A RENEWED EU AVIATION AND AERONAUTICS STRATEGY FOR THE NEXT DECADE

Building a competitive and resilient aviation and aeronautics ecosystem in Europe

Aviation and aeronautics must be seen as strategic assets for Europe. Their ecosystem – comprising manufacturers, airports, passenger and cargo airlines, aircraft leasing companies, air navigation and other service providers and intermediaries, fuel producers and suppliers – supports millions of jobs, drives research and innovation, connects Europe's businesses, citizens and regions, supports its tourism economy and secures its import and export capacity. Since the adoption of the 2015 Aviation Strategy for Europe, the operating environment for European aviation has changed profoundly. Over the past decade, the sector has faced a succession of external shocks and regulatory shifts, including the COVID-19 crisis, the implementation of the EU's ambitious 'Fit for 55' package, the closure of Russian airspace to EU carriers, and increasing geopolitical instability, notably stemming from the wars in Ukraine and the Middle East. The geopolitical developments and an increasingly divergent and complex regulatory framework have significantly reshaped global aviation markets to the detriment of European airlines and airports and placed growing pressure on the international competitiveness of European operators and industry. This resulted in a decline in connectivity, undermining a fundamental enabler of Europe's export-oriented economy. To ensure a global level playing field, it is crucial to develop a regulatory framework that supports the competitiveness of the European aviation sector while enabling the achievement of Europe's climate ambitions. At the same time, it is essential to preserve and strengthen the competitive advantage of Europe's civil aeronautics industry vis-à-vis third countries.

BusinessEurope therefore welcomes the Commission's initiative to develop a renewed EU Aviation and Aeronautics Strategy. While Europe should remain at the forefront of aviation decarbonisation, it needs a clear, balanced, more realistic and forward-looking vision where this ambition is accompanied by policies that protect the Single Market, safeguard international competitiveness, support investment, advance innovation and digitalisation, and reinforce the sector's resilience. The Strategy should therefore recognise aviation and aeronautics as key enablers of the Single Market and drivers of European connectivity, technological leadership, trade, territorial cohesion and competitiveness, placing air connectivity at the heart of EU aviation policy.

Therefore, BusinessEurope calls for:

1. **Supporting the competitiveness of the European aviation and aeronautics ecosystem and ensuring a level playing field.** While pursuing its decarbonisation and emission reduction goals, the EU should avoid measures that risk carbon leakage and incentivise a shift in investment and connectivity outside the EU. Measures should be proportionate and avoid overly rigid requirements that could slow innovation and increase operational inefficiencies. To strengthen

the competitiveness of the European aviation sector covering all parts of the ecosystem, ensuring that it does not suffer from competitive disadvantages vis-à-vis non-EU competitors, and maintain Europe's connectivity, industrial strength and climate ambitions, the Strategy should consider the following measures:

- Exploring policies that ensure that SAF quota obligations can be met while preserving competitiveness and a level playing field for European aviation.
- Use of revenues from the EU Emission Trading Scheme (ETS) to support the decarbonisation of the aviation sector and stimulate the uptake of clean technologies and fuels.
- Extending the current SAF allowances scheme under the EU ETS Directive beyond 2030.
- Maintaining the focus of the EU ETS on intra-EU/EEA flights and refraining from its extension to international flights outside of Europe. Reduction of emissions from international flights should be negotiated at the level of the International Civil Aviation Organisation (ICAO).
- Exploring pragmatic mechanisms for the deployment and crediting of SAF, including a well-designed book and claim system that is consistent with existing regulatory frameworks and informed by an evidence-based assessment of the potential needs and challenges.
- Ensuring effective integration and alignment of the Strategy with the upcoming revision of the EU Emission Trading Scheme (ETS) Directive and global developments.

2. **Developing a competitive and resilient EU sustainable aviation fuel (SAF) industry.** While SAF production capacity is expanding, turning this early technological lead into a long-term advantage for the competitiveness and resilience of Europe will require predictable and stable regulatory frameworks that strengthen and sustain investments in a strong European industrial base capable of producing the necessary technologies and cost-competitive fuels at scale. To support this, a more pragmatic regulatory approach and a holistic decarbonisation strategy for aviation are needed which enable the use of all sustainable feedstock potential in Europe and abroad, aligned with the Renewable Energy Directive, as well as a range of production processes. Public support will also be essential for the development of innovative production technologies, ensuring a level playing field with global competitors and enabling the EU to meet its decarbonisation objectives. The Strategy should include concrete measures to narrow the cost gap for SAF in Europe, accelerate investments in large-scale production, and incentivise airlines to use SAF in line with increasing production capacity under the ReFuelEU Aviation targets.

3. **Boosting research and innovation (R&I) in next-generation aircraft.** Investment in research and innovation for future aircraft and engine technologies must remain a priority, both for civil and military aviation, with enhanced civil-military synergies helping to encourage spill-over effects and accelerate technological progress. Any support should be guided by the principle of technological neutrality and delivered in a structured, predictable and continuous manner across the entire value chain and innovation cycle. The EU should provide significant funding and support to accelerate the development, testing, and deployment of innovative aviation technologies (e.g., SAF-based, electric, hybrid-electric, hydrogen-based, Open Fan, etc.) and bring them closer to market readiness. In addition, the EU should continue to support R&D in the aeronautics sector by creating the right framework conditions to test, advance and demonstrate the potentials of more efficient aviation technologies. This support should be delivered through the next European Framework Programme (FP) for Research and Innovation, and in particular through European public-private partnerships such as Clean Aviation. These instruments play a crucial role in attracting investment to the EU and fostering collaborative research, helping to de-risk investment decisions and scale projects at European level. They should ensure balanced and comprehensive representation across the value chain, recognise added value, and maintain a strong focus on impact.

4. **Regulatory simplification and the reduction of regulatory burden stemming from horizontal and aviation-specific legislation.** Regulatory simplification measures, including a systematic assessment of the cumulative impact of both existing and upcoming legislation on the competitiveness of the aviation sector, is needed to reduce burdens stemming from disproportionate administrative and reporting requirements and to ensure coherence between horizontal (e.g., cybersecurity, data, industrial and environmental policy, AI) and aviation-specific legislative frameworks. Interoperable digital solutions, harmonised data requirements across Member States and the introduction of a one-stop shop are crucial to reduce administrative burdens for the sector and streamline overlapping (reporting) requirements. A joint taskforce comprising industry stakeholder and the European Commission should be established to further support the burden reduction agenda in the aviation sector and oversee delivery of the Strategy.

5. **Enhancing resilience to external shocks across aviation and aerospace supply chains.** The renewed Strategy must fully consider the lasting impacts of external shocks and evolving threats, including cybersecurity risks, and establish contingency plans, including flexible operational frameworks and rapid-response mechanisms, to ensure the EU is better prepared for future disruptions. The Strategy should define actions to ensure that policies related to cyber resilience and aviation security remain effective, risk-based and fit for an evolving threat landscape. Moreover, a more strategic approach to fuel security and supply, including a genuine European strategy on aviation fuel, is increasingly necessary and should be aligned with ongoing initiatives related to EU SAF capacity and development. At the same time, the Strategy should include measures to address supply chain bottlenecks in the aviation and aerospace sectors, including for aircraft, engines and spare parts, and treat aerospace supply chain security as a strategic priority, accelerating diversification and championing stable, free trade conditions for civil aviation. More broadly, resilience requires recognising the wider aviation ecosystem. The Strategy should furthermore reflect the role of travel agencies and tour operators in facilitating access to air connectivity during periods of disruptions.

6. **Strengthening the European Aviation Safety Agency (EASA)** by allocating adequate resources, enabling timely certification of new technologies and providing a coherent, riskbased regulatory framework. EASA must have the capacity to manage ongoing certification and continued airworthiness activities, avoiding delays that could affect aircraft deliveries and innovation deployment, while preparing for next-generation engine and aircraft architectures.

7. **Strengthening global cooperation and international agreements to support passenger and air cargo connectivity.** New agreements – both Comprehensive EU Air Transport Agreements and bilateral Air Services Agreements signed by Member States – should include binding and enforceable environmental and safety standards. The EU and its Member States should continue to engage constructively within the International Civil Aviation Organisation, bilaterally and multilaterally with key partners, to promote robust, globally aligned aircraft emissions technology standards as well as internationally harmonised, effective climate protection measures.

8. **Avoiding unilateral tax measures for the aviation sector.** Unilateral tax measures by the EU and its Member States may lead to a substantial reduction in investment capacity into new decarbonisation technologies, and should be avoided. The introduction of an aviation tax would risk exacerbating distortions of competition and facilitating carbon leakage.

9. **Focusing on intermodality, connectivity and infrastructure capacity.** Ensuring adequate, resilient and modernised aviation infrastructure is crucial to support European connectivity, address capacity constraints and close missing links between airports and other transport networks, in line with the TEN-T Regulation. This is particularly important for improving connectivity and strengthening integration into the core TEN-T network for island Member States and peripheral regions. To deliver such infrastructure investments, long-term regulatory predictability is essential to ensure that aviation infrastructure needs can adequately be financed.

10. **Accelerating the Single European Sky (SES).** Delivering SES2+ and accelerating its implementation must be a central pillar of the updated strategy to establish a more efficient airspace structure and support the decarbonisation of the air transport sector. The strategy should prioritise the coordinated deployment of the Single European Sky ATM Research (SESAR) solutions, enhanced cross-border cooperation between air navigation service providers (ANSPs), and an effective governance framework. More broadly, strengthening the integration of the Single Market in areas that are critical for aviation, including energy and transport, is essential to enable greater efficiency and competitiveness for the aviation sector across Europe. At the same time, Public Service Obligations (PSO) must continue to play a key role in safeguarding regional and peripheral connectivity, where necessary.

11. **Ensuring clear, balanced, and fair passenger rights.** Following the conclusion of negotiations on the revision of EU261 on air passenger rights, priority should be given to its uniform implementation and the clear and consistent application of the legal framework. This will be essential to ensure an effective and balanced system of air passenger rights, providing protection and clarity for passengers, while ensuring legal certainty and proportionate, fair compliance costs for operators and all actors across the travel chain.

12. **Supporting a European aerospace skills agenda** by expanding apprenticeships, education partnerships, and targeted EU funding to increase the visibility and attract talent to local skills hubs, STEM education, and aerospace careers.

13. **Recognising aircraft leasing as a core component of the aviation value chain** and a strategic enabler of fleet renewal, airline financing and aerospace exports. The Strategy should include measures to retain the EU's position as the world's leading aircraft leasing hub and integrate the sector's role in supporting fleet renewal and facilitating the replacement of older aircraft with the latest generation of fuel-efficient aircraft.

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