

Aircraft and airline sustainable finance transactions update

2022 and 2023: Emission intensity and SAF gain SPT prominence

Ishka's coverage comprises publicly-announced **airline** or **aircraft-related** sustainable financings. For 2018 to 2021, see page two.

- The first table in this data sheet highlights the main **framework eligibility** characteristics or sustainability performance targets (**SPTs**) of transactions from 2022 onwards.
- The second table highlights details of recent transactions. For details of past transactions, see Ishka Insights coverage and previous data sheets.

Date	Transaction	Eligibility by non-aviation assets (eg buildings)	Low/zero-emission aviation	Eligibility by best-in-class or fuel-efficient aircraft	Corporate ESG rating	Single emission intensity target	Multiple ESG KPIs	Multiple emission intensity targets	Fleet renewal targets	SAF use	Increased emission transparency	Main framework / Use of proceeds
Jan-22	SocGen / Air France A350 Sustainability-Linked Loan											SLLP – Airbus A350-900
Feb-22	JAL Transition Bond, 10 billion yen (\$87 million)											GBP & others (below) – ‘Clean Transport’ such as A350 or B787
Mar-22	CA-CIB / Air France A350 Sustainability-Linked JOLCO											SLLP – Airbus A350-900
Apr-22	Iberia Sustainability-Linked EETC*											SLBP - x2 Airbus A350-900 and x3 Airbus A320neo
May-22	Asset Brok'Air / Air France A350 Sustainability-Linked JOLCO											SLLP – Airbus A350-900
Jun-22	Volaris Sustainability Linked PDP financing											SLLP – PDP financing for Airbus A320neo and A321neo deliveries
Jul-22	CA-CIB / Cathay Pacific x1 A321neo Sustainability-Linked JOLCO											SLLP – Airbus A321neo
Nov-22	Viva Aerobus Sustainability-Linked Bond (VIVAACB 22L)											SLLP – General corporate purposes
Nov-22	Jet2 Sustainability-linked Revolving Credit Facility Agreement											SLLP – General corporate purposes from April 2023
Dec-22	Pegasus Sustainability-Linked Loan for UAE-backed 10 Airbus A321neo**											SLLP – x10 Airbus A321neo
Jan-23	Wizz Air: Three aircraft financed w/ sustainability-linked structure*											Unclear – Expected x3 Airbus A320neo/A321neo aircraft
Jan-23	Air France-KLM Sustainability-Linked Bonds (€500m May 2026 7.25%, €500m May 2028 8.125%)											SLBP - Partially redeem a May 2020 French State guaranteed loan

Frameworks: Green Bond Principles (GBP), Green Loan Principles (GLP), Sustainability-Linked Bond Principles (SLBP), Sustainability-Linked Loan Principles (SLLP), Green Bond Guidelines 2017 (Japan's MOEI)

* SPTs not specified, private placement or transaction

** Emission intensity SPT not specified, could be single or multiple dates. The other ESG SPT is gender diversity, for which no concrete target was also announced

Source: Ishka research

Recent transaction details

Date	Transaction	Notes	Date	Transaction	Notes
Nov-22	Viva Aerobus Sustainability-Linked Bond (VIVAACB 22L)	Target is to reduce grCO2/RPK by 33.4% by 2024 from a 2015 baseline. VivaAerobus will report annually on its SPT performance via its website.	Dec-22	Pegasus Sustainability-Linked Loan for UAE-backed 10 Airbus A321neo	“Ambitious” targets to reduce carbon intensity of flights by 2030, and to increase the share of women in management over the same period.
Oct-22	Jet2 Sustainability-linked Revolving Credit Facility Agreement	gCO2 per passenger km aircraft fuel burn. An assumption of SAF uptake and fleet renewal is included in the pre-agreed target numbers.	Jan-23	Air France-KLM Sustainability-Linked Bonds (€500m May 2026 7.25%, €500m May 2028 8.125%)	Scope 1 (direct activities) and scope 3 (Upstream fuel production) CO2 emissions divided by sum of RTK and RPK. SPT 1: 10% emissions intensity drop by 2025, compared to 2019. SPT 2: 30% by 2030.

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2018 to 2021: 14 transactions involving airlines or aircraft

Date	Transaction	Eligibility by non-aviation assets (eg buildings)	Low/Zero-emission aviation	Eligibility by best-in-class or fuel-efficient aircraft	Corporate ESG rating	Single emission intensity target	Multiple ESG KPIs	Multiple emission intensity targets	Fleet renewal targets	SAF use	Increased emission transparency	Main framework / Use of proceeds
Sep-18	ANA Green Bonds, 10 billion yen (\$87 million)											GBP & MOEI - Building an eco-friendly training centre
Nov-18	Slovenia SID Green Bond*, €75 million (\$85 million)											GBP - Electrified light passenger aircraft, among others
Dec-19	Avation/BRA/Deutsche Bank Green Loan for Five ATR 72-600											GLP - 'Climate change mitigation and 'pollution prevention' via ATR 72-500 on lease from Avation to BRA
Feb-20	JetBlue Sustainability Linked Loan, \$550 million											SLLP - Not specified / general corporate purposes
Oct-20	Etihad 2.394% 5yr Transition Sukuk, \$600 million											SLBP - 'Energy efficiency' projects incl. B787 & A350
Dec-20	British Airways £2-billion UKEF facility*											SLLB - General corporate purposes - Pandemic context
May-21	Aeroflot Sustainability Linked Loan, \$320 million											SLLP - Not specified / general corporate purposes
May-21	ANA Sustainability-Linked Bonds (5-year), 10 billion yen (\$87 million)											SLBP - Not specified / general corporate purposes
Jun-21	Korean Air Green Bonds, KRW 200 billion (\$167 million)											GBP - "Eco-friendly" B787 to "greatly reduce" GHG emissions
Jul-21	British Airways 2021-1 EETC, \$554 million											SLBP - x3 A320neos, x1 A350-1000, x3 B787-10 (JOLCOs)
Oct-21	Etihad Sustainability-linked ESG loan											SLLP - Not specified / general corporate purposes
Oct-21	Volaris Sustainability Linked Bond, 1.5 billion pesos (\$30 million)											SLBP - To finance "the company's sustainable growth"
Nov-21	Crianza's Sustainability-Linked Operating Lease											Undisclosed - B787 and A350 on lease to MSCI ESG-rated airline
Dec-21	British Airways £1-billion UKEF facility											SLLB - General corporate purposes - Pandemic context

Frameworks: Green Bond Principles (GBP), Green Loan Principles (GLP), Sustainability-Linked Bond Principles (SLBP), Sustainability-Linked Loan Principles (SLLP), Green Bond Guidelines 2017 (Japan's MOEI) * Unspecified SPT, but November 2021 emission intensity-based facility was said to have "similar" sustainability features

Source: Ishka research

The Ishka View

- With the announcement of **Pegasus'** sustainability-linked loan for 10 Airbus A321neo deliveries in late 2022 the tally of sustainable finance transactions involving airlines or aircraft rose to ten in 2022, two more than in 2021.
- Both this transaction and **Air France-KLM's** recently issued sustainability-linked bonds centered on emission intensity SPTs, shifting the balance on recently used SPTs away from SAF use. No SPTs have been yet announced for the **Wizz Air** transaction which closed during Q4 2022 and was announced at the end of January 2023.
- The case of **Air France** is particularly interesting as the airline, which was responsible for a significant portion of the sustainability-linked financings announced throughout 2022, had previously made (in agreement with lenders) SAF use and fleet renewal its preferred SPTs.
- Now, Air France-KLM's new Sustainability-Linked Financing Framework changes that, but the importance of SAF and fleet renewal are in no way diminished. The carrier's SAF use targets, in particular, lend weight to the attainability of its emission intensity SPT.

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Insights

A summary of recent ESG and sustainable finance developments for aircraft and airlines.

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