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Keynote Speech by Tony Tyler, Chief Executive, Cathay Pacific Airways at Greener Skies 2009

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Ladies and gentlemen,

Thank you, for that very kind introduction.

First, as the Chief Executive of Hong Kong's home carrier, let me join Edward [Yau] in welcoming you all to Hong Kong.

We have a lot of meaty issues to get our teeth into over the next day and half. It's a good thing we are doing it in Hong Kong because this is a place where we like to get things done.

Second, let me congratulate Orient Aviation for organising this, their third Greener Skies conference, and thank all their sponsors and supporters who have made it possible.

Third, I want to say what a warrior we have in Giovanni Bisignani. He has shrugged off his indisposition and donned his battle armor to send us his fighting words by video link today. We shall raise our glasses at tonight's dinner to his continued good health and strength in taking forward our case for a more sustainable industry.

Let me repeat those words: a more sustainable aviation industry

That has to be our starting – and finishing - point.

As Giovanni has made clear, our future depends on it.

All of us in this room know that we are deeply and wholly committed to a sustainable future for aviation.

But it's no good just telling each other about it. We have to get out there and convince the world that we mean it. Frankly, we haven't been too good at that in the past.

The recent sustained business slump has highlighted how our industry is in a chronic state of fragility and vulnerability to economic, and other, shocks. It is against this rather gloomy backdrop that we are fighting a fierce battle on the environmental front.

We continue to be strongly criticized by the environmental lobby who wrongly charge aviation with being the bogeyman of climate change. There are some on the more radical fringe of this lobby who seem intent on stopping people flying.

Tell that to the emerging middle classes in China and India.

We also face more pressing and complex regulations from government policy makers who view aviation as a quick-fix target in the face of such criticism – and a cash cow for much-needed revenue as they themselves cope with the global downturn.

But as you know – and the reason why you're all here at Greener Skies 2009 – this industry is ready and willing to face up to its environmental impact. We are doing something about it now - and are committed to doing even more in the future.

This really is a landmark year for our industry.

Copenhagen in December provides a unique opportunity to demonstrate that aviation is serious about reducing aviation's carbon footprint.

Copenhagen provides us with the platform to spell this out in loud and clear terms.

But will Copenhagen produce the panacea that many in the industry – and the rest of the world - are clearly hoping for?

Or will it prove to be yet another false dawn in finding a solution to the challenge of reducing global emissions in a post-Kyoto world?

Let me indulge in a little 'scenario planning' and give you my insights into how I see this process playing-out.

Giovanni has already set out what we are putting into Copenhagen.
I would like to focus on what we would like to take out.

On the face of it, the omens for securing a global climate deal look good. We have a new administration in the US that has already committed to playing a key role in tackling climate change and reducing emissions.

In Europe, governments continue to press the need for deep and significant cuts in CO2 emissions.

And emerging economies are also increasingly aware that with their new growth comes increasing responsibility, both to their people and the environment.

Within the aviation industry, we have reached consensus around the need to tackle our carbon emissions at a global level.

Giovanni has spelled out the basis of that consensus in some detail, so I won't go into it again.

Other than to say that for me, as the current chairman of IATA's Board of Governors, the IATA AGM in June was the point at which all the necessary elements came together and we started to get real traction that will stand us in good stead as we cast our eyes towards Copenhagen.

So, what would we like to take out of Copenhagen?

Looking ahead to December, there are several key principles that need to be endorsed by those at Copenhagen and forgive me if I repeat some of Giovanni's points here, but it is important that we continue to hammer them home.

First and foremost, we want to see international aviation emissions addressed under a comprehensive global sectoral approach. There must be a recognition that international aviation, as a global industry, is best tackled at a global level by a single global sectoral agreement, encompassing all air transport operators.

After all, how can the emissions from an international flight be assigned to one country for measurement, quota and reduction purposes? Which country? The origin? The destination? Those which are overflown?

National or regional solutions are just not practical. And they will only lead to a patchwork of conflicting and overlapping regulation, leading to competitive distortion between carriers and a significant administrative burden.

And higher fares for our customers.

Or possibly more taxpayer-financed government handouts for those airlines which routinely keep themselves in business that way.

Second, we would like an acknowledgement that our industry, through IATA, has committed to ambitious emissions reduction targets which should be enshrined in the Copenhagen outcome.

Next, it is essential that emissions from aviation should be accounted for only once and policy measures should not overlap. Duplication is wrong in principle, unfair and burdensome in practice.

Fourth, any global system predicated on economic measures should be cost-effective.

Last, aviation should have access to carbon market instruments to meet its obligations. It should not be part of a 'closed' scheme and must be allowed to trade with other sectors in order to pay a fair market price for carbon.

In short, we are calling for aviation emissions to be included under a fair, pragmatic and environmentally effective global policy solution which is enforceable and easy to implement.

The costs of implementation should be kept as low as possible.
Targets should be fair, achievable and non-punitive.

Most important, we want to be part of a scheme that avoids competitive distortion and the notion of so-called "carbon leakage" where emissions in one part of the world are effectively transferred to another by the poor design of policy instruments.

The European Union Emissions Trading Scheme is a good example of where businesses could set up operations outside of the EU to avoid paying for their emissions inside.

Any scheme must also allow for the sustainable growth of the industry. It must balance aviation's significant socio-economic contribution aviation makes to the global economy with the urgent need to address climate change.

This is our wish list, the deliverables we would ideally like to take away from Copenhagen.

But I am enough of a Hong Kong pragmatist to know that to achieve this will not be a walk in the park. There are tough hurdles which must be cleared if a global agreement is to be secured at Copenhagen.

There are political tensions and battles which need to be resolved.

One of these is particularly tricky. The principle of 'Common But Differentiated Responsibilities' underpins the emissions targeting and reduction regime set up at Kyoto. However, the Chicago Convention – the very cornerstone of our industry – enshrines rather different commitments - the avoidance of discrimination and equality of opportunity for all.

A principle which effectively calls on the developed world to pay more to fund its share of historical global emissions is hard to square with one which says everyone must be treated equally.

This split between the so-called 'Annex 1' and 'Non Annex 1' – that is, rich and poor - countries has effectively scuppered previous attempts to reach agreement at the UN level and may well rear its ugly head again in Denmark.

Then there's the complex plethora of individual or state level approaches and a proliferation of national taxes which don't actually benefit the environment directly – the UK's Air Passenger Duty being the worst offender here.

The so-called Green tax that I prefer to call a Brown tax.

It will generate GBP 3.1 billion of additional tax revenue when it is increased next month, with not a penny of it going directly to the environment.

We have determined, ideologically-driven detractors in the environmental lobby who actively support aviation being subject to further charges, perhaps in the form of a global levy on air passengers.

Frankly, such a levy would simply make us a sitting duck for governments looking to raise revenue. And show me a government that isn't.

As citizens we've all seen it. What might start off as a six dollar levy, as has been suggested, could quickly go to 10, then to 12 or ... think of a number.

That is the nature of taxes. Look what's happened to the UK APD – introduced in 1994 at 5 pounds a head for short haul, 10 for long haul. From next year it will be as high as 170 pounds for premium long-haul.

Once a tax is in place it's so easy to increase it. We all know that.

Another way the proposed global levy resembles its UK APD cousin is that the money collected won't go towards reducing emissions, which surely has to be its only

sensible objective.

It's supposed to be targeted at adaptation measures. Call me a cynic, but I wonder how much of it will reach those targets.

No, we need a scheme that addresses the cause, not the symptoms. We need to be sure that money raised from our industry goes to CO2 reduction.

But I have to admit that the politics of it all are eye-watering.

Aviation finds itself caught up in a complex and high-stakes geopolitical game.

And we need to be right on our game if we are to come through it unscathed.

So, what of Copenhagen itself and the outcome of this two-week meeting of national governments, business and NGOs?

Well, the first job we'll have to do is to cut through the hype and political ballyhoo that will turn Copenhagen into Sound Bite City for a fortnight in December.

At the end of it all, I see the possibility of three very different scenarios, each with its own impact, good and bad.

Scenario 1 is what we'd all like to see - a landmark moment for aviation with a global sectoral approach for tackling emissions agreed by the UNFCCC, with ICAO's role in leading the industry preserved. As a result, aviation pays once and once only for its emissions with regional schemes such as the EU ETS scaled back, and taxes such as APD stripped of their phoney environmental veneers.

Scenario 2 is what I call the 'quick fix'. It's based on the notion that, having failed to deliver anything meaningful at Copenhagen the parties agree that a global air transport levy represents an easy way to deal with the aviation emissions problem. At the same time, the idea of a global sectoral approach is rejected and further regional or national schemes emerge. Moreover, ICAO loses its emissions management role.

I think I have already pointed out why that is a nightmare scenario— one we definitely don't want to see emerge from December's talks.

The third scenario represents, well, nothing at all being achieved - political gridlock. If there is no firm agreement at Copenhagen, it could pave the way for more nation states to impose their own arbitrary emissions targets on aviation and lead to the emergence of more regional trading schemes or taxes in an attempt to drive down emissions.

None of us need reminding that such a scenario would add considerable cost and complexity to an already struggling industry.

Let me repeat: a global industry such as aviation needs a global sectoral approach to meet the challenge of climate change. Taxes are blunt instruments that have no direct benefit to the environment and do little to reduce emissions, while a patchwork of

national and regional schemes would slowly strangle our industry.

It is vital for all of us in the industry to recognize that 2009 is a landmark year for aviation. We simply must capitalize on the opportunity that Copenhagen presents.

As an industry, we have a huge responsibility to persuade politicians and heads of state not to squander this chance to integrate aviation into a truly global, well designed solution to the challenge of climate change.

We need to fight tooth and nail to win this battle. It is a battle we can't afford to lose.

I hope we can use Greener Skies 09 to move our case forward and demonstrate that we are fully seized of the fact that we are part of the problem of climate change, but now have the answers that make us a critical part of the solution.

Thank you.