

Address

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Thank you for the kind invitation to join you today at your 77th AGM and World Air Transport Summit. And, if you will forgive me, thank you for an invitation to speak in person to a conference where I didn't have to fly. I, like millions of other people, am coming out of the shutdowns and lockdowns enforced by COVID, with mixed emotions.

You are gathered at a critical point in our history and a possible inflection point for your industry.

Our flatter, hotter, unequal world is emerging into a new great power rivalry. Globalization is devolving into at least into different tectonic plates of regulatory approaches in the US, the EU and China. The recovery from the dislocation of the pandemic threatens a great divergence, where advanced economies move forward and low-income countries may stumble and fall.

We are in a world where the international rules-based order of the last 70 years or more is fraying at the edges, and where governments seem unable to move things forward together – look to global health governance, or trade or, as I will discuss, climate change, as examples.

But we are also in a world of extraordinary technological advance where digitalization is transforming everything bringing new possibilities and new risks.

We are also in an era of what I call hybrid governance, where the private sector, working together with governments, and civil society, forges ahead in new partnerships, to establish new ways of collaborating on critical issues of our time – whether that is vaccine manufacturing and distribution, or ending short lived climate pollutants or rules for voluntary carbon markets.

Over the past 22 months, COVID19 plunged your industry into a crisis. But as they say, one should never let a crisis go to waste.

I am here today to ask you to ensure that you turn this crisis into an opportunity – to make this industry part of the growing coalition of actors across all sectors of society and the economy committed to a net zero future.

But more, that within that 2050 goal of net zero emissions you will engage in a disciplined and vigorous effort to move smoothly and quickly through a transition, that will entail setting milestones and benchmarks for the next five, ten and fifteen years. This will mean being science based and transparent, consistent and coherent.

Why must you lead the transformation to a net-zero economy?

You know better than me the size and shape of the problem – already in the top ten emitters if you were a country, if aviation rebounds, your industry will increase its slice of emissions.

According to the European Commission, by the middle of the 21st century demand for flying could increase aviation's GHG emissions by more than 300% over 2005 levels.

But also because we are running out of time. The UN Secretary-General has called a “code red” for the planet. He was being polite – the planet will be fine, but we won't.

The recent UN IPCC 6th assessment report was unequivocal that human influence has warmed the atmosphere, ocean and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred.

The report was clear that we can halt warming and begin to reverse it if we drastically cut emissions now. Cut emissions now. Not in 2045, not in 2040. Not move emissions from the ledger of one country to another, nor of one company to another. Cut emissions now.

The scientific report also noted that global surface temperature will continue to increase until at least mid-century under all emissions scenarios and that many changes in the climate system become larger in direct relation to increasing global warming, including the frequency and intensity of hot extremes, heavy precipitation, droughts, intense tropical cyclones, as well as reductions in Arctic sea ice, snow cover and permafrost.

And, it noted we are hurting nature's ability to help - under scenarios with increasing CO₂ emissions, the ocean and land carbon sinks are projected to be less effective at slowing the accumulation of CO₂ in the atmosphere.

What it didn't say is that these impacts will be felt more intensely in some places than others and that the vulnerable, either by dint of living on low incomes, or being of minority status, or being remote will bear the brunt of impacts and be less resilient. Climate change will play havoc with our already unequal world.

Neither the physical impacts, nor the economic and social consequences are good for the airline industry.

So, today I would like to discuss how you can act to support a reset to put our economies on a trajectory closer to 1.5 degrees and what your build back better opportunity entails.

First, I will explain what is at stake as we stand less than one month before critical climate talks in Glasgow. I will then lay out what I think leadership from the aviation sector looks like for COP26. Third, I will lay out where over the next year your engagement will be critical.

You may be sitting daunted by the science, skeptical of the politics and nervous of the economics of transitions and our need to deeply decarbonize. You would be forgiven if that is true. But we can plot this out.

I have spent most of my career working on the intersection between sustainability, finance, energy and the real economy. I have worked from the bottom-up and the top down, often at the same time.

It is not so long ago that aviation was consigned to the “difficult to abate” naughty step in climate discussions and underestimated in economic development conversations.

Now, together with shipping, steel, cement and other heavy industries, there are transition pathways emerging and where the discussion is not whether, but how and how fast.

There are breakthroughs in technology and far-sighted industry leaders, across the value chain. There is constant pressure from civil society, with the drumbeat of science in the background and most Fridays, your kids, grandkids, nieces and nephews, or in my case, students, are striking or taking to the streets.

Trillions and trillions of dollars (more than 14 trillion at the end of last year) have divested from fossil fuels. And within the financial sector, asset owners, asset managers, banks and insurance companies, are alive to the risks of unabated carbon emissions not just for the climate but for the stability of the financial system. They are joined by a leading group of central banks, and the IMF, and are now being followed by regulators from the Bank of England’s stress testing, to the EU taxonomy on sustainable finance, to the work of the Peoples’ Bank of China to the diligent coordination across the federal government by climate advisors in the office of the Treasury Secretary here in the US.

More and more questions are being asked of companies - about their commitments to net zero, their relationships along value chains, where net zero is a feature for fuel companies, and manufacturers, airports and logistics companies, agribusiness and tech. More questions are asked by regulators. And what has been a principally European, North American and Oceania movement is now extending into every region because of net zero commitments at the head of

supply chains and investment value chains. The questions are also asked by consumers and by employees - this generation wants good quality jobs, but they also want them in companies they can be proud of.

Leadership is not enough to show a commitment to net zero, but to show a science-based transition pathway. And yes reporting frameworks, and ESG is messy and complicated – transitions rarely come in boxed tied up with string. The things we can be sure of, is that the cost of inaction is higher than the cost of action and that it is better to be a master of one's own destiny.

Aviation therefore needs to be a key component of the rapid and deep decarbonization we must see in the next decades, if we are to limit warming to 1.5 degrees and to do so while building a more inclusive world where we don't leave people behind.

So what is at stake at COP26. This is the COP where countries were to come with elevated ambition, ratcheting up their commitments 5 (now 6) years after the Paris agreement.

We have seen in the last 12 months an extraordinary alignment over the long term goal of net zero by 2050 – with the EU and the UK joined by China (a goal for 2060) and then Japan, South Korea in a race to zero. On assuming office the Biden Administration announced its return to Paris and committed to net zero too.

But under this long range target, there must be a 45% cut in emissions this decade and so the revised nationally determined contributions coming to Glasgow need to be on that pathway.

A tally by the UN last month showed that we are not there and that in fact emissions are continuing to rise. Governments will have to come back again, soon to get plans on track.

There have been some signs of hope. This will be the COP that consigns coal to the history books, with financiers of coal overseas signaling their withdrawal and with plans in place to help countries to transition away from coal quickly in place in many countries.

This COP is also intended to be the adaptation COP, and the COP to make progress on loss and damage, reparations for the costs incurred by those who did nothing to cause our current situations, the nature COP, where we would focus on the role nature based solutions can play in speeding decarbonization and resilience, and the finance COP, where developed countries would make good on their unmet promises for financial assistance to developing countries, where bugger pledges would be made for the future and where outstanding language on market mechanisms would be finally be agreed.

With a short time to go, these kinds of agreements will go down the wire, and we already know that we need to do more, faster.

But at the same time, there has been an explosion of commitments made by business and finance. The flurry of pledges to a race to zero is powerful and represents, in many cases, extraordinarily detailed work to develop transition plans based on the best available science.

There is some, to be charitable, hyperbole, in some of the commitments. Less charitably, green washing still plagues the business sector and proves corrosive to the trust needed to move through transitions smoothly.

Importantly, in the run up to COP26, we can see that the scientific report published in August has removed the last vestiges of plausible deniability from CEOs, chairmen and women, ministers and national leaders, that someone else has to go first. As others have remarked, the planet doesn't care where emissions come from, just that they stop.

So what how should your industry lead into and at COP26.

We need to accelerate the use of sustainable aviation fuels. The Clean Sky Tomorrow grouping and the Sustainable Aviation Buyers Alliance are both examples of the kind of stakeholder initiatives that increasingly drive change at pace.

However, looking down from the air to the seas and to the shipping industry, perhaps there are lessons to be learned, specifically in bringing on board critical countries and cities, and in setting short- and medium-term targets within a net-zero by 2050 commitment.

The alliance working on zero emissions vessels concluded that if it could switch out 5% of fuels for zero emissions fuels by 2030, that would provide a tipping point for the industry as a whole.

It is important then for you to signal that you can commit to at least 2% of sustainable aviation fuels by 2025, 10% by 2030 and 90% by 2040 – or better that.

The announcement from Shell at the end of last month on its growing commitment to sustainable aviation fuels was welcome but as has been acknowledged a drop in the bucket.

Your stance towards the fuel companies and governments is important. You have to unequivocal in your demand for sustainable aviation fuels over a tight timeframe, while we wait for new propulsion technologies to take the strain, from electric to hydrogen aircraft.

Across the value chain we see leadership – from the Oneworld Alliance committing to net zero and to Airbus' commitment to a zero-emissions passenger plane by 2035.

You also have to opportunity coming out of this meeting to send signals and flex your muscles at the intergovernmental level. You must act positively to ensure that ICAO moves in line with you and your customer base. ICAO must agree a long term Paris aligned 2050 emissions

strategy and set goals for the aviation sector with milestones. 2022 is the latest that the world can wait. Any signals of advance at COP26 would have a very positive impact.

You like many others would benefit from progress in negotiations around Article 6 and carbon markets. I trust you will urge negotiators to reach a strong agreement.

But then in the period following COP there will be important work to do to ensure that voluntary carbon markets can play a positive role in decarbonization, whatever the outcome of Glasgow.

Let me be clear about the voluntary carbon markets and how they play a role in transitions and in reaching 1.5. They offer extraordinary promise especially in easing transitions in hard to abate sectors, and in channeling much needed funds to communities and countries that need to invest in protection of nature and adaptation and resilience. However, they only do so if they are high integrity markets based on clear rules and transparency, developed with stakeholders at the table. Let me put it another way – there is no business case for voluntary carbon markets if they are not high integrity.

Companies entering into voluntary markets will benefit and contribute to our shared goals of 1.5 degrees and global liquid markets providing financial flows if they are part of a science based transition pathway, with emissions reductions as a priority, and offsets only for residual emissions.

As co-chair of the Voluntary Carbon Markets Integrity Initiative over the coming weeks and months, we will be publishing and continuing to work with stakeholders from government, businesses aligned with the need for high integrity markets and civil society on guides for claims made by companies entering voluntary markets, and guardrails and definitions for what we mean by high integrity. We are confident that this work, which is complicated but essential, will support the work of others establishing exchanges, and the work of the Task Force on Scaling

Voluntary Carbon Markets. I invite those of you who can commit to high integrity markets to join in this work.

For the reality is that while CORSIA was an important first step in the right direction, it will need to expand geographically, and it will need to further develop to ensure the kinds of emissions reductions needed. There is much work to be done.

Finally, I have mentioned the need for coherence and consistency. This will be important in the weeks and months to come in the way you engage governments, investors and the public around the world.

In order to increase rapidly the percentage of sustainable aviation fuels, you need governments to gear recovery plans and adopt policy frameworks that will drive the uptake. You should engage in a full throated campaign with others to secure that. As we have seen before regulators are more likely to put in place rules that will shape industries radically when industry is clear that it is along for the journey. You would have no qualms about engaging vociferously on landing slots and other issues of concern – where is the full throated campaign for the future of your industry?

You need enforceable regulations with some coherence across regions and countries to unleash the investment needed in infrastructure, and fuels. You know that commercial customers, themselves needing to make real their net zero pledges, are good for the premiums. Demand for sustainable aviation is speaking - now you need to respond.

Dear colleagues, at this juncture, the past is not a predictor of the future. That means the responsibilities of leadership are heavy.

I am here today, because we need your leadership to be courageous, charting a path for your airlines and industry which will support the global effort to combat climate change and in so

doing help to continue to deliver a more peaceful and prosperous world, with which you have been so heavily identified in the past.

Aviation is at the core of our global economy and our internationally enmeshed society. Preserving its ability to drive and spread prosperity and peace, while at the same time protecting the planet and our health, seems to be an essential and noble reframing of your mission.

I look forward to supporting you to succeed.