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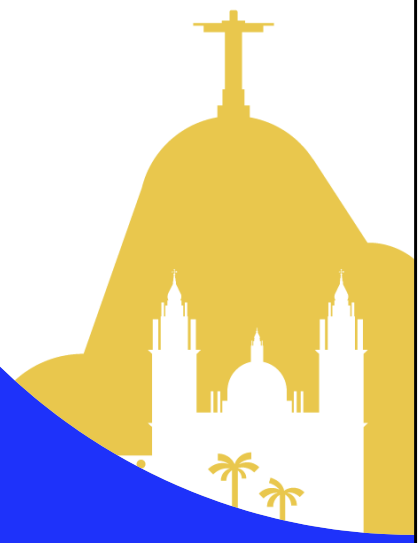
The Power of Flight



Media Briefing

Asia-Pacific

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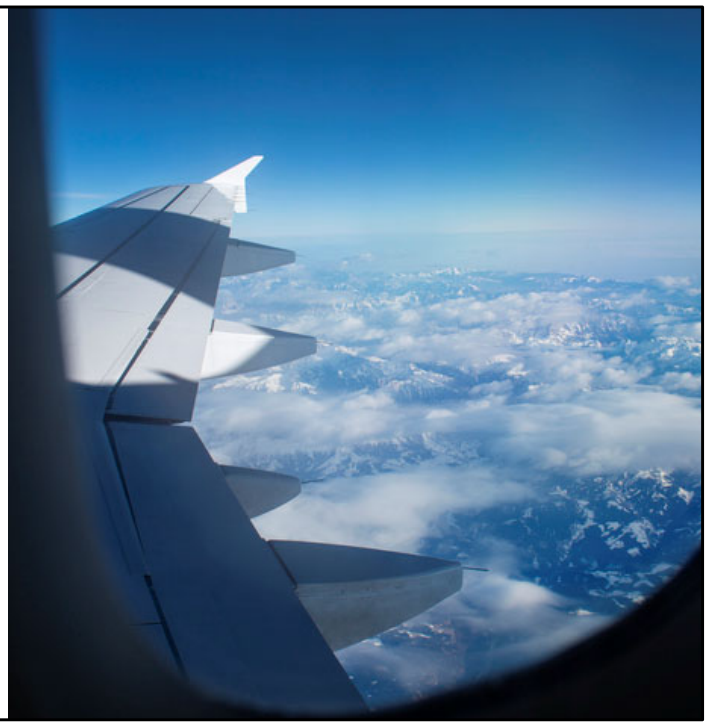
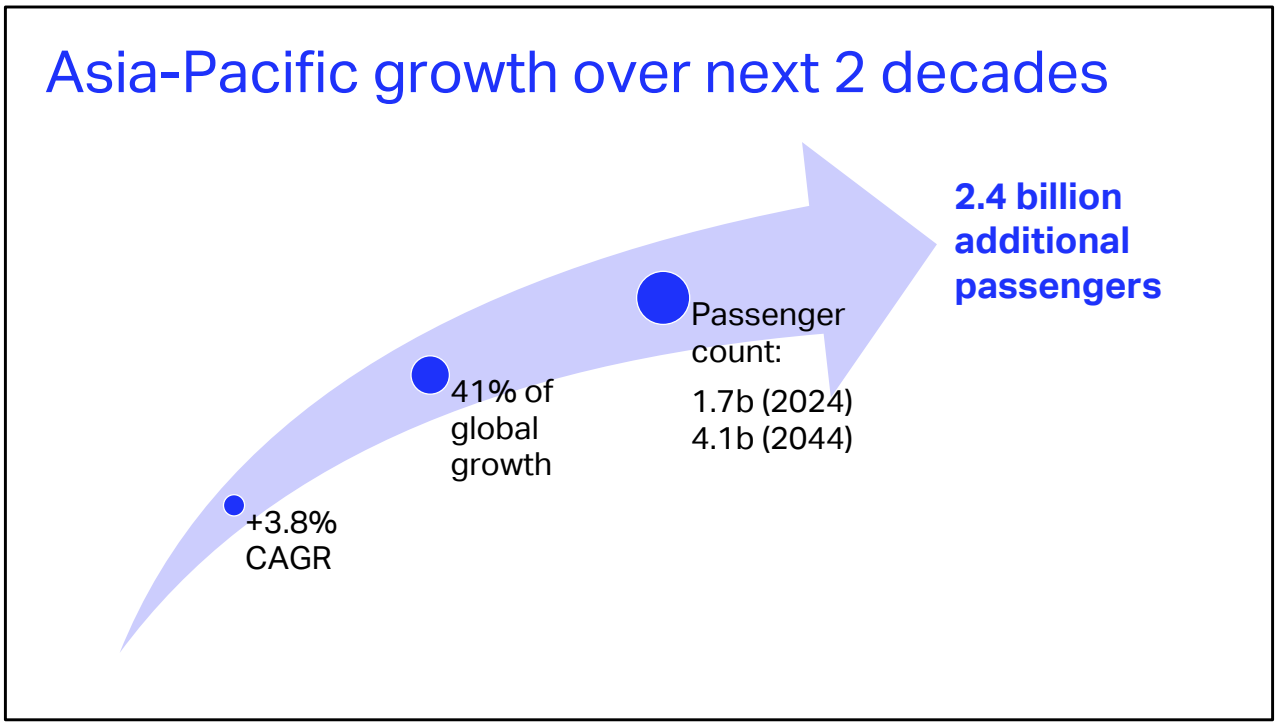
Growth challenges for the Asia-Pacific

- Infrastructure
- Taxation
- Over-regulation
- Sustainable growth

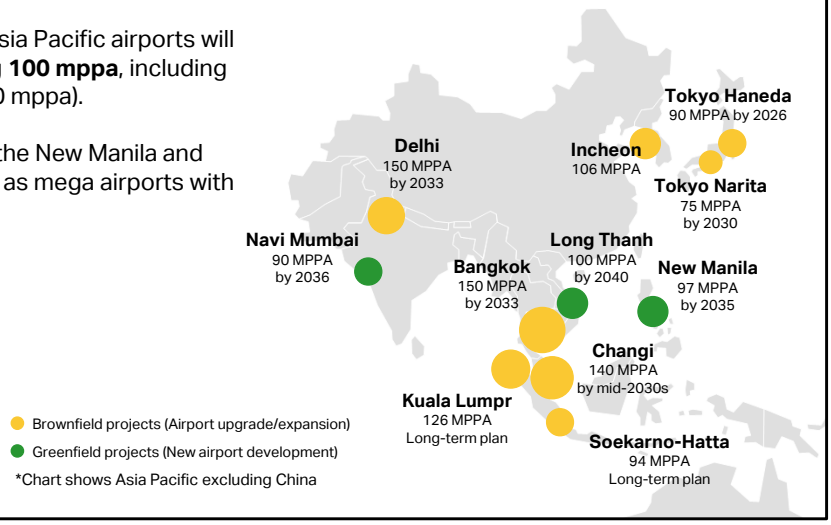




The Asia-Pacific region is expected to see 2.4 billion additional passengers over the next 20 years, growing from 1.7 billion passengers in 2024 to 4.1 billion passengers in 2044. The region will contribute 41% to the global growth over the period, with a compound annual growth rate of 3.8%.

Regional Trend: Mega Airport Development

- Industry forecasts predict over **US$2.4 trillion of airport capex forecast by 2040**, **over half in Asia-Pacific** to address capacity constraints and congestion.
- Over the next 20 years, several Asia Pacific airports will **expand to capacities exceeding 100 mppa**, including Changi (140 mppa) and Delhi (150 mppa).
- New greenfield projects such as the New Manila and Long Thanh are being developed as mega airports with over 100 mppa.



Over half of the USD2.4 trillion in airport capital expenditure projects by 2040 are expected to take place in the Asia-Pacific region. This will help address the region's capacity constraints and congestion.

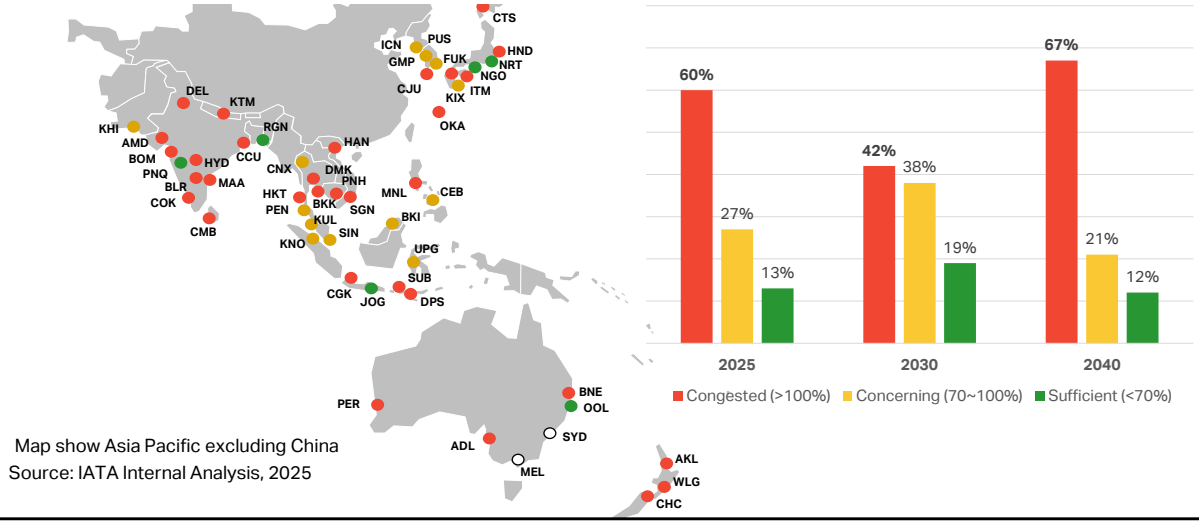
Over the next 20 years, several Asia Pacific airports will expand to have handling capacities exceeding 100 million passengers per annum (mppa). These airports include Singapore and Delhi.

There are concerns regarding a lack of effective consultation on capital expenditure and service quality in the region, largely resulting from a lack of economic regulation or adherence to ICAO principles e,g. light touch regulation in Australia, proper enforcement of regulation in India.

Airport infrastructure cannot keep up

Capacity gains short-lived; congestion rebounds to 88% in 2040.

Congestion Forecast for Key Airports In Asia-Pacific, %



Map show Asia Pacific excluding China

Source: IATA Internal Analysis, 2025

While new developments may be necessary in specific cases, the most effective and immediate gains come from making better use of existing assets. This includes optimizing slot allocation, enhancing runway and airspace efficiency, leveraging digital solutions, and strengthening operational coordination across stakeholders. A balanced, demand-driven approach that is grounded in efficiency, cost discipline, and environmental responsibility will ensure that capacity is delivered where and when it is needed, without imposing unnecessary costs on airlines and passengers.

Technology and digitalization will be key to maximizing the available capacity. Automated passenger processing solutions to streamline key touchpoints alleviate terminal congestion. By minimizing manual intervention and improving throughput, airports can optimize their space utilization. IATA's One ID is an initiative that leverages digital identity technology and biometric-enabled identification to transform the passenger journey into a seamless and contactless experience, enabling industry stakeholders including airports to handle higher passenger volumes within existing facilities through the smart use of technology.

Biometric digital ID technology can also be used to manage the segregation of international and domestic departing passengers at airports currently separated by physical barriers, which can deliver substantial costs savings, operational efficiencies, improved passenger experience and sustainability benefits.

Infrastructure costs are a concern

- Weak economic regulatory oversight
- Cross subsidization across airports
- Poorly designed concession agreements
- Regulatory rollback risk
- The important role of governments

Weak economic oversight:

Charges revisions conducted without due consultation and transparency; not in adherence to ICAO's Policies and global best practices For example, Thailand's 53% increase in International PSC effective 20 June. No transparency and acceptable justification apart from saying it will be used to fund upgrades etc.

Cross-subsidization across airports:

Bundling of airports or merger of airport entities leading to cross-subsidization across airports and inefficient investment and management of airports. This exists in numerous countries Malaysia (MAHB), India (AAI) and AERA could also treat airports as a bundle for Tariffs determination, Indonesia (API), Thailand (AOT), Vietnam (ACV). This is being proposed in the Republic of Korea, with the profitable Incheon Airport potentially being merged with KAC and Gadeok New Airport Construction Authority.

Poorly designed concession agreements:

High revenue share, significant escalation of charges, predetermined annual increases, and prefunding of investments by users. For example, the privatization of Manila Airport with a high revenue share of 82% of the PSC, pre-determined annual increases, and pre-funding of investments.

Regulatory rollback:

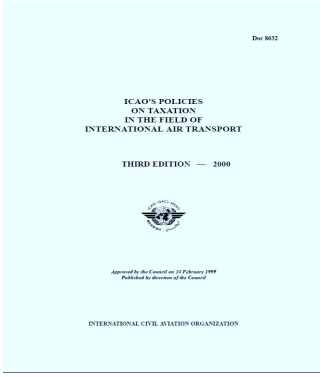
The dissolution of the independent economic regulator following the privatization of its main airport operator signals an early shift toward reduced regulatory oversight. For example, the case with MAHB privatization; formal takeover offer Nov 2024, deal completion and delisting Feb 2025, MAVCOM dissolution August 2025 with economic regulatory functions absorbed by CAA Malaysia. We hope that CAAM will discharge its new economic regulatory responsibilities effectively, maintaining the same level of rigor, transparency, and balanced stakeholder engagement previously demonstrated under MAVCOM's oversight.

Governments:

Governments must ensure that monopoly providers such as airports and ANSPs operate efficiently and on a cost-recovery basis, without generating excessive profits. Robust economic regulatory safeguards should be established, strengthened, and effectively enforced.

ICAO's Policies on Taxation in Air Transport

Appropriate framework for assessing taxes on the sale or use of air transport (such as ticket taxes):



Doc 8632

- States should reduce, and ultimately eliminate, taxes on the sale and use of international air transport, including:

- Taxes on airlines' gross receipts
- Taxes imposed directly on passengers or shippers

- Such **taxes increase the cost** of international air transport to travellers

- Higher costs can undermine the growth and development of international air connectivity

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ICAO's vision is to "achieve sustainable growth of the global civil aviation system"

The Chicago Convention addresses the issue of taxes but did not deal comprehensively with tax matters. Article 24 – Customs Duty.

Exempts from Custom Duty:

- Fuel, Lubricants, Spare parts, regular equipment and aircraft stores on board an aircraft
- Spare parts and equipment imported into the territory of a contracting States for incorporation in or use on an aircraft of another contracting state engaged in international air navigation.
- Doc. 8632 provides more direction and deals more comprehensively with tax matters in the industry

It supplements Article 24 of the Chicago Convention and contains consolidated ICAO Council Resolutions and associated commentaries.

Basic rationale:

- Avoid discrimination
- Consider economic contribution

- Reduce taxes to fullest extent

Effects of taxes on the use of air transport

Governments that depart from ICAO's principles can cause more harm than their taxes collect:

- **Reduce demand for air travel** by increasing costs to passengers
- **Reduce connectivity** by making certain routes unprofitable
- **Redirect traffic** to hubs outside the region

Sweden's aviation tax implemented in 2018 is a case in point:

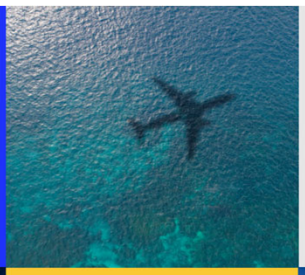
- It contributed to a loss of routes and traffic with the market lagging the rest of Europe
- The Swedish government abolished tax in July 2025 and is now providing stimulus for re-developing air transport

Reviewing taxation policies in the Asia-Pacific can unlock economic growth

- **Avoid unstainable margins** and an **uneven playing field** that distort competition. Current margins already very thin in Asia Pacific
- **Avoid unmanageable complexity –** taxing the same income or activity several times if source based taxation is implemented and can disincentivize connectivity

Air transport's contribution in Asia-Pacific

2.2%
of employment



$3.70
generated in other sectors for every $1 of value added in aviation

2.5%
of GDP

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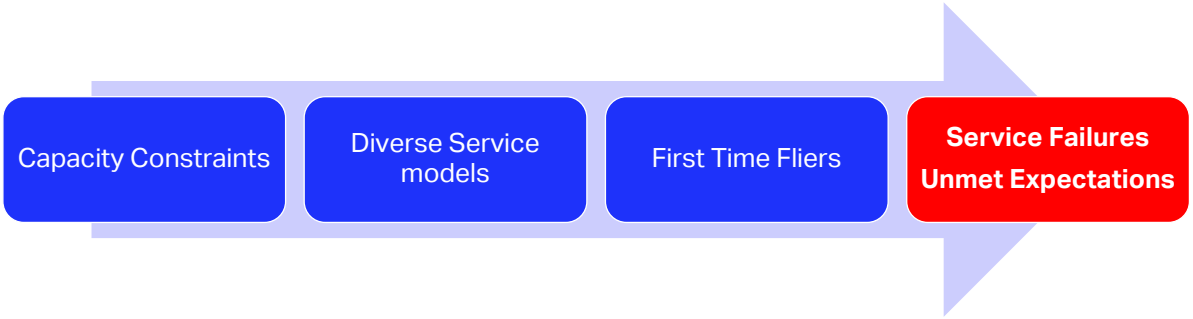
Over-regulation



- Over-reaction from governments
  - Fare Controls – floors and ceilings
  - Increase in discussion on consumer protection topics
  - Punitive measures related to operations (e.g. On time performance)

Capacity constraints eventually lead to service failures and unhappiness due to unmet expectations. This could lead to over reaction from governments in response to complaints from travelers.

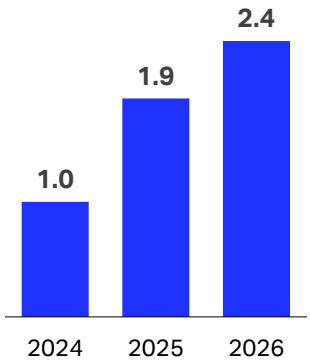
Preferred approach

- General consumer law should be the starting point.
- Key role for information and communication
  - Education and awareness-raising preferable to heavy-handed regulation.
- Focus on improving network performance and consumer outcomes.
- Balance protection of consumer rights and promotion of connectivity and choice.
- Aviation is a complex operation involving multiple stakeholders .
  - Align accountability with control.
- Roles for governments, industry and consumers: rights and responsibilities for all

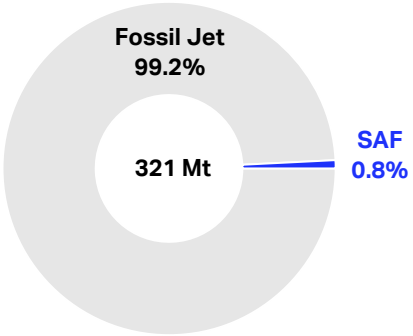
The industry's preferred approach is that a general consumer law should not be the first thing governments look at in response to service failures. There is a role for education and awareness raising, balancing consumer rights with promoting connectivity and choice. There is a need to recognize aviation is a complex operation involving multiple stakeholders. Accountability needs to aligned with who has control.

SAF production status

Estimated SAF production (Mt)



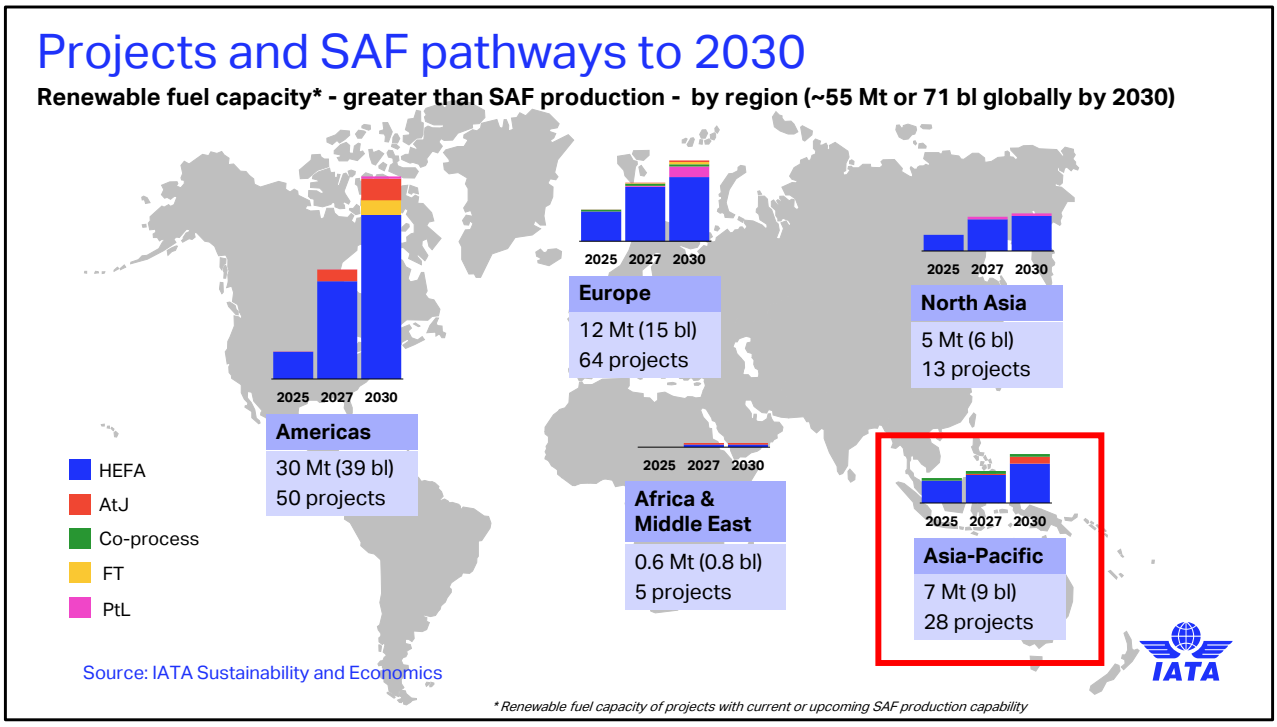
Jet Fuel consumption in 2026



- **Production growth is slowing** after doubling in 2024–2025.
- **The market will not scale without the appropriate policy support.**
- **Policy support is also** vital to maximize the utilization of installed SAF capacity.

In 2025, SAF output is expected to reach 1.9 million tonnes (1.5 billion liters), double the 1 Mt produced in 2024. However, in 2026, SAF production growth is projected to slow down and reach 2.4 Mt. SAF production in 2025 represents only 0.6% of total jet fuel consumption, increasing to 0.8% the following year.

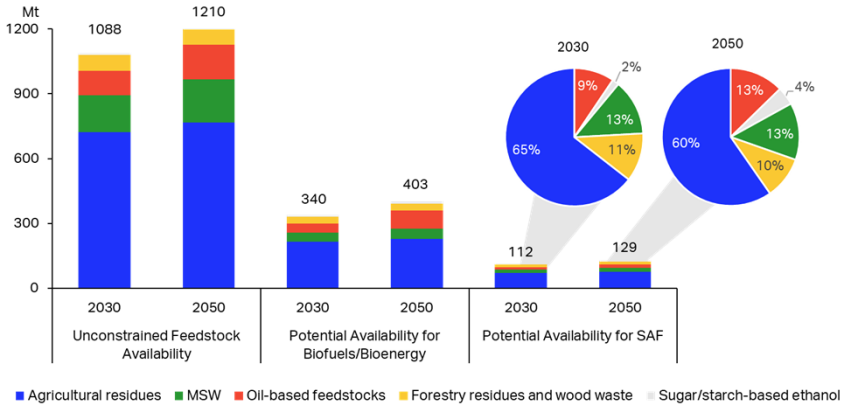
The estimated SAF output for 2025 of 1.9 Mt is a downward revision from IATA's earlier forecasts due to the lack of policy support to take full advantage of the installed SAF capacities. This clearly shows that current policies especially mandates are not sufficient in ramping up SAF production as expected.



It's important to reiterate that feedstock and technology diversification are imperative to amplify SAF production volumes. We must act now with policy support; otherwise, we will continue to witness a stark difference in technology adoption.

Asia-Pacific Feedstock Availability

50 Mt
SAF production potential in 2050



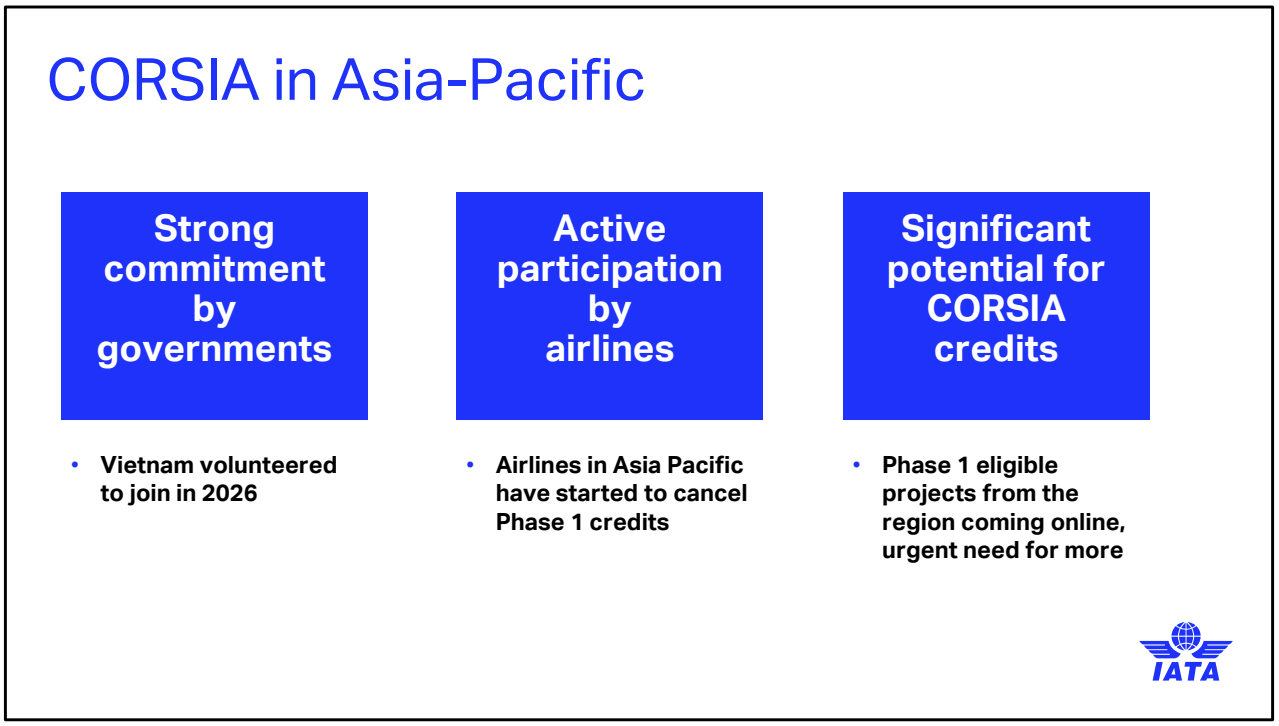
In Asia Pacific, **India, China, Indonesia, and Malaysia emerge as critical hotspots,** offering the highest bio-resources potential for SAF.

Source: Worley Consulting, IATA Sustainability & Economics, 2025

The good news is that Asia Pacific does have strong feedstock availability. However, just like in other aspects, the region is diverse in its feedstock availability, with some nations having a lots of potential biomass for SAF while others have very little. As a result, ASEAN countries are expected to have the greatest potential in the region.

Currently, the regional focus is on maximizing HEFA SAF production, leveraging well-established oil-based feedstock supply chains and making the most of their existing resources.

Government policies are developing fast in the region and it would be important for governments to ensure adequate SAF supply, before they consider any demand-pull policies such as mandates.



There is strong commitment by governments in the region on CORSIA as the global market-based measure, with Vietnam volunteering to join this year, the last year of voluntary phase.

Airlines in Asia Pacific have also started to cancel the Phase 1 credits they purchased, showing that airlines in the region are actively participating and committed to CORSIA.

We are seeing Phase 1 eligible projects from the region coming online, for example in Cambodia and Laos. The challenge is how to make sure that more projects will come online soon enough so that there is sufficient credits for airlines to meet their CORSIA compliance requirements, and here we certainly would like to work with stakeholders to make sure that Asia Pacific realizes its potential in terms of CORSIA credits.