

Air France sets more ambitious CO2 targets



I Letter from the Director of Air France-KLM

François Robardet

Representative of the employees and former employees shareholders PS and PNC

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Monday's Press Review

> Air France sets more ambitious CO2 targets

(source Les Echos) April 13 - **30% less CO2 per passenger per kilometer by 2030, compared to 2019 levels: this is the new objective set by Air France to reduce the impact of its flights on the environment.** This target is less distant than the commitment made by the international air transport association to achieve carbon neutrality by 2050. But it is also more meaningful and concrete for the general public than the 50% net reduction by 2030 compared to 2005, previously announced by Air France. **Unlike previous commitments, this will be a gross reduction in emissions, excluding offsetting measures** that offer more impressive net figures but do not reduce the amount of CO2 emitted by a flight. To be even clearer, this 30% reduction per passenger-kilometer carried should correspond, depending on traffic trends, to a 12% reduction in the amount of CO2 emitted by Air France between 2019 and 2030. This difference is due to the share of long-haul flights, which are necessarily more polluting than short-haul flights, in Air France's activity.

This roadmap has been put on the table without having to reduce the activity of the company, which intends to continue its growth. **The trajectory would be compatible with the Paris Agreement aiming to limit global warming below 2°C**, according to the calculation methodology of the independent organization SBTi (Science-Based Target initiative), chosen by Air France to validate its objectives

This new Air France target does not replace the previous ones, and in

particular the achievement of carbon neutrality ("zero net emissions" in 2050), which combines emission reduction and compensation measures, through the financing of all kinds of projects to capture CO₂ from the atmosphere.

Since 2019, Air France has been offsetting 100% of its CO₂ emissions on domestic flights. Since this year, it must also use 1% biofuels, which also reduce the net carbon footprint of flights. By 2030, the company is aiming for at least 10% incorporation of biofuels on all its flights and 63% by 2050.

Other levers are being used, such as optimizing piloting and reducing the weight on board. One kilo less on board a plane means 69 tons less CO₂ over a year, according to Air France. However, **Air France's main asset in reducing its CO₂ emissions is the ongoing modernization of its fleet.**

This not only allows the company to reduce its operating costs, but also to significantly reduce its fuel consumption - and therefore CO₂ emissions. On average, the new aircraft delivered to Air France - 38 Airbus A350s and 10 Boeing 787s for long-haul flights, and 60 Airbus A220s for short and medium-haul flights - produce 20% to 25% less CO₂ than the aircraft they replace.

(...)

My comment: Air France, like KLM (see article below), is committed to reducing its CO₂ emissions.

Both airlines will have their actions validated by the SBTi.

SBTi is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

SBTi promotes ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.

Companies that join the initiative make a choice to act for the planet independently of their competitors.

> KLM, Schiphol, Airbus, Royal NLR and Delft University of Technology collaborate to accelerate the transition to sustainable aviation

(source Luchtvaartnieuws, translated with DeepL) April 12 - **KLM, Schiphol Group, Airbus, Koninklijke NLR and Delft University of Technology are embarking on an intensive collaboration to realize the technological development towards climate-neutral flight by 2050.** To mark the start of the joint Flying Vision initiative, the five parties signed a cooperation agreement on Monday evening.

(...)

According to the initiators, the Flying Vision initiative aims to develop an "open innovative ecosystem". This means that **the parties involved will share technological advances and new knowledge with**

others and that anyone who wants to contribute to making aviation more sustainable can participate.

Cooperation will include: the development of new, highly energy-efficient aircraft types; the use of 100% renewable energy; climate-neutral aviation logistics operations; and the implications of sustainable aviation for the passenger.

Stimulating entrepreneurship and developing new talent is also an important pillar.

To promote cooperation, **Delft University of Technology is planning a physical work and meeting place on its campus** where students, researchers, start-ups and corporate R&D staff can meet. The site is scheduled to open by the end of 2022.

***My comment:** KLM is also collaborating with the Delft University of Technology on a new aircraft concept called "Flying-V", a V-shaped aircraft, a model of which was presented at the 100th anniversary of the Dutch airline.*

KLM is very committed to the use of sustainable fuels and to research in general.

In 2019, KLM launched a project for the first European plant producing sustainable aviation fuel with SkyNRG (world leader in sustainable aviation fuels) and SHV Energy (world leader in LPG distribution), which will buy the bioLPG produced. KLM had committed to purchase 75,000 tons of sustainable aviation fuel per year.

> Airborne biofuels: TotalEnergies targets mass production in Japan with Eneos

(source La Tribune) April 14 - Already invested in the development of several sustainable aviation fuel (SAF) production sites in France, **TotalEnergies has just joined forces with the Japanese group Eneos Corporation to establish a mass production unit in Japan.** This unit would have a production capacity of 300,000 tons, which is as much as TotalEnergies' entire production in France.

(...)

Studies have already been initiated by the two partners, who are focusing on production processes using used cooking oil and animal fats.

(...)

This announcement comes a few weeks after the decision of the Japanese Ministry of Land, Infrastructure, Transport and Tourism to set an incorporation target of 10% of SAF by 2030. Given that the country consumed about 10 million tons of kerosene per year before the crisis, this requires production of about 1 million tons.

If the feasibility studies are successful and the project is implemented, the Negishi site could contribute 300,000 tons per year to this goal by 2025

Negishi would thus rank among the large production units, coming close to the Rotterdam refinery, which is due to reach a capacity of 500,000 tonnes per year by the end of 2023. However, it is still a long way from the giant Singapore refinery, which is due to produce up to one million tons per year

from next year. The Rotterdam and Singapore units are operated by the Finnish company Neste, a leader in the sector.

(...)

In France (...) at the end of March, **Patrick Pouyanné, CEO of the oil group, announced his objective to produce 300,000 tons of SAF per year in 2024** (out of a target of 5 million tons of biofuels in 2030, all sectors combined). **This production will come from several units distributed between the refineries of La Mède, Normandy and Grandpuits.**

(...)

In theory, this is more than enough to cover French needs until the end of the decade. Based on pre-crisis consumption figures - between 6.5 and 7 million tonnes of jet fuel per year in France - **about 70,000 tonnes of SAF are needed per year to cover the current 1% mandate. Double that amount will be needed by 2025, when the European mandate of 2% comes into effect under the European Green Pact.**

Production will then have to accelerate significantly to cover the following mandates: 5% in 2030 and 20% in 2035... the European Union has set an incorporation target of 63% in 2050.

***My comment:** Since the Grandpuits plant will not open until 2024, French airlines will not have enough fuel to incorporate 1% sustainable aviation fuels (SAF) by then.*

TotalEnergies will therefore have to pay an incentive tax on the incorporation of biofuels (Tirib), a tax that will probably be passed on to the price of kerosene paid by airlines.

> **CMA CGM Air Cargo to serve Paris-CDG in June**

(source L'Antenne) April 14 - With Liege as its hub, **CMA CGM Air Cargo is currently operating its fleet of aircraft in a partnership with Air Belgium. This arrangement seems to be temporary,** as the French shipping group's airline subsidiary intends to become a fully-fledged air carrier. This is the aim of its efforts in the United States and Europe, including France

In the U.S., the company obtained its air carrier certificate on March 16. An identical procedure is underway with the French authorities. Starting in June, CMA CGM Air Cargo plans to launch its first flights between Paris-Charles-de-Gaulle, Chicago, New York and Atlanta.

(...)

For the director of development at Aéroports de Paris, 2022 should be "a year of recovery for cargo at Paris-CDG". In addition to the arrival of CMA CGM Air Cargo, "Fedex and DHL Express have increased their capacities in 2021," he said. Air France-KLM Martinair Cargo is also redeploing its flights to Paris with new A350Fs

that offer a higher payload.

The French Civil Aviation Authority (DGAC) confirms the recovery of air freight in France this year.

(...)

The evolution of air freight **between France and Asia** seems more difficult to predict. The only certainty is that "**rates will increase** on this route", say Jean-Michel Garcia, AUTF's international transport delegate, and Philippe de Crécy, TLF Overseas' vice-president.

(...)

To explain the increase in freight rates, they first invoke the consequences of the war in Ukraine. "The bypass of Russian and Belarusian airspace lengthens the flights by at least three hours, they explain. **The planes are forced to carry more fuel. This has a cost and reduces their payload.**

(...)

The second reason given concerns the containment measures decided in China to fight against Covid-19. According to Christophe Boucher, these measures "impact the handling of goods in several Chinese airports that lack manpower".

***My comment:** CMA CGM is the world leader in maritime transport and logistics. It has a fleet of more than 500 vessels.*

At the beginning of 2021, it has decided to enter the air freight business by buying four second-hand A330-200Fs. It will be another competitor for Air France at the Charles-de-Gaulle hub.

> EasyJet's growth in France is soaring, driven by a catch-up effect

(source Les Echos) April 12 - EasyJet is on the right track. After two years of "stop & go" with closures and reopenings in the UK, Europe's second largest low-cost airline has finally boarded the recovery plane.

Long lagging behind its main competitors, with a 2021 offer still 64% below its pre-health crisis level, **easyJet has reopened the taps in a big way at the beginning of the year, raising its offer to 82% of the 2019 level.** And according to its CEO, Johan Lundgren, the orange company should deploy this summer "flight levels close to those of 2019" and "emerge as one of the winners of the crisis

."

A surge enabled by the lifting of health restrictions in the United Kingdom, easyJet's largest market, and the reduction of expected losses in the first half of the 2021-2022 financial year, reduced from 730 to 535 million pounds ... **But also by the good performance of its second market, France,** where easyJet remains the second largest airline after Air France in general, and the first in most regional airports.

(...)

In addition to the return of leisure customers, easyJet is also attracting business travelers in France. "With the lifting of health restrictions, business traffic has picked up again in France, with a catch-up phenomenon," confirms Bertrand Godinot. Business travel represented 24% of our activity before Covid and today we are at 26%," he emphasizes

Because of its "middle cost" model, characterized by the choice of serving major airports with as many daily frequencies as possible, **easyJet has always relied more on business travel than its main low-cost competitors, such as Ryanair and Wizz Air, even if it means incurring a higher average cost.** The recovery of business travel, seminars and conferences, even if limited to France, is therefore essential for easyJet to return to profitability.

(...)

***My comment:** The share of business travelers with easyJet may seem surprising.*

But the British company has for many years adopted the strategy of competing directly with Air France in this very profitable customer segment.

> **ADP Group: Traffic up 9.8 million passengers in March over a year**

(source Agefi) April 14 - Airport operator **Groupe ADP announced Thursday that its traffic grew by 9.8 million passengers in March compared to the same month in 2021**, reaching 72.4% of its March 2019 level

The airports managed by the group welcomed 18.9 million passengers last month, including 4 million at Paris-Charles de Gaulle and 2 million at Paris-Orly.

Cumulatively over the first three months of the year, ADP Group's traffic grew by 79.7% compared to the same period in 2021, to 47 million passengers. It represents 62.6% of the traffic level for the same period in 2019.

(...)

***My comment:** The ADP group believes that the Ukrainian conflict does not call into question its financial forecasts and traffic assumptions.*

Bonus Article

> **Laurent Berger and Philippe Martinez: "Marine Le Pen is a danger**

for the workers

(source Journal du Dimanche) April 17 - "Never has the threat of seeing the extreme right in the Elysée Palace been so strong. It requires us to speak out today to avoid this catastrophic scenario. We are the leaders of the largest French trade union organizations. We have hundreds of thousands of members and millions of workers trust us in companies and administrations. We listen to them, we accompany them, we defend them. It is in this capacity that we warn about the danger represented by Marine le Pen and her party.

The Rassemblement National has not changed. Like the National Front in its time, it is deeply rooted in the history of the French far right, racist, anti-Semitic, homophobic, and sexist. Its entire program is centered on the rejection of the other and the withdrawal into oneself. National preference, renamed national priority, is at the heart of each of his proposals. By inscribing it in the Constitution as she promises, **Marine Le Pen wishes to undermine one of the foundations of our Republic, the equality between all citizens. We do not want this society.** Every day, our teams fight against discrimination, whatever it is. Marine Le Pen's project is to make this counter-power disappear. By encouraging the emergence of a myriad of small corporatist "in-house" unions, she wants to weaken the representative union organizations and limit the defense of employees.

It will do the same, no doubt, with all the organized civil society that will stand in its way. Her project goes back on fundamental rights for women won by associations and trade unions, does not include any measure to fight effectively against global warming which threatens the future of our planet. On the other hand, it displays complacency, even solidarity with many autocrats of yesterday and today who restrict individual freedoms (Orban, Bolsonaro, Trump...) or do not hesitate to go to war to expand their territory (Putin).

We are two committed actors who believe, despite our differences, in the power of dialogue and collective action to build a more just society. We are two leaders of organizations that are not resigned to seeing the extreme right in power.

The National Rally is a danger for the fundamental rights of citizens and workers. It cannot be considered as the republican parties, respectful and guarantors of our motto, liberty, equality, fraternity. Let's not entrust it with the keys to our democracy, at the risk of losing them."

End of the press review

> **Advice for employees and former employees who are**

shareholders

You will find on my [navigation](#) site the modalities of access to the managers' sites.

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 closed at **4.109 euros** on Friday 15 April (Monday 18 April was a public holiday, so there was no trading). **It is up this week by +1.71%**.

It had fallen to €3.295 in early March.

Before the coronavirus epidemic, Air France-KLM shares were at €9.93.



Comparative evolution of the Air France-KLM share price vs. IAG and LH over one year.

Since March 2021, Air France-KLM's share price has evolved in much the same way as that of its two main European competitors, the Lufthansa and IAG groups.

However, there has been a divergence since the beginning of the year. Lufthansa's share price is performing better than Air France-KLM's, probably because the recapitalization of Air France-KLM is taking so long.

IAG's share price is down sharply. The high level of debt of the Anglo-Spanish group is highlighted by analysts.

The analysts' average (consensus) for AF-KLM shares is 3.28 euros. The highest price target is 5.50 euros, the lowest 1.30 euros.

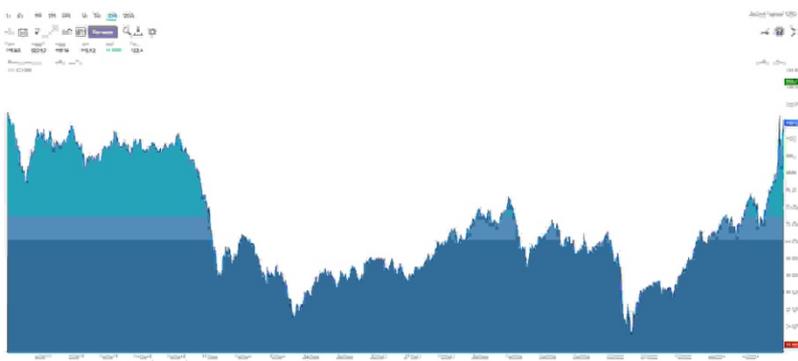
You can find the details of the analyst consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent crude oil (North Sea) is up sharply this week from +12 to 111\$.

It is back to its price of mid-February, at the outbreak of the war in Ukraine.

At the beginning of March, Brent had reached \$132, close to its record of \$150 (in 2008).

At the end of October 2020, it was at a low of \$37.



Evolution of oil prices over ten years. The sharp drop corresponds to the beginning of the Covid-19 epidemic.

This information does not constitute an invitation to sell or a solicitation to buy 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](#)

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| 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.

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