

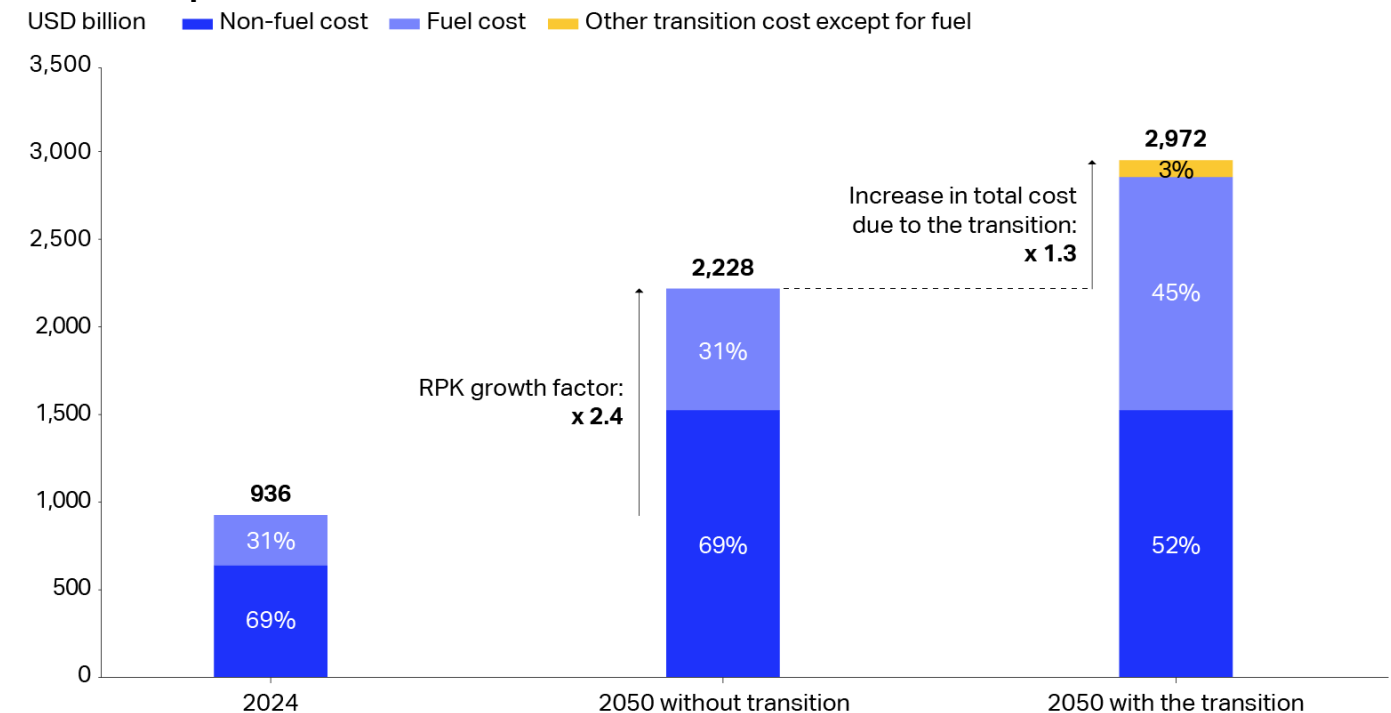


Chart of the Week

8 November 2024

Policy support is vital to make net zero transition a success

Potential impact of the net zero transition on airlines' total cost and cost structure in 2050



Source: IATA Sustainability and Economics

- The cost of the transition to airlines can be estimated as the additional cost of using SAF (and other levers), over and above the cost of fossil-based jet fuel. IATA estimates that this additional cost will reach the highest level in 2050 at USD 744 billion ([Net Zero CO₂ Transition Finance Roadmap](#)). If airlines did not have to face the transition, their fuel cost would rise from USD 291 billion in 2024 to USD 692 billion in 2050, as a result of the projected increase in traffic (a growth factor of 2.4 between 2024 and 2050), with all else being equal. Adding the estimated transition cost in 2050 of USD 744 billion, would take the total fuel cost to USD 1.4 trillion in 2050 – more than double the no-transition scenario.
- IATA expects fuel to represent 31% of total airline costs of USD 936 billion in 2024. Driven by the expected air traffic growth, airlines' total cost in 2050 could reach USD 2.23 trillion in the "without transition" case. The shares of fuel- and non-fuel cost would stay unchanged in this case, compared to the shares in 2024. However, if airlines adopt various transition measures at scale in 2050, it would add the USD 744 billion to the fuel cost (by using SAF and hydrogen for powering aircraft) while keeping the non-fuel cost unchanged. In this case, airlines' total cost would increase to USD 2.97 trillion in 2050, with the share of fuel cost rising from 31% to 45%, and a further 3% would come from the use of carbon removals.
- The 30% increase in airlines' total cost from USD 2.23 trillion to USD 2.97 trillion under the net zero transition is impossible to absorb in an industry with a net profit margin of 3%.
- At a 6% operating margin in 2050, (same as in 2024), total industry revenue could reach USD 2.37 trillion in 2050. That would fall USD 601 billion short of the total costs to airlines in the with-transition case. Hence, strong policy support must help to close the revenue gap by targeting the price differential between SAF and conventional aviation fuel in order to make the net zero transition a success.

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