

State of the Airline Industry

Sustainable & Smooth Recovery

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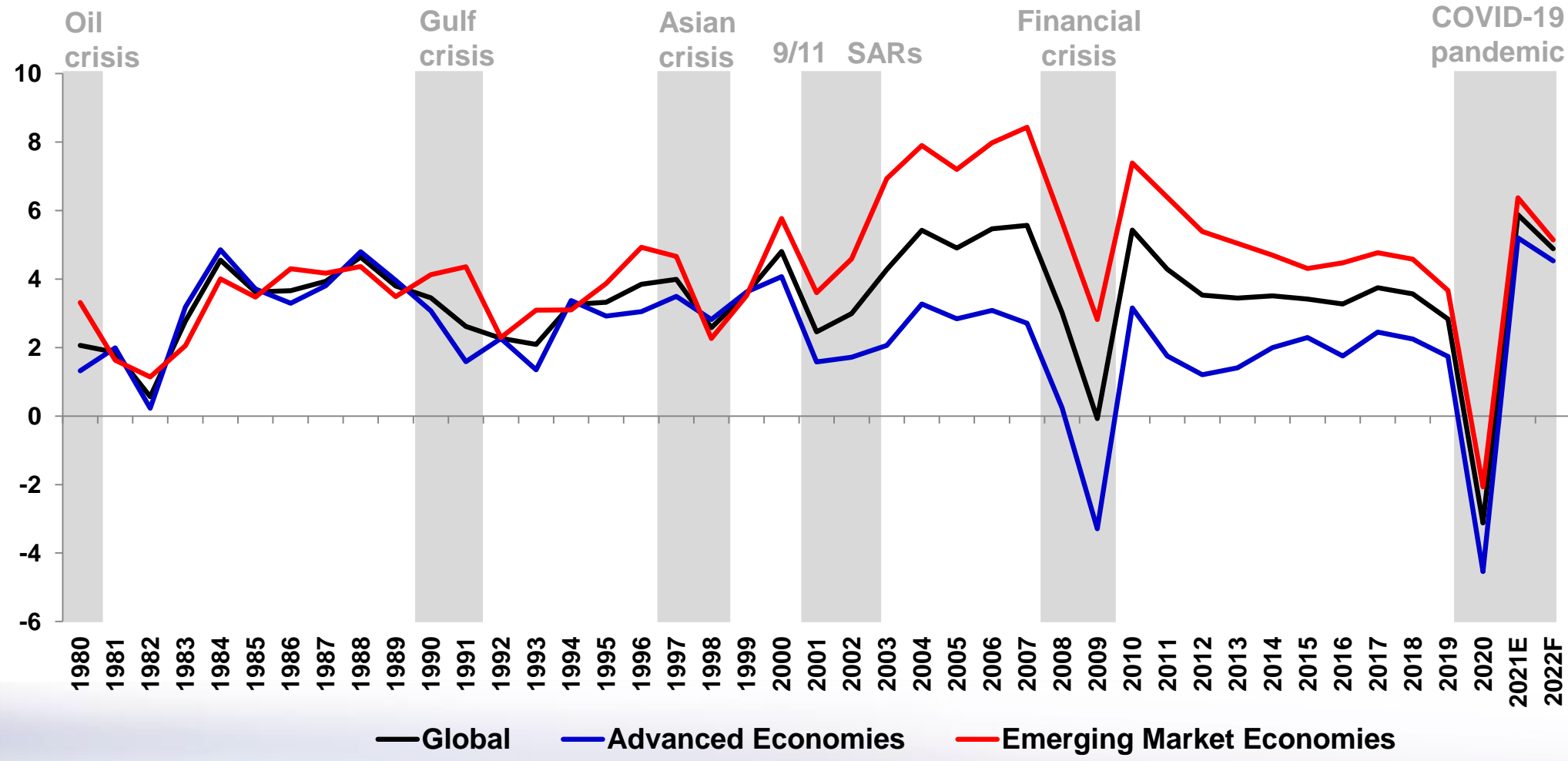
Overview

- **State of the Industry**
- **Sustainability**
- **Aviation Restart**
- **Industry Outlook**

The global economy is rebounding from its deepest plunge



GDP growth, Annual % change



Global GDP Growth

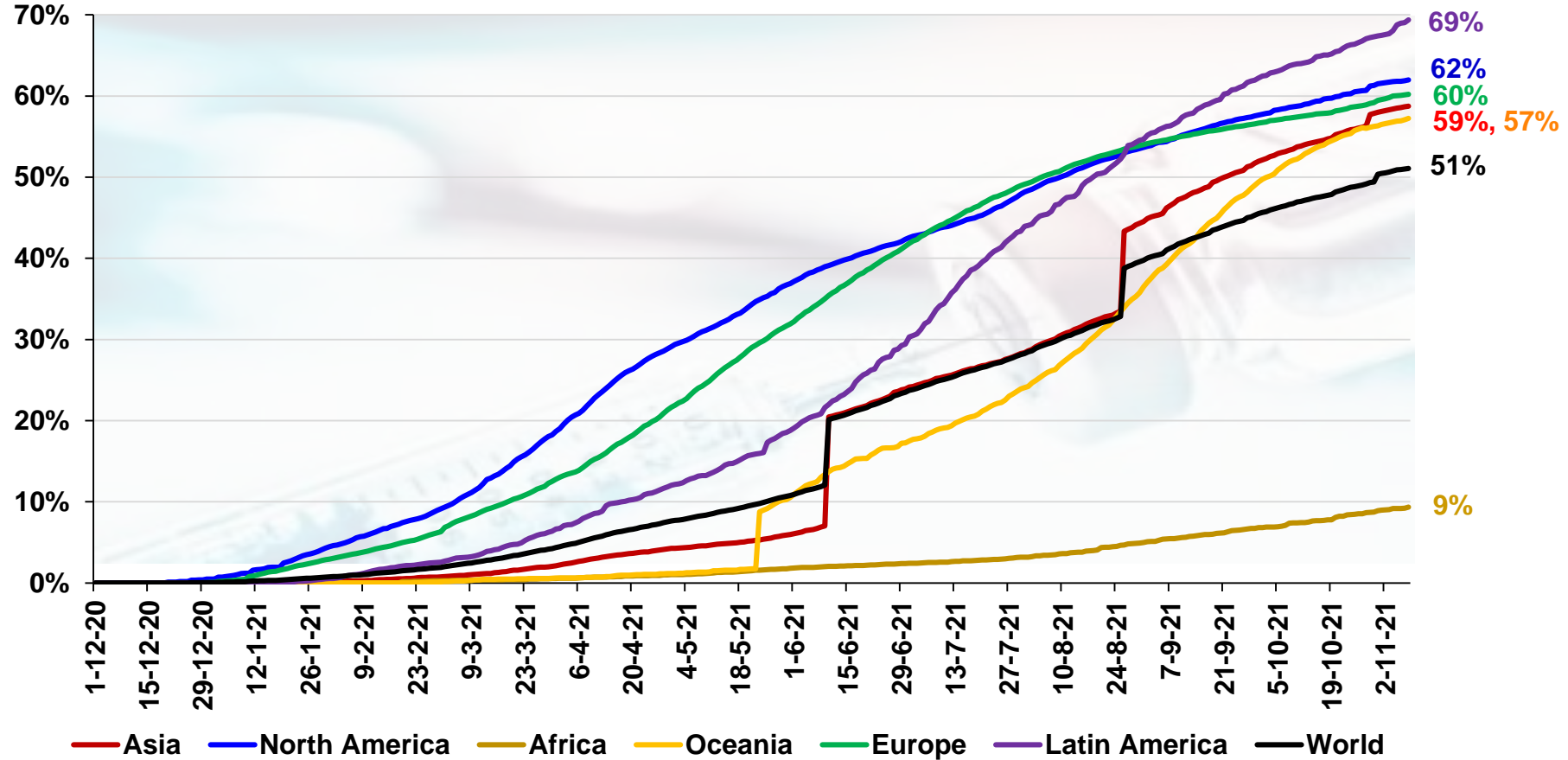
2020	2021E	2022F
-3.1%	+5.9%	+4.9%

— Global — Advanced Economies — Emerging Market Economies

The Great Rollout



Percentage of Population with at least 1 vaccine dose by Region

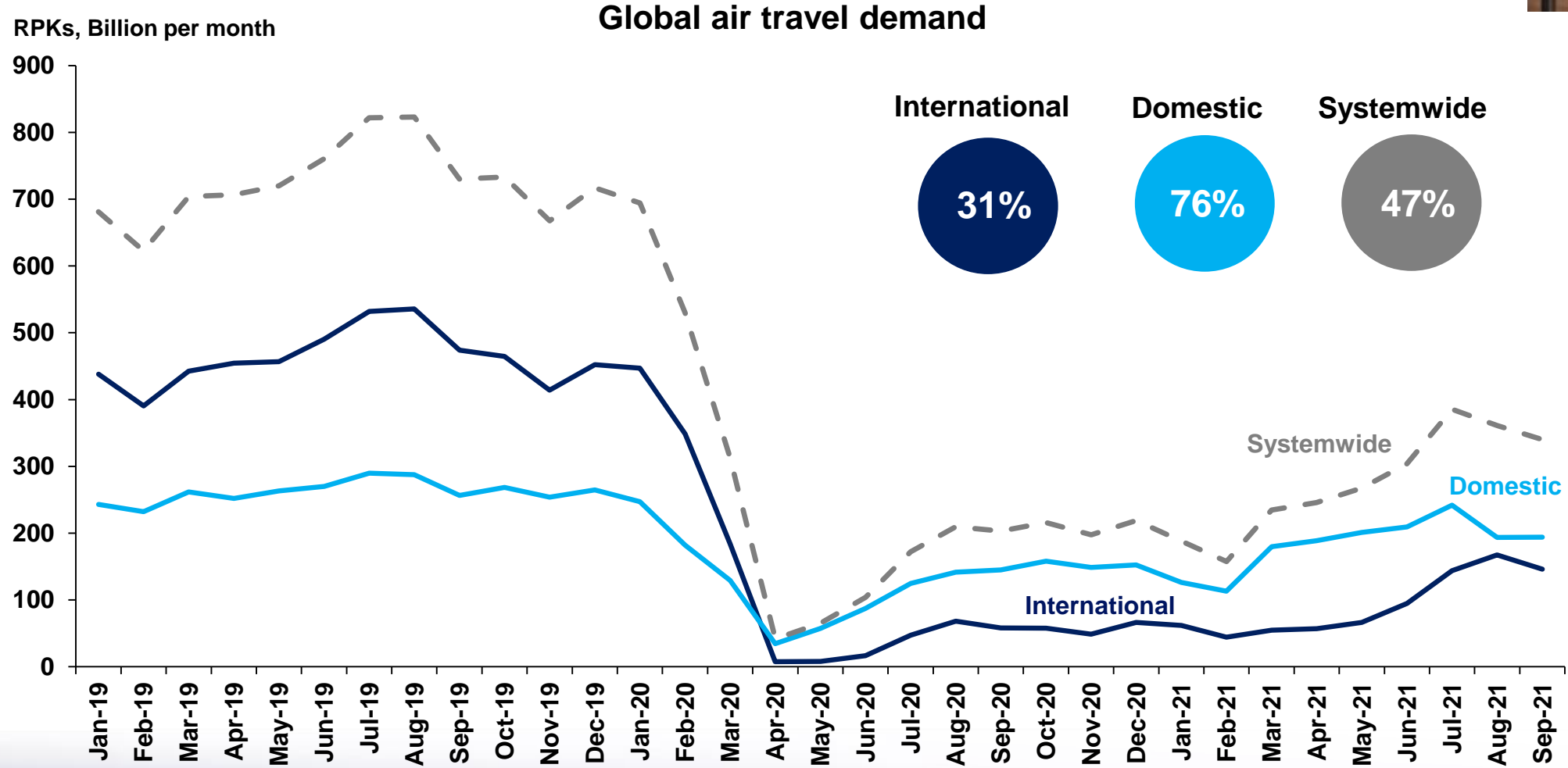


- *More than half of the global population has had at least 1 dose of vaccine*
- *Africa lagging significantly behind*

Source: Our World in Data

Note: Asia includes Middle East, lines not smooth due to availability of data

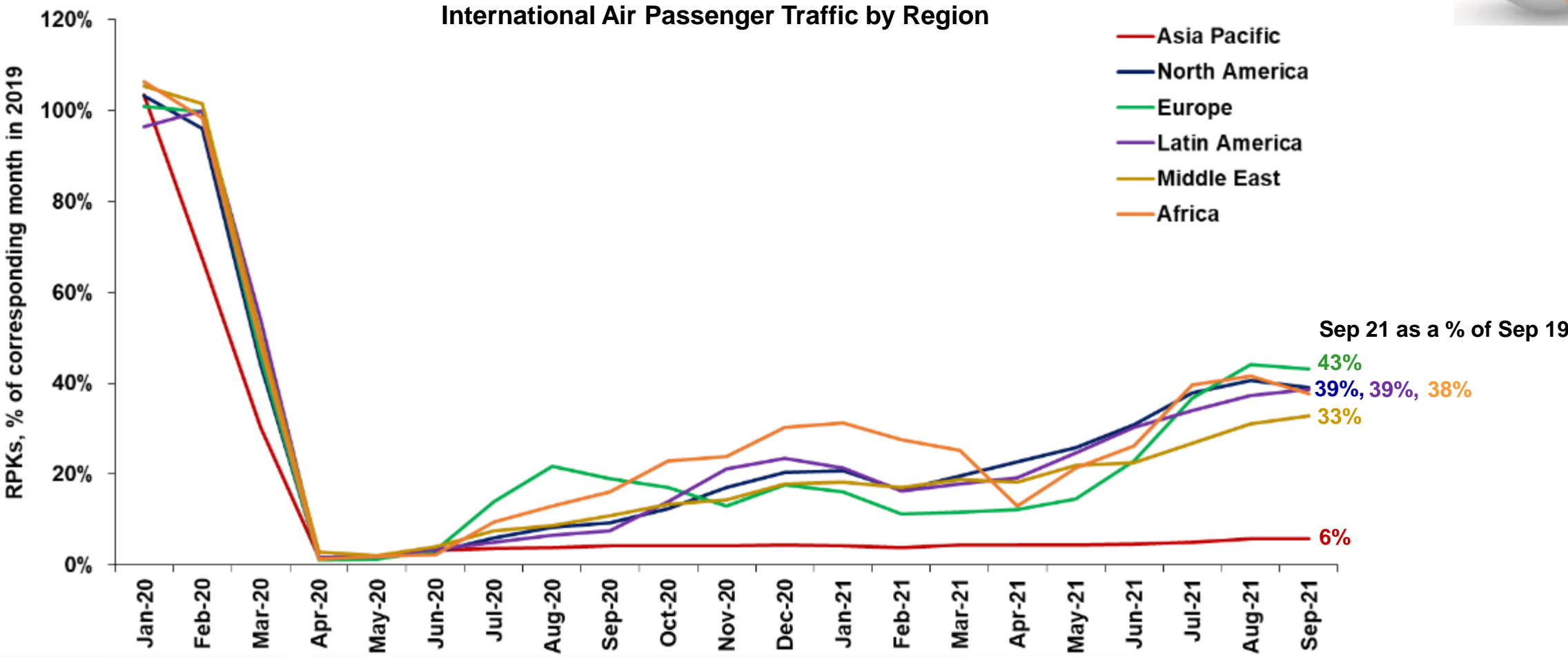
So far, modest recovery in passenger travel markets



Note: % refers to RPKs in September 2021 as a percentage of RPKs in September 2019

Source: IATA

Asia Pacific is worst affected region



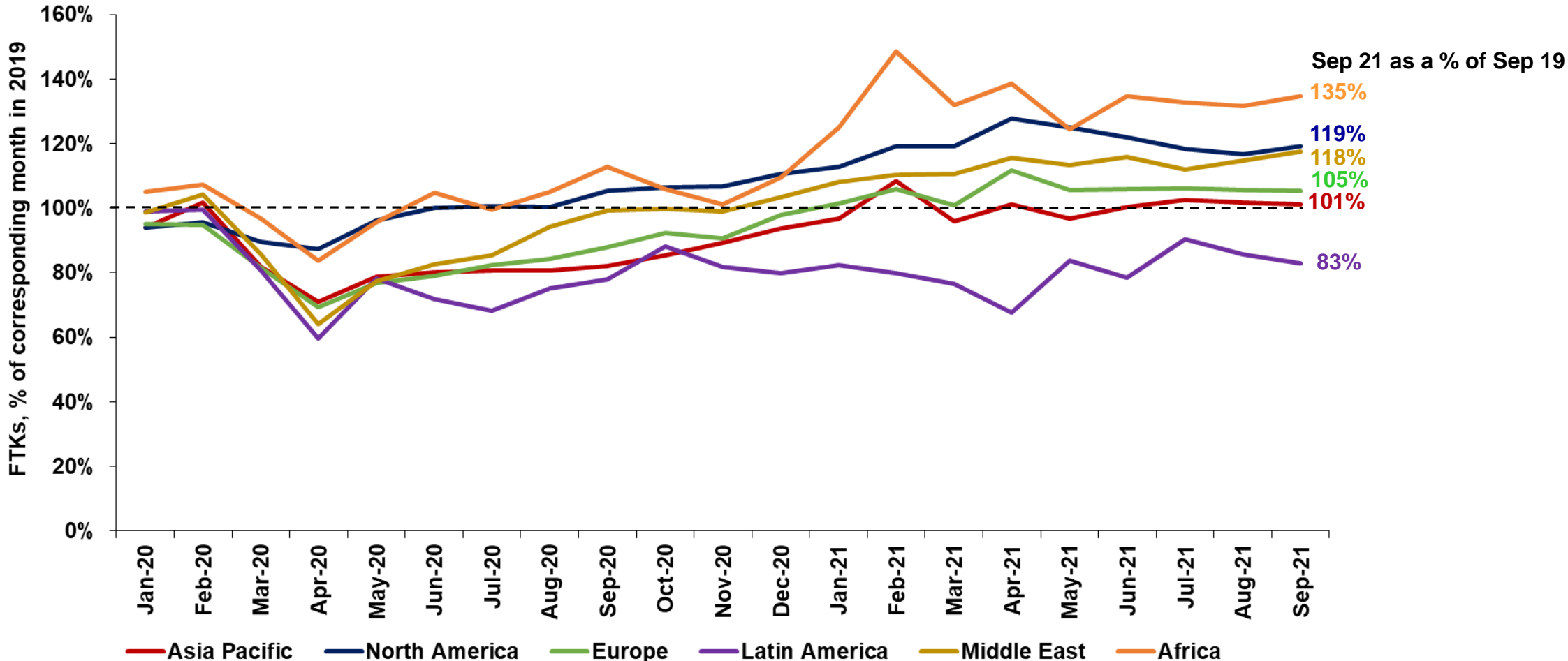
Most regions experienced a gradual pick-up in demand, led by European carriers



Source: AAPA, IATA

ASSOCIATION OF ASIA PACIFIC AIRLINES

International Air Cargo Traffic by Region

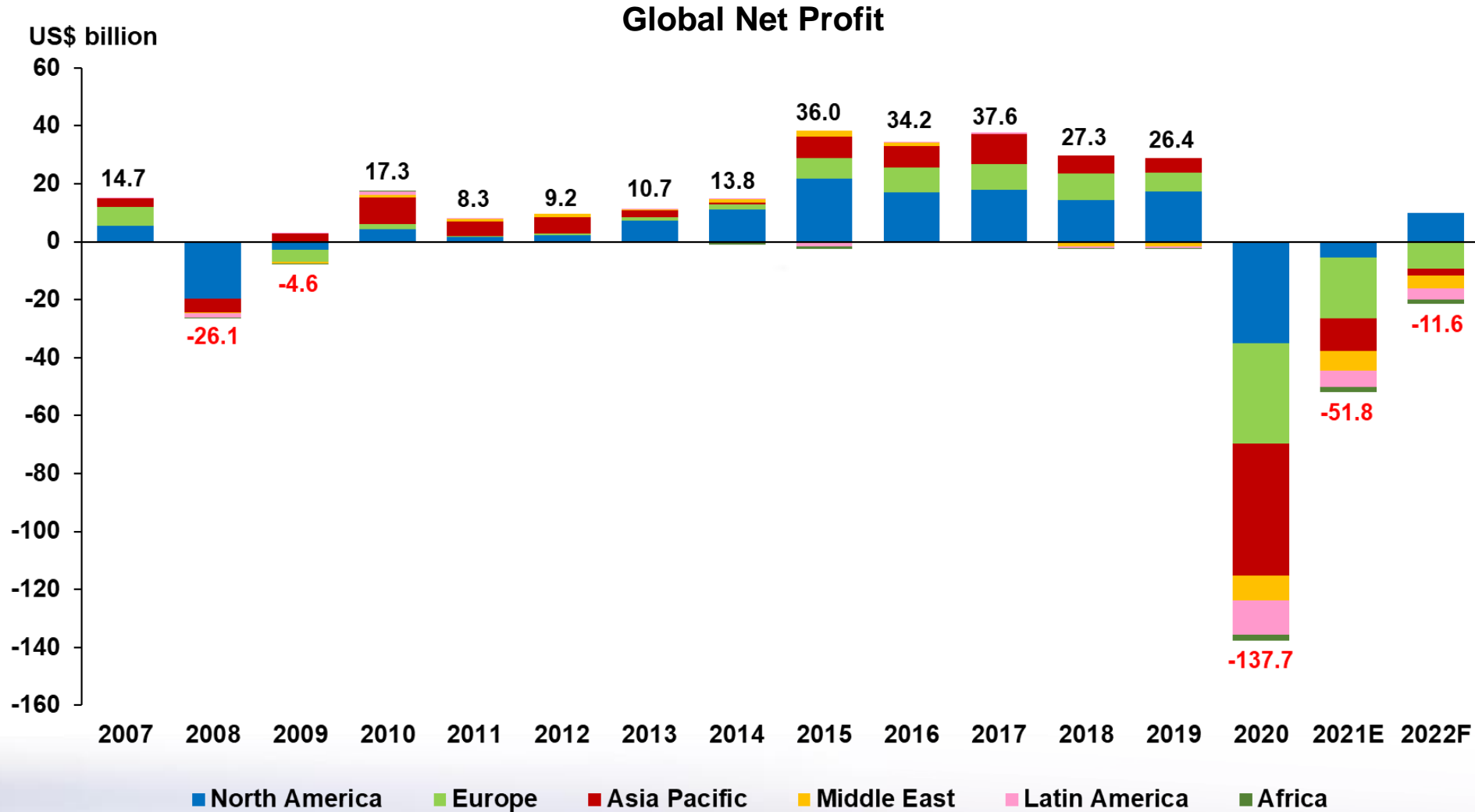


Strong e-commerce demand and modal shifts from ocean to air transport underpin growth

Source: AAPA, IATA



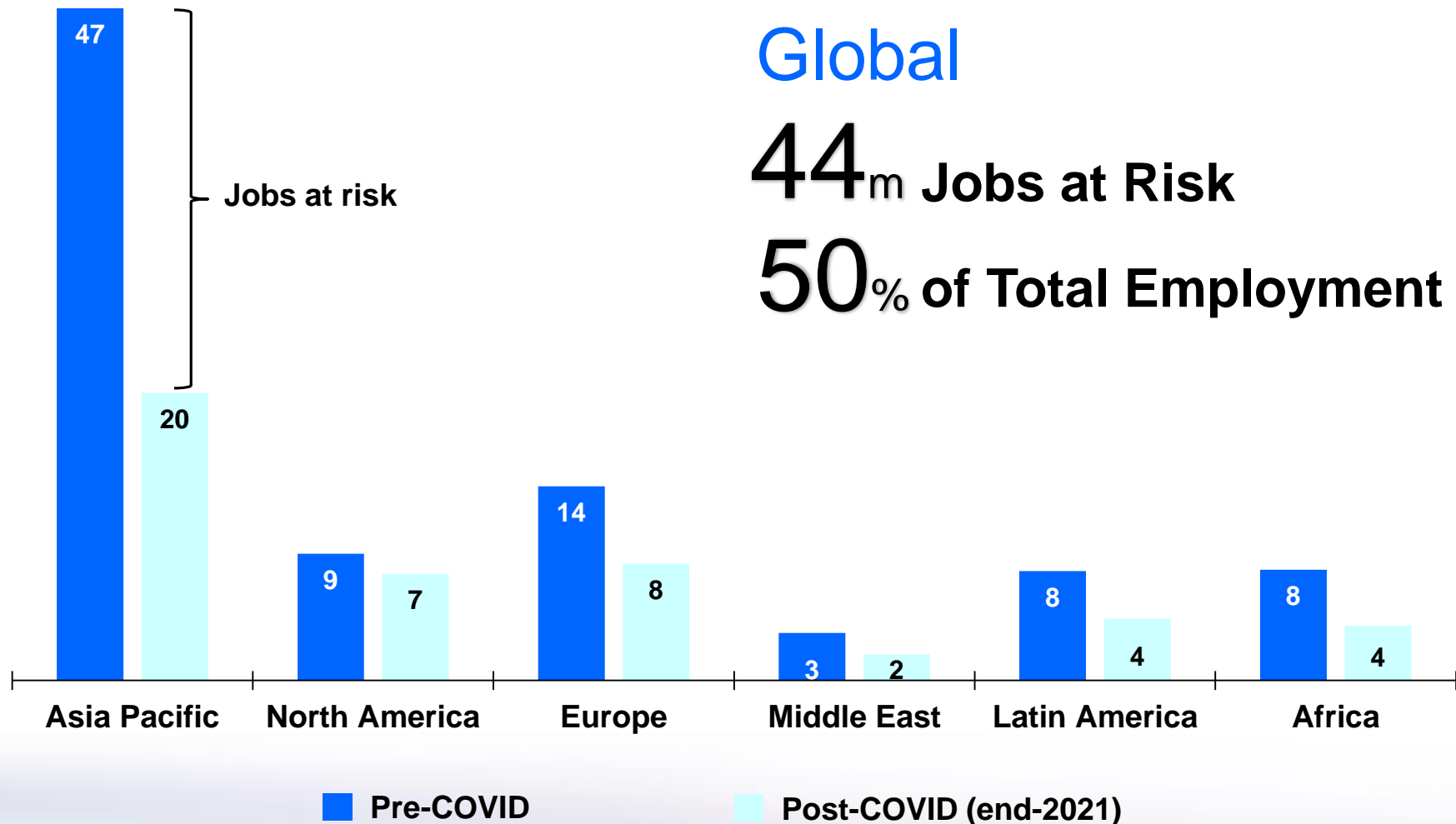
Another year of steep losses for the industry



Source: IATA

Asia Pacific most vulnerable to loss of aviation supported jobs

Employment Supported by Aviation (millions)



Note: Jobs in aviation, throughout the supply chain and in the wider economy

Source: ATAG

Sustainability

Sustainability: Aviation an early mover on climate goals

Industry emissions target for short, medium and long term:

- An average improvement in fuel efficiency of 1.5% per year from 2009 to 2020 (achieved before pandemic)
- A cap on net aviation CO₂ emissions from 2020 (carbon-neutral growth)
- Net zero CO₂ emissions by 2050

Industry targets preserve the right to grow



Sustainability: Net Zero Emissions Reduction by 2050



- **Net Zero Goal needed to limit global warming to under 1.5°C**
- **AAPA airlines committed to Net Zero Emissions goal in September 2021**
- **Global airlines committed to Net Zero Emissions at IATA AGM**
- **Consumers more aware and prioritise cutting greenhouse gases**
- **All-industry collaboration crucial to meeting goals**
- **Wider government support for CORSIA framework essential**

Sustainability



- **Limited options for aviation to reduce emissions, unlike other sectors:**
 - Hydrogen & Electric aircraft for short-haul flights generally after 2040
 - Operational Efficiency provides limited contribution: <5%
 - Commercialisation of sustainable aviation fuels (SAF): 65-75%
 - CORSIA (offsetting scheme in international aviation): 10-20%
 - SAF and other biofuels competing for same feedstock
- **Need support from governments, airports, navigation services, manufacturers, fuel industry**

**Main
Contribution**

Strong stakeholder collaboration crucial to meet industry targets

- **Uphold and participate in CORSIA as the single global offsetting measure for international aviation**
 - Proposals that detract from CORSIA agreement and apply taxes & mandates increase costs without benefitting the environment
 - Incentives and subsidies provide constructive support for emissions reductions
- **Uphold ICAO principles (fairness & equity)**
- **Invest in new energies: direct carbon capture and sequestration**

Aviation Restart

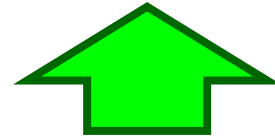
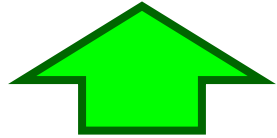
Resuming International Air Travel



Reconnect Families

Revive Economy

Recover Tourism & Trade



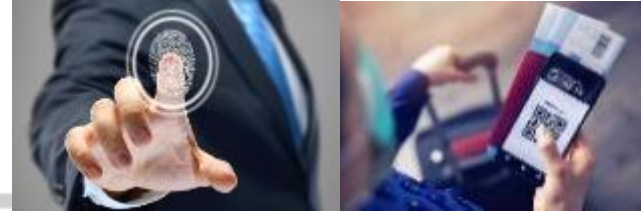
- Accelerate adoption of ICAO CART guidance
- International air travel as part of COVID-Normal freedoms
- Accessible & inexpensive testing
- Quarantine-free travel for the vaccinated & recovered
- Mutual recognition of testing, vaccination certificates & protocols
- Predictable & cohesive travel framework boosts traveller confidence

Restarting Safely



- **Rights of those who don't have access to vaccines & recovered**
- **Vaccination of aviation workers**
 - “Duty of Care” to staff and passengers, as well as other stakeholders
- **Risk of onboard transmission is low**
 - Risk of onboard transmission is lower than other indoor locations
 - HEPA filters, the seat backs, downward airflow & high rates of air exchange
- **Contactless technology**
 - Contactless check-in, ‘Zero-Touch’ IFE, contactless food & beverage ordering
- **Digital solutions essential for safe, seamless & contactless travel**
 - Digital credentialing of identity, validation of health status, safeguarding privacy & interoperability between proprietary systems

Digitisation: The Way Forward



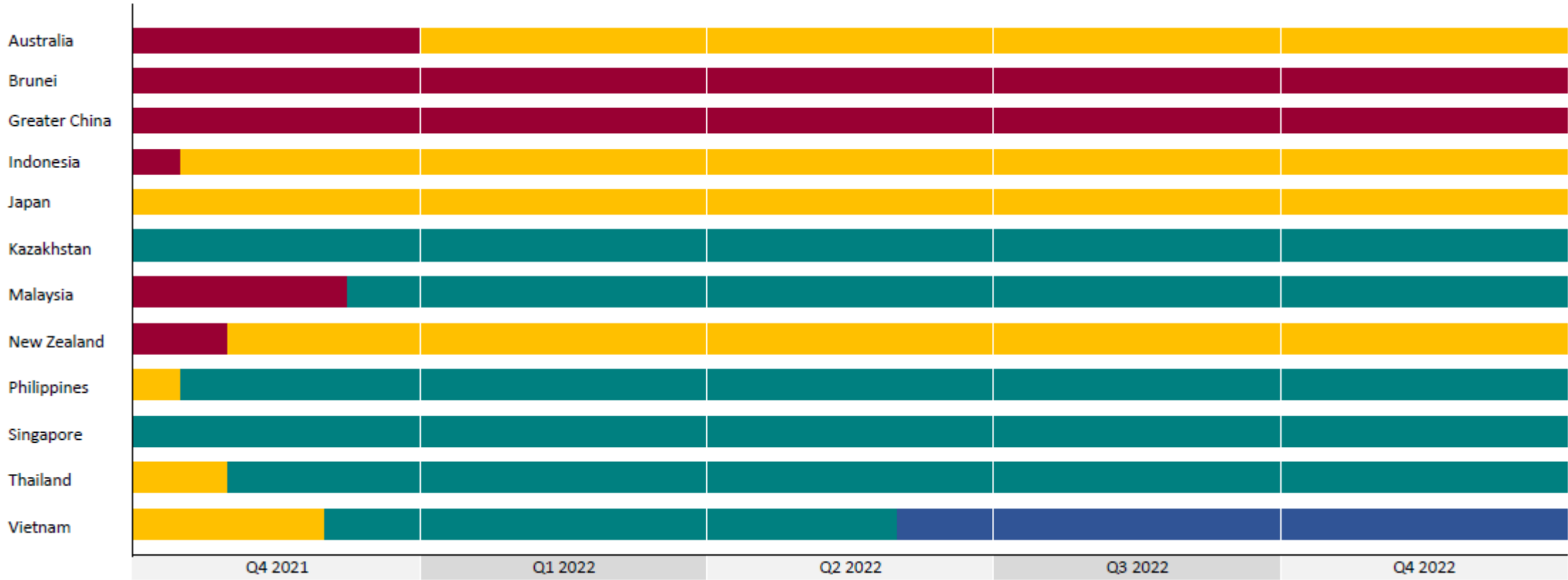
ICAO VDS

- ✓ Digital proof of testing, vaccination
- ✓ e-passport technology for digital credentialing
- ✓ 2-D barcode
- ✓ Readable in digital & paper
- ✓ Fast, cost-effective deployment
- ✓ Enhance not replace national vaccination certificate

EU DCC

- ✓ Digital proof of testing, vaccination, recovered
- ✓ Digitally signed
- ✓ QR-code technology
- ✓ Readable in digital & paper
- ✓ EU-wide deployment
- ✓ Endorsed by IATA as global standard

Asia Pacific Roadmap to Reopening



Inbound Travel:

- Close except for essential travel
- Partially open for fully vaccinated travellers from selected regions with no quarantine requirements
- Partially open with quarantine requirements
- Open to All

Significant differences in reopening strategies hinder reciprocal travel restart

Industry Outlook

Asia's COVID-19 Vaccination Timeline



Achieved 75% coverage:

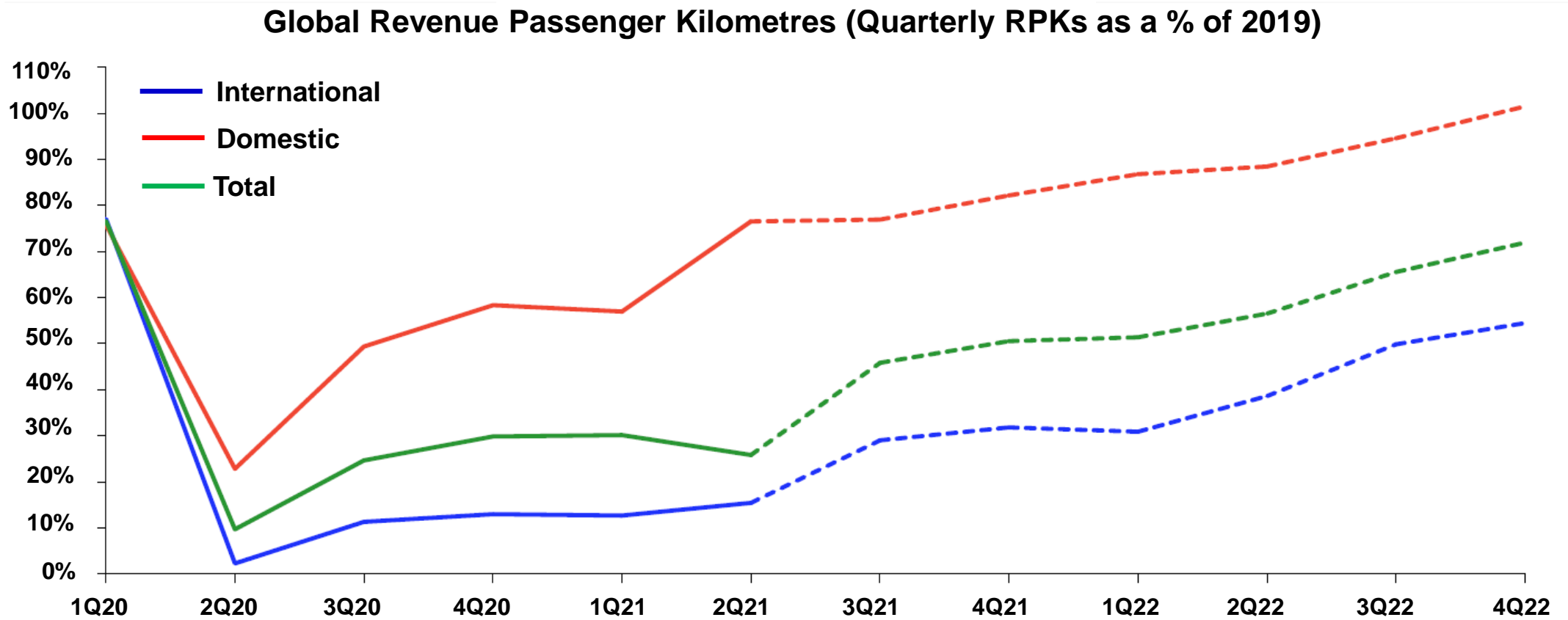
- Brunei
- Cambodia
- China
- Japan
- Malaysia
- Maldives
- New Zealand
- Singapore
- South Korea



Source: Bloomberg's COVID-19 Vaccine Tracker 1 November 2021

Note: Estimates based on daily vaccination rate to achieve 75% population coverage

Industry Recovery Path



Domestic traffic forecast at 93%, international at 44% of pre-crisis levels in 2022

Declaration of Sustainable & Seamless Industry Recovery

- **Net Zero Emissions goal**: Work with governments and industry partners through 4-pillar pathway especially to reduce reliance on fossil fuels towards sustainable aviation fuels
- **Border reopening**: Urgent restoration of connectivity as US\$944 billion and 47 million jobs, livelihoods, and many families & businesses affected
- **ICAO**: Support for resilience of international aviation as well as harmonised and inclusive restart adopting risk-managed approach
- **Commitment**: On shared mission of safe, sustainable, seamless and digital-enabled recovery to re-connect the world

Resolutions – Calling on Governments to...

- **Work closely together to reach consensus on streamlining protocols & practices for international air travel, adopt interoperable digital applications, collaborate with industry to rebuild passenger confidence and provide support for the meaningful recovery of travel & tourism**
- **Work together & with industry to participate fully in CORSIA & avoid duplicative requirements in international aviation, to support & invest in the development of alternative fuels that are environmentally sustainable**

Aviation: delivering global mobility

- Safely connecting people and business
- Wider social and economic benefits
- Outstanding safety record
- Committed to sustainable growth

40%

by value of global trade*

US\$7.6 trillion

Value of goods carried*

88 million

Employment supported**

US\$3.5 trillion

Economic activity supported**

