State of the Industry

Presented by Abdul Wahab Teffaha

Secretary General
Arab Air Carriers' Organization

Mr. Hamad Al-Khater, Chairman of AACO's Annual General Meeting,

Your Excellencies,

Ladies and Gentlemen,

Our Distinguished Guests,

First, I would like to express, on behalf of the Arab Air Carriers' Organization, our sincere thanks and appreciation to His Excellency the Prime Minister and Minister of Foreign Affairs for his gracious patronage of this Annual General Meeting. I also wish to thank Qatar Airways, led by Mr. Hamad Al-Khater, and all his colleagues for their excellent hospitality and organization.

I also welcome the representatives of international and regional associations, our partners in the air transport industry, members of the press, and all those joining us today.

Mr. Chairman,

Ladies and Gentlemen,

We meet today in one of the world's leading air transport capitals, at a difficult time for both our industry and our region. Yet, the first message I would like to convey is that the difficulties we face today, however severe, do not define the story of Arab air transport or determine its future.

This industry has endured many crises before. It has faced wars, economic and financial crises, sharp fluctuations in energy prices, and geopolitical turmoil. It then faced the COVID-19 crisis, perhaps the most difficult global test in the modern history of air transport. Each time, the industry experienced a temporary setback, then returned to growth.

We began 2026 with strong momentum following a very strong performance in 2025. Unfortunately, that momentum did not continue. Therefore, when we look at 2026, it is important to put it in perspective. It is indeed an exceptionally difficult year, but it will not change the historical course of this industry.
At the global level, passenger demand, measured in revenue passenger kilometres (RPKs), grew by 5.3% in 2025. Passenger load factor reached 83.5%, while air cargo grew by 3.3%.

Arab airlines performed above the global average, with passenger demand growing by 7.6% and passenger load factor reaching 81.8%, while air cargo grew by 4%.
Financial performance was also strong. The operating margin of airlines worldwide reached 7.2% in 2025, while Arab airlines achieved an operating margin of 11.8%, compared to 11.3% in 2024. Then the situation changed.

The crisis that began in our region in late 2023, and whose impact widened this year, has placed renewed pressure on the air transport network. Global passenger demand growth is expected to slow to 2.1% in 2026, and capacity growth to 1.6%, while passenger load factor is expected to reach 83.9% globally and air cargo growth is not expected to exceed 0.7%.

As for Arab airlines, RPKs are expected to decline by 10.3%. With capacity declining by 4.7%, a lower rate than the decline in traffic, passenger load factor has fallen to 77%, meanwhile air cargo traffic is expected to decline by 5.2%. Operating results have also shifted from a strong surplus in 2025 to an estimated operating margin of -2.7% in 2026. These are difficult figures. Their significance becomes clearer, however, when we consider them over a longer period.

In 1980, Arab air transport accounted for only around 2% of the global air transport industry. By 2025, that share had reached around 10%, a fivefold increase. During that period, the number of international passengers carried by Arab airlines grew by approximately 1,645%, and air cargo volumes grew by approximately 4,982%. Globally, the number of international passengers in 2025

was 1,116% higher than in 1980, while air cargo volumes were 1,128% higher. In 1980, the global fleet comprised around 8,700 aircraft, of which Arab carriers accounted for no more than 2.9%. By 2025, the global fleet had reached around 35,000 aircraft, and the share of Arab carriers had risen to around 5%.

These figures show that crises have not stopped the growth of Arab air transport. The industry has been able to overcome them and strengthen its position in the world. The fundamental question is how, despite everything our region has endured, it has increased its share of global passenger traffic from 2% to 10%, and its share of air cargo from 3% to 13%. I believe several key factors explain this achievement.

The first is a mindset that sees crises not only as a threat to be contained, but also as a period in which to reposition, plan for future opportunities, and prepare to seize them.

The second is the Arab region's exceptional geographical location, which places it at a natural connecting point between all the world's continents and gives Arab airlines a role that cannot be overlooked in the global network.

The third is the recognition by many governments in our region that civil aviation is not a marginal economic activity, but one of the main drivers of the economy. It connects markets and supports trade, investment, and services, particularly tourism. As production increasingly relies on robotics and services on digital automation, tourism has become one of the most important sources of job creation because of its inherent need for human interaction.

The fourth is continued investment in infrastructure, airports, their capacities, and the quality of the services they provide.

The fifth is the culture of hospitality deeply rooted in our societies, which, when combined with professionalism and training, has become a real competitive advantage in the travel experience.

The sixth is the constant readiness to adopt technology and use it to improve the passenger experience and operational efficiency, both in air transport operations and in serving passengers and shippers at airports and through supporting infrastructure.

The seventh is that our region is a cradle of civilizations, with a wealth of tourism attractions ranging from religious and archaeological sites to diverse natural environments. Together with all the added value I have mentioned, these provide lasting attractions whose variety is unmatched in any other single region of the world.

For these reasons, the difficulties we face today do not diminish my confidence in this industry's ability to overcome them and return to growth, as it has done after previous crises.

Mr. Chairman,

Ladies and Gentlemen,

By its very nature, the industry cannot wait for crises to end before addressing the issues that will shape its future. Aircraft continue to take off and land, airports continue to operate, and passengers and shippers need their services every day. We therefore have a responsibility to address the issues of tomorrow. Among the most important of these is the environment.

The air transport industry has committed to a clear objective: reducing its environmental footprint and achieving net-zero carbon emissions by 2050. This commitment is not new. The industry itself took the initiative in supporting the programme that later became known as CORSIA, adopted by the International Civil Aviation Organization (ICAO) to cap international aviation emissions within a single global framework, as a major milestone on the path to net-zero emissions.

Since international aviation emissions are a global issue, they must be addressed within a global framework. The industry has therefore considered that the only

way to address this global environmental issue is through global solutions agreed at ICAO. Every stakeholder in the air transport ecosystem has a role to play in achieving the environmental objectives. Airlines must improve their operational efficiency. States must develop their infrastructure and air traffic management to reduce congestion and the additional fuel consumption it causes. Aircraft and engine manufacturers must develop more efficient products that consume less fuel. The energy sector must provide sustainable aviation fuel (SAF) in the quantities and at the prices that allow its widespread use. Since the environmental objectives that civil aviation has set for itself must be achieved within a relatively short period, the industry recognized that, in addition to these four key elements, a fifth was needed: the purchase of carbon offset certificates. These are needed to bridge the gap between the pace of progress in airline operational efficiency, infrastructure development, technological advances, and SAF production, on the one hand, and the ability to achieve the 2050 objective, on the other.

All states recognize that the environment is a global issue, and that the agreed solutions to address its impact must be global in order to avoid conflicting and overlapping measures. Yet, the reality is very different. What we see today is the following:

First, the European Union has decided to maintain the EU Emissions Trading System (EU ETS), despite European states having agreed that CORSIA should be the only global measure for addressing the environmental footprint of international aviation.

Second, the European Union has also introduced mandates under ReFuelEU Aviation, requiring fuel suppliers to produce increasing proportions of SAF and imposing penalties on those who fail to comply. Suppliers quickly began charging airlines amounts equivalent to the cost of SAF or the associated penalties.

Third, after the European Union introduced mandates for SAF production, other states announced that they would follow a similar approach. Other states, such

as the United States, took a different path, encouraging SAF production through incentives rather than mandates and penalties. As a result, the United States has so far achieved the highest level of SAF production, and exports this fuel even to the European Union, which has followed a different approach. Increased production in the United States has helped narrow the overall gap between supply and demand, with production in 2026 expected to reach approximately 85% of the quantities of SAF required worldwide. However, this improvement does not necessarily mean that mandates in different markets can be met. Sustainability criteria differ between states and regions, limiting the extent to which all the quantities produced can count towards compliance with those mandates. If additional mandates around the world come into effect in 2030, alongside an increase in the mandated SAF shares to 6% in the European Union and 10% in the United Kingdom, SAF production is expected to reach 63% of the required quantity. This reflects the continuing gap between expanding regulatory obligations and the availability of supplies eligible for compliance.

Fourth, also in the European Union, the SESAR project, approved 20 years ago and capable of contributing to emissions reductions of up to 10% through unified air traffic management and improved infrastructure, is still awaiting implementation.

Fifth, as for CORSIA, the lack of SAF and the failure to improve infrastructure have left the purchase of offset certificates as the only option available to airlines to comply with their obligations. Yet, these certificates are not available in the required quantities.

Mr. Chairman,

Ladies and Gentlemen,

The combined effect of these programmes is expected to increase energy costs by 29% in 2030 and 39% in 2035, resulting in increases in total costs of 8% and 11%, respectively.

As if all this were not enough, the European Union has proposed extending the

geographical scope of the EU ETS to a radius of 5,000 kilometres from Frankfurt. This raises several questions. Why 5,000 kilometres rather than any other distance? How can an authority issue measures that apply in the airspace of other states, grant itself the right to exercise oversight there, and assume regulatory jurisdiction? Would the European Union accept similar programmes introduced by other states, subjecting airlines, including European airlines, to legislation issued by another country and applied in EU airspace? And what would remain of the Chicago Convention, particularly its cornerstone principle of state sovereignty over airspace, if other states were to take similar measures? International air services are based on agreements between states that respect each other's sovereignty. If the European proposal becomes legislation, it will set a precedent that could threaten the structure of bilateral agreements.

Mr. Chairman,

Ladies and Gentlemen,

We are not political decision-makers; that is the responsibility of governments. As airlines, we comply with the laws that states adopt within the framework of their sovereignty. When we comply, however, we expect to meet our obligations and pay the associated costs only once. Here, we face a problem that needs to be resolved: the differences between the standards for SAF and offset certificates adopted by the European Union and those agreed globally at ICAO. We reduce emissions by purchasing sustainable aviation fuel in accordance with the European ReFuelEU regulation. However, due to differences in standards, these reductions are not recognized under CORSIA. Consequently, the airlines concerned are required to purchase offsetting certificates for the same emissions they have already reduced. And hence, differences in standards result in double payment for the same emissions. Is the objective to reduce emissions, or to determine who has the upper hand in setting the standards?

CORSIA itself rejects this duplication. If it continues, it will cost Arab airlines 103 million dollars in 2030 and 315 million dollars in 2035.

We have worked to address this issue through two parallel tracks. The first is at

ICAO, where we are advocating recognition of these reductions when calculating CORSIA obligations. The second is with Arab states, through the League of Arab States, the Arab Civil Aviation Organization (ACAO), and its relevant committees, to address the issue in the national laws and regulations implementing CORSIA. Some AACO member airlines have already begun working with their civil aviation authorities to prepare positions and working papers to that effect.

At the same time, we did not want our response to these environmental complexities to be confined to the regulatory framework alone. Through the Digital Transformation Taskforce (DTTF), and in cooperation with Amadeus and SITA, we have therefore begun developing a solution that helps airlines identify their environmental obligations and actual costs for each travel itinerary, and show those costs as part of the ticket price. Transparency is essential here. Passengers see the final price, and it is important that they also see the costs imposed by environmental measures that are included in that price.

Mr. Chairman,

Ladies and Gentlemen,

There is another challenge that may not receive the same public attention but has become one of the most pressing issues facing airlines: supply chain disruption. The COVID-19 crisis did not end when travel returned. One of its continuing effects is the gap it left in the manufacture and delivery of aircraft, engines, and spare parts. The result is an increase in the average age of the global fleet compared to 2019, and a substantial backlog of aircraft and engine orders that, at current production capacities, will take years to fulfil. The average age of the global fleet increased from 11.8 years in 2019 to 13.5 years in 2026, while the average age of the Arab fleet rose from 7.5 years to 10.1 years over the same period. The aircraft order backlog increased from 13,752 aircraft in 2019 to 18,177 aircraft in 2026.

Here, we face a clear contradiction. The world is asking airlines to reduce their emissions. Yet, at the same time, delays in delivering modern aircraft and

engines are forcing airlines to operate older aircraft for longer periods, consuming more fuel and generating significantly higher emissions.

In the context of the challenges facing airlines, I therefore see an opportunity to manage part of these spare parts inventories jointly, and perhaps to purchase some parts collectively. This could improve availability, reduce costs, and lessen the need to tie up substantial capital in inventories held separately by each airline.
I am pleased to inform you that AACO's Executive Committee has directed the establishment of a working group to study the launch of a joint spare parts inventory management project. This could be developed in the future to include spare parts procurement for participating airlines.

Mr. Chairman,

Ladies and Gentlemen,

Digital transformation is no longer a separate project for airlines. It has become part of how they manage their operations and serve their passengers.
One of the issues we are therefore working on today is the passenger's digital identity. The objective is to enable passengers to establish their identity, present their travel documents, and demonstrate compliance with entry requirements digitally and securely, while moving through the airports on their journey with as little repetition, complexity, and queuing as possible, and preventing travel document fraud.

The challenge, however, lies in implementing this solution across an airline network that may cover dozens of states and airports, each with its own systems, legislation, and requirements. We are therefore focusing on a practical solution: making digital identity work across an entire international network, not only at the airline's hub airport.

As for artificial intelligence, we do not want to treat it as a slogan or adopt its applications simply because they are available. What matters is identifying where it can deliver real benefits for airlines. We have therefore begun studying its applications in sales and distribution, Offer and Order management, and

passenger interactions, with the aim of developing, together with our member airlines, solutions that improve their commercial performance and their passengers' experience.

Mr. Chairman,

Ladies and Gentlemen,

If there is one thread connecting everything I have discussed today, it is that the major challenges facing the air transport industry require airlines to work together.

This is precisely where the importance of the Arab Air Carriers' Organization lies, as it continually seeks to turn its members' shared interests into positions, action, and tangible results.

None of this work would have been possible without the commitment of the Chairman and members of AACO's Executive Committee to serving the members and supporting the Organization. They have my sincere thanks and appreciation.

I also thank all AACO member airlines and their technical teams, who form the true foundation of everything we do. My thanks also go to our industry partners and the sponsors of this Annual General Meeting for their support and cooperation.

I would also like to invite you to review AACO's Annual Report and Annual Statistical Bulletin, both of which are available electronically through AACO's App.

Finally, I wish to reiterate my thanks to our colleagues at Qatar Airways, led by Mr. Hamad Al-Khater, for their gracious hospitality and all the efforts they have made to ensure the success of this Annual General Meeting.

I also thank my colleagues at the Secretariat General, who work every day with

the understanding that serving our members is AACO's reason for existing and the essence of its mission. I am proud to lead this team, and I am pleased to say to you on its behalf that we are all proud to serve you. We will continue working with you so that Arab air transport, however difficult the circumstances, retains its ability to overcome crises and contribute to shaping the future of this industry.

Thank you.