AIRPORTS COUNCIL INTERNATIONAL
EUROPE

Olivier Jankovec
Director General

15 March 2021

Mr Olivier Guersent
Director General
Directorate General – DG COMP
European Commission
Rue Léopold Lenders 16
1210 Saint-Josse-ten-Noode
BELGIUM

CC : Mr Henrik Hololei, Director General, DG MOVE, EC
Mr Raffaele Mauro Petriccione, Director General, DG CLIMA, EC
Ms Ilze Juhansone, Secretary General, EC

Dear Mr Guersent,

I am writing to you regarding the impact of State aid rules on the eligibility of airport infrastructure investments in sustainability and digitalization, under the EU Recovery and Resilience Facility (RRF).

Following various exchanges with your services as well as with the Secretariat General and DG MOVE, we are concerned that unless the Commission urgently clarifies that the current limitations to investment aid set by the 2014 Guidelines on State aid to airports do not apply, most airports will not be able to access RFF funding opportunities for sustainability or digitalization projects.

According to the above mentioned 2014 Guidelines, investment aid to airports with more than 5 million passenger per annum is not permitted, "*unless in very exceptional circumstances*". For airports with up to 5 million passengers, investment aid is permitted with aid intensities between 25% and 75% depending on passenger traffic thresholds. No exception or derogatory regime is provided for sustainability projects – in particular decarbonization.

These rules are now at odds with the objectives of the EU Green deal and the Commission's own agenda for the greening of airports – as set out by the Sustainable and Smart Mobility Strategy adopted last December. They need to be urgently adapted in the context of the RFF and the need to enable Europe's green and digital recovery – but also beyond that specific contexts, to align with the new overarching priorities of EU policy for the transport sector.

It is beyond any doubt that airports have been amongst the hardest hit sectors by COVID-19, and that they will also be amongst those taking the longest to recover:

- In 2020, EU airports lost **1.32 billion passengers**, a decrease of **-73%.**
- As of February 2021, passenger traffic has further decreased at **-89,3%.**
- No full recovery to 2019 traffic levels is expected before **2024/2025** at the earliest.
- **193 airports** in Europe are now facing insolvency.

Europe's airports have been burning over **€350 million** every week – resulting in most airports having a negative cash flow and financing daily operations through debt (for several months already). These increased debt levels and related funding requirements combined with a weaker revenue outlook in the coming years (notably due to slow demand recovery) will put airports under significant financial stress. Indeed, we expect the absorption of these accumulated financing needs and a return to pre-existing financial conditions to take 5 to 10 years - depending on the speed of the recovery.

This means that **for the next 5 to 10 years, airports will be facing an investment crunch**, as their financial ability to invest will be significantly hampered. The magnitude of this investment crunch means that no investment field will remain unaffected - be it sustainability & decarbonisation, digitalization, quality or capacity.

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As regards decarbonization in particular, significant investment are needed if the European airport industry is to meet its Net Zero 2050 pledge[1]. For the top 50 European airports (all handling more than 5 million passengers per annum) the cost of adapting passenger terminals to Net Zero CO2 emissions alone has been estimated at €25.9 billion euro.[2]

In that context acceding RFF financing is now crucial. This is why we are urging the Commission to:

1) **Immediately suspend the prohibition of investment aid to airports with more than 5 million passengers per year under the eligibility conditions for RFF financing.**

   The EC guidance on what may constitute '*very exceptional circumstances'* refers to "*a clear market failure, taking into account the exceptional circumstances, the magnitude of the investment and the limited distortions of competition*".[3] As demonstrated above, the current situation surely qualifies as '*very exceptional circumstances*' – and sustainability investments should not be regarded as involving distortions of competition.

   The systemic impact of the COVID-19 pandemic on airports requires flexibility for all airports with more than 5 million passengers. No intensity or other limit should be set on RFF financing for these airports given the magnitude of the financial difficulties and investment crunch that airports are facing.

2) **Immediately allow investment aid for airports with less than 5 million passengers per year without any intensity limitations under the eligibility conditions for RFF financing.**

The above flexibility would allow airports to consider moving forward with investments in sustainability and decarbonization. As mentioned to your services and further illustrated in the attached note, the scope of environmental management at airports covers a wide range of issues, which directly impact both operating costs and capital expenditure:

- i) Carbon management as per Europe's airport industry commitment to achieve Net Zero CO2 by 2050[4].
- ii) Climate adaptation.
- iii) Oher local gaseous emissions.
- iv) Noise.
- v) Waste management.
- vi) Water management.
- vii) Biodiversity protection.

Both the Commission and Member States must come to terms with the impact of the COVID-19 pandemic on the economic and the financial/economic model of airports – in particular their ability to carry out the necessary investment to further green airports and effectively contribute to the objectives of the Green Deal.

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[1] The European airport industry committed to Net Zero for CO2 emissions under their control in June 2019, with more than 200 airports having since then individually and formally undersigned this commitment: www.aci-europe.org/press-release/189-uropes-airport-industry-commits-to-net-zero-co2-emissions-by-2050.html

[2] ACI EUROPE '*Airport investment for consumers, communities & the planet*'

[3] See the *Aviation Guidelines* (paragraph 17) and the Commission working document '*Infrastructure analytical grid for airport infrastructure*' (paragraph 35).

[4] www.aci-europe.org/component/attachments/attachments.html?id=1317&task=download

While we are fully aware that Member States will ultimately decide which specific projects to include in the proposal plans submitted to the Commission, **we need the eligibility criteria set by the Commission to at least allow airport projects to be considered at national level in the first place**. This is about ensuring alignment at EU & national level with the objectives set for the decarbonisation of aviation – and thus '*walk the talk'*.

An indicative list of projects currently being considered by a sample of airports for RRF financing is attached. That list is illustrative of the priority airports continue to place on sustainability across the board – and of related financial needs.

We cannot insist enough on the **urgency** of our request, given the timeline set for the RRF.

Finally, coming back to the need to review the 2014 Guidelines beyond the above mentioned necessary adjustments for the purpose of the RRF, **we also urge the Commission to ensure that they can be aligned with the objectives of the Green Deal and of the Smart and Sustainable Mobility Strategy before the intended 2024 revision**.

In this regard, we see the need to consider allowing State aid for decarbonisation and other sustainability objectives not only with regard to investments that go beyond regulatory requirements, but also for new regulatory requirements aimed in particular at meeting climate neutral targets and other climate objectives. This is actually needed not just for airports but for the entire aviation ecosystem – considering once again the lasting impact of the COVID-19 crisis and the specific challenges aviation will face in decarbonising.

We remain at your disposal for any further information.

Yours sincerely.

Annexes.