



# POLICY BRIEF

For decision-makers in politics, the media and business

3/19

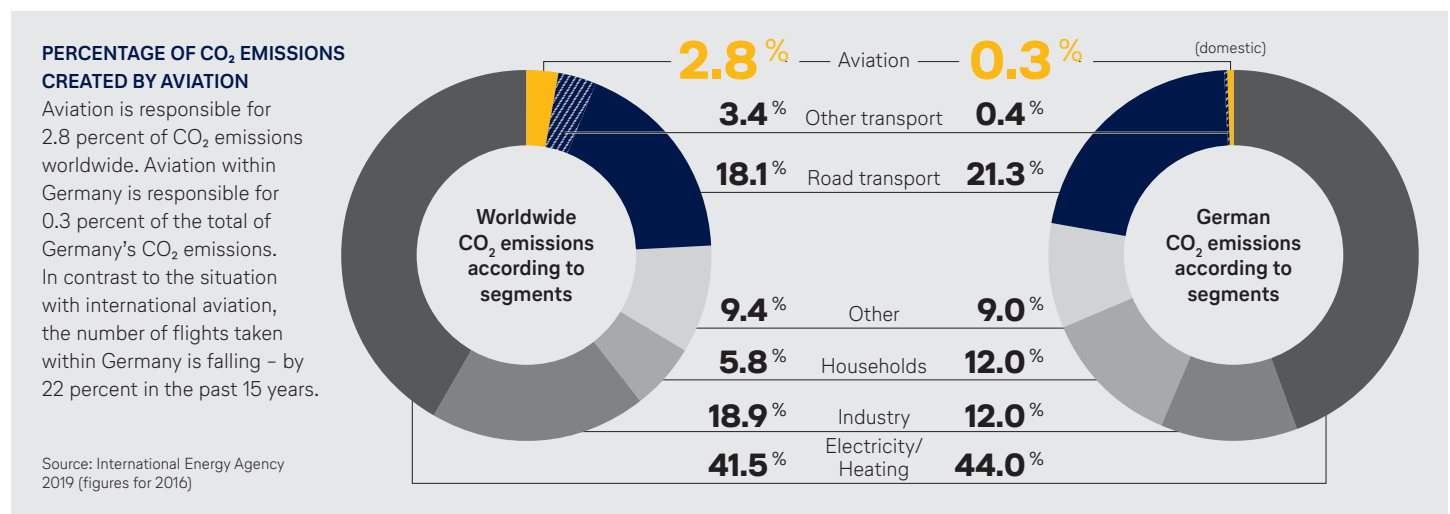


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## Flying sustainably

## LUFTHANSA ASSUMES RESPONSIBILITY

Nowadays it is no longer possible to imagine a world without flying – we bring together people, cultures, continents and economic regions. Air travel is a symbol of intercultural understanding and of prosperity. To this extent, aviation – without exaggeration – is of great significance for a peaceful world.



Providing development aid or the provision of medicines around the globe would hardly be possible without air transport; neither would it be possible to study abroad for a semester. Tourism – which ensures economic stability in many poorer regions – also depends on air travel.

Do we really want to turn back the clock, as is currently being called for by some people? Hardly. Here at Lufthansa, we are leading the way with resolve. Our actions are determined by the interests of customers, employees and shareholders, as well as by society and the environment. Responsibility has always been one of the guiding principles of our company. Lufthansa invests billions of euros each year into new aircraft. Over the coming ten-year period, Lufthansa will on average be receiving a new aircraft every two weeks. We are giving our support to the development of alternative types of fuel so that, in the long-term, CO<sub>2</sub>-neutral flights will become a possibility. We are offering our customers a new form of offsetting, which allows them to choose between the use of alternative fuels and the more well-known offsetting options. We offset the CO<sub>2</sub> emissions of all work-related air travel by Lufthansa Group employees worldwide. We are aiming at becoming CO<sub>2</sub>-neutral in our ground operations by the middle of the next decade. This all demonstrates that we are doing a great deal to make aviation as sustainable as possible.

Almost three percent of global CO<sub>2</sub> emissions come from aviation. And even though this may be less than some people had thought, the sector is very aware of its responsibility in this regard. In the EU, the aviation sector has been growing in a CO<sub>2</sub>-neutral way since 2012, and worldwide this will be the

case as of 2021. For an offensive in favor of climate protection to be effective, teamwork is required. We need manufacturers to deliver innovative engines and aircraft. Customers can balance out the CO<sub>2</sub> emissions from their flights through voluntary offsetting in another area.

But, more than anything, we need a fair and appropriate set of rules. As aviation operates internationally, isolated national initiatives cannot achieve much. Quite the opposite – they place an added burden on our domestic industry and give a competitive advantage to our competitors in Turkey, the Gulf States and Asia. These airlines operate via hubs outside of Europe and are already today operating under completely different competitive conditions. The result: isolated national initiatives fail to lead to any savings in CO<sub>2</sub> emissions but instead simply shift them to other regions. This does not help the climate at all.

Government policy can also have a big impact beyond the clouds. We need a Schengen for the skies. Passenger aircraft in Europe currently have to take detours which mean that they use up to 10 percent more kerosene. The implementation of a Single European Sky would be a real climate protection measure.

This is a good example of the way in which a transformation into more ecologically-based aviation could succeed – through increased international cooperation. Because only climate protection policies that extend across national borders can be effective whilst having a neutral effect on competition.

## Effective climate protection

# IN AIR TRAFFIC, THIS ONLY WORKS INTERNATIONALLY

They do exist – flight tickets for less than 10 euros. Irrational prices that are irresponsible in ecological, economic and political terms. Tickets for only 10 euros make the industry a target for potential criticism. As a result of low pricing incentives, the airspace is already oversubscribed. The artificially-generated demand that is created by such prices also fills up our airspace unnecessarily. Lufthansa has chosen a different path. We prefer to aim at qualitative and responsible growth.

### High tax burden for aviation

The aviation sector in Germany already bears a substantial tax burden on account of user-based financing and air traffic tax. It has a different structure in comparison to the financing of road and rail transport. Only air traffic has to bear the costs of the infrastructure and security required for its operations. This means that airlines in Germany pay an annual figure of around 6 billion euros for the use of the required infrastructure on the ground and in the air. In addition to this, there is a special tax per passenger in the form of the air traffic tax, which brings in more than 1.2 billion euros a year for the state.

### What is the situation regarding kerosene tax and VAT?

In order to create fair competitive conditions worldwide, it was agreed in the Chicago Convention of 1944, that no kerosene tax or VAT would be charged for flights that crossed international borders. For German domestic routes, airlines pay the full rate of VAT. The federal government could charge a kerosene tax on German domestic flights. The potential income in taxes from this source would amount to around 570 million euros. VAT charged on flights crossing international

borders – which could be charged exclusively over German territory – would raise around 300 million euros. The total from these sources of income would be significantly lower than the amount raised through the air traffic tax.

### Isolated national initiatives will not help the climate

Aviation already pays a price for CO<sub>2</sub> in Europe. Since 2012 it has been the only mode of transport that participates in emissions trading. Additional nationally levied taxes or bans on top of current air traffic tax would weaken Germany's position as an aviation hub, without gaining any significant environmental or climate-related benefits. It would instead lead to emissions being shifted to hubs abroad. If a kerosene tax were to be introduced, airlines would increasingly start refueling in other countries. The additional weight carried during their flights would then in turn lead to an increase in CO<sub>2</sub> emissions. This highlights the fact that, particularly in aviation, it is essential to work on strengthening climate protection rules that are applicable worldwide. The sector has already set an ambitious climate policy agenda with the global carbon offsetting system CORSIA.

#### INCOME THROUGH AIR TRAFFIC TAX SIGNIFICANTLY EXCEEDS POTENTIAL TAX REVENUES FROM A KEROSENE TAX AND VAT

Income from ...

**Air traffic tax 2018**

€ **1.2** billion

Tax exemption from ...

**Kerosene tax ... € 0.6 billion**

on German domestic routes

**VAT ...**

€ **0.3** billion

on international routes within German territory

Souces: BMF, BDL

### Advisory council warns against isolated national solutions

In July, the Advisory Council presented their special report on climate policy to the German federal government. A key recommendation that they made was as follows: "A globally coordinated approach is essential to keep climate change at bay."





CO<sub>2</sub> offsettingWE ARE PROMOTING  
CLIMATE-FRIENDLY TRAVEL

If you travel, you will inevitably create CO<sub>2</sub> emissions. This is also the case for air travel. In order to balance out the effect that this has on the climate, the Lufthansa Group is offering new ways of actively supporting climate protection in addition to the options already available.

Lufthansa and SWISS have been working closely with the Swiss non-profit foundation myclimate since 2007. Passengers of both airlines can use a CO<sub>2</sub> calculator to determine the quantity of emissions that their individual journey is causing. Offsetting through climate protection projects costs 20 euros per tonne of CO<sub>2</sub>. Customers from Austrian Airlines and Edelweiss Air – both a part of the Lufthansa Group – can already offset their CO<sub>2</sub> emissions directly via a straightforward process when booking their flight. We are also in the process of making it easier for Lufthansa and SWISS customers to offset CO<sub>2</sub> emissions via our online booking forms.

myclimate uses these voluntary payments to finance climate

protection projects which comply with the strict Gold Standard. This quality standard, which was set up by WWF and other environmental organizations, is regularly monitored by third parties. The key criteria are as follows:

- The climate protection projects must be in urgent need of financing, and would otherwise not be implemented.
- Detailed evidence needs to be provided of the concrete effects in terms of climate protection.
- As well as CO<sub>2</sub>-offsetting, the projects must also bring social advantages to the local populations, for example by creating jobs.

## Madagascar

BACK TO THE GREEN ISLAND  
WITH ENERGY SAVING AND  
SOLAR COOKERS

In order to reduce CO<sub>2</sub> and to counteract rapidly advancing deforestation on Madagascar, myclimate are funding the manufacture and distribution of climate-friendly solar cookers. Further elements of the project are the creation of awareness of environmental protection among schoolchildren and reforestation, with two trees planted for every cooker sold.

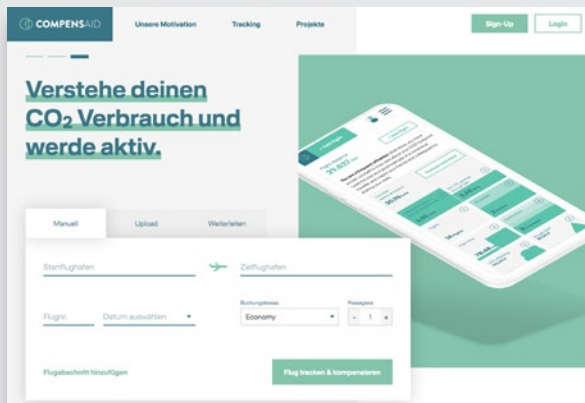
Annual reduction: **270,000 t of CO<sub>2</sub>**



## Compensaid

### NEW PATHS TO CO<sub>2</sub>-NEUTRAL AVIATION FUELS

Alternative, sustainable fuels – so-called Sustainable Aviation Fuels (SAF) – will be an important component in the future of flying. Yet their wide-scale use across the industry has yet to be achieved because of the high cost involved – this innovative fuel costs around four times the price of conventional kerosene.



Through the offsetting platform [www.compensaid.de](http://www.compensaid.de) – which the Lufthansa Innovation Hub will be launching at the end of August – travelers can replace fossil aviation fuel with SAF one-to-one. The platform calculates the kerosene requirement for the route in question, as well as the corresponding increase in price for the use of SAF. The alternative fuel purchased through this offsetting process will be put to use on Lufthansa flights within a period of six months.

#### Example of a calculation – Berlin to Sardinia

CO<sub>2</sub> to be offset: approx. **190 kg**  
 required quantity of SAF: **92.59 l**  
 (additional) cost for SAF: **€148.15**

## Indonesia

### CLEAN BIO GAS FROM ANIMAL DUNG

The climate protection program has installed biogas facilities as a clean energy source in Indonesia. They work to reduce greenhouse gas emissions in three ways: firstly, the methane is no longer escaping from the dung into the air. Secondly, this methane can be used as a fuel for cooking or for lighting, whereby wood no longer needs to be burned. Thirdly, the remaining manure can be used as fertilizer, replacing not only the use of chemical fertilizers themselves, but also the production and transport thereof.

Annual reduction:

**19,200 t of CO<sub>2</sub>**

Flights taken by Lufthansa Group employees in service are 100 percent CO<sub>2</sub>-neutral

As of this year, the Lufthansa Group is offsetting the CO<sub>2</sub> emissions of all flights taken in service via myclimate.

**100%**  
CO<sub>2</sub>-neutral





## Corporate strategy

## FOCUS ON CORE BUSINESS

The Lufthansa Group has a broad base. It comprises airlines, Lufthansa Cargo and Lufthansa Technik, as well as a catering company, the LSG Group. In view of the growing challenges facing the Lufthansa Group, the decision has been made to sell the LSG Group. It is completely understandable that this strategically necessary decision has led to questions being raised in the public sphere and initially caused a good deal of worry amongst employees. The senior management are aware of this and are approaching the sale process with great care and with a clear sense of their responsibility.

Considerable demands are being placed on the Lufthansa Group in terms of its core business, the airlines. On its European routes, the company is facing tough competition from low-cost airlines that are pushing their way into the market extremely aggressively. The countless cases of insolvency among EU airlines in the past few years show how difficult this environment is. On long-haul routes, the Lufthansa Group is having to stand up to competitors who are in receipt of state subsidies and who are not subject to European tariffs or social standards.

**Focus on sustainable flying**

Set against this backdrop, the Lufthansa Group has decided to concentrate on flying in future. This means above all a further focus on investment in this segment. This will give us the scope to invest even more heavily than to date in fuel-efficient aircraft and thereby in climate-friendly mobility. This goal is in line with the political and societal expectations that are directed at the Lufthansa Group.

**New impulses for the LSG Group**

With an owner that defines catering as their core business and will make the corresponding investments, the LSG will gain the financial backing required to position itself in an

even better way in the future with innovative products to create an attractive, sustainable working environment. Right from the start of the negotiations, the Lufthansa Group have emphasized the fact that they will carry out an in-depth examination of the concepts of the bidders on the basis of qualitative criteria and have made it clear that they are looking for an owner for the LSG who has a long-term focus and who will offer both the company and the employees a future-proof business model.

Lufthansa is very satisfied with the LSG's quality and service and would like to continue their partnership with them into the future. In the negotiations on the sale of the European business of LSG which will first of all be conducted, a long-term catering contract is therefore a key component. Lufthansa and LSG will therefore continue to be closely linked. This will create perspectives for both sides for many years to come. Furthermore, since the beginning of the sale process, the management boards of the Lufthansa Group and LSG have been addressing the questions of employees at number of events and have been in dialogue with employee representatives. They will continue to be involved in the process.

**HUGE INVESTMENT IN OUR CORE BUSINESS**

At the beginning of March, the Lufthansa Group ordered 40 state-of-the-art long-haul aircraft. These aircraft alone will help to save 1.5 million tonnes of CO<sub>2</sub>. Overall, there are more than 200 new aircraft on order. The company is investing around three billion euros a year in new aircraft.



US\$ **12** bn  
of investments

**-25%**  
kerosene  
consumption\*

**-1,5** m  
tonnes of CO<sub>2</sub>  
per year

**20**  
Airbus  
A350-900

**20**  
Boeing  
787-9

\* average kerosene savings compared with four-engine aircraft

## Guest article

## USE NOISE-RELATED FEES REASONABLE

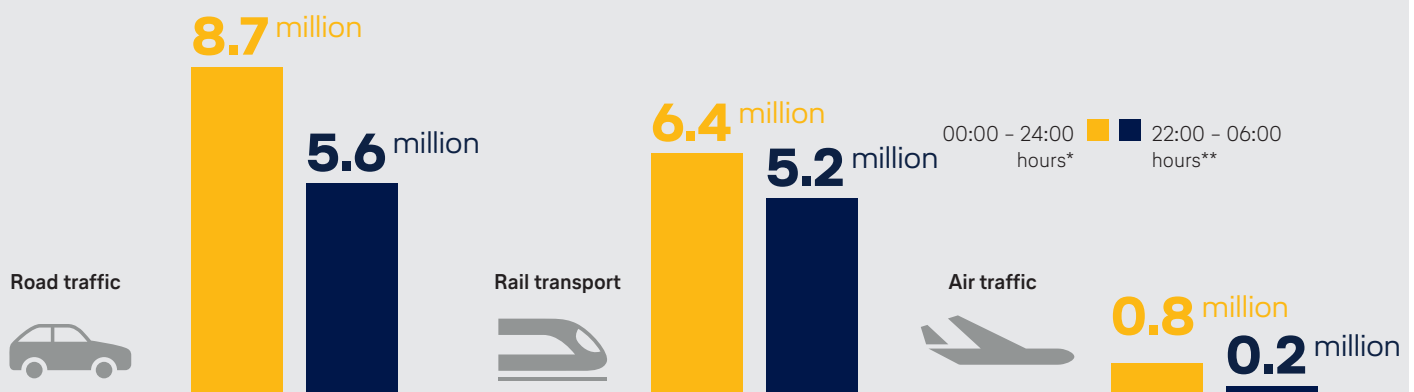
"Noise-related charges became established in Germany as early as the 1970s. The corresponding noise-related surcharges are intended to give airlines an incentive to use aircraft that are as quiet as possible. The principle is straightforward: the louder the model of aircraft, the higher the charges the airline has to pay. This is intended to provide some relief from aircraft noise for the residents living near airports. Our airports are worldwide pioneers in this field.



**DR. MICHAEL ENGEL**  
CEO of the German  
Airline Association (BDF)

#### PERSONS AFFECTED BY NOISE ACCORDING TO MODE OF TRANSPORT

Results of noise mapping carried out by the Federal Environment Agency



Source: Federal Environment Agency 2018; basis: \*continuous noise level of more than 55 dB(A), \*\* continuous noise level of more than 50 dB(A)

Yet in order for this principle to continue providing an effective incentive, it is important that the schedule of charges is not overly harsh. Too high a burden in terms of noise-related charges may even have a counter-productive effect – they siphon off revenues that the airlines urgently need to be able to purchase more modern and quieter aircraft. The investment required for these is considerable. German airlines have 210 new aircraft on order – at a list price of EUR 42 billion in total. This is money that first of all needs to be earned. In addition to this, airlines have in recent years provided more than EUR 800 million to equip homes with soundproofed windows and housing units for external blinds, for example. All these investments make a contribution towards protecting people from noise and are important in maintaining good relations between all those involved in the areas around an airport.

#### Would a wider span of charges still be expedient?

Noise-related charges are also calculated according to the time of day and at various different altitudes. The span of charges is already considerable today. This means, for example, that the noise and time-related component of the charges levied at most airports is already twice as high at 10

pm as it is during the day. At the few airports where flights are still permitted at night, charges may be increased by a factor of 3, 4 or even 5. A further increase in this regard cannot create an effective incentive for the airlines. Firstly, because airlines need to fly an aircraft for many years before its purchase cost has been amortized, and secondly it is often the case that there are no quieter aircraft available from the manufacturers. If the noise-related charges are nevertheless increased, this will only serve to increase the fees earned by the airport operators.

#### Supervisory authorities needed

In my opinion, the regulatory authorities ought to give more attention to this issue and should try to ensure a balance between the interests of the various parties involved in terms of realistic demands and affordable charges. Airport operators should not be able to use noise-related charges as a tool to leverage additional income – especially because, in most cases, airlines have to bear the full costs for passive soundproofing. It is likewise critical for Germany as a center for aviation when the levying of excessive charges is misused, for example in the morning and evening hours, as means of actually placing restrictions on operations."

## Lounge

## WATER FOR BIG PLANS

These school pupils have big plans. Many want to go to university when they leave school to train to become teachers, doctors or engineers. Yet it is a difficult path to get there. They live in Uganda, one of the world's poorest countries. At the Divine Mercy High School in Kyotera, the 300 pupils – of which around 80 percent board at the school as they live so far away – share six toilets. And water is a scarce commodity. The well frequently dries up. If they are thirsty, they often have to walk to the public water taps to buy water. We want to change this situation.

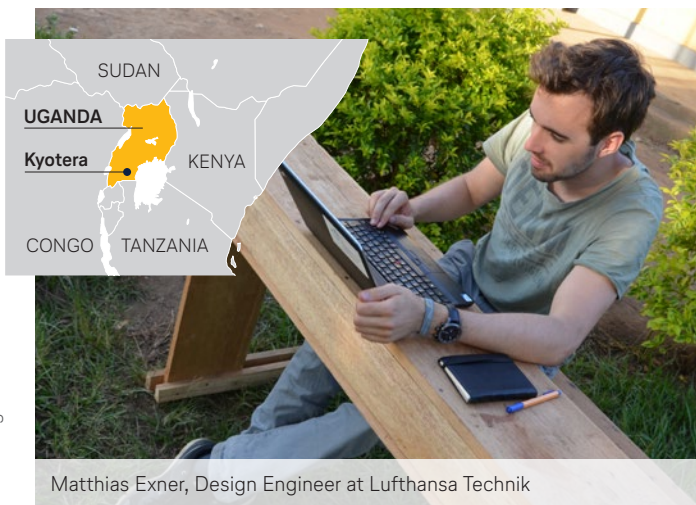
Matthias Exner, an engineer at Lufthansa Technik, is familiar with the situation in the town of Kyotera. In 2017, he spent a number of weeks living there. His task: as an active member of the NGO Engineers without Borders, he came to help to build cisterns and a canteen at another school in the town. The project was successful. "Ultimately, we were able to provide an impulse and give them structural help with a relatively modest level of funding," says Matthias Exner. "The fact that things worked out well there and that the school is now in a much better financial position is mostly down to the efforts of the local people."

**Sustainable in all respects**

On the basis of this experience, Engineers without Borders – with co-financing from the help alliance – are now giving their support to the Divine Mercy High School. New toilets and washrooms, a better connection up to the water supply and a water filter to provide drinking water are planned. Not only the students will benefit: The sanitary equipment, pumps and water tanks will be purchased exclusively from Ugandan manufacturers. As the facilities are to be built by local craftsmen, this will help them to build up knowledge and experience and to generate income in another area apart from agriculture. And the tiles which will be required will not be baked according to the usual process but will instead be mechanically pressed. The resulting material is better, cheaper and significantly more environmentally-friendly – for 10,000 to 20,000 tiles, the traditional baking process requires around 10 tonnes of firewood with the corresponding CO<sub>2</sub> emissions. An enquiry has already been received from a member of the clergy who has asked whether these tiles could be used in the building of his new church.

**An infectious zest for life**

"It is incredible to witness the zest for life and the optimism which the children in Kyotera bring with them to school and to see how keen they are to learn", says Matthias Exner. "It really motivates us to try and take away some of their burdens and to give them support in their everyday lives."



Matthias Exner, Design Engineer at Lufthansa Technik

**THE HELP ALLIANCE**

The school project in Kyotera receives financial support from the help alliance, the aid organization set up by the Lufthansa Group and its employees. It is currently responsible for around 40 projects worldwide which aim above all at giving young people access to education.

*help*alliance

[www.helpalliance.org](http://www.helpalliance.org)



## Telegram

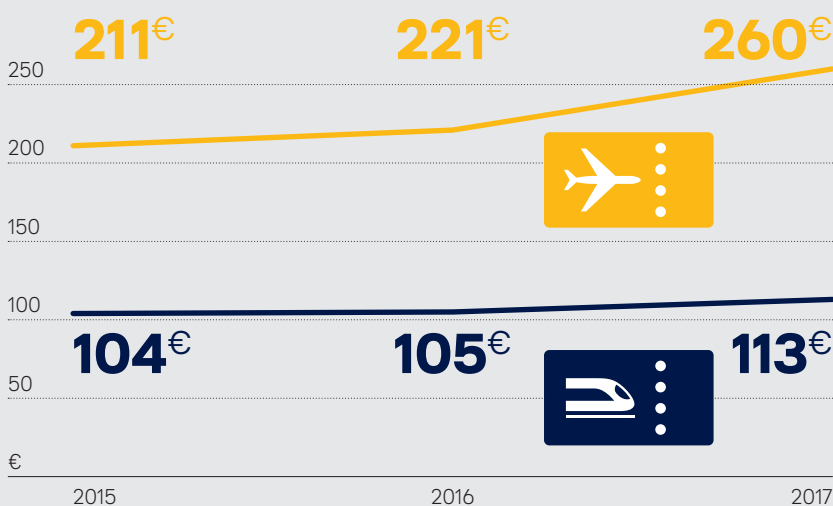
## Price comparison

## FLYING MORE EXPENSIVE THAN TRAVELING BY TRAIN

The market research institute Quotas undertook a comparison of rail and flight prices on behalf of the International Union of Railways UIC. Eleven routes between cities were selected, including Berlin – Frankfurt, Berlin – Munich, Stuttgart – Paris and Paris – Frankfurt. We quote the authors: “The results of our investigations contradict the commonly assumed price advantage of airlines in the perception of customers. With 514 simulated bookings, the rail service provided was significantly cheaper in all the periods included in our investigation – in more than 80 percent of cases

## PRICE ADVANTAGE OF RAIL TRAVEL IS INCREASING

The academics took in each case three different types of traveler as a basis for their study – business travelers, weekend travelers and holidaymakers – as well as various different points in time for making the booking, ranging from one day before the journey to eight weeks before traveling. Here are the overall results:



Source: Quotas

## Reliability

## INVESTMENTS HAVE PAID OFF

The airlines of the Lufthansa Group have once again provided a more reliable service this summer – despite some continuing bottlenecks in our infrastructure, both on the ground and in the air. To achieve this, the Lufthansa Group invested around EUR 250 million in the stabilization of its flight operations, for example through the use of more reserve aircraft and through a diverse range of further measures, such as the lengthening of ground times in order to create additional buffers. This has paid off – our level of reliability this summer stood at 98 percent.

## Lufthansa Technik

## TRAINING OFFENSIVE 2019



Around 250 new apprentices and students on ‘dual’ degree courses are starting at Lufthansa Technik in 2019. In comparison with the previous year, this is an increase of 55 percent. The company will be creating a further 50 training places for 2020 – good perspectives for young people and for Germany as a centre for aviation.

## Medical treatment

## ECG AT AN ALTITUDE OF 10,000 METERS

Experiencing acute heart problems when you are high above the clouds, far from a hospital or a heart specialist, is something you wouldn’t wish on anyone. Lufthansa is now improving the medical care they can offer in emergency situations such as these – Lufthansa is the world’s first airline to have fitted all their long-haul aircraft with a mobile ECG system.

The intuitively-designed system enables flight attendants with no specialist knowledge of cardiology to perform an ECG. Experts on the ground are available around the clock to evaluate the data and give the cockpit crew advice. Through the “Doctor on board” program run by Lufthansa, SWISS and Austrian Airlines, we can also quickly identify any doctors on board our flights, along with details of their specialist areas. There are currently more than 11,000 doctors enrolled onto the program.

**Lufthansa Group**

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