

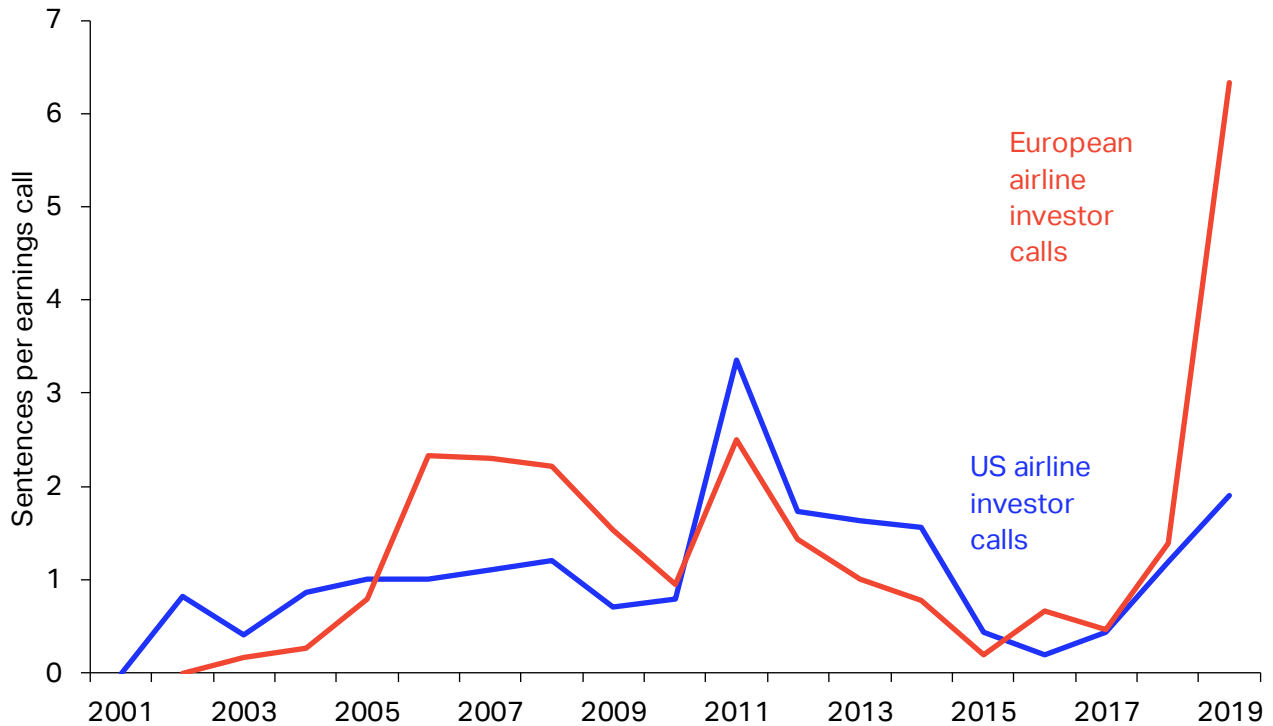


IATA Economics' Chart of the Week

13 September 2019

Climate issue becoming material for airline investors

Frequency of climate issue discussed at earnings calls with investors



Source: HSBC 'The Second Frontier: Climate is changing for airlines' September 2019

This Chart Of The Week comes from recent research by [Andrew Lobbenberg and his colleagues at HSBC Bank](#). For much of the past two decades the climate change issue, though increasingly important for scientists, policy-makers and the general public, had not been considered a material issue for airline investors. That looks like changing. HSBC report a substantial spike this year in the number of times this issue has been discussed at European airline calls with investors.

There was an earlier spike of airline investor engagement with airlines on climate issues in 2011, when it was announced that, from 2012, all flights to and from EU airports would be subject to the EU Emissions Trading Scheme. Investor concern about the financial impact of that on airlines then diminished, as the EU subsequently limited the requirement to buy CO₂ emission allowances to intra-EU flights. It is possible that investors might now be concerned about the financial impact of ICAO's international cap-and-offset scheme ([CORSIA](#)), which comes into effect next year. The requirement to buy CO₂ offsets starts after international airline emissions are capped in 2020, but estimates suggest the [impact on airlines' financial performance](#) may be relatively small, at 0.5-1.4% of revenues by 2035. Offset costs will act like an additional fuel cost - US airlines will be affected as much as European, and there hasn't been the investor interest in the US. So CORSIA cannot be the reason for the recent spike in European investor concern.

The worry for investors seems to be the emergence of the Flygskam (Flying Shame) movement in Scandinavia and the impact it might have on individual and corporate travel. Air travel has declined materially in Sweden, seemingly as a result of this. It is not clear how much other markets will be impacted or how policy makers might react. Airlines are already taking the issue seriously, as shown by their commitment to [CORSIA](#) and investment in [sustainable alternative fuels](#). But it looks, for Europe at least, as though pressure from investors will become an additional incentive for decarbonization.

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