

## **Background and Context**

Heathrow Airport welcomes the opportunity to respond to this call for inputs and recognises the CMA's important work in scrutinising and supporting the Government's plans to set the UK to Net Zero by 2050.

Heathrow is the UK's hub airport and biggest port by value. We support the UK's economy, delivering trade and tourism to all corners of the globe. We believe that aviation is a force for good in the world, supporting millions of people's livelihoods and businesses, building understanding across cultures, connecting families, and as we have seen over the last year, delivering vaccinations and medical supplies around the world.

Climate change is an existential threat to us all. Like every other part of the global economy, aviation needs to reach net zero emissions by 2050. Our collective challenge is to protect the benefits of aviation in a world without carbon.

Net zero flying is possible. By taking out the carbon – through sustainable aviation fuels (SAFs), zero emission aircraft and carbon removal projects – it is possible to fly guilt free. The Government is right that there does not need to be a choice between growth in aviation, with the benefits it brings, and protecting the climate – we can and must do both.

Our response outlines our views on achieving 'Jet Zero' and how the CMA can support this. We have provided a general response outlining our summary views and are happy to provide further information as required.

## **Achieving Jet Zero**

The UK already is a leader in decarbonising aviation. It was the first country to include aviation in its carbon budgets and the UK aviation industry was the first in the world to commit to net zero by 2050. The Government has matched this by setting out its Jet Zero ambition in its Ten Point Plan and publishing this consultation.

The Government must now act urgently to take this opportunity. Ministers' intent is good, but a gap is growing on action both compared to other nations and the urgency to decarbonise. Without a suitable policy pathway for decarbonised aviation, individual, societal and commercial trade-offs will be needed that restrict commerce and lower connectivity. Working in partnership with industry, if the Government does not take action to match the ambition, it will miss the wider opportunity for the UK to take a lead. This means the right frameworks need to be in place to enable innovation and partnership to achieve solutions, without preventing business from achieving their objectives and goals.

If passengers and cargo are to fly Net Zero by 2050, solutions must be rolled out to cut emissions this decade. That means private sector investment of potentially billions of pounds by 2030 particularly in new sustainable fuel plants. However, investment can and should happen with the right competition protections and frameworks in place to enable it to be delivered. Decisions on those investments need to start in 2022 and 2023. So, to see progress by 2030, Ministers must take clear and concrete policy steps now: publishing the UK Jet Zero strategy as soon as possible and confirming a SAF mandate and price support mechanism in the first half of 2022. Bold, robust action on known solutions cannot be delayed any further.

The main challenge for SAF is an economic one: it typically costs 4 – 5 times more than kerosene. Airlines are therefore reluctant to sign up to significant long-term supply contracts and investors are therefore hesitant to invest.

As such, key market signals are needed from Government to stimulate SAF use and investment in its production:

1. An escalating mandate for the use of SAF in UK flights, rising to at least 10% of all aviation fuel by 2030.
2. A price support mechanism to close the price gap with fossil kerosene to make a mandate commercially possible for airlines.

### **Competition rules**

To achieve Jet Zero, competition rules on information exchange and agreements between competitors – whether they are airports, airlines or manufacturers – needs to change. The current rules make organisations concerned about working together as there is no safety net or confidentiality process for Net Zero activities.

Heathrow's view is that the CMA must take some action to ensure there is appropriate collaboration on projects which are needed to help meet Net Zero. This can be done via a framework for industry to work towards Net Zero goals and objectives.