

## Minutes Pre Consultation I 3 June 2021

Peter Luske

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On 3 June 2021, the first Pre Consultation session for Airport Charges 2022-2024 took place. In this document the minutes of the different topics is included with statements (S), questions (Q) and answers (A).

### Attendants:

BARIN:	Mr. Marnix Fruitema
Corendon:	Mr. Maurice Boogerd
Easyjet:	Mr. Dimitrios Schoinas, Mr. William Vet, Mr. Thomas Marty Scriver
IAG:	Ms. Anna Senecka
IATA:	Mr. Manuel Lanuza Fabregat, Mr. Cesar Raffo, Ms. Anna Gomez Pineda
KLM:	Mr. Pieter Cornelisse, Mr. Jorrit van Opstall, Ms. Idris Mattijssen, Mr. Rinze Nieuwhof
Ryanair:	Mr. Peter McGowan, Ms. Emilija Dudaite
Schiphol:	Ms. Birgit Otto, Mr. Robert Carsouw, Mr. Huub Hofstede, Mr. Richard Emmerink, Ms. Patricia Vitalis, Mr. Peter Luske, Mr. Michael Arntzen, Mr. Bas Kooij, Mr. Maarten Brink, Mr. Timo Noortman, Ms. Suzanne de Hoog, Ms. Marije van Overbeek (minutes), Ms. Carla de Vor (minutes)
Transavia:	Mr. Melchior Looijen, Mr. Arjen Kieskamp
TUI Aviation:	Mr. Maarten Cooreman
United Airlines	Ms. Christa Horvath

*N.B. The text in brackets [and] is added by Schiphol after the meeting based on received input.*

Ms. Birgit Otto welcomes everyone on this first Pre Consultation meeting. Unfortunately, this meeting is online via Teams. Schiphol is looking forward to seeing everyone in person hopefully soon.

### 1. Sustainability in charges

Mr Emmerink starts the session on sustainability in the charges and stresses the challenge the sector has with COVID19. He states Schiphol wants to recover as strong as possible and build back better at the same time. He explains that the sustainability challenge of the aviation sector is huge and sustainability in the charges is clearly a strategic move to help the sector in the right direction. He summarises the impact:

- Total CO2 emissions by aviation is in the order of 3% of the world total;

- And if the climate warming impact of so-called non CO2 climate warming effects (such as contrails and nitrogen oxides) is added, then the impact is roughly doubled to approximately 6%;
- And as the aviation sector is a hard to abate sector, other sectors will come down faster and therefore, the relative share of the aviation sector will go up.

To underline the urgency he mentions the ruling by a Dutch court last week on the company Royal Dutch Shell who has been forced to move faster and make clearer commitments to reduce its climate impact. According to Mr Emmerink continuing in the desired direction is the sector's collective License to Operate for the future. He further explains that Schiphol has taken a very clear position on this issue. In its own Vision 2050, Schiphol has made it explicit to want to be the "most sustainable and high quality airport". This is done in various ways, and airport charges are an important element. Furthermore, the issue of airport charges was also mentioned in the sector document Smart and Sustainable (in Dutch: "Slim en Duurzaam") which has been signed by pretty much all the participants of this meeting, which is a very good step in the right direction. Mr Emmerink summarizes some general points in terms of Schiphol's approach towards airport charges in respect of sustainability:

1. Schiphol wants to be predictable. Schiphol made its intentions clear three years ago and announced to take a next step in the coming three-year-charge-period. Schiphol intends to do so in three years from now as well.
2. Schiphol wants to take a step by step approach: Schiphol understands that airlines have assets that cannot be changed overnight, Schiphol wants all the airlines to be part of this change. Therefore the changes Schiphol proposes will be again a step in the direction of more sustainability in its charges structure.
3. To answer the question which was asked during the deep dive session on April 22, 'what is the Case for Change', Mr Emmerink explains that Schiphol expects airlines to take these charges into account in their own business models although Schiphol recognises that there are many other factors that airlines will need to take into account as well. Schiphol intends to just slightly influence airline decision-making.
4. The nature of the charges: some of the airlines will benefit from the changes that we will make and some will not. But for the airline community as a whole the total costs will not be different from a system without incentives for sustainability in the charges. So, the argument that is made frequently by some airlines that this makes it harder for the airline community is only half of the story. It also makes it better for the other half. Furthermore, whether an airline benefits from Schiphol's charges mechanism is up to the airline's own decisions going forward.
5. All of the above is fully in line with the White Paper on Aviation that the government produced a year ago: the license to operate of the aviation sector is directly linked to the reduction of the environmental footprint of the aviation sector.

#### Noise modulation

Mr Emmerink explains that Schiphol intends to keep the proposal very similar to last time, but as promised earlier strengthen it a bit. So, the proposal is to move the seven brackets of the noise modulation by one EPNdB. This will ensure that over time the distribution of aircraft is still nicely spread over the various categories. If Schiphol were not to amend the brackets, then over time all aircraft would be moving towards category S7, and consequently the noise incentive would decrease over time. In other words, new aircraft now will become old aircraft in 10, 20 to 30 years. This is reflected in the proposed change. Mr Emmerink explains that the reason why Schiphol intends to continue with this noise modulation, is because the noise issue in the Netherlands has not gone away, rather the opposite is true at this moment. Opposition against aviation is stronger than ever and according to Mr Emmerink and Schiphol's charges have to take this sentiment and facts into account .

The inclusion of a NOx charge per kg

Mr Emmerink explains the relevance for NOx emissions to society:

1. NOx emissions adversely impact local air quality;
2. NOx emissions are also a greenhouse gas and impact global warming. These are covered under the so-called non CO2 effects. As mentioned before, the total non CO2 effects are likely more impactful for global warming than CO2;
3. Particularly in the Netherlands, NOx emissions have an adverse impact on nature areas. Actually, this point is probably one of the most difficult and intense political issues to deal with for Dutch politics. And it is impacting society at large. For example, in the Netherlands this issue has to be addressed in order to be able to build sufficient new houses. For the aviation sector a separate report was produced by a government commission and this report is very clear that the NOx emissions of aviation are not allowed to go up.

Schiphol proposes a simple charge per kg of EUR 4,5 per kg LTO emissions. This methodology is in line with what some other airports are already doing. Mr Emmerink stresses that as with noise, this is a first step. Compared with other airports Schiphol is slightly above most, which properly reflects the pressing issue in The Netherlands regarding nitrogen. He further explains that Schiphol is still way below the real external costs of nitrogen as has been estimated by scientists.

Referring to the remarks on the noise/NOx paradox, Mr Emmerink explains that according to him there are more than just one issue to tackle. The NOx problem is urgent and pressing as well. And therefore, if there are more issues that need to be tackled simultaneously, than additional instruments are needed. The logic can be turned around: if there would not have been a paradox between noise and NOx then there would not have been a reason to introduce a separate NOx charge, because the noise charge would then also have taken care of NOx. This is not the case, and therefore a NOx charge is required as well. In some circumstances this might indeed imply that a trade-off between noise and NOx must be made. But Schiphol believes that in the future, aircraft manufacturers will more and more try to build aircraft that work well on all dimensions: noise, CO2 and NOx. Clearly, the inclusion of NOx in the charges will make it visible for the manufacturers that this is an issue that should be addressed as well and cannot be ignored.

A SAF incentive (sustainable aviation fuels incentive)

Mr Emmerink expects a blending mandate for SAF in the EU for 2025 and the years afterwards. Up to that moment, Schiphol would like to incentivize the use of SAF at Schiphol Airport. Mr Emmerink explains that a subsidy of EUR 500 per ton SAF on the basis of biofuels and EUR 1000 per ton SAF based on synthetic fuels is what Schiphol proposes. Schiphol will pay for this from non-aviation.

Mr Emmerink explains that this shows Schiphol's clear commitment to SAF going forward and its willingness to support the airline community. And it helps towards the sector's collective objective to move to 14% usage of SAF in 2030 as stated in the Smart and Sustainable document (Dutch: "Slim en Duurzaam").

Mr Emmerink explains that the reason Schiphol does not propose to subsidise electric flying or CO2-compensation at this moment in time, is because Schiphol believes it is better to use its funds to incentivize the real long term solution of aviation as a high percentage of the CO2 emissions are generated by the long haul flights, and for those flights the answer will have to come from SAF. Mr Emmerink emphasizes that Schiphol absolutely admires companies that work in the meantime on compensation and would like them to continue doing so.

Distance

Mr Emmerink explains that Schiphol has not included a distance element in the charges proposal, but would be open to discuss this further with the airlines. If a large share of airlines would be in favour of this, then a proposal could be worked on. One way of looking at a distance element in the charges could be in the context of the air-rail agenda Schiphol created together with the Dutch government, KLM, NS and Prorail in which rail is incentivized for the destinations: London, Paris, Brussels, Dusseldorf, Frankfurt and Berlin. Berlin is still a six hour+ rail trip, so not a real rail alternative at this moment. An idea would be to charge a slightly higher

charge for the five destinations in favour of all the other destinations at Schiphol. This would also be in line with the sector programme Smart and Sustainable. Mr Emmerink invites the airlines to reflect and share ideas on this.

#### Load Factor

Mr Emmerink explains that Schiphol has not included additional load factor elements to the ones already present in the current LTO charges. LTO charges are a fixed amount, and the more passengers in an aircraft will obviously spread this fixed amount over a larger number of people. Hence, according to Schiphol, the load factor element is implicitly part of the fixed cost nature of the LTO charges.

#### Questions and Answers

Mr Raffo asks whether this is consultation or information. According to him it looks like this is what has been decided already. According to Mr Raffo consultation should mean exchanging views.

Ms Otto emphasized that this is consultation. So what has been presented, is still a proposal of Schiphol. Schiphol explicitly invites airlines to express their views.

Mr Raffo says having raised the case for a change during the previous meeting because in the presentation of Schiphol noise levels go down. This is why Mr Raffo is wondering why Schiphol sees a need to further adjust the system. According to Mr Raffo there still is no answer to this question. He further asks from Schiphol to show a study or a confirmation of other airports showing that the implementation of a NOx charge has an effect on actual NOx emissions.

Mr Raffo further asks how much money will be available for the SAF incentive. He states that it is a nice initiative, but it is difficult to access if it is not clear to which amount it is and Schiphol can change it at any time.

Mr Raffo adds that besides this the discussion the settlement has not even started. He wonders whether the SAF incentive will affect this discussion.

According to Mr Fruitema everybody understands the reasoning of becoming more sustainable and each airline is working hard to become more sustainable. Mr Fruitema explains that during this uncertain period all airlines are confronted with heavy losses and that the effects of the COVID-19 crisis is unknown. There are still many questions from the airlines. Mr Fruitema asks Schiphol to react on the questions of the effects of the step by step approach. But also on how a SAF incentive fits in. And whether there is more to come. According to Mr Fruitema, Schiphol has explained that some airlines will benefit, and others will not and that for half of the airlines Schiphol's proposal is better; and for the other half it's worse. Mr Fruitema asks whether the comparison in Schiphol's presentation on the NOx charge is a like for like comparison. Mr Fruitema also asks what the effect of this penalty is.

Mr Fruitema further asks what amount is involved for the SAF incentive and whether there will be enough supply for all operators.

Mr Cornelisse states to support sustainable initiatives but agrees with Mr Raffo and explains that the content of the presentation comes across like decisions have already been taken instead of consulted. Mr Cornelisse also states that in 2018, for the charges 2019-2021, Schiphol already made a significant noise modulation. He asks if Schiphol can provide financial impact of combined effects of noise and NOx per aircraft type.

Mr Cornelisse further states not to agree with the graphs in the presentation because according to him the NOx charge for Frankfurt is not correct. He further asks why Schiphol did not choose its own airport peers that have already implemented similar elements in charge structures.

Mr Scriva states to support Mr Raffo on the consultation process and is of the opinion that a lot of views were expressed during the deep dive session in April and Schiphol did not take these views into account. According to Mr. Scriva Schiphol is ignoring the aim of consultation.

Ms Otto emphasizes again that the purpose of this pre-consultation meeting is consultation of proposals of Schiphol with airlines. She stresses that Schiphol will take suggestions of airlines into account.

Mr Scriva asks how come the base charge in Schiphol's proposal is reduced. He proposes to keep the same rates and to reduce noise categories S6 and S7. He further asks why there is a discount on cargo since there are huge issues on night flights and noise from cargo aircraft.

Mr Scriva also asks how Schiphol has calculated the €4,50 per kg NOx. According to him this amount is one of the highest in the benchmark. Mr Scriva is of the opinion that it would be better to reward airlines on all kinds of emissions. Mr Scriva further asks when Schiphol plans to provide the airlines with details on the budget for a SAF scheme. He states believing a SAF incentive is discriminative to airlines refuelling with SAF somewhere else. He asks whether Schiphol takes this into account.

Mr McGowan states to reject the NOx proposal and is in favour of solely a noise modulation. According to Mr McGowan environmental charges should be reflected in the passenger charges.

Mr Emmerink emphasizes that, as clearly stated by Ms Otto, this is a consultation. On April 22, during the Deep Dive session various scenarios were discussed. During this pre-consultation meeting Schiphol puts forward a proposal for discussion purposes to come back on during the next meeting.

To the questions on the case for a change, Mr Emmerink answers that Schiphol strives for as much predictability as possible and by touching the noise modulation as little as possible. Also, if Schiphol would not adjust the modulation, more and more aircraft would fall in the higher categories which causes the system not to steer on noise anymore. He further explains that the reason the base charge is lower as a consequence of the change in modulation, is a technical one. The base charge is lower in order keep the same ratios of the charges. The total LTO share remains unchanged (zero sum).

Mr Emmerink explains that NOx is a serious problem in the Netherlands, particularly one of the biggest issues in the Dutch government coalition. Dutch society asks Schiphol to take action. The level of the charge is always somewhat arbitrary. The amount of €4,50 is slightly higher than most airports and way below one other airport. The amount surely is way below the external cost level.

In reaction to Mr Cornelisse's question on the financial effects, Mr Emmerink confirms that Schiphol can provide an overview of simulated effects on different aircraft types.

Mr Emmerink adds that airlines care a lot about sustainability. He emphasizes that the sector is in this together and that this is crucial for the licence to operate. Schiphol proposes to move the noise modulation a little bit step by step and to incentivise SAF, hoping that a blending mandate will be in place in due time. Mr Emmerink hopes the world will follow this example. Schiphol has decided to introduce this incentive before the blending mandate comes into force.

In reaction to Mr Fruitema's question on the like for like comparison of the NOx charges between airports, Mr Emmerink confirms that it is a like for like comparison. Schiphol will use the same method of calculation as other airports in the peer group.

In reaction to Mr Scriva's question on the fuelling of SAF elsewhere, Mr Emmerink explains that Schiphol wants it to be SAF of the highest quality. He explains that since Schiphol is in the Netherlands, Schiphol tries to optimise societal welfare for the Netherlands. Schiphol does not intend to subsidise other airports and hopes that airlines will ask for similar arrangements at other airports.

Mr Emmerink explains that for the distance element, there is the air-rail agenda in the Netherlands. Schiphol tries to incentivise high speed rail as an alternative for air travel on short distances. Schiphol could charge a slightly higher LTO charge for the six earlier mentioned destinations minus Berlin and give a small discount to all other destinations. Mr Emmerink explains that this is a possibility to include a distance element in the charges only if a substantial share of the airlines at Schiphol would be in favour of such a proposal.

Mr Hofstede gets back to the statement Mr Scriva made on the cargo discount, noise and night time. He explains that this discount is related to the availability of infrastructure for Cargo. Noise is included in the current and future modulation, so this is reflected in the charges structure.

Mr Raffo states not to support the distance element Mr Emmerink came up with because of the lack of relation to the cost of the airport.

Mr Scriva asks what the level of decrease of the base charge would be.

Mr Emmerink answers that this will become clear in the overview for aircraft types.

Mr Cornelisse states not to understand Mr Emmerink's reaction. He suggest to take a closer look at the suggestions KLM communicated rather than to blow them straight away. Mr Cornelisse stresses the need for more insight into the combined effects of noise and NOx. According to Mr Cornelisse this doesn't feel like consultation but rather an information session. The level of the proposed NOx amount according to Mr Cornelisse is three times more than Frankfurt. Mr Cornelisse suggests to listen to the participants and to come back on it rather than to react straight away.

Ms Otto suggests organising another meeting for a Deep Dive to have the discussion points the airlines raised.

Mr Cornelisse agrees that this is a very good suggestion and asks for the figures per aircraft type in order to prepare for the meeting.

Ms Otto stresses that sustainability is an extremely important topic and is worth a good discussion. She promises Schiphol will organise another meeting and invites airlines to let Mr Luske know if they would like to join.

## 2. Update Traffic & Transport

Ms Vitalis gives a short recap on the content of the pre-shared slides. Most important question is how fast and to which volume the airline sector will recover from the COVID-19 crisis. It is indeed a difficult question for everyone.

Since the deep Dive Session on 22 April, several individual meetings with airlines have taken place. At this moment, Schiphol does not have elaborated Traffic and Transport volumes yet and continues gathering and using input from airlines and external parties such as IATA and EUROCONTROL. At the End of June, Schiphol expects to have an initial forecast that will be reviewed in July to develop a final forecast at the end of August to use as input for a charge intention. Finally, the final charge proposal including the final Traffic and Transport volumes will be presented in the Consultation document that will be discussed at the end of September.

Schiphol is now working on four scenarios of recovery from optimistic to pessimistic, with a different phasing in building back to the volume of 2019, depending on different assumptions regarding the status of pandemic, vaccinations, segments and economic recovery. Finally, Schiphol will use a single scenario as forecast for its cost, investment plan and the calculation of a charge proposal.

Airlines are invited again to get in touch with Ms Vitalis' team as it is very willing to listen to the airlines and discuss the views in separate meetings one on one.

Q: Mr Raffo agrees to working on different scenarios and is looking forward to discuss them in detail. Besides the Traffic and Transport volumes, he is also interested in the corresponding cost level to be able to judge the whole picture. Furthermore, he is interested in the underlying assumptions of different scenarios and asks to share these assumptions in the next meeting.

A: Ms Vitalis confirms that Schiphol is working on different scenarios and that the underlying assumptions will be shared next time. Mr Hofstede adds that it is quite uncertain how the cost development related to the different scenarios exactly will be. Based on a most likely scenario Schiphol will present its cost development on 6 July.

S: Mr Fruitema supports the quote on slide 7 that traffic expectations have to be made as late as possible in the consultation process, as new insights can change quickly.

### 3. Operational Conditions

#### Operational Conditions

Ms Vitalis elaborates on the slides on changes in conditions. She explains that most of the changes are administrative, for example contact persons or clarifications of IATA messages. She explains that in RASAS, Schiphol proposes to adjust the evaluation moments back to once a year. The other changes in RASAS are small and textual. Ms Vitalis further explains that the Schiphol Regulations are also simplified because the current rules are complex and sometimes difficult to understand. This limits the enforcement of these regulation by Schiphol in practice.

Mr Raffo says it would be useful to see the changes in the written text.

Mr Luske explains that these texts will be part of the final consultation documentation and promises to check whether some of the conditions can be published earlier.

### 4. Unuïteiten Polderbaan

Mr Hofstede explains that the regulatory framework (Aviation act, Operation Decree and Allocation System) prescribes a specific calculation method 'unuïteitenmethode' in case assets exceed the value of one hundred million euros and in case these assets are characterized by an initial overcapacity. Only the Polder Runway (18R-36L) meets these criteria.

Over a lifetime, the usage of assets is reflected in depreciation and capital costs per year. In the end the unuïteiten method is a way to defer costs in the first years to later years. The capacity added by the Polder Runway is calculated as the difference between the maximum capacity of the five-runway system and the capacity of the original four runways. Given the uncertainty of the current Traffic and Transport forecasts, Capacity declaration and 'Gebruiksprognose' 2022, Schiphol did not update the final outcome of the unuïteiten calculation yet, but will include the outcome in the final Consultation document. It is expected that the costs according to the unuïteiten method will be lower in the next three years than based on IFRS, which will push additional cost to later years. Finally, all depreciation costs are eventually covered in the airport charges. The accumulated difference between the book value IFRS and book value 'unuïteiten method' is already € 83 million. This means that somewhere in the coming 15 years (till 2036) Schiphol has to bring this difference back to zero, which means that an additional amount of at least € 83 million has to be covered in airport charges on top of the IFRS depreciation cost.

Q: Mr Raffo asks what has happened with the forecast included in past consultation 19-21 and he requests to share the calculation in advance.

A: Mr Hofstede answers that the budget was set in consultation 19-21 and that differences are not part of the settlement provisions. In the end, Schiphol does not charge more than IFRS. Mr Hofstede offers to connect to Mr Raffo separately to explain the system in more detail.

*[Additional questions and answers:]*

*Q: will the unuïteit 2020 (and 2021) for the Polder runway be recalculated based on actual traffic and transport and included in the settlement for these years? What would be the difference between these two calculations?*

*A: the unuïteit was set during the consultation in 2018 for the years 2019-2021 and was based on the forecasted traffic and transport. The unuïteit will not be settled afterwards based on actual traffic and transport. In the theoretical case Schiphol would have to settle the difference the Aviation Act depreciation costs would have been negative. The 2020 effect, compared to the current calculation results in EUR 14.2m (2021: EUR 15.1m) lower depreciation costs. In recent years with higher traffic and transport the reverse would have incurred (higher depreciation costs).*

*In the Allocation System 2019-2021 the following is prescribed:*

*'The depreciation amount per annum thus calculated is recorded for each period for which an Allocation System is set up. In principle, this is every six years, but for the first period after the Aviation Act enters into force this is 3 years (2019 through 2021). The above information / results will be presented during the next consultation session with the airlines. During the consultation, the documents from which the data have been taken will also be clearly communicated. If, at the time at which the calculation of the 'unuïteiten' method is revised, there is any new insight into the forecast capacity utilisation, the 'unuïteit' will be recalculated on the basis of this adjusted utilisation. The point of departure will then be the book value according to the regulated RAB at the time at which the new 'unuïteiten' calculation period commences. Future depreciation is adjusted in this manner.'*

*In art 29 sub 10 of the Operation Decree the following is prescribed:*

*'Every six years, the airport operator will determine the real constant amount of the depreciation charges and capital costs per unit for the assets to which the 'unuïteiten' method applies, which six years will be linked to the cost calculation of two consecutive charges periods.'*

*Q: What would have been the difference between the two calculations for the years 2016-2018?*

*A: For the years 2016-2018 the actual traffic and transport would have led to additional depreciation costs (on top of the Aviation Act depreciation costs already included in the airport charges) of EUR 1,2m (2016), EUR 0,8m (2017) and EUR 0,4m (2018). The effect compared to the consultation figures is limited due to the fact that Schiphol had nearly reached the maximal utilisation of 500.000 ATM.]*

Wrap up

Ms Otto thanks all participants for joining this meeting. We all do this together to make our airport community better. Ms Otto is looking forward to meeting each other next time, preferably in a physical meeting, but otherwise via Teams.

The following actions have been agreed:

- Schiphol will organize an extra deep dive to discuss the topic of sustainability in charges.
- Airlines are invited to get in touch with Ms Vitalis' team for views about the Traffic and Transport forecast.
- Schiphol will check the possibilities to share changes in conditions before Consultation in September.