

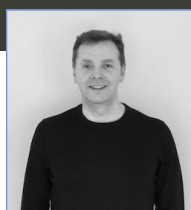
ESG across Aviation

Ruth Cadbury MP, Chair of the Transport Select Committee; Tim Johnson, Aviation Environment Federation (AEF); Dr Alex Chapman, New Economics Foundation (NEF); Professor Brian Scott-Quinn, ICMA Centre

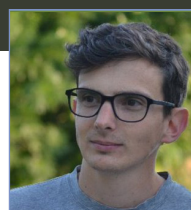
Parliament



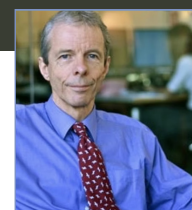
Ruth Cadbury MP



Tim Johnson



Dr Alex Chapman



Professor Brian
Scott-Quinn

Introduction

The aviation sector currently operates at a critical junction between national economic growth ambitions and stringent, legally binding environmental commitments. This roundtable was convened shortly after the government's January 2026 policy update, which reaffirmed support for significant airport expansion, including a third runway at Heathrow, alongside a £43m investment in green aviation R&D.

UK Aviation now accounts for 38.4m tonnes of CO₂ compared to electricity supply's 30.6m tonnes. Emissions rose by 9% in 2024, now exceeding those of the entire electricity generation sector. Meanwhile, the sector contributed £14bn to UK GDP in 2023, having now returned to pre-pandemic passenger numbers. The discussion highlighted that 2026 represents a definitive "crossroads" for the industry. With the ongoing review of the Airports National Policy Statement (ANPS) and the looming 10% Sustainable Aviation Fuel (SAF) mandate for 2030, policymakers face an urgent requirement to reconcile rising passenger demand with statutory climate targets.



Participants challenged the traditional “growth at all costs” narrative, noting that business travel, has plateaued since 2006. This leaves leisure travel as the primary driver of expansion, raising fundamental questions about whether airport expansion is a significant growth driver with concerns over redistributive effects.

The lack of sufficiently joined-up policy to manage these competing pressures underscores a need for political leadership to move beyond siloed decision-making. The session emphasised taking a holistic view of aviation’s role within the wider transport system and beyond, notably UK-based tourism. Trade-offs are now unavoidable.

Key takeaways

Growth assumptions vs. economic realities

- There is a significant evidence gap with the claim that airport expansion acts as a primary driver of wider productivity-led growth.
- Business travel, historically linked to rising productivity and investment, peaked in 2006. Subsequent growth is almost entirely driven by outbound leisure travel – “you are moving people, not creating productivity”. Freight travel is negligible by comparison, growth is low.
- Current expansion models risk exacerbating a £40 billion annual tourism spending deficit. British residents increasingly choose overseas holidays over domestic tourism.
- Leisure-driven growth “redistributes demand rather than generating new economic value,” raising questions about whether expansion supports national trade objectives or undermines regional economies.

Is Sustainable Aviation Fuel scalable?

- SAF is a central pillar of current decarbonisation policy. The mandate requires 10% use by 2030 and 22% by 2040. There was consensus that this target should not change.
- Despite its policy importance, the roundtable stressed that SAF faces severe physical and economic constraints relating to feedstock availability, scalability, and cost.
- Residual and waste-based feedstocks, while preferred, represent a strictly limited and contested resource.
- “We are already allocating the same waste molecules across aviation, shipping, chemicals and power – you cannot multiply the feedstock by policy ambition.”
- SAF alone cannot reconcile projected demand growth with net zero targets. Complementary measures, including efficiency gains and greenhouse gas removals, are essential.
- Regulatory pragmatism and revenue certainty are essential to unlock capital. The SAF mandate provides demand but not predictable returns, leaving producers exposed to volatile energy prices and a cost gap with cheaper kerosene. Introducing Contracts for Difference would stabilise revenues, de-risk projects and make large-scale investment bankable.

Technology upgrades, risk, and investment

- The discussion highlighted the scale of investment required to decarbonise aviation, the sector's asset-heavy and risk-averse financing model makes it particularly challenging to mobilise capital for first-of-a-kind or unproven technologies.
- While early-stage innovation funding is available, many projects struggle to progress beyond demonstration and stall at the final investment decision stage, where long-term revenue certainty is required.
- Participants emphasised that the central challenge is not a shortage of technological ideas, but the difficulty of making projects investable under current policy conditions.
- Public-private partnership (PPP) models and revenue-certainty mechanisms were identified as essential to unlocking capital at scale, particularly in bridging the structural cost gap between SAF and fossil kerosene. Credible, stable policy frameworks are essential to crowd in private investment.
- Regulatory uncertainty remains a material constraint. "You cannot insure what policy will not underwrite," underscoring how unclear or inconsistent policy directly limits the ability to de-risk and finance projects at scale.

The "and, not or" approach

- Participants rejected binary framings of aviation policy – i.e. SAF instead of greenhouse gas removals (GGR).
- Regional airport development and international hub expansion are not mutually exclusive, provided there's a joined-up national transport strategy, rather than competing in isolation. However, the projected £50 billion cost for Heathrow's expansion inevitably fuels an either-or narrative.
- A credible transition pathway requires an integrated technology roadmap in which SAF acts as a near-term bridge, alongside longer-term investment in hydrogen and electric propulsion.
- Aviation could play a catalytic role in the wider energy transition, "pulling through demand for renewables, hydrogen and grid capacity that the rest of the economy will also depend on."

Issues raised

Tourism leakages

While aviation expansion is often framed as an export enabler, leisure travel dominates demand, with spending flowing out of the UK economy. One participant noted that "every additional flight to a sun destination is money not spent in UK coastal or rural communities." This raises questions about whether current aviation policy aligns with broader economic resilience and regional regeneration objectives, particularly in the context of constrained public finances.

Managing air travel demand and supporting domestic tourism supply

The absence of an explicit policy framework for managing demand was described as a major gap in current aviation strategy. Demand management need not imply blanket restrictions, but could be shaped through fiscal and pricing mechanisms. Carbon pricing and frequent-flyer levies were cited as tools capable of targeting disproportionate emissions without constraining occasional travel. “A small share of frequent flyers is responsible for a large share of emissions, policy has so far avoided addressing that directly”. Aviation remains comparatively under-priced relative to its climate impact, and the absence of robust carbon pricing weakens incentives for efficiency, alternative fuels, and behavioural change. Meanwhile, “there’s an imperative to take a step back and look at the kind of strategic combination of factors”, starting with supporting UK tourism as an alternative to overseas holiday destinations.

Regional inequalities

Aviation policy can entrench regional inequality when expansion disproportionately benefits already well-connected regions. While regional airports were recognised as vital for connectivity, participants warned against assuming automatic economic spillovers. “Connectivity is not the same as development – without complementary local investment, airports become extraction points rather than growth engines.” The lack of alignment between aviation strategy and regional industrial policy was seen as a persistent weakness. Moreover, expanding local airports still imposes noise, air quality, congestion, and biodiversity impacts on surrounding communities, often without commensurate economic benefits.

Lack of joined-up policy

A consistent frustration was the fragmentation of policymaking across transport, energy, climate, and industrial strategy. Participants noted that aviation is often considered in isolation, despite its deep interdependencies with the power system, waste policy, and hydrogen infrastructure. “Aviation is treated as a special case, when in reality it competes for the same resources as the rest of the Net Zero economy.” This siloed approach risks inefficiency, duplication, and unrealistic delivery expectations.

Recommendations

- Adopt a whole-system strategy integrating aviation with wider transport, infrastructure policy, and tourism policy.
- Ensure regulatory frameworks are practical and commercially viable.
- Help manage demand by pricing in aviation’s true climate impact through fiscal and pricing mechanisms.
- Prioritise long-term technologies through PPPs by scaling investment in hydrogen, electric flight, and airport infrastructure.
- Show global leadership by actively monitoring and trialling mitigations for non-CO2 emissions.
- Require robust economic tests to prove net growth rather than redistributing demand or undermining regional economies.

- Address distributional effects so decarbonisation costs fall fairly across travellers and households.
- Scale greenhouse-gas removals alongside mitigation to close the residual emissions gap to 2050.
- Support regional growth through a coherent tourism policy.

Links

- Gov.uk, [£43 million boost for green aviation](#)
- Aviation Environment Federation, [Closing the Gap: the case for a GGR mandate](#)
- New Economics Foundation, [Flying fair: Modernising the air transport tax system](#)
- New Economics Foundation, [The economics of air transport in Europe](#)
- Environmental Audit Committee, [5th Report - Airport expansion and climate and nature targets](#)
- We are Possible, [What needs to happen to get flights on track for the climate?](#)

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