

The partnership between Air France and the State has reduced the cost of repatriation



I Letter from the Director of Air France-KLM

François Robardet Representative of employees and former employees PS and PNC shareholders

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Editorial

Dear readers,

More than 3,000 ground staff have already signed up for Air France's seventh voluntary redundancy plan.

Many of them have anticipated the end of their careers, thus enabling the company and its employees to get through the current crisis.

Many thanks to them.

Thank you also to those who, despite leaving the company, wished to continue receiving this letter.

Let's continue to apply the rules of protection.

François

Monday's Press Review

> Covid-19 repatriations: how the partnership between Air France and the State has reduced the bill

(source Bfm Eco) March 19 - In its annual report published on Thursday, **the Court of Auditors welcomes the partnership between Air France and the State, which has enabled "efficient operations at controlled cost"**. "Air France's commitment has resulted in the number of flights chartered by the State being limited to 48, while 260 flights have been chartered by the German government and 186 by the UK government," the Court said.

As a result, the low number of charters has limited the cost of operations to 21.1 million euros for France, against 93 million euros in Germany and 45.2 million euros in the United Kingdom.

After reimbursements due from the EU via the EU's civil protection mechanism (MPCU), the net cost of repatriating the 243,000 French people assisted is estimated at 8.5 million euros, or 35 euros per French person.

The Court asserts that Air France "has made considerable efforts to meet the requests of the Ministry of Foreign Affairs.

(...)

The fare optimization algorithms have of course been "set aside so that the fares charged in the case of emergency operations are applied". Finally, "the requirement of a distance of at least one meter between two passengers" from May 11 onwards has "mechanically reduced the possibilities of filling the cabins".

However, Air France "was very careful before agreeing to organize a special commercial flight, with regard to incoming and outgoing cash flows. It estimates that the revenue from these operations covered all its direct variable costs and 64% of other costs", notes the Court.

In total, return flights operated by Air France or its subsidiary Transavia will have accounted for nearly 60% of repatriation flights of French citizens. **"In the United Kingdom and Germany, no other airline has agreed to cooperate as closely with the public authorities as Air France has with the Ministry of Foreign Affairs,"** the Court of Cassation said. They justify the company's attitude by "a corporate culture marked by its history as a national airline", "the desire to contain the costs incurred by the partial activity of staff and the immobilization of aircraft" and "the choice to invest in the international image of Air France".

My comment: A big congratulations to all the Air France teams who contributed to the repatriation of hundreds of thousands of French people at the beginning of the health crisis.

I would also like to take this opportunity to congratulate the KLM teams who helped repatriate their compatriots.

> **What do the election results mean for aviation? (Que signifient les résultats des élections pour l'aviation ?)**

(source Upinthesky translated with DeepL) March 18 - Slowly but surely, the results of the elections are known. The VVD and D66 have become the largest parties, and in the next few days the formation of a new coalition will begin. What do the election results and a new coalition mean for aviation?

VVD - Mr. Rutte

Outgoing Prime Minister Rutte's VVD is once again the largest party in the country, with 33 seats. The party is **known for its positive attitude towards aviation**. In its election platform, the party says Dutch aviation, with Schiphol as a gateway and hub function, provides hundreds of thousands of jobs. "This is the reason for the support package for KLM in the Corona crisis. A bankruptcy of KLM would have dramatic consequences for Schiphol."

Schiphol and the rest of the aviation sector must be allowed to continue to develop, according to the VVD.

(...)

D66 - Ms. Kaag

With a substantial gain in seats for D66, aviation has found its first candidate critical of the government in Ms. Kaag. **In its electoral program, the party writes that air traffic and shipping have not been addressed so far, but that they are increasingly contributing to the growth of CO2 emissions**. The party wants to tackle this problem at European level by setting stricter standards. D66 also wants Europe to invest more in cleaner modes of transport.

In its election platform, D66 proposes a number of drastic measures for aviation. The exemption from excise duty on kerosene in Europe should be abolished, a European tax on airline tickets should be introduced and the party also wants VAT on train tickets to be abolished. "In this way, the price of the plane better reflects the total cost and the train becomes a full-fledged competitor on short distances." D66 says it wants to use the revenue to invest in the development of sustainable modes of transportation, such as CO2-free aviation technology. In addition, D66, like the VVD, is in favor of a single European airspace. Finally, Mr. Kaag's party wants to tackle unfair competition in the aviation sector and abolish state subsidies to airlines in Europe.

CDA - Mr. Hoekstra

The leader of the CDA list, Wopke Hoekstra, has made a name for himself in the aviation world in recent years for KLM. As Minister of Finance, he decided to acquire a larger share in Air France-KLM on behalf of the Netherlands. He has also often spoken about the support program for KLM during the Covid-19 crisis, which he negotiated with the company.

The CDA is in a position exactly between the VVD and D66. Like the VVD, Hoekstra's party believes that competitive and sustainable aviation at Schiphol and other airports is of great importance for the Dutch economy and employment. However, the party wants to find a new balance between people, the environment and the economy. "Quieter, cleaner and more economical aircraft must contribute to reducing the nuisance to the immediate environment and, in a forthcoming cabinet period, technological projects will be stimulated to this end."

The CDA wants to limit the number of flights at Schiphol to the current maximum of 500,000 for the time being. Night flights are to be reduced in the process. "Schiphol and the regional airports must act in this respect as a joint Dutch network, so that the available capacity is better utilized." Like D66, the party wants to see the use of trains over short distances stimulated. As far as the CDA is concerned, the opening of Lelystad airport should be reviewed. If it is opened, low-level trips would be unacceptable.

(...)

My comment: *The parliamentary elections in the Netherlands took place last week. The voting system is proportional.*

The elections were held to elect 150 representatives to the lower house, the equivalent of the French National Assembly.

Seventeen parties won at least one seat. The four parties that formed the coalition in the previous term (the VVD, D66, CDA and ChristenUnie) won a majority of seats. A coalition of at least four parties will have to be formed in order to form a government.

It is customary for the best placed party in the coalition to take the post of prime minister and the second best placed to take the post of finance minister. The VVD remains the largest party.

The most significant result for the aviation world was that of D66 (Democrats 66), which became the second largest party in place of the CDA.

Its increased influence suggests that new constraints linked to sustainable development could be imposed on airlines.

> **Departure plan: Hop! employees before the judge**

(source Le Figaro) March 19 - **The torch is burning between the Air France group and the pilots of its short-haul subsidiary, Hop! At issue is the planned recruitment by Air France of 116 experienced pilots who had been pre-hired at the beginning of 2020, before the health crisis.** At the end of April, some of them should start their training course at Air France to get their qualification on the Boeing 737.

This decision has not gone down well with Hop! employees, who have lost 1,007 of the 2,400 jobs at their airline. With the loss of 317 pilot positions. And ultimately, layoffs if there were not enough candidates for departure. As a result, Hop! flight attendants don't understand why these pilots from outside the company are not being treated with respect. 90 Hop! pilots passed the Air France tests," explains Joël Rondel, the CGT secretary of the Hop! social and economic committee. We are going to assert their rights to be reclassified first. »

According to our information, **the CSE has taken the matter to court.** Last week, it summoned Air France, Transavia (its low-cost subsidiary) and Hop! before the Bobigny judicial court for "failure to respect the right to reclassify flight crews. "The hearing is due to take place this Friday morning. As this is an hourly summary procedure, the judge should give his decision in the next few days.

For Hop! staff, this summons is also a way to put pressure on management, as the labor administration ordered it in mid-February to review its voluntary redundancy plan. It reproached Hop! for offering its flight crews (pilots, stewards, stewardesses) a reclassification in the other companies of the group (Air France and Transavia) at disadvantageous conditions.

Pilots transferred to Transavia would lose their seniority and return to the bottom of the ladder as co-pilots. A captain earning 10,000 euros gross per month would have started again as a co-pilot at Transavia at 5,500 euros. A bonus of one year's salary would compensate for this differential for three years.

The same logic applies to cabin crew. A chief purser paid 3,000 to 3,500 euros net per month would have started again as a basic steward at

2,200 euros. 2,200, with a bonus of one year's salary, but the loss of seniority.

Given the refusal of the labor administration, Hop! will have to give up or change its approach. **According to our information, the company is pushing an alternative plan. It would commit to the pilots and flight attendants not to make any dismissals, even if there are not enough candidates for departure.** Those who would like to stay with Hop! could do so. In return, those who would move to Air France would accept the rules of the game: start again at the bottom of the ladder with a lower salary and no recovery of seniority. We shall see if these advances allow us to find common ground with the unions, and if this fragile balance is not called into question by the hearing this Friday [March 19] morning.

***My comment:** The announcement by Air France and the SNPL of the recruitment of 116 pilots came as a surprise. Some saw it as an attempt to limit the possibilities of reclassification of HOP pilots.*

> **British Airways owner IAG raises \$1.4 bln to ride out travel turmoil**

(Reuters source, translated with DeepL) March 19 - IAG, owner of British Airways, has raised 1.2 billion euros in a bond issue that it says will help it survive a potentially longer-than-expected travel downturn.

(...)

The owner of Iberia and Vueling in Spain and Aer Lingus in Ireland said last month that it had enough cash to weather the crisis, but would continue to explore new debt options. On Thursday, it decided to add to its war chest.

It said the proceeds of the issue could be used to deal with a more prolonged recession or provide "the flexibility to take advantage of a recovery in air travel demand."

Announcing the final terms of the bond, **IAG said Friday that demand had been stronger than expected, allowing it to raise €1.2 billion, more than the €1 billion it had originally planned.**

The senior unsecured bonds, issued in two tranches of €500 million due 2025 and €700 million due 2029, were priced at a yield of 2.75% for the first tranche and 3.75% for the second.

IAG had begun marketing the bonds at a yield of 3.25% for the four-year tranche and 4.25% for the eight-year tranche, but after experiencing more than €3 billion in demand from yield-seeking

investors, it was able to significantly tighten that yield by 50 basis points for each tranche.

Such a tightening is relatively unusual in the bond market and the final price level represents a significant result for a company facing seven-year borrowing costs above 7.5% in September, in the midst of the COVID-19 crisis.

(...)

Both Lufthansa and easyJet have tapped the bond markets in recent months, with the German airline repaying a large portion of the government's rescue package after its latest €1.6 billion debt sale and easyJet raising €1.2 billion in February.

***My comment:** One after the other, European airlines are rescheduling their debts linked to the health crisis. In the emergency, they had taken out loans from governments, sometimes for short periods (less than three years) at high rates (over 6%).*

The Air France-KLM group has already announced that it intends to proceed in the same way, after an agreement on the counterparts to the recapitalization project has been reached between the European Union and the French and Dutch governments.

British Airways and easyJet have not had such quid pro quos imposed on them, since both airlines are located outside the European Union.

> **EasyJet sees the end of the tunnel**

(source Les Echos) March 22 - **The end of the tunnel is well in sight, but the exit is still far away, explained, in essence, the CEO of easyJet**, Johan Lundgren, at a video conference organized Monday by Eurocontrol.

(...)

With only 221 flights scheduled last week, against some 1,700 over the same period of 2019, easyJet is still dormant. **The company has even had to slash more in its offer than its traditional competitors, Air France-KLM, Lufthansa and IAG, whose level of activity is on average 10 points higher than that of the low-cost in Europe.**

"We only want to operate profitable flights. But we are ready to relaunch as soon as it is possible," says Johan Lundgren, for whom easyJet has already passed "from the survival phase to the recovery phase", while waiting for the third stage, which will be "the return to growth".

The brief period of euphoria that accompanied the announcement of the British deconfliction timetable allowed the company to protect itself from a cash shortage by raising an additional 1.2

billion euros on the bond market in late February. The offer was even oversubscribed six times! This, added to the £2.5 billion in cash on hand at the beginning of the year, should enable it to wait for the summer recovery, given that its cash consumption was still at £40 million per week in January.

However, the recovery looks set to be very uneven across the world, with a bonus for those whose vaccination campaign is most advanced, but also for those whose domestic market offers prospects for redeployment. In the UK, easyJet has just announced the opening of domestic routes between England, Scotland and Northern Ireland. The same goes for France, its second largest market, where the company recently announced the opening of five new domestic routes for next summer.

In addition to this forced and probably temporary refocusing on domestic markets, there is another, more lasting refocus on the fundamentals of the low-cost model. **After a long period of drifting towards an intermediate model** between that of the pure low-cost airlines like Ryanair and Wizzair and that of the traditional airlines, **easyJet has tightened the screws on costs.** For example, since last month, cabin luggage that cannot fit under the seat has become a chargeable item, as well as the choice of seat. In addition, a cost-cutting plan has been implemented internally, which has resulted in a one-third reduction in the workforce. **EasyJet will emerge from the crisis much more low-cost than it entered it.**

***My comment:** The return to a more low-cost model of easyJet is understandable at the end of the crisis. It could also be due to an anticipation of the probable decline in business traffic.*

Before the crisis, easyJet had a business passenger rate in France close to that of Air France.

> **TAP Air Portugal and Emirates Airlines strengthen ties**

(source Air Journal) March 17 - **TAP Air Portugal and Emirates Airlines have signed a memorandum of understanding (MoU) to expand the codeshare partnership to the Americas, North Africa and East Asia.**

Launched in 2012, the codeshare agreement between the Portuguese and Emirates airlines will be extended to new routes. Subject to required regulatory approvals, the expanded agreement is expected to take effect on May 1, 2021, and will offer customers "seamless booking,

ticketing and travel benefits in 70 destinations across both airlines' networks."

(...)

Emirates and TAP Air Portugal will also explore ways to enhance cooperation on their respective frequent flyer programs, including reciprocal earning and redemption opportunities and popular benefits such as lounge access.

(...)

> **Airline: the founders of Norwegian are relaunching their long-haul low-cost business**

(source Les Echos) March 17 - Some would say that they have a lot of foresight, others that they do not lack nerve. **Only a few weeks after Norwegian stopped its long-haul flights and its French base went into receivership, the main founders of the Norwegian low-cost airline announced the launch of a new low-cost transatlantic airline, modelled on Norwegian.**

Called "Norse Atlantic Airways", this new company will offer flights between destinations such as New York, Los Angeles, Miami and London, Oslo and Paris, using Boeing 787s and starting in December 2021. A type of aircraft and routes that were those of Norwegian until last January, when the Norwegian company had to resort to medium-haul flights from Scandinavia to survive.

(...)

"We now have a unique opportunity to build a brand new airline from scratch," says Norse Atlantic Airways CEO Bjorn Tore Larsen, who was one of Norwegian's main shareholders alongside founding CEO Bjorn Kjos, in a statement.

(...)

In addition to the many Boeing 787s made available by the crisis (including Norwegian's 35 B787s), Bjorn Tore Larsen will be able to rely on his main company, OSM Aviation, which specializes in the provision of pilots and cabin crew at reduced costs, and which was already supplying some of Norwegian's crews.

(...)

This return to the forefront of the former founders of Norwegian is not only happy. **In a vitriolic statement, the main French pilots' union, SNPL, said it was "stunned" by this reappearance, while the fate of the former employees of Norwegian's French base, closed last January, has still not been settled.**

In total, 145 pilots, 136 cabin crew and 5 administrative employees

based at Roissy-CDG, have been "left out in the cold" with the closure of flights from Paris. And this without being sure of being able to continue to benefit from French social security coverage, their employer being an Irish subsidiary of Norwegian. **Hence the anger of the SNPL, which accuses Norwegian's former managers of wanting to build up a company with lower costs, by taking over former employees on less advantageous terms.**

***My comment:** I share the indignation of the pilots' union concerning the former employees of Norwegian. Unfortunately they are not the only ones to suffer the consequences of the health crisis.*

The employees of CBS, a subsidiary of WFS, were handling Air France baggage at Roissy. The contract having been suspended by Air France, WFS has chosen to liquidate its subsidiary.

CBS is now in the process of being taken over and two buyers have come forward: ONET and ... WFS.

According to an observer quoted by Le Parisien, "there is nothing illegal about a group applying to take over its own subsidiary. We see a group deposit a subsidiary in a context related to Covid without having to assume the cost of redundancies while it could benefit from State measures for companies in difficulty. When you go into receivership, the cord is cut and it costs less to lay off employees.

> Airbus and Rolls-Royce make a test flight on 100% sustainable fuel

(source Le Journal de l'Aviation) March 18 - The production of Sustainable Aviation Fuels (SAF) is set to accelerate. A new test campaign has been launched by Airbus and Rolls-Royce with the support of DLR (the German Aviation Research Center) and Neste to assess the feasibility and technical and environmental impact of using 100% SAF in commercial operations. **A first test flight has just taken place in Toulouse with an A350-900 (MSN1), to verify the compatibility of the aircraft's systems with the use of sustainable fuel not blended with conventional jet fuel.**

Validation tests of the fuel - "MY Sustainable Aviation Fuel", supplied by Neste - have been launched. This will be followed by further tests in April and fall to measure in-flight emissions. The Airbus A350 will then be flanked by a DLR follower aircraft, a Falcon 20-E. At the same time, ground tests will be conducted to analyze particle emissions during airport operations. The project, called ECLIF3 (Emission and Climate

Impact of Alternative Fuels), will also evaluate the effects of using only SAF fuel on aircraft performance.

(...)

Simon Burr, director of product development and technology at **Rolls-Royce Civil Aerospace**, says **the engine manufacturer wants to promote the use of SAF because "long-haul travel will involve the use of jet engines for decades to come.** SAF is therefore essential to the decarbonization of this type of travel. "He also supports initiatives to increase the availability of SAF to the aviation industry.

Not only do we need to prove that their use has no impact on the safety and performance of aircraft, and that the environmental benefits are real (80% reduction in greenhouse gas emissions over the life cycle, according to Neste), but **we also need to develop their large-scale production.** Bolstered by the growing number of supply contracts it is signing with airlines around the world (and particularly in the United States), the Finnish company estimates that the proportion of sustainable fuel used in aviation will reach 10% in 2030 (compared to less than 1% before the crisis). According to IATA, 100 million liters could be produced in 2021. Before the crisis, more than 40 airlines had already used it and nearly 7 billion liters had been pre-ordered.

My comment: *The Rolls-Royce Director's speech on sustainable aviation is in line with those of other air transport players.*

Solutions requiring technological breakthroughs (hydrogen or electric aircraft) will not be operational for many years. It is essential that the development of sustainable aviation fuels (SAF) be accelerated.

According to IATA, the current production of sustainable aviation fuels is 50 million liters per year. The global commercial aircraft fleet consumed 360 billion liters of kerosene in 2019.

> **Boeing: the American regulator will inspect 787 Dreamliner, "production problems**

(source Capital) March 18 - (...) **The FAA** said in a message sent Thursday to AFP that it has taken "a number of corrective actions to resolve production problems with the Boeing 787. **Among other things, it has decided to inspect four aircraft itself and issue certificates of airworthiness,** a standard regulatory step before the planes are shipped to customers.

This task is normally assigned to Boeing employees who, under an agreement between the authorities and the manufacturer, can inspect the planes and issue certificates of airworthiness on behalf of the FAA.

If it deems it necessary, the FAA "will reserve the right" to inspect more 787s. The authority points out that its own inspectors regularly examine some 787s themselves to keep their skills current.

Boeing plans to resume deliveries of its "Dreamliner" aircraft by the end of March. "We are encouraged by the progress our team has made to enable the resumption of deliveries on the 787 program," the company said in a message sent to AFP. "We have been in contact with the FAA throughout this effort and will be implementing their guidance for approval of airworthiness certificates for the first airplanes," it added.

Boeing had announced in September the discovery of several defects, on the connection of a portion of the fuselage then on the horizontal stabilizer. The aircraft manufacturer said at the time that it had launched an inspection of all its aircraft in production. Affected by the drop in air travel since the beginning of the pandemic, and a drop in demand for larger aircraft, the group had already indicated that it would only produce five 787 Dreamliner aircraft per month starting in March, compared to ten last summer.

The FAA has also retained the authority to inspect all new 737 MAX aircraft produced by Boeing since March 2019, when the plane was grounded after two fatal accidents. It was cleared to fly again in late November.

> **The future of ATR propeller planes remains unclear after a disaster year**

(source: Les Echos) March 17 - **ATR is in the doldrums. The past year was worthy of Waterloo or almost for the manufacturer of propeller planes, a 50/50 subsidiary of Airbus and the Italian Leonardo.** The world's leading regional aircraft manufacturer will have delivered only 10 aircraft in 2020, compared with 68 in 2019 and 72 initially planned for 2020. As for new orders, they are limited to 6, excluding cancellations, compared to 52 the previous year.

(...)

The small regional airlines that are ATR's customers have been among the most affected by the drop in traffic.

Nevertheless, ATR has managed to reduce its workforce by 15% (i.e. 186 jobs out of 1,209) **without any forced departures**, thanks to voluntary departures and the signing of a cost reduction agreement. This should allow the company to slowly recover in 2021, even if the outlook remains bleak.

(...)

Nevertheless, ATR still has some solid assets. In addition to an order book of 176 ATR-42 and ATR-72 aircraft - its two 46- and 78-seat models - **the aircraft manufacturer is now alone in the regional**

propeller aircraft market, after the decision of Canadian Longview Aviation Capital to stop production of the Q400, bought from Bombardier in 2018 .

ATR also hopes to obtain by the end of the first half of the year the certification of the Chinese authorities to finally enter the Chinese market. This green light has been awaited for several years. Finally, ATR should be able to ride the green wave, highlighting a fuel consumption 40% lower than that of regional jets.

All this works in its favor, but only if its two powerful shareholders, Airbus and Leonardo, decide to clarify ATR's roadmap. For now, the Toulouse-based aircraft manufacturer does not seem to be part of the Airbus roadmap to a first low-carbon aircraft by 2035. And this, even though one of the three concepts unveiled by Airbus last September would be a regional propeller plane. **When asked about the possible role of ATR, Stefano Bortoli simply shrugged it off. Ask Airbus what they plan to do," he said. We, our roadmap remains to improve the existing models. »**

The long-mooted plan for an "ATR Neo" with more fuel-efficient engines seems to have fallen by the wayside. Nor does the company seem to be concerned by the 11-seat electric regional jet project announced by British engine manufacturer Rolls-Royce, in partnership with Italian aerostructure manufacturer Tecnam. Our airline customers cannot operate small electric aircraft profitably," says Stefano Bortoli. The minimum is 42 seats. But the technologies needed for an aircraft of this size "are not yet mature," he says.

> If nothing is done, the world's appetite for oil will reach a new record by 2026

(source AFP) March 17 - **After the health crisis, global oil demand should take two years to recover its pre-crisis levels, then continue to grow by at least 2026 to reach a new record unless it is hindered in the name of climate protection, the International Energy Agency (IEA) said Wednesday.**

On the other hand, "stronger measures and behavioral changes could soon bring about a +peak+ in demand," the agency said in its Oil 2021 report, which makes five-year projections.

Under current policies, this demand would reach 104 million barrels per day (mb/d) by 2026, 4% more than in 2019.

Asia will account for 90% of the increase. In contrast, demand in the 37 developed OECD countries is not expected to return to pre-2020 levels, according to the IEA.

Petrochemicals will continue to drive the global appetite for black gold. Gasoline demand may have already reached its "peak" as efficiency gains and the shift to electric vehicles offset transport growth in developing countries.

Kerosene consumption, the sector most affected last year, should gradually return to its pre-Covid level.

"The Covid-19 crisis has caused a historic decline in global oil demand, but not necessarily a sustainable one," summarizes IEA Director Fatih Birol.

"Completing an organized transition away from oil is essential to meet climate goals, but requires major changes in government policies as well as in behavior. Without it, global oil demand is set to increase every year between now and 2026," he added. **For demand to peak soon, significant action is needed immediately to improve energy efficiency standards, support electric vehicle sales, and reduce the use of oil in the electric sector,"** he said.

These actions, combined with increased use of telecommuting, more recycling and less business travel, could reduce oil demand by 5.6 mb/d by 2026, "meaning it would never return to pre-pandemic levels," the IEA points out.

***My comment:** The position of the International Energy Agency is interesting.*

Rather than focusing on the oil consumption of one sector (at the moment it is the airline industry that is at the center of the debate, at least in Europe), it would be preferable to examine how each sector could reduce its oil use.

For those who would like to go deeper into the subject of the contribution of each sector to the reduction of CO2 emissions, I invite them to consult the Drawdown.org website, which I will present in detail next week.

Bonus Article

Air transport facing the trap of degrowth

(source Les Echos) March 19 - **"The solution: fewer airplanes,"** said a recent slogan brandished by an environmental activist perched on an Air France Boeing 777 at Roissy. The slogan **has the merit of simplicity,**

as does the idea that an imposed decrease in air transport would be the best way to reduce its impact on the environment. **But simplicity often does not stand up to the test of facts.** By targeting an Air France plane grounded by the crisis, these environmental activists are not only fighting the wrong battle, but also the wrong opponent. They run the risk of preventing air transport from succeeding in its energy transition. And this for at least two reasons.

The first reason is that degrowth does not work. The Covid pandemic has just provided a life-size test of this: the effects of imposed degrowth on greenhouse gas emissions are disappointing, to say the least. **With air traffic down by 60%, CO2 emissions from air transport have certainly decreased by 55% in Europe** according to Eurocontrol, and even by 75% worldwide according to the "Global Carbon Project" association. **But this unprecedented drop has had no lasting impact on CO2 concentration levels in the atmosphere and on global warming.** According to the World Meteorological Organization (WMO), the average level of carbon dioxide measured in February was even slightly higher than in February 2020.

This is an opportunity to verify that air transport accounts for only 2.8% to 3% of global CO2 emissions. Despite this unprecedented shock to the global economy, global CO2 emissions, all sectors combined, have only fallen by 4% to 7.5% in 2020. This remains largely insufficient to have any effect on the climate. According to experts, CO2 emissions must be reduced by 7.6% each year between now and 2030 to have a chance of reaching the objective of the Paris Agreement.

This is a difficult prospect for the airlines, most of which owe their survival only to the generosity of taxpayers. But also for the one billion people who were unable to travel internationally in 2020, according to an estimate by the World Tourism Organization. **And if the plane can eventually be replaced by the train in some parts of the world, it remains the only possible means of transport - with the boat of course - when it comes to travel from one continent to another.**

Thus, the Boeing 777-200 of Air France, on which the environmental activists had thought it appropriate to climb, was commonly used to serve the overseas departments. Non "substitutable" air links used by nearly 5 million passengers before the crisis.

Faced with this reality, the French decision to ban air travel on the three routes served in less than 2.5 hours by train seems even more ridiculous. All of France's domestic routes, used by 26.8 million passengers, account for only 1.1% of France's CO2 emissions, which itself accounts for only 1.34% of global emissions. By comparison, **the German coal-fired power plant at Neurath, the largest of the 48 coal-fired power plants in Germany used to compensate for the withdrawal of nuclear power, emits more CO2 than all air transport**

in France. As for the 55% decrease in CO2 emissions from air transport in France in 2020, it represents a CO2 saving comparable to that generated by the three days of telecommuting per week carried out by 40% of French employees, during confinements, knowing that 74% of French people usually go to work by car.

In reality, **what can really make a difference for the climate is our ability to invest in technological solutions that can significantly and sustainably reduce greenhouse gas emissions.**

In the case of air transport, these investments are of four kinds: financing emission compensation measures, optimizing flights, purchasing less and less polluting aircraft and gradually integrating new fuels, either from recycling or from synthetic processes, which can reduce emissions by up to 80%. By combining these four levers, **the air transport industry hopes to halve its CO2 emissions by 2050 and put the first near-carbon-free aircraft into service in the next decade.**

But **the sums to be invested are considerable.** Just to launch a new medium-haul aircraft capable of meeting the challenge, Airbus and its partners will have to invest, at the very least, some 15 billion euros. And at least three new models will be needed to cover all air transport needs, from regional to long-haul, by 2050. And airlines will have to spend at least \$5 trillion to acquire some 39,000 new, cleaner aircraft by 2050.

What happens if growth and profitability do not return quickly? Again, the 2020 crisis provides the answer. Despite massive state support, new aircraft deliveries and orders have collapsed, bringing fleet modernization to a screeching halt. With cumulative losses of nearly \$120 billion by 2020 and a doubling of debt, airlines have permanently lost their ability to invest. And green taxes and activity restrictions will not help them turn their heads.

In the end, fewer airplanes means fewer passengers and therefore less money for research and new technologies, without which it will not be possible to curb CO2 emissions and temperatures in the long term. To succeed in its energy transition and preserve the freedom to travel, air transport therefore needs customers. **Before air travel, many other sources of pollution, such as cars, heating, meat consumption and even Internet use, would be able to generate much greater CO2 savings, without reducing our freedom.**

My comment: When NGOs advocate degrowth as the only solution for

air travel, they approach the problem from the small end of the spectrum.

Of course they are aware that this will lead to a decrease in the number of tourists in Europe and in the number of induced jobs. That is why they propose to retrain the employees in other sectors.

But what will happen far from Europe, for all those small countries, often islands, which live essentially from tourism? What alternative will they have?

And what about the billions of people who have never flown?

During the recent Air and Space Academy webinar, participants from China and Africa were clear: if Europeans want to reduce their air travel, let them do so. But there is no way they can force the Chinese and Africans to give up traveling.

It is time for an exchange to take place between the NGOs advocating the reduction of air travel and the representatives of air transport.

It is

time for everyone to accept the contradiction:

. the NGOs who think that technological advances will not allow air transport to reduce its CO2 emissions,

. the aviation industry which thinks that technology will solve all the problems.

End of the press review

> Advice for employees and former employees who are shareholders

The annual statements from Natixis and/or Société Générale must be sent to you by e-mail or by post.

You will find on my [website](#) the access modalities to the managers' websites.

To avoid forgetting to change your contact information each time you change your postal address, **I advise you to enter a personal e-mail**

address. It will be used for all correspondence with the management organizations.

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

> **My comments on the Air France-KLM share price trend**

Air France-KLM shares were at 5.038 euros at the close of business on Monday 25 March. It is down -3.82% over a week, a consequence of the limitation of travel between French regions. Since the end of November 2020, the share price has remained around 5 euros.

Before the coronavirus epidemic, the Air France-KLM share was at 9.93 euros.

The average (consensus) analysts' price for AF-KLM shares is 3.31 euros. The highest price target is 5 euros, the lowest 1 euro. You can find the details of the analysts' consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

The price of Brent crude oil (North Sea) fell sharply by \$5 to \$64 per barrel. The price of a barrel of Brent crude oil had crossed the \$70 mark in early March for the first time since the start of the pandemic, after attacks by Yemeni Houthi forces on oil installations in Saudi Arabia. It is now back to its pre-pandemic level.

This information is not intended to be a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me any information or thoughts that will help me better carry out my duties as a director of the Air France-KLM group.

You can ask me, by return, any question relating to the Air France-KLM group or to employee share ownership...

See you soon.

To find the last press reviews of Monday, it is [here](#)

If you like this press review, please pass it on.

New readers will be able to receive it by [giving me](#) the email address of their choice.

| François Robardet

**Director of Air France-KLM representing the employees and former employees shareholders of PNC and PS.
You can find me on my twitter account @FrRobardet**

When I was elected, I received the support of the CFDT and the UNPNC. This press review deals with subjects related to the Air France-KLM shareholding.

If you no longer wish to receive this letter/press review, [unsubscribe](#).

If you prefer to receive the press review at another address, please let me know.

To contact me: [message for François Robardet](#). 10872 people receive this press review live