

Air France-KLM Statement on the Net-Zero Industry Act (NZIA)

17 MAY 2023

Air France-KLM (AFKL) welcomes the NZIA EC proposal which, in the context of the Green Deal Industrial Plan, will facilitate and foster the deployment of net zero technologies within the EU. However, we do believe that some key areas are not properly accounted for. For instance, sustainable aviation fuels (SAF), while defined as “net zero technologies” (article 3), are ignored under the Annex listing “strategic net zero technologies”. This clearly creates a hierarchy between two “levels” of technologies where the strategic ones benefit from even further deployment facilitation (e.g., 2030 manufacturing capacity targets, faster permitting processes, sustainability and resilience contribution in public procurement procedures etc.). This distinction does not recognize that SAF will make the greatest contribution to the aviation sector’s decarbonisation and should therefore be considered of strategic importance. Of all the levers at our disposal, SAF are expected to represent over 50% of the aviation sector’s decarbonisation pathway by 2050. Hence, we are concerned that the absence of SAF technologies in the NZIA annex will prevent sending the right signal to companies willing to accelerate investment in SAF. It is essential that the NZIA recognizes the key role of SAF technologies for the decarbonisation of the aviation sector and grants them the more appropriate “strategic” status.

Today there are SAF production technologies mature and commercially available, but which require investments in critical value chain equipment to scale up carbon supply and fuel synthesis capacity which include but are not limited to:

- Gasifier (syngas production equipment)
- Fisher-Tropsch reactors
- Gas-to-water conversion reactor
- Carbon capture facilities
- High power electrolyzers

Coupled with loan guarantees, grants and tax support for Carbon Capture and Storage (CCS) and green bond investments, the US is currently the most advantageous area globally to produce and use SAF, jeopardizing the EU’s SAF ambitions against whom it is already competing for access to feedstocks and on transcontinental routes. The EU has started to address this issue, for instance through the SAF allowances mechanism or the RLCF alliance, but falls very short in terms of SAF financing and funding, compared to existing US incentives.

Therefore, we call on the EU Commission not only to include SAF technologies under the “Strategic Net-Zero Technologies” annex under the NZIA, but to even go further by mobilising SAF production and uptake incentives, for instance through:

- Facilitating access to EU finance and investments, by leveraging funding from both public and private sectors;
- Using the EU ETS Innovation Fund resources further (recalling that the aviation sector will pay all of its ETS allowances by 2026 and should therefore see this money reinvested in decarbonising its sector) to establish dedicated calls for projects that allocate grants to SAF projects;
- Recognising the key role of SAF and allocating the adequate resources for their quick and large-scale deployment under the EU Sovereignty Fund;
- Granting SAF projects the label of Important Projects of Common European Interests (IPCEI), to strengthen coordination between Member States to develop the supply chain.