3 kilogrammes.

IATA worked with governments to optimise 395 routes, saving 4 million tonnes of CO<sub>2</sub>. IATA's Green Teams worked side-by-side with airlines to improve operations with industry best practice - on everything from fuel management programmes to the frequency of washing aircraft. This resulted in 6.7 million tonnes of CO<sub>2</sub> savings

We also worked on improving operations procedures using the capability on board the aircraft more effectively with performance based navigation and implementing measures like continuous descent approaches to save a further million tonnes of CO<sub>2</sub>.

In total, over the last two years we saved up to 25 million tonnes of CO<sub>2</sub>.

## **2008**

We have a global plan of action for 2008 to save a further 6 million tonnes of CO2. Where does Asia fit? There are lots of opportunities. We are active in Japan which is introducing RNAV procedures at its top 20 airports. The timeline extends to 2012 and the efficiencies it creates will save both travel time and CO2. RNAV implementation is a priority throughout the region. Asia's average fleet age is 9.8 years, a full two years younger than the world average of 11.9. So the technology on board is among the best in the industry. We must use it effectively.

Last week in Singapore witnessed the signing of the ASPIRE initiative between the FAA, Airways New Zealand and AirServices Australia to bring more efficient air traffic management to their important corner of the region. Now they need to quickly move forward with targets to drive results.

In China we are building on the success of the IATA-1 route and working with the government on more entry points to connect to polar routes that take best advantage of winds and weather. The Olympic By-pass route for Beijing will streamline traffic and alleviate some congestion.

We have seen some improvement in delays in the Golden Triangle of Beijing, Shanghai and Hong Kong Guangzhou. But we still have a lot of work to do in cooperation with the military. Here in the Pearl River Delta we are making progress on sorting out the complicated air traffic management system for the areas five major airports located within 200 kilometres of each other. Potential CO2 savings are relevant. But the time required for real solutions is frustrating. We appreciate the cooperation of all involved. But cooperation and no results is not effective. We must speed up with some interim solutions.

### **Achieving the Vision**

As you can see, the infrastructure agenda is ambitious. Combine that with the 16,000 new and more fuel-efficient aircraft that will join the world's feet by 2020 and I am absolutely confident that we will make our target to improve fuel efficiency 25% by 2020.

But how do we push forward the vision? We are concentrating on three areas:

- Carbon Offsetting
- A roadmap to carbon neutral growth and
- Innovation

### **Carbon Offsets**

Carbon offset programmes are gaining popularity. Customers - particularly corporate customers - are demanding the opportunity to offset the impact of their travel. But there are no easy solutions. There is no standard calculation for the carbon emissions for each trip. And gold standard offset programmes are not easy to find. IATA will develop a standard scheme for airlines and their passengers to participate in

voluntarily. Our target is to have the programme running by the end of the year, with at least six airlines participating.

### **Carbon Neutral Growth**

The second is more complicated - to map the way to carbon neutral growth. We are working now to identify the options and investments needed to arrive at a challenging but achievable timeline. We will announce this by the end of the year. In doing so, we will set a high benchmark for other industries to follow.

### **Innovation**

Innovation will be critical to achieving the vision. We cannot do it with today's technology. Potential building blocks do exist - solar power, hydrogen cells, bio-fuels and so on.

We cannot just sit back and wait for innovation to happen. Last week I signed an agreement with Solar Impulse. It is a project led by Bertrand Piccard - the first man to circle the earth in a balloon. Solar Impulse shares our commitment to a carbon-free industry. And they are building a plane that in a few years' time will fly around the world using only the power of the sun. And it will fly overnight to demonstrate the capability to fly while storing enough energy to fly even when the sun is not shining.

I don't believe that solar power will be fuelling civil aviation in 50 years. But I do believe that their pioneering spirit of innovation is exactly what drove us from the Wright Brothers to the jet engine in 50 years. And it is the same spirit that will drive us towards a carbon-free future.

### **Asia**

As we are in Asia, I would like to conclude with some broader thoughts on Asia's role in the industry's response to climate change. IATA hosted a leadership summit in Singapore last week. By 2010, Asia will be the largest single market for aviation. With size comes leadership responsibility.

So what can Asia do? To start, it can avoid the mistakes that we made in Europe by communicating clearly to governments our track record, our actions and our vision. But it must go beyond talking to action.

Last year the APEC Transport Ministers announced a plan for the region to use industry best practice air traffic management to improve efficiency. This is perfectly in line with our four pillar strategy. Asia could drive this forward with a coordinated air traffic management plan for the region's patchwork of technologies that delivers the best results for capabilities we have on board our aircraft. If successful, this could be a model for other regions to follow.

Asia could also play a role in technology. We need coordinated investments in basic research from alternative fuels to solar power. Asia's enormous sovereign wealth funds could make an important contribution with some innovative investments.

## **Conclusion**

Our industry was built by turning dreams into reality. And that will be the key to our success on the environment issue.

Asia is our industry's future...and it is our today. As we move forward with the vision towards carbon neutral growth on our way to carbon-free technology, Asia has a leadership role to play. And if the energy in the room today was any indication, I am confident that the contributions of this region will be significant - clearly demonstrating the commitment of our industry that will set a new benchmark for environmental responsibility.