

Political Newsletter

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Zurich Airport

EDITORIAL

Dear Readers,

People's desire to travel was noticeable at Zurich Airport and its busy terminals over the past couple of weeks. The number of passengers increased significantly during the summer holidays. Despite this impression, the crisis is far from over. Passenger numbers still remain at half of pre-crisis levels. Yet, there are also signs for optimism: the progress made in the vaccination process, the partial relaxation of travel restrictions as well as the introduction of internationally recognised COVID certificates are important steps towards a normalisation in the upcoming months and years.

Looking further beyond, one of our main tasks is to ensure that the existing infrastructure and operations at Zurich Airport are fit for the coming decades. One of the measures to optimise the current system as best as possible includes the extension of the runways 28 and 32 to increase the safety margins at Zurich Airport as well as the plannability and reliability of the operational concepts.

In addition, the runway extensions will result in fewer delays during evening times and reduce the number of noise-affected people. A political decision is required before the project can be submitted for the planning approval procedure. As first instance, the Government Council of the Canton of Zurich has given its approval and the political process will now continue in the Cantonal parliament, while it remains likely that the electorate will have a final say on the project. You will find answers to the most important questions on pages 3–4.

In addition, Flughafen Zürich AG is actively addressing the challenges ahead, particularly those relating to climate policy. Sustainable aviation fuels (SAF) are the most promising



solution to decarbonise the aviation sector and we remain committed to promoting SAF. With the rejection of the CO₂ Act by the Swiss electorate, there is a new window of opportunity to promote internationally coordinated and market-based measures for CO₂ reduction instead of relying on hardly effective national efforts. The proposed measures in the EU's recently published "Fit for 55" package set the tone. Read the article on pages 6–7 to find out more.

I wish you an informative and stimulating read.

Stefan Tschudin
Chief Operation Officer
Flughafen Zürich AG

Runway extensions: Investing in the future

The extension of runways 28 and 32 will reduce complexity, improve the safety margins and enhance reliability in the flight operating system at Zurich Airport. The population in the surroundings of the airport will also benefit from the project, as the extended runways will lead to a reduction in delayed flights during the noise-sensitive evening hours.

At a joint press conference on 3 June 2021, the Head of the Department for Economic Affairs of the Canton of Zurich and Flughafen Zürich AG informed about the project to extend the runways. Below you will find answers to the most important questions.

What is the cause for the runway extensions?

Crossing runways and flight routes as well as frequent changes between different operational concepts increase the complexity and make flight operations at Zurich Airport extremely demanding. A 2012 safety review identified the need for action to improve the safety margin and operating procedures. The report listed the runway extensions as an essential part of the improvement measures, which have been included in the spatial planning principles of the federal government and the Canton of Zurich. The project is being planned and financed by Flughafen Zürich AG.

How does the political process work?

According to the Cantonal Airport Act, changes to the position and length of Zurich Airport's runways require the approval of the Canton of Zurich. After a close examination of the project, the Government Council instructed the state representatives on the board of directors of Flughafen Zürich AG to approve the initiation of a planning approval procedure for the runway extensions on 19 May 2021. The Government Council's decision marked the start of the political process. The ball is now in the Cantonal parliament's court. Regardless of the outcome, the decision will be subject to an optional referendum. Thus, it is likely that the electorate in the Canton of Zurich will have the final say on the proposed runway extensions.

What are the benefits of the runway extensions?

The extension of runways 28 and 32 will stabilise the east concept (i.e. landings from the east onto runway 28, take-offs on runway 32 towards the north) and increase the safety margin. They are an important measure to ensure safe, predictable and reliable operations with two equivalent operational concepts. In addition to a significant safety gain through the elimination of crossing points on the ground and in airspace, an improvement in the stability of flight operations and thus also in punctuality is achieved. This will result in fewer flight movements after 23:00. Since there will be fewer landings from the south in the evenings, fewer people will be affected by aircraft noise overall.

RUNWAY EXTENSIONS 28 AND 32 EXPLAINED IN DETAIL



You can find all the relevant information about the runway extensions on our website.

www.zurich-airport.com/extensions-to-runways

How can these benefits be achieved?

In the event of strong west winds and during the closure times of the German airspace in the evening, Zurich Airport applies the east concept. Presently, various weather conditions lead to repeated unscheduled deviations from the east concept, especially in the evening. With the extended runways, heavy long-haul aircrafts could land on runway 28 or take off on runway 32 according to the east concept, even with more demanding weather conditions (winds, rain). This leads to fewer changes in the operational concept, i.e. less frequent changes to the extremely delay-prone south concept (landings from the south). The resulting reduction in delays in turn leads to fewer take-offs after 23:00.

The extension of runway 28 also increases the safety margin in the event of a runway overrun. It will, however, not lead to an increase in take-offs by heavier aircraft on runway 28 due to existing terrain obstacles.

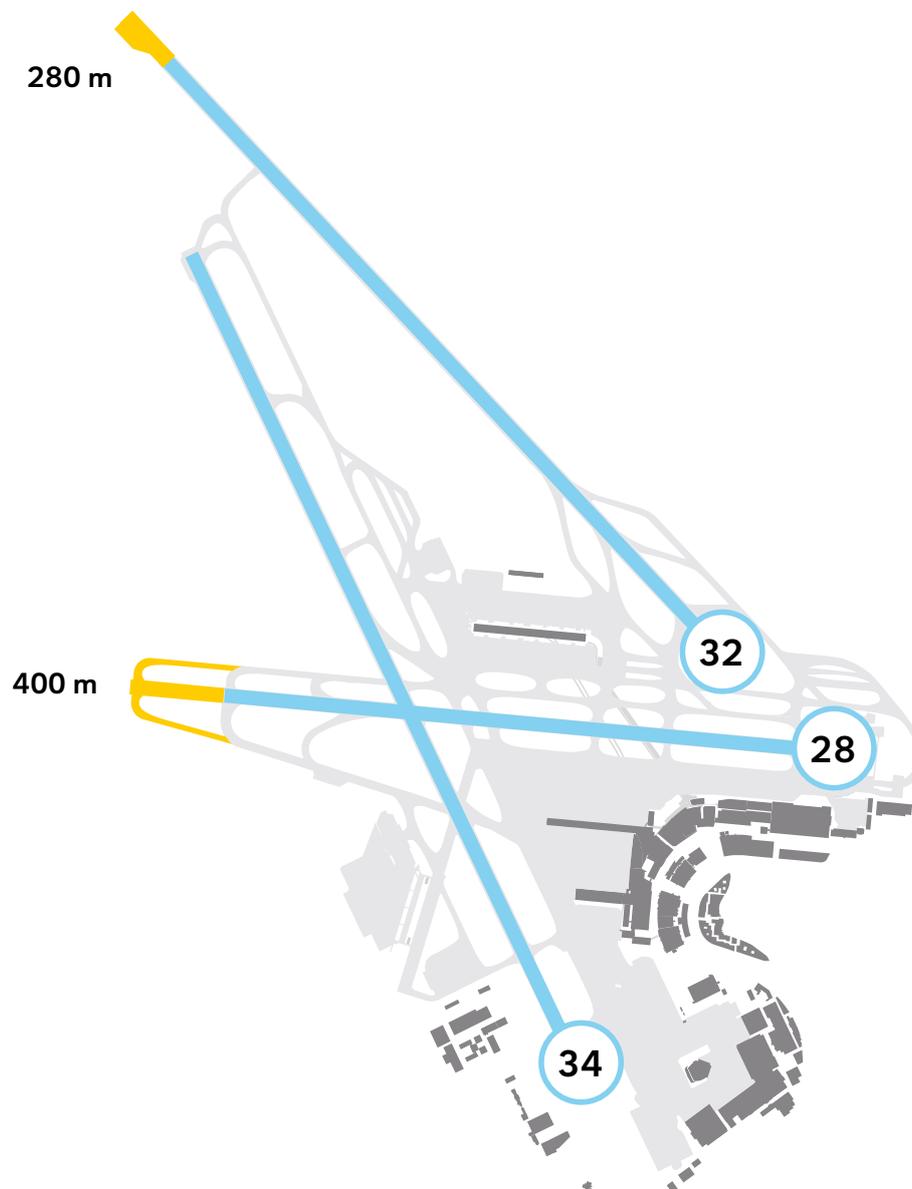
The extension of runway 32 would allow large long-haul aircraft handled in Dock E to take off on runway 32 northbound without having to cross an intersection. They no longer have to taxi to runway 34, which reduces taxiing time by 5 to 10 minutes and prevents aircraft from crossing runway 28 twice.

Why is Flughafen Zürich AG continuing to pursue the project despite the Covid-19 crisis?

As the owner and operator of the airport infrastructure, Flughafen Zürich AG works with a very long planning horizon. In order to meet the demands for punctuality, stability and safety in 20 to 30 years' time, the process to introduce necessary measures has to start today – regardless of the growth of air traffic in the coming years.

RATIONALE FOR THE RUNWAY EXTENSIONS 28 AND 32

- Improvement of the safety margin by avoiding overruns and the reduction of crossing points on the ground and in the air
- Stabilisation of the existing system, i.e. increasing the plannability and reliability of the applied operating concepts, as fewer operating concept changes are necessary in difficult weather conditions
- Decrease in delays in the evening and thus fewer flight movements after 23:00
- Fewer people affected by aircraft noise due to fewer landings from the south



Restarting the CO₂ discussion: Window of opportunity after the public vote

On 13 June 2021, the Swiss electorate rejected the revised CO₂ Act which aimed at introducing an air ticket levy and a climate fund. The result of the public vote provides a new opportunity to push for internationally coordinated and market-based measures to reduce CO₂ emissions in aviation in general. Sustainable, innovative and low-emission technologies should path the way to enabling demand-driven mobility and maintaining the international competitiveness of Switzerland as an aviation location.

Over the last 30 years, Flughafen Zürich AG has reduced its CO₂ emissions of the airport infrastructure by almost 50 % and thus already meets the 2030 target to which Switzerland has committed itself in accordance with the Paris Agreement. Regardless of the rejection of the CO₂ Act, the airport operator continues to follow ambitious goals and is fully committed to net zero CO₂ emissions by 2050. This target can and will be achieved with today's regulatory framework. In parallel, Flughafen Zürich AG supports the industry's efforts to achieve climate neutrality through effective and economically feasible measures.

SAF present biggest lever for decarbonisation

The most effective measure to decarbonise air transport is the widespread use of sustainable aviation fuels (SAF) that Flughafen Zürich AG has been promoting for a long time. Using SAF could reduce CO₂ emissions in air transport by around 80% already today. In addition, SAF do not require any major investment in the aviation infrastructure and can be fuelled through the existing infrastructure directly into an aircraft. Yet, regulatory incentives are needed to support the development of SAF to a marketable price.

Current challenges

Currently, there is a big price difference between conventional kerosene and SAF which prevents the production and use of SAF in large quantities. At present, SAF cost are three times higher than fossil fuels. This results in a "chicken and egg" problem for the SAF supply chain in terms of supply and demand:

costs will fall as production increases (thanks to learning curve and economies of scale), but fuel suppliers lack strong demand to increase production and demand is low due to the high price premium.

Mandatory fuel blend – the most suitable tool

In light of this, the European Commission has released its "Fit for 55" legislation package that aims at supporting Europe's climate policy framework and putting the EU on track for a 55 % reduction in carbon emissions by 2030, as well as net-zero emissions by 2050 (see p. 6). As of 2025, fuel suppliers at airports will be required to add a certain percentage of SAF as part of the total fuel volume. The model proposes a fuel blending of 2 % from 2025, increasing to 63% biogenic SAF and 28 % synthetic SAF by 2050. This measure creates market incentives for the use of sustainable fuels as well as a level playing field in European aviation.

Internationally harmonised rules necessary

Flughafen Zürich AG welcomes the European proposal and is actively promoting the introduction of SAF in Switzerland (see box below). The Swiss government, for its part, should closely examine the proposed measures and adopt a possible EU regulation on mandatory blending. Moreover, the Federal Council should advocate for a global blend mandate through international organisations. Actively supporting and creating incentives for the introduction of SAF is key as SAF hold the biggest potential for effective and economically compatible decarbonisation of the aviation system.

PROMOTION OF SUSTAINABLE AVIATION FUELS (SAF) AT ZURICH AIRPORT

▪ Establishing processes

Setting up import and customs procedures is crucial to facilitating the use of SAF in Switzerland. Flughafen Zürich AG supports this process with its know-how.

▪ Promoting technology and marketability

As one player among many, Flughafen Zürich AG will promote the current use of sustainable fuels and their market readiness. In this context, Flughafen Zürich AG maintains a partnership with Synhelion SA (see Political Newsletter, Summer 2020).

▪ Cooperating with partners

Zurich Airport has already supported two use cases in the field of SAF: SAF were supplied to business jets during the World Economic Forum in January 2020 and in July 2021, a commercial aircraft of Swiss International Airlines was refuelled with SAF.



The European Commission's "Fit-for-55" package: Policy analysis and assessment for the aviation sector

The EU has significantly extended its existing 2030 climate target and is now aiming at reducing greenhouse gas emissions by at least 55% compared to 1990 levels. The "Fit for 55" legislative package published in July 2021 includes a variety of measures ranging from pricing to targets and regulations for different sectors, including aviation.

In addition to a mandatory blending of sustainable aviation fuels (SAF), the European Commission proposes stricter regulations for alternative fuel infrastructure, the revision of the EU emissions trading system (ETS) and the introduction of a fuel tax. Flughafen Zürich AG welcomes the EU's roadmap in principle as the aviation industry must contribute its share to protect the climate.

The harmonisation and earmarking of measures correspond to Flughafen Zürich AG's long-standing calls for action at the European level. However, it is crucial that any measures

are coordinated with each other and are not implemented unconnectedly side by side. The first three measures follow the logic of a market-based incentive system, whereas the introduction of a fuel tax should be rejected as it unnecessarily extracts financial resources from the aviation sector.

The table on page 7 illustrates the various EU proposals and highlights the challenges. Furthermore, the measures are evaluated from a climate policy perspective.

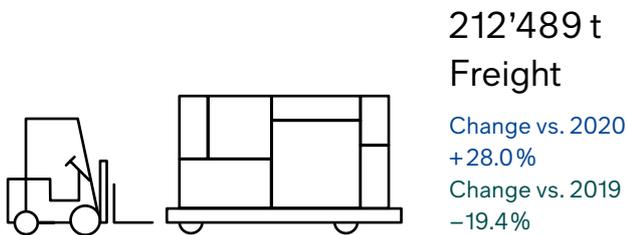
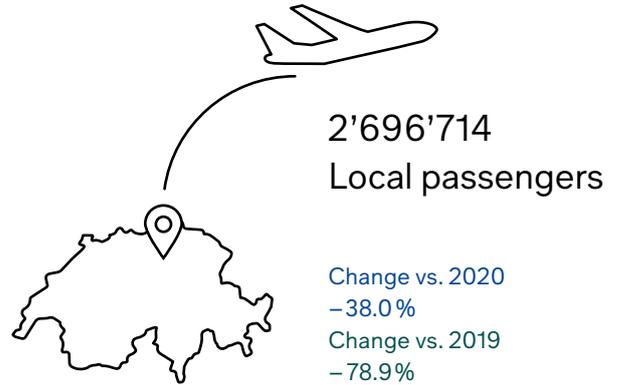
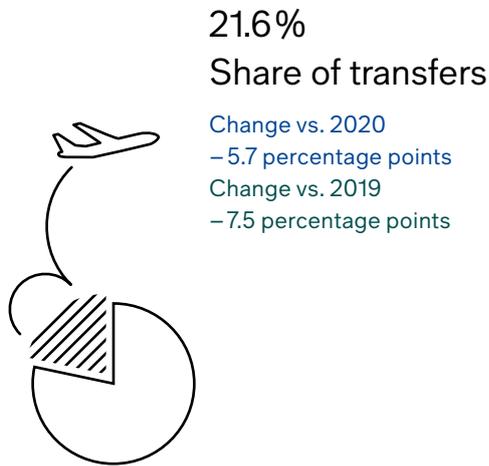
“Fit-for-55”: Analysis and assessment from an aviation perspective

EU proposals	Measures	Flughafen Zürich AG's assessment	Challenges	How Zurich Airport is faring	Suitability
Mandatory blending of SAF	<ul style="list-style-type: none"> ▪ Obligation to provide a certain share of SAF as part of the total jet fuel blend 	<ul style="list-style-type: none"> ▪ Reasonable and market-based solution for increased use of sustainable fuels ▪ SAF achieve a CO₂ reduction of at least 80 % ▪ Greatest potential for effective and economically viable climate protection in aviation 	<ul style="list-style-type: none"> ▪ Need for seed funding and investments to bring SAF to a marketable price ▪ Facilitation and simplification of customs requirements for the import of SAF 	<ul style="list-style-type: none"> ▪ Refuelling infrastructure already in place ▪ Refuelling remains unchanged compared to conventional jet fuel 	✓
Infrastructure for alternative fuels	<ul style="list-style-type: none"> ▪ Power supply at aircraft stands (Ground Power Units, GPU) ▪ Plans for operation of hydrogen-powered and electrified aircraft ▪ Public electric charging stations and hydrogen refuelling infrastructure 	<ul style="list-style-type: none"> ▪ Effective complementary measures that take into account a comprehensive mobility perspective 	<ul style="list-style-type: none"> ▪ Ensuring sufficient and sustainable power supply in the long term 	<ul style="list-style-type: none"> ▪ Ground power supplies are available at all stands, in some cases mobile GPUs. ▪ Charging stations for electric vehicles are available (both on apron and on roads) 	✓
Revision of EU emissions trading system	<ul style="list-style-type: none"> ▪ Tightening of the emissions cap, annual reduction target ▪ No new free emission allowances 	<ul style="list-style-type: none"> ▪ Efficient and market-oriented system that internalises external costs 	<ul style="list-style-type: none"> ▪ Emissions from transfer traffic crossing the EU's borders must also be offset 	<ul style="list-style-type: none"> ▪ No direct impact 	—
Introduction of fuel tax	<ul style="list-style-type: none"> ▪ Gradual phasing out of tax exemption for kerosene ▪ Linear increase in fuel tax over 10 years 	<ul style="list-style-type: none"> ▪ Unnecessary extraction of money from the industry ▪ Competitive disadvantages compared to non-European competitors ▪ Earmarked use of tax revenues within the aviation industry must be ensured 	<ul style="list-style-type: none"> ▪ Measures must be coordinated ▪ Introduction of a fuel tax would merely serve as an economic stimulus programme for Turkey and the Middle East 	<ul style="list-style-type: none"> ▪ No direct impact ▪ Competitive disadvantage for European aviation location 	✗

Traffic Development

All figures January to July 2021

The monthly traffic statistics can be accessed here:
www.zurich-airport.com/the-company/investor-relations-en



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