

Air France-KLM plans 20% stake in Air Europa



I Letter from François Robardet

At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow.

(Raison d'être of the Air France-KLM group)

Air transport in France, Europe and the rest of the world

N°993, December 2, 2024

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I share the Air France-KLM group's raison d'être:

[At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow.](#)

Monday's letter

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> Air France-KLM considers a 20% stake in Air Europa, according to El Economista

(source Reuters) November 27, 2024

My comment: *In 2016, when Christian Magne, my predecessor as Air France-KLM*

director, handed over his files to me, the merger with Air Europa was one of the top priorities.

Historically, relations between the two companies have been quite good, fostering constructive discussions on a possible alliance.

In economic terms, potential synergies on the Europe-South America route would be beneficial for both Air Europa and Air France-KLM.

However, the question remains as to whether Air France-KLM has the financial and human resources to complete the integration of SAS Scandinavia, Air Europa ... and TAP Air Portugal.

If this challenge is met, the Group could significantly strengthen its position against its main competitors, IAG and the Lufthansa Group.

Read the article:

Franco-Dutch airline **Air France-KLM is in negotiations to acquire a 20% stake in Spanish carrier Air Europa**, El Economista reported on Wednesday, citing unnamed sources.

The price of this stake would be higher than the 100 million euros that British Airways' parent company, IAG, spent on a similar holding, the newspaper reported. Air Europa, which belongs to the Spanish Globalia group, plans to raise funds via a capital increase.

In August, IAG abandoned its proposal to buy Air Europa after the European Commission rejected the corrective measures presented by the group. Contacted by Reuters, **Air France-KLM said that negotiations about commercial cooperation with Air Europa were underway** within the SkyTeam alliance, but did not comment on the potential acquisition of a stake in the Spanish airline. For its part, **Globalia confirmed Air France-KLM's interest in a possible stake in the airline.**

"There is interest, but there is also interest from other airlines and other funds. Nothing is sealed," Globalia said in a statement emailed to Reuters.

Air Europa was not immediately available to respond to a request for comment.
(...)

> Green fuel: Air France-KLM's efforts hailed by think tank

(source Les Echos) December 3, 2024

My comment: I've had several opportunities to talk with members of the NGO *Transport et Environnement*.

They are committed activists, always ready to listen. Their arguments concerning the decarbonization of air transport deserve to be heard and listened to.

It comes as no surprise that they have singled out the Air France-KLM group as the best performer when it comes to integrating sustainable fuel.

One figure sums it up: in 2022, the Air France-KLM group alone accounted for 17% of global consumption of sustainable aviation fuels.

However, it is essential to remain measured. This 17% still represents only around 1% of the Group's total fuel consumption.

There is therefore a considerable way to go to achieve its ambitious goal of incorporating 10% sustainable fuels by 2030, a level three times higher than regulatory requirements.

More details:

New European regulations require sustainable aviation fuels to account for 6% of fuel used on intra-European routes and long-haul flights departing from Europe by 2030.

This threshold, however, does not apply to long-haul return flights.

Air France-KLM, for its part, includes all its flights in its strategy, including long-haul returns.

Finally, at global level, the member states of the International Civil Aviation Organization (ICAO) set themselves a target at the end of 2023 of reducing emissions from the sector by 5% by 2030. This clearly shows that, despite the progress made, the global challenge remains immense.

Read the article:

Air France-KLM is doing well in the race to decarbonize the airline industry. In a new observatory on sustainable aviation fuels (known as CAD or SAF), produced from used oils or agricultural and forestry residues, the "**Transport et Environnement**" (T & E) think-tank **considers that the Franco-Dutch airline group is the most committed to sustainable fuels among the 77 airlines reviewed** for the occasion.

According to T & E, of these 77 airlines, which are responsible for around 75% of

the world's kerosene consumption, **"only 10 are making significant efforts to switch from fossil kerosene to truly sustainable alternatives.** The other 67 are either buying too little SAF, or the wrong type of SAF (e.g. based on food crops, Editor's note), or are not considering SAF at all in their decarbonization plans". To establish its observatory, **T & E has defined four categories (from A for the best performers to D for the worst),** and **Air France-KLM,** which has set itself the target of incorporating 10% FAS into its fuel by 2030, more than the 6% required by the EU, **is in category B.**

While "no airline achieves the highest score" in T&E's ranking, **Air France-KLM stands out "because it already uses SAF via advanced biofuels and biofuels derived from waste (cooking oil)".** In particular, it has strengthened its alliance with TotalEnergies for the supply of sustainable aviation fuel. This puts it on the top step of the podium, ahead of United Airlines and Norwegian.

While this is a harsh assessment for airlines at a time when the sector has promised carbon neutrality by 2050, **T & E** does not blame them entirely. Indeed, the think-tank **puts much of the blame on the producers of these fuels.** "Half of the airlines in the ranking score zero for their insufficient use of sustainable aviation fuels. But much of the blame lies with the oil companies, which are not investing in the transition to green kerosene," explains T & E.

"Eni, TotalEnergies, Shell, BP, Chevron, ExxonMobil, Sinopec and Saudi Aramco plan to produce just 3 million tonnes of SAF by 2030, less than 3% of their current production dedicated to aviation," notes the think tank. It also points out that "the e-kerosene market is currently dominated by small refiners and start-ups, which do not have the financial capacity to produce enough to meet the needs of the mass market in the long term". **"Airlines must change this situation by pounding their fists on the table. They need to make their fuel suppliers understand that what they're selling them isn't going to make their flights any greener. If they don't, they'll be able to say goodbye to their goal of zero net emissions"**, stresses Jérôme du Boucher, head of aviation at T & E France. The think-tank believes that the EU, which has already set strict rules for the introduction of these fuels, "must prioritize the adoption of e-fuels for aircraft in its next Clean Industrial Agreement."

> **Emirates expects a further 64 Airbus A350-900s**

(source Air & Cosmos) November 29, 2024

My comment: *In itself, the arrival of the first Airbus A350-900 doesn't warrant an article in this newsletter.*

But this article is worth reading, as it lists the different configurations chosen by

operators of this aircraft. They range from 161 to 432 seats.

Read the article:

Emirates has just taken delivery of its first Airbus A350-900, part of an order for 65 firm aircraft. The cabin layout accommodates a total of 312 passengers in three classes: **Business, Premium Economy and Economy. A configuration chosen by 18 other long-haul operators.** The 19th, Japan Airlines, has opted for a similar layout, but with a nuance: First, Business, Economy. Four other A350-900 operators have a First Class cabin: China Eastern, Malaysia Airlines, Starlux and Lufthansa. However, this First Class is part of a four-class layout. As a result, this First Class is limited to four passengers, compared with 12 on Japan Airlines.

With the exception of **Japan Airlines (369 seats in total) and Starlux (306)**, the other three airlines operate the A350-900 with fewer than 300 seats: **China Eastern has 288, Malaysia 286 and Lufthansa 267.** But the presence of First Class alone does not explain a capacity of less than 300 seats. Geographical and network constraints also play a role. The same applies to operators who have opted for a three-class split (Business, Premium Eco, Economy).

The list includes **Cathay Pacific Airways (280), Finnair (297), Philippine Airlines (295), Singapore Airlines (253) and Lufthansa (293/295). SAS is right at the limit, with 300 seats.** With one exception to the rule: Qatar Airways is also in the under-300-seat club, but with a two-class Business/Economy configuration that takes up a total of 283 seats. **Lufthansa has adopted no fewer than 4 different configurations for its A350-900s:** 267 (with Première), 293, 295 and 318 (Affaires, Premium Eco, Eco). This compares with three for Singapore Airlines: 253, 303 (Business, Economy) and 161

Two extremes: 161 seats and 432 seats

Singapore Airlines is the only airline to offer 161 seats on the Airbus A350-900, in a two-class configuration that does not include First or Economy. The airline offers 67 lie-flat seats in Business and 94 seats in Premium Economy. This very special configuration only applies to the Ultra Long Range (ULR) version of the A350-900. **At the other end of the scale, Iberojet's A350-900s are equipped with 432 seats in Single Economy.** In terms of density, French Bee follows with 411 seats in two classes (35 in Premium Eco, 376 in Eco) and Air Caraïbes with 389 seats in three classes (Business, Premium Eco, Eco).

> EU approves Lufthansa's proposals to buy 41% of ITA Airways

(source Agefi) December 2, 2024

My comment: *This time, it's done! Alitalia (sorry, ITA Airways) is saved.*

At least, what's left of it.

In January 2004, the Alitalia group had 21,300 employees and a fleet of 157 aircraft.

In 2024, ITA Airways will have just 3,900 employees and a fleet of 90 aircraft.

Read the article:

The European Commission has approved the proposals put forward by Lufthansa and the Italian government, deeming them to meet the conditions required to enable the German carrier to acquire a minority stake in ITA Airways. (...)

In July, Lufthansa received conditional approval from Brussels to acquire a 41% stake in ITA Airways, formerly known as Alitalia. This authorization was subject to full compliance with the remedies proposed by Lufthansa, namely the abandonment of certain routes and the implementation of arrangements with other airlines to preserve competitive conditions.

As part of the approved remedies, easyJet will launch non-stop short-haul flights between Italy and Central Europe, and take up landing and take-off slots in Milan, the Commission said.

The Air France-KLM and IAG groups, meanwhile, won concessions that strengthen their competitiveness on important long-haul routes between Italy and North America.

> [Ryanair to land at Orly airport in 2025](#)

(source Les Echos) December 1, 2024

My comment: *Windfall or strategic change for Ryanair?*

Given the saturation of Orly airport, I'm leaning towards the first hypothesis.

But the article's interest lies elsewhere; it details how COHOR, the organization that manages slots, proceeds to reallocate available slots.

Read the article:

Is this an effect of the arrival of metro line 14 at Orly? **After years of ruling out**

service to Paris's major airports, Ryanair will launch its first flights from Orly on April 1. The Irish airline has obtained **permission from** Cohor, the independent body responsible for allocating slots at major airports, **to open two daily round trips** from the airport south of Paris. The two destinations chosen are Bratislava (Slovakia) and Bergamo (Italy).

Ryanair's arrival at Orly marks an important turning point in the French strategy of Europe's leading low-cost airline. **Although it had already made at least one attempt to obtain slots at Orly, Ryanair had always considered the two major Paris airports too expensive and too complicated, preferring Beauvais instead.** This U-turn is all the more remarkable in that it comes at a time when Ryanair has threatened to close half its destinations in France. It is also a challenge to Transavia, Air France's low-cost subsidiary, which has become the leading operator at Orly, as well as to number two, EasyJet.

8

,000 slots put back on the line

Ryanair, however, is just one of the beneficiaries of a redistribution of a "pool" of 8,000 slots put back into play by Cohor, the biggest operation of its kind since the bankruptcy of Aigle Azur in 2019. Slots abandoned by airlines that have closed routes, such as Air Dolomiti, or never managed to operate them, such as those of the short-lived Breton company Céleste, or taken over by Cohor for lack of sufficient utilization, as required by European regulations.

These 8,000 slots are enough to operate around 11 new rotations a day," explains Cohor

director Antoine Lapert. **Their reallocation meets precise regulatory criteria. Half of them must go to new entrants.** That is, airlines with fewer than 5 daily slots at Orly. **The other half must be used primarily to serve intra-European routes, with additional priority for new routes, routes with a monopoly and those where competition is limited to two operators."**

Ryanair ticked all these boxes. Not only had the Irish airline never set foot at Orly before, but the Slovak capital and Bergamo were not yet served from the airport. **Ryanair was only able to obtain two of the 14 services, as Cohor had to satisfy other equally legitimate requests.** "The total number of requests submitted represented some 70,000 slots," says Antoine Lapert. And Orly airport is limited to 250,000 slots.

Another new entrant, Volotea, has been granted the right to operate 13 flights a week from Orly, spread over several Italian destinations (Ancona, Olbia, Alghero, Turin and Verona). Here again, the strategic shift is noteworthy, as the Catalan airline had tended to focus on inter-regional routes. Polish airline Lot has also secured a daily flight to Warsaw. But it will have to reckon with low-cost carrier Wizz Air, which will launch two rotations a week to the Polish capital. Air Corsica, meanwhile, has acquired additional capacity for its Figari route.

For airlines already present

Airlines already present at Orly have also benefited from new slots. Transavia France will be able to launch a new daily service to Amsterdam. EasyJet will add

Skopje (Macedonia), Sofia and Southampton to its offer. Vueling will be able to serve Salerno. Wizz Air will offer London-Gatwick four times a week, and ASL Airlines will launch a daily service to Algiers.

The only new long-haul destination will be French Bee, which will serve Montreal five times a week. However, **unlike the new entrants, who are obliged to use their slots for the requested destinations, the other airlines still have the option of changing destinations.**

> Three years in the making, Safran lifts the veil on the aircraft engine of the future

(source Les Echos) November 28, 2024

My comment: *Although this engine looks promising, its integration into the aircraft still raises a number of questions.*

With a fan diameter of up to 4 meters (double that of an A320), determining its optimal location is crucial to maximizing performance.

Should it be installed on the wing or in the tail?

The various options are still being evaluated.

Another major issue is safety.

The absence of a fairing potentially exposes the fuselage to blade projections in the event of an incident.

This risk needs to be anticipated, either by structural reinforcement, or by a technical demonstration proving that such a scenario is impossible.

The most delicate task will undoubtedly be to limit noise. Failing that, its acceptability to local residents will be far from assured.

One final remark: this CFM Rise will only be fitted to short- and medium-haul aircraft.

The first CFM Rise-powered aircraft is not expected to enter service before 2035.

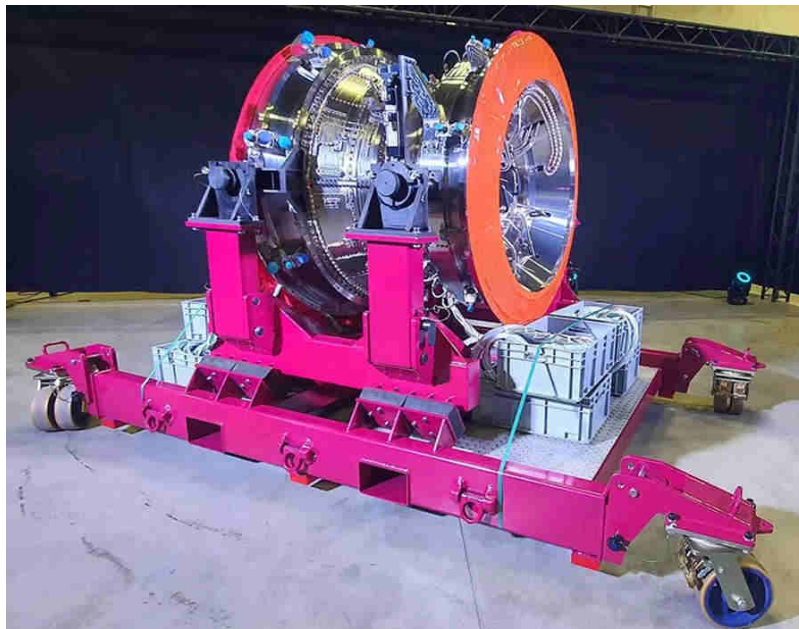
Its contribution to decarbonizing air transport will therefore be very limited. Short- and medium-haul flights account for barely 20% of air transport's CO2 emissions.

Read the article:

The aircraft engine of the future is no longer a concept, but a reality. Three and a half years after the official launch of the program, **Safran unveiled on Wednesday a demonstrator of the low-pressure compressor, the front end of the future Rise engine, which will power the next generation of Airbus and Boeing aircraft.** For Safran, this represents an unprecedented technological leap forward since the launch of the CFM56, the world's best-selling aircraft engine, forty-five years ago.



demonstrator_rise



compressor_rise

The future of Airbus, the French and European aeronautics industry, and the

objectives of decarbonizing air transport largely depend on the success of the Rise program. This revolutionary engine architecture should reduce fuel consumption and greenhouse gas emissions by 20% on future medium-haul aircraft. This, combined with the possibility of using 100% sustainable aviation fuels, offering up to an 80% reduction in net CO₂ emissions, would make it possible to achieve carbon neutrality. **This low-pressure compressor demonstrator,** designed by Safran Aero Boosters, the "Belgian nugget" of the group that manufactures the front ends of all Safran engines and its American partner GE, **is, along with the fan, the most innovative and complex part of the future engine.** The low-pressure compressor is at the heart of the Rise's architectural revolution," says Safran CEO Olivier Andriès. This is where it all happens.

It's also one of the biggest investments Safran has ever made. Rise already absorbs more than half of our research and technology expenditure, i.e. several hundred million euros a year," says Olivier Andriès. But we're still only at the R&T stage, upstream of the decision by the aircraft manufacturer to launch the new program," he explains.

"We still need to finance development and industrialization. For the three variants of the Leap engine [Safran's current "best-seller", editor's note], we have spent 5 billion and our partner GE, as much. A total of 10 billion. But this was a new engine with a traditional architecture. In the case of Rise, we're working on a disruptive architecture.

(...)

This first six-month test campaign will be crucial in validating the new compressor's many technological innovations. **Compared to its predecessors, the Rise's booster is not only wider, to be able to ingest a much greater volume of air, but its finned rotors will also have to turn much faster, at close to the speed of sound.** To achieve this, Safran Aero Boosters had to develop a new inertial friction welding process, exclusive to the company, which reduces weight by 20% while increasing strength.

(...)

Added to a gigantic open-rotor fan and the addition of a kind of automatic gearbox (a power reducer) between the fan and the low-pressure compressor, all these innovations should considerably improve the dilution ratio. This key measure of a turbofan engine's performance gives the ratio between the volume of cold air and the volume of hot air ejected by the thruster. "

The Rise is aiming for a bypass ratio of 70, compared with 15 for today's best-performing engines," points out Eric Dalbiès, Safran's Vice President, Strategy, R&T and Innovation. That's quite a technological leap.

If all goes well, Safran and GE will be able to assemble the first complete prototype engine in the second half of next year. The first ground tests will take place in 2026, followed by flight tests in 2027, on GE's test Boeing, then on an Airbus A380. **"Our aim is to have a complete demonstrator by the end of the decade,"** says Eric Dalbiès.

After that, Safran and GE will simply have to rely on Airbus and Boeing to decide whether to launch their new aircraft programs, which won't enter service until the second half of the next decade. In the hope that their solution will prevail over the apparently more conservative ones being developed by Rolls-Royce and Pratt & Whitney. Safran and GE have an undeniable advantage. Their CFM engines power all Boeing 737s and more than half of Airbus A320s.

> When Boeing also began to take an interest in a non-ducted fan engine for its future single-aisle aircraft.

(source Journal de l'Aviation) November 26, 2024

***My comment:** Boeing will have to wait at least ten years to replace its old B737s (see previous article).*

Until then, Airbus can rely on its A320 NEO range, which is more reliable than the B737 MAX.

Read the article:

The RISE technology maturation and demonstration program is now attracting interest from two of the world's leading OEMs, to say the least. **Boeing has just joined the GE Aerospace/NASA research team to study the aerodynamics of an Open Fan engine installed on an aircraft wing** under simulated flight conditions, using the extensive computing resources of the U.S. Department of Energy's Oak Ridge National Laboratory.

The challenge here is to better understand the interaction between an Open Fan engine and the aircraft itself, which will determine the ideal positioning of this type of engine at wing level. Obviously, placing an Open Fan at the rear of a fuselage with a T-tail seems much simpler, but this solution is not ideal either for operators or for aircraft with more capacity than medium-haul single-aisle aircraft.

Like Airbus earlier, Boeing's main aim is to have a range of options on the table so that it can decide on a future commercial aircraft program at the end of the decade, thus erasing the difficult years of the last-generation 737. Up to now, the American aircraft manufacturer has been mainly involved in the study of high-stretched, guyed wings, using the work of the Transonic Truss-Braced Wing (TTBW) project, with its X-66 demonstrator based on an MD-90, due to fly within the next four years.

(....)

However, the road to the hypothetical launch of a new program remains winding, and Boeing still has many things to finalize before it can return to the forefront of

commercial aviation, starting with the certification of its 737-7 and 737-10, then its 777-9 and 777-8F.

Nevertheless, the aircraft manufacturer agreed with the powerful IAM union that such a future program should be produced in the Seattle area, one of the conditions sought by machinists to end the recent strike.

And now, CFM International's RISE program has also entered the equation...

End of press review

> Air France-KLM share price trend

Air France-KLM shares closed at **7.394 euros** on Friday November 29. Over the week, it is **up slightly (+0.49%)**.

It was 12.53 euros on January 2, 2023, and 17.77 euros on June 19, 2023.

The analysts' 12-month average (consensus) for AF-KLM shares is 10.66 euros (it was 15.0 euros at the beginning of January 2023). The highest price target is 17.50 euros, the lowest 7.10 euros.

I only take into account analysts' opinions after July 1, 2023.

You can find [details of the analyst consensus](#) on my blog.

***My comment:** Air France-KLM's share price has never been so low. But fingers crossed, analysts say the worst is over.*

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is down (-\$2) to \$87. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down (-\$1) to \$73 per barrel.

From mid-February 2022 to the end of July 2022, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

***My comment:** Over the past month, oil prices have shown little change. It is now at its lowest level for 2 years.*

> FCPE management

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It is the Supervisory Boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Partners for the Future, Aeroactions, Majoractions and Concorde funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various equities.

My comment: *If you'd like to find out more about how the various Air France FCPEs are managed, please visit the [Air France-KLM Employee Share Ownership section of our navigation website](#).*

Details

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

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By return, you can ask me any questions you may have about the Air France-KLM group or employee share ownership...

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| François Robardet

**I represented current and former Air France-KLM employees.
You can find me on my twitter**

account @FrRobardet and on LinkedIn.

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