

*Your excellencies, distinguished guests, ladies and gentlemen*

Good morning. I am very pleased to be here in Saudi Arabia for the 56<sup>th</sup> AACO AGM. Thank you for the warm welcome and hospitality we have received since arriving in Riyadh and thank you again for the wonderful event last night. IATA and AACO are partners in supporting the development of air connectivity in the Middle East and North Africa region. We work together and have always found great strength in partnership through far too many crises. So whether we are in good times or in crisis, nearly every day, IATA and AACO are collaborating to help you, our members.

Let me give you a few examples that demonstrate the broad areas where, as your associations, we are working to deliver value for our members:

- We have worked to help clear \$2.5 billion in blocked funds over the last year. There is always more work to do. Today six countries in the region (Algeria, Egypt, Lebanon, Libya, Sudan and Yemen) are collectively holding on to over \$500 million of airline revenues that must be processed for repatriation.
- At IATA, we are building a safety database to drive future improvement and AACO's work in helping airlines in the region understand the benefits of contributing their data has been a critical help.
- After Emirates' pioneering partnership in launching IATA Easy Pay, with AACO we explained the cost benefits for our common members. As a result, we are pleased to have flydubai, Nile Air, Oman Air, Royal Air Maroc, Royal Jordanian, Tassili, and Qatar Airways on board.
- We are jointly promoting the modern airline retailing initiative—in particular the transition to offers and orders. We are pleased to count Air Cairo, Egyptair, Emirates, Etihad, flyEgypt, Gulf Air, Oman Air, and Qatar Airways among the modern airline retailing pioneers.
- And many airlines from the region are a part of the IATA 25by2025 commitment to improve gender balance in aviation, an issue that is critical to our future. If you have not joined, I encourage you to do so.

With so much going on in this region, I was very happy to receive the invitation to join you today. I thank His Excellency Eng. Ibrahim Al Omar, Chairman of the AACO Executive Committee and my good friend, Abdul Wahab for the invitation.

Saudi Arabia is an all too rare example of a government fostering its connectivity as a key element of its overall economic strategy. And I would like to acknowledge and recognize the work that the Minister for Transport and logistics — His Excellency Saleh Al-Jasser, has done to support AACO and the industry.

Saudi Arabia's commitment is much more than words on paper. The determination of the Kingdom's leadership to diversify its economy under Vision 2030 has brought critical support for aviation—from major investments in tourism to impressive infrastructure developments and a growing number of airlines. Saudi Arabia is clearly preparing for aviation to play an even bigger role in its future.

Supportive regulations, especially those concerning the economic oversight of infrastructure charges, are vital for a strong aviation sector. IATA welcomes GACA's proactive approach in engaging with industry stakeholders to help shape and upgrade the Kingdom's new aviation regulations.

GACA's revision of its charging scheme, to make KSA's airports more competitive in the region is good news. As is its establishment of an independent economic regulatory framework. KSA is the first country in the MENA region to do this, we encourage other States to follow.

Now, let me take stock of where we are in the recovery from COVID-19. You will know better than I that the recovery has continued in passenger markets. Our latest figures for September, which we will release shortly,

but allow me to give you a sneak preview, will show that traffic in the Middle East grew 26.1% compared to the previous year. And it is now just above September 2019. And for cargo, data shows that the region is already over 2% up on 2019 levels.

Despite the good news of the continuing recovery, there are concerns on the horizon over the impact of political instability and wars. This is a troubling time for all of us and I'm sure, like me, you hope for a more peaceful and prosperous world. But as we watch what's happening in this region and in other regions around the World, as business leaders, we must be ready to guide our people and our companies through the turbulence and continue to work to secure our future by addressing key issues.

With that in mind, today I'd like to comment on four key issues:

- Safety
- Passenger Rights
- Slots, and
- Sustainability

#### **Safety:**

Let's start with safety. The region is tracking in the first half of 2023 at 1.2 accidents per million flights—slightly higher than the global average but is tracking towards an improvement on the region's full year 2022 performance which was 1.3 accidents per million flights.

Aviation is incredibly safe. And the performance of the region's carriers is no exception. The goal must always be to improve. And at these very high levels of safety performance, the best way to improve performance is through detailed data analysis.

With your help we are creating the world's most comprehensive database for aviation safety through our Global Aviation Data Management (GADM) initiative. We don't yet have a comprehensive picture of the MENA region due to limited contribution by airlines from this region. But by contributing, you'll enable us to have the complete picture of safety performance and that in turn we enable you to analyse trends and events that may not yet be evident to you or highlight issues that appear specific to your area of operation.

A good example of this data at work is our analysis of GPS signal loss. We have numerous reports from carriers operating in the region on GPS signal loss, which could potentially be a result of GPS jamming or GPS signal interference. Knowing this from contributed data is helping our work with ICAO and others in finding solutions.

#### **Passenger Rights**

We are also working with AACO on passenger rights. Several of the region's governments are looking into passenger rights regulations. We want to make sure that they understand the potential pitfalls of even the most best-intentioned regulatory efforts in this area.

It is not a new issue. We are 20 years since the establishment of EU 261. Regrettably, over that time, European courts have interpreted the regulation ever-more broadly. And while politicians and regulators see this as a positive development the truth is that passengers have borne the cost of compensation but have not seen any benefit, because delays have actually increased.

Why? Because the causes of most delays are not in the control of airlines. Europe's failure to implement the Single European Sky measures have left Europe's air traffic management with substandard systems and national fragmentation.

Regrettably the EU 261 approach is becoming something of a contagion. Both Canada and the US are looking at EU 261 copycat regulations and imposing penalties on airlines even if the fault is elsewhere.

In the region we have been very active with Saudi Arabia, Morocco and Oman on this topic. These countries are at various stages of developing or updating their own regulations—with Saudi Arabia having recently published its regulation. Our key message is to understand the mistakes made by Europe and insist on proportionality which is clearly not the case under EU 261. After all why should airlines compensate passengers for failures that are not of their own making?

## **Slots**

Turning to slots, you will be familiar with the extraordinary measures that the Dutch government is taking ostensibly with the aim of reducing noise. The current caretaker government is determined to reduce Schiphol capacity from 500,000 slots per year to 440,000. And we are fighting this. ICAO's Balanced Approach to Aircraft Noise Management is the global standard to manage noise, and it should be fully applied. It recognizes that governments have a right to take measures to reduce noise at airports. But it requires that capacity constraints as the Dutch government is implementing are the last resort—not the first measure.

Along with several other stakeholders, we have taken our arguments to the Supreme Court of the Netherlands. And if we win, it will be a victory for jobs, economic activity, global standards and, quite frankly, common sense.

This also touches on another important global standard—the Worldwide Airport Slot Guidelines (WASG)—which unfortunately have no guidance in place to cope with such an unprecedented draconian cut to airport capacity.

I must commend this region for its adherence to the WASG. As the region has grown and added capacity, these have formed the basis for fairly distributing airport capacity. It becomes even more important when capacity becomes scarce. Because we work in a global system, it is important that we all play by the same rules. What may seem like a small deviation in one area can cause havoc across a system that is very carefully managing scarce capacity at key airports around the world.

We have been in close discussion with GACA on how slots will be managed in Saudi Arabia. And, given their keen adherence to global standards in supporting the development of air connectivity, I am optimistic that we can arrive at a way forward that continues to respect the benefits of the World Slot Guidelines.

## **Sustainability**

Decarbonizing our industry is a huge challenge. But getting to net zero CO<sub>2</sub> by 2050 will secure our future and that is a great opportunity—albeit not an easy one to achieve.

Once again, we can learn from Europe and the mistakes that they are making in this critical area. Suppressing growth and pricing flying to a point that is beyond the reach of the majority of Europeans, may appear an attractive option for the political elite in Brussels but it ignores the massive economic contribution that aviation makes and the opportunity that aviation represents in other parts of the world.

We believe that it is possible and credible to decarbonise our industry while continuing to facilitate its growth and economic contribution. The various roadmaps that we published earlier this year outlining the path to net zero, confirm our longstanding assumption that Sustainable Aviation Fuels (SAF) will be the major contributor to

the industry's decarbonization. We estimate that SAF will account for about 62% of the decarbonization that we will need.

Considering that it accounts for far less than one percent of our fuel needs today, there is some skepticism that we will make it. I've always said that it will not be easy but let's also remember that we will be playing a very different hand come 2050. Today, the production of SAF mainly uses one pathway - HEFA - but it is very clear that more are possible. Pushing forward the use of additional production pathways with maximum use of various sustainable feedstock opportunities is the priority.

Importantly, airlines have already sent a huge demand signal to encourage the needed diversification of investments in SAF production. Even though prices are 2-3 times higher than jet kerosene, every drop of SAF available in 2022 was purchased—at a cost of almost \$500 million. The same will be true for 2023. And the determination of airlines participating in our recent SAF readiness workshop in this region indicated that airlines will be prepared when SAF stocks are available at scale.

Aviation's decarbonization requires governments to be equally committed. Agreeing to a Long Term Aspirational Goal through ICAO that mirrors the industry's net zero by 2050 goal is not enough. We need a policy framework to support success.

- In the first instance, that means maintaining CORSIA as the single global economic measure to stabilize our emissions. In this it is great to see Iraq, Oman, Saudi Arabia, Qatar and UAE joining CORSIA from the voluntary phase.
- And to move from stabilization of emissions to reductions, governments need to incentivize SAF production. This is not different from the role that governments played in encouraging clean-energy alternatives for electricity production.

Such actions would fit into the vision of many governments in this region—including Saudi Arabia—to diversify their economies. Already the region is a leader in Low Carbon Aviation Fuel (LCAF), which should be the industry standard—instead of a premium product.

I'm pleased to see that this region's leadership is on the world stage this month. Abu Dhabi will host the IATA Aviation Energy Forum next week. And Dubai hosts both the ICAO Conference on Aviation and Alternative Fuels—the so-called CAAF/3 process, followed in quick succession by COP 28. We have some major expectations from CAAF/3 and we will be watching the outcomes very closely.

We need clear evidence that governments are indeed committed to creating the policy conditions under which aviation can have competitive markets for clean energy solutions—LCAF, SAF, and hydrogen included. All will play a part in aviation's decarbonization. And along with that we need globally harmonized SAF accounting and reporting mechanisms, which will be critical for SAF production, deployment and uptake worldwide.

So, thank you for your time. As many of you know, I am a great admirer of this region and the vital role that aviation plays in the economies and social fabric and that is thanks to the leadership of those of you in this room. IATA is proud to work closely with AACO to make your work more successful.

As ever, aviation faces many challenges. And with our determination and ingenuity, we can be confident that we will continue to efficiently connect this region to the world as we use global standards to continuously improve safety, modernize processes to better serve our customers and deliver on our net zero by 2050 commitment. And in doing so—linking people and business globally—we will contribute to a more prosperous and peaceful world.

Thank you.