

Air France will have a level this winter equivalent to that of 2019



| Letter from the Director of Air France-KLM

François Robardet

Representative of employees and former employees PS and PNC shareholders

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Monday's Press Review

Editorial

Dear Readers,

[Last week](#) I introduced you to the 41st Session of the ICAO Assembly which is taking place in Montreal from September 27 to October 7.

All 193 ICAO Member States and a large number of international organizations are invited to the Assembly.

The ITF (International Transport Workers' Federation)

delegation, which includes a member of my team, presented three resolutions.

The most important is Resolution 415: **For a sustainable aviation industry to thrive, there must be a fair and just transition to a zero-carbon future.**

This is one of the few resolutions (there are nearly 500) that includes a social dimension.

This resolution proposes the creation of a body at the national level similar to the Sustainable Aviation Observatory (SAO).

Supported by several member states, it has a good chance of being included in the pre-report of the General Assembly. This report, after possible amendments, will be submitted to the vote of the assembly and will become the final report.

The decisions contained in the final report will then be implemented.

For the record, the Sustainable Aviation Observatory was initiated by OMNES, the Air France inter-union collective that I co-chair. At the end of 2021, the Minister of Transport officially launched it. This observatory is now under the aegis of the DGAC.

Enjoy your reading.

François

> Air France will have a level this winter equivalent to that of 2019

(source Air & Cosmos) September 29 - **This winter, Air France will serve a total of 171 destinations**, including 86 on the long-haul sector and 85 on the short and medium-haul networks. Air France will offer on its long-haul routes its first Boeing 777-300ERs (twelve are to be refurbished) equipped with a new business seat with a flat bed of almost two meters. The first flight equipped will be to New York. In the long-haul sector, **Air France will inaugurate a daily direct service between its Paris-CDG hub and New York/Newark airport on 12 December 2022**. This daily flight operated by Boeing 777-200ER marks the return of Air France to Newark, a **historic destination served directly by the airline until 2012**. It will be added to the "shuttle" service between Paris CDG and New York JFK with six daily flights operated by Air France and two by Delta, its Skyteam alliance partner.
(...)

My comment: In order to fill its planes next winter, Air France will have to compensate for the drop in the number of business customers.

The French airline hopes to attract a so-called VFR (Visit Friends and Relatives) clientele while counting on the continuation of the catch-up effect observed during the summer.

> Amsterdam airport plans to reduce the number of flights until the end of March 2023

(AFP source) Sept. 29 - **Amsterdam's Schiphol airport announced Friday it would cut the number of flights until the end of March 2023**, as one of Europe's biggest air travel hubs struggles with long queues.

Schiphol has been plagued by severe staffing shortages for months after laying off thousands of people during the Covid-19 pandemic, and chief executive Dick Benschoop resigned Sept. 15. "In the coming months, Schiphol will maintain a maximum number of travelers who can leave the airport, **after consultation with the airlines**. The airlines need longer-term planning," the airport said in a statement.

The airport "plans to do this until the end of March. There will be a point near the end of the year when the possibility of increasing [the cap] from the end of January will be considered," it said. **Airport chief operating officer Hanne Buis admitted that the cap was "painful"** but said that improving the situation was "an important goal given the very tight labor market. "We have to be realistic about this," he said.

Dutch flag carrier KLM, Schiphol's biggest user, said the airport's service had been substandard for too long. **Previously set caps limited the number of departing passengers by 18 percent and that figure was raised today to 22 percent, a limit it said would remain in place until March.**

"With these new restrictions for the winter, Schiphol does not offer us any prospects," reacted KLM CEO Marjan Rintel in a statement. Schiphol, which has been affected by huge queues lasting several hours for months, recently offered to pay compensation to passengers who missed flights.

My comment: According to statements by Schiphol airport officials, Schiphol will not be able to handle as many flights as before the health crisis until March 2023. That is more than a year after the resumption of operations.

To date, KLM has suffered a loss of more than 100 million euros as a result of the traffic restrictions imposed.

Nevertheless, for the winter season, KLM will offer a network of 163 destinations (92 European and 71 intercontinental)

It will offer more seats to North America than in 2019.

> Italy extends deadline for ITA Airways takeover negotiations

(Reuters source) Sept 30 - **Italy has extended to Oct. 31 the deadline for exclusive negotiations** with a consortium led by U.S. private equity firm Certares for a majority stake in ITA Airways, two sources close to the matter said on Friday. Negotiations were originally set to expire on September 30.

Certares, backed by Air France-KLM and Delta Airlines Inc, is willing to pay 350 million euros (\$344 million) for a 50% stake plus one share in the state-controlled airline, the sources said.

The offer also includes a capital increase of about 600 million euros, which would be launched sometime after the deal is completed, although the exact timing has not yet been set, the sources added.

(...)

But Giorgia Meloni, leader of the Italian Brotherhood party, **who is expected to be named prime minister** after this month's election victory, said it was important to keep a national company. She also **called on the outgoing administration to put the sale on hold**.

The new government is expected to take office in mid-October.

> **With the C919, China joins the elite club of airliner manufacturers**

(source Les Echos) September 30 - **The Airbus A320 and the Boeing 737 are no longer the only medium-haul aircraft** authorized to operate passenger transport on commercial routes. They were joined on Thursday by **the C919 from China's Comac**.

After 12 years of development, five years of testing and several years behind schedule, the Chinese equivalent of the A320 and Boeing 737 **has just been awarded technical certification by the Chinese authorities**, the last step before the first deliveries to airlines and the start of commercial operations.

(...)

The first airline to operate it should be China Eastern, Air France-KLM's partner. However, no official date has yet been set for its entry into service. Moreover, **its first commercial flights will be limited to domestic routes, as the aircraft has not yet passed the European and American certification tests**.

(...)

With a capacity of 158 to 165 seats and a range of 4,000 to 5,500 km, **the C919 claims to have the same performance as the A320 Neo and Boeing 737 Max, with which it shares the same Leap engine, jointly manufactured by French company Safran and American company General Electric**.

(...)

The C919 does not appear to be a commercial threat to Airbus in the short or medium term, as a quarter of its A320 production is destined for the Chinese market. Production of the C919 is expected to ramp up very gradually.

(...)

In the best case scenario, the Shanghai-based aircraft manufacturer does not expect to produce more than 150 planes a year before the end of the decade, compared with more than 500 a year for Airbus today. Comac will not be able to meet the huge demand for new aircraft from Chinese airlines, estimated at 8,700 by 2040.

The arrival of the C919 is potentially more worrisome for Boeing, whose 737 Maxes have not yet been able to return to service in China and which has received almost no new Chinese orders since 2018. With the C919, China will indeed be able to more easily do without "made in the USA" aircraft and increase its trade pressure on Washington.

My comment: This is an event in the history of commercial aviation. There are now three medium-haul aircraft manufacturers in the world.

Given the importance of the Chinese market, the C919 could eventually compete with planes built by Airbus and Boeing.

For the record, the names of the engines powering the three aircraft types are distinguished by their last letter: Leap-1A for Airbus, Leap-1B for Boeing and Leap-1C for Comac.

> **Ademe: traffic calming to decarbonize aviation**

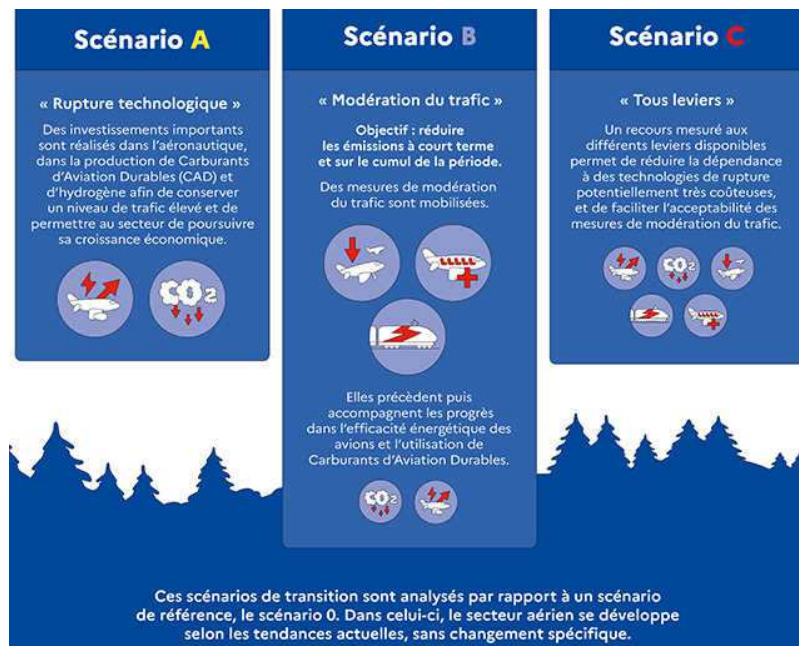
(source Air Journal) September 28 - **The French Environment and Energy Management Agency (ADEME) has presented three scenarios for the decarbonization of air transport, but while technological innovations are one way to achieve zero emissions by 2050, the other two emphasize traffic moderation.**

According to the French Environment and Energy Management Agency (ADEME), air transport in France (domestic flights and outbound international flights) has "increasingly significant impacts on the environment, in a context of growth in activity on a global scale. Even if the sector's players are "increasingly aware of and committed to the ecological transition," **the agency points out that the sector's CO2 emissions "increased by 85% between 1990 and 2019, and could still grow by 50% by 2050 if new decarbonization levers are not mobilized."**

ADEME has therefore presented three scenarios detailed here, within the framework of the French objective of carbon neutrality in 2050 - which is based on a "division by at least six" of the country's emissions between 1990 and 2050, all sectors combined.

The agency bases its studies on the figures for 2019, when the aviation sector in France "directly emitted 24.2 million tons of CO2, or +85% compared to 1990. These emissions from aviation represent the equivalent of 5.3% of France's overall

emissions, or 2.2 times more than 30 years ago." Commercial passenger aviation accounts for the vast majority of world traffic, with 12.5 million passengers per day," she said. "This is five times more than in 1980, when the sector was first liberalized.



Scenario A: "Technological Breakthrough". Major investments are made in research and aeronautical construction (notably hydrogen aircraft) as well as in the production of Sustainable Aviation Fuels (SAF), in order to maintain air traffic growth.

Scenario B: "Traffic moderation". This scenario mobilizes both sobriety measures to stabilize the level of air traffic and a significant development of the use of DACs, aiming to minimize cumulative emissions between 2020 and 2050 and to significantly reduce emissions by 2030.

Scenario C: "All levers". It mobilizes all the levers to a lesser degree than in the first two scenarios, in order to reduce the risks and costs associated with the use of disruptive technologies, as well as the socio-economic impacts of traffic calming measures.

There is also a "0" scenario, in which nothing changes. According to ADEME, France has already "begun to mobilize" some of the levers for decarbonization of the aviation sector, and aviation industry players are continuing their work to provide technological solutions, but efforts must continue in order to achieve the objectives. **Through its scenarios, ADEME reveals that CO₂ emissions from flights departing from France can be reduced by about 75% between 2019 and 2050 by mobilizing three major levers: improving the energy efficiency of aircraft, using sustainable fuels to reduce the carbon intensity of energy, and therefore "controlling and reducing traffic".**

The agency specifies that the first two levers "will only produce noticeable effects in the medium and long term", while the last one, which combines them "could be effective in the short term". In addition, **the analysis of the different scenarios reveals that the use of SAF will be confronted with difficulties in the availability of resources** and the technical capacity of aircraft ("certification for the use of 100% biofuels, for example"). **This will lead to a "significant increase in ticket costs", resulting in a "relative decrease in demand and therefore in traffic": in 2050, ADEME estimates this impact at a 15 to 19% decrease in traffic levels.**

ADEME believes that further study is needed to assess the level and practicalities of using traffic control as a lever. To this end, a feasibility study and evaluation of the socio-economic impacts, followed by experiments, should be carried out after this study

. **"This study** provides a wealth of information on the progress and challenges of the ecological transition of air transport. Even if its scope targets traffic in and with France, it includes considerations related to flights from abroad to France, and its lessons are generalizable. It **has the merit of raising the issue of traffic control as a lever for decarbonization**, by showing its effectiveness, especially in the short term. A logical next step would be to study the potential ways to use this lever," said Marc Cottignies, technical coordinator of the study at ADEME.

My comment: During the course of this study, exchanges between ADEME and the various stakeholders (mainly engine manufacturers, aircraft manufacturers and airlines) were tense.

The possibility of a reduction in air traffic is not unanimously accepted, far from it.

One point that stands out for me at this stage is the difficulty in obtaining the raw materials and green energy needed to supply French airlines with the SAF (sustainable fuels) they will need.

Major investments will be required. The role of the State will not only be to convince biofuel manufacturers to go all in.

The government will also have to ensure that they have enough green energy. This will be the most difficult challenge.

For the time being, a roadmap is being developed. As part of LOI No. 2021-1104 of August 22, 2021 on combating climate disruption and building resilience to its effects, Section 301 requires that a roadmap be developed by the end of January 2023. Here is an excerpt from Section 301:

"No later than January 1, 2023, for each sector that is a high emitter of greenhouse gases, a roadmap shall be drawn up jointly by the representatives

of the economic sectors, the Government and the representatives of the local authorities for the sectors in which they have jurisdiction. In compliance with Article L. 151-1 of the Commercial Code, this roadmap shall coordinate the actions implemented by each of the parties to achieve the greenhouse gas emission reduction targets set by the national low-carbon development strategy provided for in Article L. 222-1 B of the Environmental Code."

> Towards a global commitment by States to decarbonize air transport

(source Les Echos) September 26 - **Faced with a problem as global as climate change, are states capable of agreeing on a global target for reducing CO2 emissions from air transport?** This is the question that the representatives of the 193 member countries of the International Civil Aviation Organization (ICAO) will have to answer at their General Assembly, which will be held in Montreal from September 27 to October 7.

Three years after a first historic agreement on the establishment of an international mechanism for offsetting CO2 emissions from airlines (the Corsia system), **ICAO will attempt to move up a gear, setting itself the goal of achieving carbon neutrality by 2050. This goal has already been adopted by the European Union and the United States, as well as by all air transport organizations, such as the International Air Transport Association (IATA).** However, its eventual adoption at the global level by the 193 ICAO member states would be an additional signal of the real will of the states to promote the energy transition of the sector. This could lead to budgetary, fiscal or regulatory incentives for the sector's players.

However, this would require unanimous support for the measure. This seems far from being the case. In addition to a myriad of environmental associations that consider the objective insufficient or not very credible, but who have no say in the matter, **the main potential obstacle to the adoption of a "net zero 2050" resolution seems to be China.** The Chinese government has already set a national target of carbon neutrality by 2060. **But a number of developing countries, particularly in Africa, also seem to fear that such a commitment would hamper the growth of their airlines and more broadly their economies.**

For several months now, negotiations have been going well behind the scenes to try to reach a unanimous vote in favor of "net zero" in 2050, which would spare the growth of developing countries, without putting the bulk of the effort on Western companies. One of the stumbling blocks, which has now been removed, was the desire of some MEPs to unilaterally impose a carbon tax on international flights, which would be contrary to ICAO rules.

(...)

As with the adoption of the Corsia system in 2019, which is based on the voluntary participation of States, the "net zero" resolution could be more or

less binding. Ideally, from the point of view of its promoters, it would be accompanied by some recommendations for its implementation, such as incentives to use more and more non-fossil fuels, considered as one of the main tools for decarbonization.

In both the United States and Europe, fuel producers are required to incorporate an increasing percentage of biofuels into kerosene. But this requirement, which could result in a significant increase in the price of airline tickets, **is not viewed favorably in countries where air transport remains a means of opening up the countryside.** Especially when it is accompanied by a list of agricultural products that are prohibited from being used to make fuel.

In the end, the global objective will therefore necessarily involve more or less restrictive local variations. With the risk of undermining its effectiveness, knowing that the largest part of the growth in air traffic and its CO2 emissions will take place in Asia over the coming decades.

***My comment:** How can we reduce CO2 emissions from global aviation by allowing people who travel little to have access to this mode of transport without restricting people who travel a lot?*

The equation seems impossible to solve without massive recourse to biofuels, while it is not certain that we can produce enough of them (read the previous article).

Air transport detractors have the answer: all we have to do is drastically reduce traffic in the regions where air transport is most developed.

A quick calculation shows that if the world fleet were frozen at its current level, each inhabitant could travel once every four years. This is not much for a European or an American, and not much for a businessman.

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.

> **Management of employee investment funds. Good to know**

When you invest money in one of the Air France FCPE funds, you get 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 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 stocks.

My comment: If you would like more information on the management of the various Air France FCPEs, please consult [my website Navigaction, section Air France-KLM employee shareholding](#).

> **My comments on the Air France-KLM share price trend**

Air France-KLM shares closed at 1.30 euros on Friday 30 September. It is down this week by -1.07%. The 15.3% drop in three weeks is the consequence of the recession forecasts, which have also caused oil prices to fall.

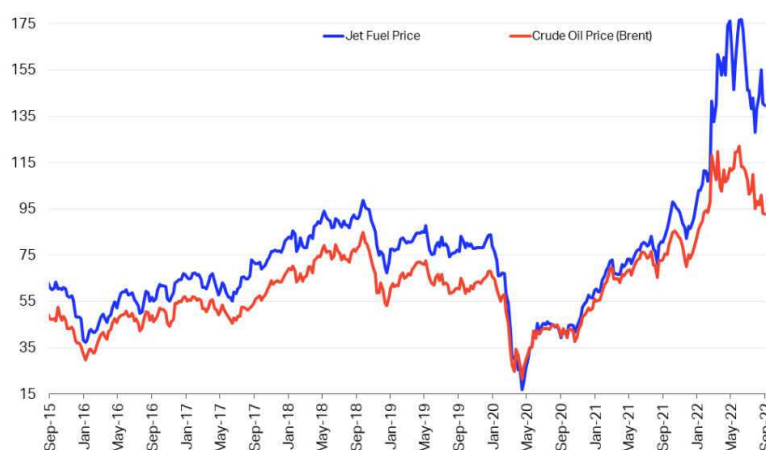
The analysts' average (consensus) for AF-KLM shares is 1.50 euros. The highest price target is 1.90 euros, the lowest 0.85 euros. I only take into account analysts' opinions after the May 2022 capital increase.

You can find the details of the analysts' consensus on my blog.

> **My comment on the evolution of fuel prices**

Since the start of the war in Ukraine, there is no longer any correlation between the price of a barrel of Brent oil and a barrel of Jet Fuel. This is very clear on the graph below, which covers the period June 2015 - August 2022.

Jet Fuel & Crude Oil Price (\$/barrel)



Source: S&P Global, Refinitiv Eikon

According to specialists, this increase was due to an increase in the fuel reserves of the armed forces, which consist solely of Jet Fuel.

Indeed, for the past few years, to ensure the strength of the infrastructure, the French Army has favored a single fuel policy aimed at powering all equipment, land vehicles and generators with jet fuel for air use.

Jet fuel price per barrel by region (source IATA) as of September 23, 2022

Fuel Price Analysis

The jet fuel price ended last week up 4.7% at \$127.4/bbl:

23 September 2022	Share in World Index	cts/gal	\$/bbl	\$/mt	Index Value 2000 = 100	vs. 1 week ago	vs. 1 month ago	vs. 1 yr ago
Jet Fuel Price	100%	303.24	127.36	1005.76	348.16	4.7%	-17.9%	47.2%
Asia & Oceania	22%	273.08	114.69	906.08	327.71	2.4%	-22.5%	36.2%
Europe & CIS	28%	301.50	126.63	999.13	341.18	1.0%	-20.4%	46.9%
Middle East & Africa	7%	275.42	115.68	913.33	345.44	1.9%	-22.6%	38.1%
North America	39%	325.37	136.65	1079.56	363.30	9.2%	-12.9%	54.8%
Latin & Central America	4%	315.15	132.36	1045.66	366.67	3.4%	-17.1%	48.4%

The barrel of Jet Fuel in Europe is down this week by -\$5 to \$122. After peaking at \$182 in June 2022, it was down to \$132 in early August. **It was at \$79 a little over a year ago.**

Brent crude oil (North Sea) is up this week by \$3 to \$88.

Since mid-February, it had been yo-yoing between \$100 and \$120.

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.

Fears that the economy will be in recession by the end of 2022 have driven fuel prices down.

This information is not intended to be a solicitation to buy or sell 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](#)

If you like this press review, please pass it on.

New readers will be able to receive it by [giving me](#) the email address of their choice.

| 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

Alternate Nicolas Foretz, PNC



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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