A competitive & sustainable aviation sector

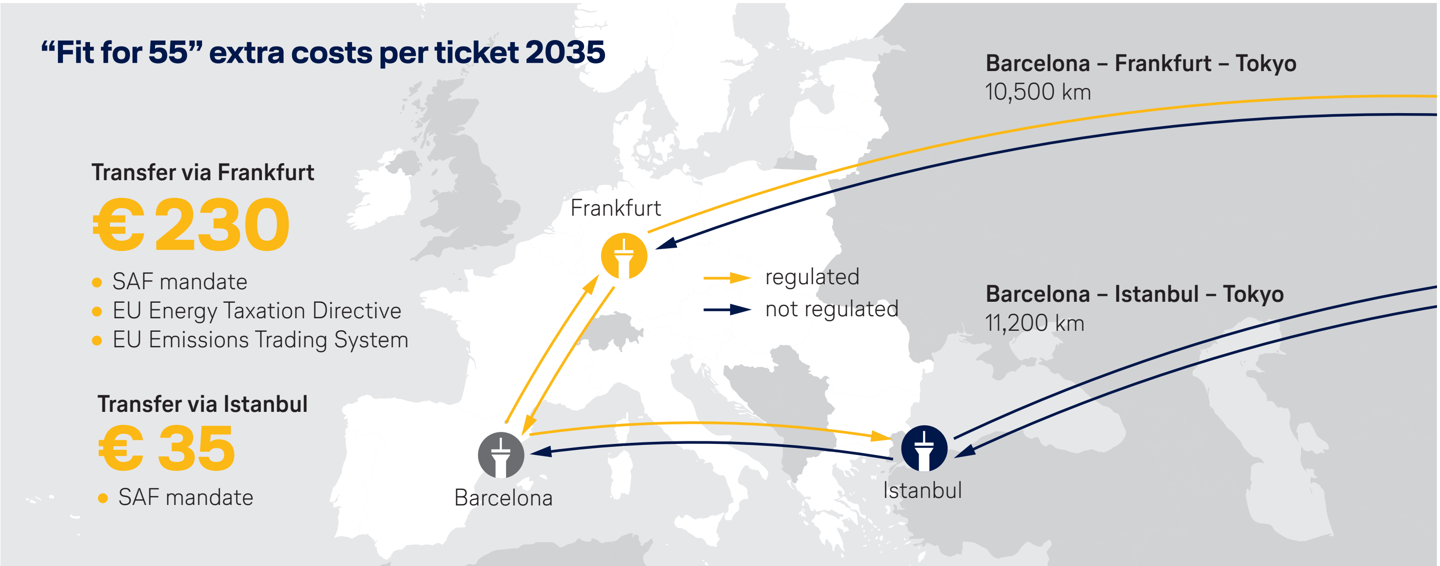
The EU must promote the competitiveness of its network airlines and guarantee a level playing field in a global context by making EU climate legislation effective and Carbon Leakage proof.

Lufthansa Group has set itself ambitious climate protection goals aligned with the Paris Agreement and the EU's emission reduction targets. By 2050, Lufthansa Group aims to operate CO_2-neutrally, with more fuel-efficient aircraft, the use of Sustainable Aviation Fuel (SAF), the expansion of intermodal transport, and innovative operational measures.

The Fit for 55 Package of the European Commission implements a set of legislative initiatives to meet the EU's climate goals. Three have a significant impact on aviation:

1. The reform of the EU Emissions Trading System (ETS),
2. ReFuelEU Aviation, and the
3. Energy Taxation Directive Revision (ETD) including a Kerosene Tax (under discussion).

EU ETS and ReFuelEU Aviation, already passed by legislators, in their current design, significantly weaken the competitive position of globally operating EU airlines. ReFuelEU Aviation in particular, with its blending mandate for SAF, makes traffic via EU-hubs massively more expensive and, above all, one-sided. Because long- and short-haul connections starting within the EU require the use of more expensive SAF. Connections via hubs right behind EU-borders are hardly affected: If passengers change flights outside EU-borders to reach a long-haul destination, only the first shorter transfer flight requires SAF fueling. Especially non-EU airlines with hubs in Istanbul, Doha and Dubai benefit from this situation and can offer significantly lower ticket prices. Therefore, it is crucial to utilize the review process included in the ReFuelEU Aviation Regulation to rectify this imbalance and ensure comparable treatment of non-EU airlines and their EU counterparts.



To restore a global level playing field, corrections are needed:

- **Introducing a European Climate Fee:** A fair and simple solution would be the introduction of a European Climate Fee applicable to all airlines based on the passengers' final destination. The generated revenues could serve to establish a self-sustaining financing mechanism for the purchase of SAF according to the blending mandates. This approach creates a level playing field between EU airlines and their non-European competitors while preventing Carbon Leakage.

- **Boosting SAF upscaling:** The EU's Net Zero Industry Act (NZIA) enables Europe to take on a pioneering role in sustainable fuels. It supports the production and use of SAF to go along with ReFuelEU mandates. To close the price gap between conventional kerosene and SAF, Member States need to act. Now it is up to national legislators to provide funds to put SAF upscaling into practice.

- **Applying CBAM to air transportation:** The application of the Carbon Border Adjustment Mechanism (CBAM) to air transportation would support emission abatement measures in a competitive global environment. A level playing field for EU- and Non-EU airlines could be restored.