Climate Aligned Finance for Aviation

An emissions accounting and disclosure solution for lenders to the aviation sector

To support the decarbonization of the aviation sector, RMI’s Center for Climate-Aligned Finance, through the Aviation Climate-Aligned Finance Working Group, has been developing a sector-specific measurement and disclosure framework for financial institutions active in aviation finance.

Designed to be compatible with the Net-Zero Banking Alliance (NZBA), which requires members to set and disclose targets to reach net-zero by 2050, the framework enables financial institutions to independently evaluate the climate-alignment of their aviation financing portfolios against a 1.5°C aligned benchmark, measure portfolio emissions, and engage with stakeholders and clients where appropriate.

RMI brings its strong track record in developing climate-alignment standards, including the Poseidon Principles in shipping finance and the Sustainable Steel Principles for steel.

Since the launch of the Working Group in April 2022, RMI has developed draft guidance, in collaboration with the Working Group — including an emissions intensity metric, the selection of a reference 1.5°C scenario-based benchmark, and technical resources to enable the sourcing of high-quality data.

Over 550 financial institutions* have committed to transition the emissions of their financed portfolios to net zero by 2050. However, sector-specific guidance for achieving these targets is limited.

That guidance is especially needed in the aviation sector, which represents 2.5% of global CO2 emissions and is projected to use an increasing portion of the planet’s remaining global carbon budget by 2050, without action.

THE SOLUTION
In response, this RMI-facilitated Working Group is developing a comprehensive, aviation-specific standard — in consultation with experts and industry — which can provide financial institutions with a standardized measurement and disclosure framework, in-line with NZBA requirements and compatible with other net zero commitments.

*https://www.unepfi.org/net-zero-banking/
Building an Aviation CAF Framework

The CAF framework will enable financial institutions to calculate and disclose a single portfolio-level alignment score, which represents the divergence between the portfolio’s weighted average emissions intensity and an aviation-specific benchmark in that reporting year.

Methodology

The methodology identifies how a financial institution can measure the alignment of its portfolio. This includes:

- The specification of a well-to-wake grams of CO2e per revenue-ton-kilometer metric (i.e., lifecycle emissions) (gCO2/RTK) in line with existing Science Based Targets Initiative (SBTi) reporting guidance and NZBA
- The inclusion of passenger, belly cargo, and dedicated cargo in the traffic metric
- The accounting of sustainable aviation fuel (SAF) usage on a by-purchase lifecycle basis
- The specification of lifecycle emissions coefficients for fossil fuel and SAF types
- The scope of financial instruments covered by the agreement
- The assignment of specific emissions intensities depending on the type of transaction, including aircraft-model-average calculations for aircraft-secured financing and full-fleet calculations for general purpose corporate lending, to ensure accurate accounting and give credit for fleet modernization
- The calculation of a portfolio-level aggregate alignment metric for disclosure, maintaining confidentiality of client-level data

Roadmap

The roadmap identifies a sector-specific 1.5°C benchmark for a financial institution to compare against their portfolio’s emissions intensity.

- Following an evaluation of more than ten existing scenarios and pledges in the aviation sector, the Mission Possible Partnership’s “Prudent” (MPP PRU) scenario which is i) 1.5°C aligned, ii) expected to be recognized as such by GFANZ / NZBA and iii) similar to SBTi’s recently released interim pathway for aviation.
- The roadmap includes a split 1.5°C trajectory, with passenger (including belly cargo) operations and dedicated cargo operations measured against separate benchmarks developed by MPP.

While participating financial institutions are expected to publicly report alignment against the MPP PRU scenario on an aggregate basis to enable comparability between institutions, they are able to set targets independently using any benchmark of their choosing.

Data

- The data workstream provides technical guidance to ensure that financial institutions have access to comprehensive and consistent, high-quality data, including:
  - A flexible approach to utilizing client-reported data and third-party provider data.
  - Standardized templates and company reporting guidance to request data directly from airline and lessor clients on a voluntary / non-compulsory basis.
  - Guidance on third-party commercial data providers.

These resources are being actively tested, and expressions of interest in their development are welcome.
Working Group Process

The development of a CAF Framework is a multi-stakeholder process, guided by Working Group members, made up of 6 global financial institutions namely Bank of America, BNP Paribas, Citi, Credit Agricole CIB, Societe Generale and Standard Chartered and informed by input from advisory groups comprising:

- Experts, including NGOs, academics, governmental agencies among others
- Industry, including airlines, lessors, and original equipment manufacturers (OEMs)
- Reviewers, including 17 additional financial institutions

Stakeholder consultations have directly informed the proposed framework to ensure the resulting standard is implementable by industry, meets lender portfolio decarbonization requirements, and achieves harmonization across existing methodologies such as SBTi, to the extent possible. As the framework is finalized, RMI will continue to gather stakeholder input and pursue technical harmonization with existing standards.

Upcoming Milestones

The Aviation Climate-Aligned Finance Working Group is in the process of finalizing the CAF framework. Upon its completion, this standard will be available for use by financial institutions, including all technical guidance and resources. Interested experts, members of industry, and financial institutions are encouraged to contact RMI or any of the Working Group financial institutions for updates or materials. To learn more about the Aviation CAF process or submit an expression of interest, please visit climatealignment.org/focus-areas.

Lifecyle Accounting for sustainable aviation use

Sustainable aviation fuels (SAFs) are a central technological pathway for reducing aviation emissions but require careful accounting.

The Aviation CAF framework uses a well-to-wake emissions scope to directly compare the lifecycle emissions of SAFs to a fossil fuel baseline, in line with existing SBTi reporting guidance. In addition, the Aviation CAF framework applies airline-level SAF purchases equally across fleets, to allow aircraft-specific financings to receive credit for SAF purchases without attempting to track aircraft-level physical SAF consumption.

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