

Environmental Audit Committee

Oral evidence: Airport expansion and climate and nature targets, HC 831

Wednesday 18 June 2025

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[Watch the meeting](#)

Members present: Mr Toby Perkins (Chair); Olivia Blake; Julia Buckley; Ellie Chowns; Barry Gardiner; Alison Griffiths; Pippa Heylings; Martin Rhodes; Blake Stephenson; Alison Taylor; John Whitby; Sammy Wilson.

Transport Committee member also present: Ruth Cadbury.

Questions 63 - 165

Witnesses

[I:](#) Andrew Meaney, Partner and Head of Transport, Oxera; Dr Alex Chapman, Senior Economist, New Economics Foundation; Dr Stuart Jenkins, Research fellow, University of Oxford.

[II:](#) Duncan McCourt, Chief Executive, Sustainable Aviation; Matthew Gorman MBE, Director of Carbon Strategy, Heathrow; Neil Robinson, Chief Sustainability Officer, Manchester Airports Group.

Written evidence from witnesses:

[New Economics Foundation](#)

[Heathrow Airport Limited](#)

[Sustainable Aviation](#)

[Manchester Airports Group \(MAG\)](#)

Examination of witnesses

Witnesses: Dr Alex Chapman, Dr Stuart Jenkins and Andrew Meaney.

Q63 **Chair:** Welcome, everybody, to the latest meeting of the Environmental Audit Committee and the second meeting in our aviation expansion inquiry. I am very pleased to be joined by our panel today. As people watching will see, we are somewhat casual, given the hot temperatures down here in London. I will first invite our panel to introduce themselves, the organisation that they represent and their interest and knowledge in the aviation sector.

Andrew Meaney: I am Andy Meaney. I am head of transport and a partner at Oxera. We are an economics consultancy. I have worked on various airport expansion planning inquiries and other planning inquiries. The focus of my giving evidence today is, hopefully, to explain some of the economics of airport expansion and the tensions and trade-offs around that.

Dr Jenkins: Thank you for having me. I am Dr Stuart Jenkins. I am a research fellow at the University of Oxford, where I work in the school of geography and environment. My research interests generally are about the attributes of net zero and translating the goals of the Paris agreement down to the corporate and national settings. In this context, I am a project leader on a project at Oxford on net zero aviation.

Dr Chapman: I am Dr Alex Chapman, senior economist at the New Economics Foundation. We are a think tank and charity based here in London. I lead our aviation programme of work, which looks predominantly at the economics of air transport, tax policy, airport expansion issues and how they sit in the wider economy and our goals as a country.

Q64 **Chair:** Mr Meaney, how big is the UK airport and aviation sector, both in absolute terms and in relation to the whole UK economy?

Andrew Meaney: That is an excellent question. It is unclear to some extent. There are lots of numbers floating around. There was an IATA study in 2023 that suggested the sector is worth around £30 billion and as a proportion of the economy it is around 1.2%. That is looking at direct employment and GVA effects. If you look at some of the wider effects, although there is often a bit of double counting in these numbers and more uncertainty, certainly, it can get closer to around about 5%.

As I said, there is a note of caution around these numbers. They can be quite affected by double counting and so, as an economist, you perhaps prefer to think of this in different ways. There was work done for the ACI Europe, the European airports trade association. It looked at the impact of an increase in direct flights. It said that an increase in direct flights contributes around 0.5% to GDP and around 1.6% to employment, very



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much on average across the EU. Again there are some caveats with that, but it just gives you a sense of scale.

Q65 Chair: Dr Chapman, from your perspective, to what extent do you accept those figures and the central premise that airport expansion and more flying leads to more growth?

Dr Chapman: Mr Meaney has made some really important clarifications there around the issue of additionality. If you, for example, expand an airport, quite a number of the jobs at the airport are not in air transport employment but might be in hospitality, retail and others. Often those jobs will get claimed as newly created jobs by that initiative, but actually, if I am buying a coffee in the airport because I am now going on holiday, the chances are I might have bought that coffee somewhere else if I was not at the airport. Whether those jobs represent newly additional created jobs is highly questionable.

I would also like to challenge slightly the point there that Mr Meaney made at the very end about what happens when you add more capacity to the network and whether that then gives you this 0.5% response or whatever it was. Those types of figures were typically calibrated on data spanning the 1980s, 1990s and early 2000s, during which we were in a very different period of our development. During that period, rates of business passengers were far higher. There was a time when 50% of the passengers processed at Heathrow were business. Nowadays it is well below 20%.

When we add passengers today, they are not the same passengers that we were adding 10 or 15 years ago, but the models that we are using, as Mr Meaney describes, may well have been calibrated on that outdated data. The DFT is still using models calibrated on data that spans all the way back into the 1980s and 1990s, when we are in a different world today. We need to look really carefully at those issues.

Q66 Chair: Do you point to any different models that we should be using now that might reflect those differences?

Dr Chapman: There have been studies in the last five years or so from academics across Europe. They are starting to show that it depends very much on the state of development of your country as to what kind of response you get. If you are a country with, for example, high business air passenger growth, you might get those growth benefits in return. If you are a country with a larger inbound tourism economy, such as Spain, Italy and the like, you might also get those benefits.

Quite a number—in our report we have identified five, six or maybe more academic studies—cannot identify an additional benefit to more air capacity in the UK. We do not have business demand growth and we have an outbound tourism deficit, i.e. we are a tourism-sending country, not a tourism-receiving country. I would argue that today, in 2025, there is negligible economic gain to further growth.



Q67 Chair: Any of us who walk over Westminster Bridge every evening will be amazed to discover that there are more of us leaving than arriving, but I take your word for it. Dr Jenkins, what do you make of the different predictions for what impact airport expansion would have on the UK economy? Where do you stand on what that economic impact will be?

Dr Jenkins: I can speak of the aviation sector in the UK from the perspective of an emissions budget today. For example, I think the 2022 estimate of DESNZ itself was that the aviation sector in the UK was producing around 30 million tonnes of CO2 emissions each year. That was part of a covid rebound, so today I think you would probably find that estimate around 35 million tonnes or so, as a baseline. Almost all of those emissions are associated with international-bound flights. There is in the order of 1 million tonnes of emissions associated with domestic aviation in the UK market and the remainder is international.

I would reflect on the points made either side of me on the extent to which airport expansion would lead to growth. The fact that we are a net tourism-outbound nation in our aviation sector might suggest one way. The other thing to reflect on is, as you add capacity to the network, how that capacity is used would dictate the extent to which you might gain economically from expansion. In the south-east, where you have quite a congested sky already, if you add capacity, if that capacity is used for alleviation of overhead aircraft, for example at Heathrow, that might not have the economic benefit that you would expect if you were to add capacity and that was used for additional flights.

Q68 Chair: We will get into more detail around the carbon aspect shortly. Returning to the issue of the economic benefits. Mr Meaney, what do you say to the argument made by Dr Chapman there that, because there are more British people traveling overseas than there are tourists coming into the UK, expanding aviation might, rather than increase our economy, actually shrink it, because more British money is being spent overseas than we are benefiting from?

Andrew Meaney: There are a couple of important points here. One is that we are receiving tourists in and we call that exports. We have people going overseas for overseas tourism and that is an import. There are two effects here.

One is a GDP effect. If you are receiving people into the economy and there is a deficit compared to how many people are going on tourism trips overseas, that is not necessarily bad for GDP. It very much depends on the relative productivity of people working in tourism against other sectors of the economy. If tourism jobs in this country, for example, bring more people into the labour supply then that is beneficial but it is really an empirical question as to whether there is a negative impact on GDP of any tourism imbalance in either direction.

It is also worth bearing in mind that people are going overseas because it benefits them and people are coming here because it benefits them. There are positive, as we call them as economists, welfare benefits



associated with people coming into the country and spending money here, because we are getting producer benefits from those people buying the coffees coming over Westminster Bridge. Also, we are benefiting as consumers when we go overseas on holiday. We are doing that instead of something else, such as staying at home in the roasting weather.

Q69 **Chair:** That seems to be a reasonable point, does it not, Dr Chapman? We all know that, if we pop into our local town centre, we might spend 20 or 30 quid and get a cup of coffee. When we go on holiday we expect to spend more money. People save their money over the course of a year and spend quite a lot of their leisure income in that two or three weeks when they go away. While there might be that net effect that we have more people traveling abroad than coming in, it is a reasonable argument to say that these tourists are spending a hell of a lot more in that two weeks that they are here than an average British person would be spending, is it not?

Dr Chapman: We are in a net deficit of £40 billion-odd a year that leaves the economy through this process, because inbound and outbound tend to spend about the same amount as each other. I think that the last figure I saw was about £700 each per person, but there are far more of them going out.

It is then a valid question to say, "Where does that money go?" It does not disappear or go nowhere, but, to simplify a complex economic issue, the money that you are spending overseas goes into the hands of foreign entities. Typically, after a long convoluted route, in some form or other, it finds its way back into the UK through capital investment in some way. A large chunk of it is foreign direct investment. That leads to a situation where Heathrow airport itself is owned by the Governments of Qatar, Singapore and China, such that a significant portion of the revenue we now generate if we expand Heathrow airport immediately flows out again, because we sell off assets in our economy.

As has been mentioned there, in GDP measurement terms, that might not have a big downside, but it will for the individuals involved. That is a tangible loss in spending to the wider domestic tourism industry in the UK. Let us not sit here and pretend that expanding Luton, Gatwick, Heathrow and others does not have a downside in terms of the domestic tourism industry.

In fact, that is there in Government policy, at least as far as I am aware of it. If you go back through the history books, I believe that the 2011 tourism policy is still Government policy. I have not seen anything that has replaced it. If you look at that policy, you will see that the Government stated that, if they could insource some of those outbound tourists, you might bring in about 37,000 additional jobs by bringing them home, essentially. That is high street spending, rather than foreign direct investment buying up our assets.



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Yes, there are different flows at play, but, in terms of what the public feel, it is a different factor. Those people around the country in the north-west and the north-east are not in the models. When we are running the models and the DFT is doing its analysis with the models we have spoken about already, they are not factored in there. They are too far away.

Q70 Chair: In economic terms, how robust do you believe the Government's claim is that the expansion they are suggesting will lead to the economic growth that they are suggesting?

Dr Chapman: It is a strange situation. In specific regard to Heathrow, the Chancellor announced support for the expansion and, in that announcement, referred to a Frontier Economics study that was commissioned by Heathrow Airport and still, months later, has never been put in the public domain, which I find baffling. We have an executive summary from that report and there are some highly questionable assumptions even in that executive summary. I would like to see the full analysis.

Predating that, there was the long Airports Commission process, but that was published in 2015, 10 years ago. Bear in mind that that means the input data that informed that assessment would have been up to maybe 2012 or 2013 at the latest. The world is a different place. We have had Brexit, net zero commitments, decline of business travel and decline of the domestic tourism industry. Pre-pandemic, it was in stagnation.

We had a brief blip during the pandemic, where it came back as people made different choices. The Government said at that time in their tourism recovery plan, "Let us keep them at home". That was in the tourism strategy. What happened? That is clearly nowhere in what we are actually doing. We are now saying, "Send as many of them out of the country as possible". I do not understand that dissonance between different areas of policy.

Q71 Chair: Mr Meaney, from your perspective, how robust do you think the Government's analysis is? Do you think broadly that they are right? Do you want to respond to what you have just heard there?

Andrew Meaney: It has been a while since Government have done analysis. As Dr Chapman says, there was the Airports Commission process. There was some analysis done in, I think, 2017 or 2018. Since then, Government have not done analysis of airport expansion. Of course, the world is a very different place today than it was back then.

To the extent that there is a Heathrow expansion plan from Heathrow, and possibly some others as well, probably DFT will have to do some analysis looking at the Heathrow plan and alternatives. DFT will use its transport analysis guidance in order to guide and assure its modelling to test those alternatives. We wait and see what that is going to look like.



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It is worth saying—maybe we will come back to this—that the so-called TAG unit, the bit of TAG that looks at aviation, is pretty thin. It looks pretty thin in comparison with what it does for other modes. That is not surprising in one regard, because these are typically commercial schemes that are being brought forward and do not involve public money. TAG is there to test the benefits and costs of public sector investment, such as HS2, for example.

Where Government are having to take a decision between alternatives, they will use their own analysis regime, if you like. As I said, that is quite limited in scope. There is very little in there on air freight, for example. There is nothing on competition benefits of expansion between airports. There is very little on trade, foreign direct investment and those sorts of effects. To the extent that this analysis is going to have to be done pretty quickly, that analysis guidance is probably going to have to swell in terms of the areas that it is covering.

Q72 Alison Griffiths: Mr Meaney, notwithstanding some of your previous answers, when do you think we would expect to feel any economic benefits from expansion?

Andrew Meaney: There is a lot that happens in the planning, as it were. A lot of effort will go into that in terms of designing a scheme and that kind of thing. When a scheme is triggered—it has all the approvals in place and the finance in place—you start to see benefits arising from construction. Part of the planning process is that you test that the construction employment that is created is going to tread lightly on the local area. There is a lot of effort put into that in the Gatwick planning inquiry, for example.

When the airport starts to open, and perhaps in advance of that, you will start to see some of the economic activity really coming on board. Businesses will start to relocate and think, “There are more people going to be coming through this area. Perhaps it is worth me locating there rather than somewhere else”. You may get businesses starting up. When the new flights start arriving and taking off, you start to see benefits for people who want to use the airport, which is why we are doing it in the first place.

None of this happens immediately. These economic effects take a while to flow through. Probably a decade after opening, you would expect to see things settle down to some new position.

Q73 Alison Griffiths: Current airport expansion focuses around the south-east. Will there be any subsequent growth beyond that?

Andrew Meaney: It is a very good question, because you are right. When you expand an airport, it is a bit like dropping a stone into a pond. You see the biggest effects closer to the airport, but some spread out beyond that. If you look at the work we did for the Gatwick planning inquiry, which was accepted by the examining authority, around half of



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the effects were in the immediate vicinity of the airport and then others between Hampshire and Kent, over that wider geographic area.

For some of the impacts that we looked at, there were national impacts as well in terms of benefits. If Gatwick were to expand, maybe part of its supply chain would sit in Scotland or Northern Ireland. Then you would create effects in those particular places as well. Of course, there are other national effects. There is taxation, for example, so people flying will generate more APD revenue for the Government. That is another example, but, effectively, those benefits are greater the closer you are to the airport.

Q74 Alison Griffiths: Do you think that there is any way to deliver airport expansion in a way that would spread the growth more evenly around the UK?

Andrew Meaney: At the moment, the reason airports are expanding is because the owners of those airports believe that there is a commercial case for doing so. If you want other airports to grow, at the moment you are relying on the private sector to say, "For Edinburgh airport, there are more people trying to fly. There are more airlines interested in flying from Edinburgh than we have space for, whether it is terminals or runways". You would need that to happen under the current arrangements. For somewhere such as Doncaster Sheffield, the local authority is putting money in to try to reopen that airport and create some regional benefits there, but that is a more specific local case.

Q75 Ruth Cadbury: You have answered some of my questions. On this issue of regionality, overall across the UK, there is something like 500 million additional passenger capacity being wanted by various airports, a majority, but not all of them, in London and the south-east. Notwithstanding the fact that each airport is a separate private sector entity, do you think that there could or should be some kind of national strategy that might address things such as regional imbalances, regional growth, et cetera?

Andrew Meaney: You can, but it comes down to who wants to fly there and who wants to fly out of there, and I am not being flippant.

Q76 Ruth Cadbury: Given that, if Dr Chapman is right, most of the flying is UK-based tourists going abroad, not everyone wants to come to near London to go to a high-volume airport in Spain, Greece or whatever.

Andrew Meaney: If I interpret your question correctly, it relies on the airlines seeing that there is a business case for them to come into an airport or base some planes in that airport. That can be done through commercial agreements with the airport, whereby the airline undertakes marketing on behalf of the airport. That has been behind a lot of someone such as Ryanair going to a regional airport in Europe. The commercial deal that they strike enables Ryanair to believe that it can generate flights that are going to be profitable from that location. There



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are deals that can be done, but of course the airports that are there at the moment in the UK can make those deals already.

There is also potentially subsidy that can be provided for specific flights, whether that is to small islands or the more PSO-type arrangements, where you have a contract with an airline to provide 10 return services a day into a hub airport such as Heathrow. There are mechanisms that you can use to generate flights. Potentially, once you have put some money in initially, the airline realises that there was a business case after all. It is as much about creating the conditions around the airport economically, such that businesses want to move in and people want to move to the local area and use the airport as part of their daily lives.

Dr Chapman: Going back to the central question, when the DFT assessed the Heathrow expansion, it did not initially publish the regional impacts, but we accessed them via a freedom of information request. Those showed that the DFT's own analysis anticipated 27,000 jobs relocating from the wider regions to London and the south-east as a result of the expansion. That is direct jobs in and around the aviation industry. That is not talking about the wider jobs in surrounding industries, including the tourism sector.

That happened because there was an assumption that there would be a displacement of flights that would have taken place, particularly in Manchester, moving to the south-east. Let us not pretend that this is just an inevitability. There is a degree of high-level planning that needs to be done here. The idea that some of those benefits then go back to the regions somehow or other is basically just good old-fashioned trickle-down economics, which has been fairly well debunked at this stage. The potential route where they could is if you have business passengers flying out of the north-east down into London and then hubbing on elsewhere.

The point is that the business demand is not there. This is just outbound leisure, overwhelmingly. The peak for business travel was in 2006. Now we are about 30% below where we were then. This is not about business travel. Basically, we are saying that we want to get as many people out of the country as we can. That is not an industrial strategy. I would argue that we need an industrial strategy for air transport that is tied deeply into our tourism and carbon plans. When you overspend the carbon budget in aviation, that has knock-on impacts, which I am sure we will come to later.

Q77 Ruth Cadbury: Would you also tie that into some kind of regional growth strategy? The previous Government called it levelling up.

Dr Chapman: Yes, I definitely would, but I would be cautious about the idea that the fact that we need to not expand airports in the south-east means we should expand them elsewhere. Leeds Bradford and Doncaster also send people out of the regions. 80%, in some cases, of their passengers are just taking money out of that area. I would argue that, if



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you were to do a proper transport and tourism plan for this country, airport expansion would not be a central part to that. It would be about how you can better distribute tourism spending, improved surface transport and all the rest of it.

Q78 John Whitby: Dr Jenkins, I think you said that emissions from UK aviation are around 35 million tonnes a year. Is that right? What level of emissions would be expected if we go ahead with the airport expansion in the UK as planned?

Dr Jenkins: To baseline it, the order of magnitude today is 35 million tonnes of CO2 equivalent emissions every year.

Q79 John Whitby: Is that including the expansion?

Dr Jenkins: No, that is a baseline of 2024, I believe. If we begin by assuming that no mitigation measures have been put in place, you would expect those emissions to essentially scale with the additional capacity that you are adding into the system, assuming that that capacity is used for additional flights.

There are some caveats here. I mentioned earlier that, if some of that capacity is used to reduce in-sky congestion in the south-east, so to reduce, for example, holding pattern formations around Heathrow, on the one hand you probably reduce your growth estimate from that because you are not landing additional planes. On the other hand, you might argue that you are getting an emissions reduction from that, because the planes are remaining airborne for less time. Excluding those caveats, in the short term, you would expect approximately a scaling of the market today in emissions terms.

Then you have a question of "What mitigation?" It was mentioned that, if you commissioned the capacity expansion today, you might begin to see landing flights, say, in five to 10 years' time. On that basis, aircraft would over time become more efficient in the UK market, you would expect. Historically, we have had aircraft becoming more efficient at between 1% and 2% per year. There has been a fuel reduction per flight of between 1% and 2% per year. You could argue that, say over a decade, that gives you a 20% additional reduction in fuel burn. Say over that decade you were also to therefore expand your airport capacity by 20%, that holds your emissions at a flat baseline.

The problem with that as an assumption is that that efficiency assumption has already been used in a lot of the UK Government forecasts for how the aviation sector is going to be delivering net zero. There is an amount of double promising taking place if those efficiency gains are being used to deliver an expanded amount of flights in the UK airport network.

Dr Chapman: We also need to have a very close eye on the nature of the flights in the system. The provisional emissions data for 2024—we do not have the final—suggests that there was no reduction in international



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aviation emissions between 2019 and 2024 at all. We just heard there, correctly, that there is supposed to be 1% or 2% of efficiency gains every year. Why has it not gone down, because flight numbers were the same in those two years? The answer is where we are flying to. Over that period, we had what I am calling the rise of medium haul as the new short haul. There were 3.7 million more passengers to Antalya, 1.9 million to Tenerife, 1.6 million to Sharm el-Sheikh, 1.5 million to Dalaman and so on.

These are leisure destinations, but they are not that close. We are talking four or five hours' flight away. That is a serious threat to our emissions budget in aviation right now. We will get into it later, I am sure, but the current tax policy is actively incentivising that by not taxing carbon on those routes, but taxing it on the shorter-haul routes. That will affect the intensity of the system. You can see no change in the number of flights or passengers, but we are seeing higher emissions that are wiping out those potential savings.

Q80 John Whitby: Do we have any other options to reduce carbon other than efficiencies? Are there any other options that are deliverable?

Dr Jenkins: I have already covered what I would describe as demand control measures and efficiency. The other two major options that are discussed in the literature are what you could consider to be alternative fuels, which are a bracket I will come back to, and the final option of conventional carbon offsetting. That would be the use of conventional kerosene aviation fuel, as it stands, and a countermeasure being deployed to capture CO₂ and store that CO₂ to balance the system.

To go back to the alternative fuels bracket, in that there are, broadly speaking, two distinct categories. There are the truly novel fuels. This is the discussion of hydrogen-powered aircraft or electric aircraft, which are currently at a very much R&D and experimental scale and not commercially viable. They also are not really considered to be particularly commercially viable in the medium term for anything other than short-haul flight.

The other category within these alternative fuels is sustainable aviation fuels. That is biofuels produced through a biological feedstock that you take through a chemical restructuring to a hydrocarbon, or what you could term synthetic fuels, where you take a hydrogen source and a CO₂ source and synthesize hydrocarbons from those two feedstocks.

Q81 John Whitby: Are there opportunity costs for going ahead with airport expansion? If so, what do you think they would be?

Dr Jenkins: I mentioned earlier that there is this problem of promising the efficiency gain to deliver airport expansion, because you essentially remain at a baseline amount of fuel usage in the UK market. Then you are left with those two options: offsetting the kerosene use with carbon



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capture and storage of some kind, and sustainable aviation fuel deployment.

Sustainable aviation fuel globally, by organisations such as IATA, the International Air Transport Association, is promised to deliver a really large fraction of the aviation sector's decarbonisation overall, so something of the order of 50% to 60%. I think that it is slightly less than the UK's jet zero strategy from a few years ago, but it is still a sizeable multiple, tens of percent contribution. The opportunities there are that, for example with synthetic fuels, you need a green source of hydrogen and captured CO₂, ideally from the air, but you could initially begin by taking that CO₂ from point source capture at industrial clusters, for example. There are synergies there between the industrial strategies and transport strategies.

On the other hand, there is the risk that you are promising various feedstocks and energy use inputs to the aviation sector. These are energy-intense processes to generate a fuel without it being extracted kerosene. You are promising them both to the aviation sector at large and to other sectors in the UK economy. Again, it comes back to this double-counting problem. There are only so many places where that limited feedstock can originate, particularly in the UK context where, for example, land is limited. It seems to be being promised to too many distinct sectors of the UK economy today.

Q82 Barry Gardiner: I want to continue the theme of carbon pricing. Before we do, could I clarify, Dr Chapman, this business of more passengers traveling overseas than coming in? The Committee has received evidence from Dr David Metz, who used to be the chief scientist at the Department for Transport. That said that UK visitors going abroad spend more than twice as much as overseas visitors into the UK. It is £62.29 billion as opposed to £28.35 billion. Are those figures that you recognise and is that what you are basing your comments on?

Dr Chapman: That sounds about right, yes. We have seen over time, if you look at it from a household budget perspective, which Government surveys track, that spending on overseas spending and outbound tourism is cannibalising other areas of a household budget. It is basically eating into the high street and other areas through that process.

Q83 Barry Gardiner: I wanted to clarify that. In effect, expansion is a net drain, in that sense, on the economy. If we can turn back to the whole issue of the carbon price, remind me what the jet zero strategy assumed the carbon price would be by last year.

Dr Chapman: I wrote this in my evidence, but I think that it was in the order of £80 to £90.

Barry Gardiner: It was £82, I think.

Dr Chapman: Yes, that is right. I think that we were at about £40 in the market, so we were at about half what we needed.



Q84 **Barry Gardiner:** Where do we need to get to, in accordance with the jet zero strategy, by 2030?

Dr Chapman: £150.

Q85 **Barry Gardiner:** What is the problem? Why is the current price so low? What are the factors that are making it impossible for us to do the offsetting in the way that we would want?

Dr Chapman: That is the jet zero forecast of what would be necessary to deliver the jet zero carbon pathway. That requires demand management, which is essentially delivered through the carbon price. It is quite important, if you are going to deliver jet zero, that you have a carbon price that aligns with what you have assumed you will have.

The reason in the very immediate short term it has been so low is that I believe there was a sort of carryover from the pandemic, where lots of carbon allowances were flooding the market because there were less emissions than expected during the pandemic. As a result of that, the price was lower, but that is a quite a short-term effect.

If you look at DESNZ's own forecasts about where the carbon price is likely to go in the near-term future, it does not think that it is aligned with jet zero. It does not think that there are the market forces in place to get it on that track. There is actually a bit of interdepartmental incongruence there, I guess.

Q86 **Barry Gardiner:** At the moment, the free allowances to polluters that were introduced in 2023 give the airline sector 59% of its ETS emissions for free, do they not?

Dr Chapman: Yes, you are right. As it stands, they are currently getting a lot of their permits for free. That will be phased out in the next year or two, I believe.

Q87 **Barry Gardiner:** They are getting a more generous allowance than the rest of the economy, which is only 38%, is it not?

Dr Chapman: I believe so, yes.

Q88 **Barry Gardiner:** If you were to encapsulate what you think this Committee should be saying, the carbon price, as it stands, is too low in order to enable the expansion that is been predicated. Too many flights are not included in it. Can you elaborate on that?

Dr Chapman: Yes. What we have been talking about there is just flights under the ETS, which is to European destinations.

Q89 **Barry Gardiner:** I was fascinated by what you said about those medium-haul flights and the impact of them.

Dr Chapman: Anything outside of Europe is not being taxed anything on carbon at all, essentially. That means that, if we were to meet the jet zero path and hit that £150 per tonne, you would have a much higher



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price on a flight to Europe than on non-Europe destinations. You are incentivising people to do more damage to the climate. You are making it cheaper to do more damage.

Interestingly, there is one parallel on the ETS point. We had for a long time—I believe we still have—a carbon price support policy in domestic gas that lifted up the base price that domestic gas had to pay on the carbon price to ensure it paid the price that was deemed necessary to deliver the green transition, but it only applied to domestic gas. I find it interesting that you would put that policy on a sector that is so important to everyday households and their cost experience, but nothing to secure your prices from, ultimately—let us be honest—what is the majority of leisure luxury flying.

In fact, our analysis that we are putting out today suggests that 50% of new capacity created through airport expansion is likely to be used by just 3% of the population flying for leisure, often in higher travel classes and to closer destinations as well. There is that decision about how you allocate who gets an easy ride through the green transition and who may be asked to shoulder more of the burden when it comes to decarbonising. I would say that the balance is off right now.

Q90 Barry Gardiner: I want to get your thoughts on CORSIA, the integration of that with the emissions trading scheme and whether that will give us a sufficient level of carbon price to proceed.

Dr Chapman: CORSIA is just an offsetting scheme. It is not a hard cap or a trading scheme.

Q91 Barry Gardiner: We are not part of it yet, are we?

Dr Chapman: I am a little hazy on the exact legislative position, but I believe that we will be. A key problem is that it only applies to emissions above 85% of 2019 levels, I believe. Most of your emissions will not be affected by it.

Q92 Barry Gardiner: To be clear on that, it is seeking to introduce an additional tax on the growth that there is in the sector beyond 85% of the level in 2019.

Dr Chapman: Yes. The offset prices are so low that it is basically meaningless to most airlines anyway.

Q93 Barry Gardiner: Basically, we have price signals that are too weak to achieve the objectives that the Government are looking to put in place.

Andrew Meaney: It is useful to understand the process here. You increase the costs on airlines and then those costs flow through into airfares. As Dr Chapman says, there is this distinction between the EU ETS and flights outside of the EU and what that is doing to behaviour at the moment.



It is also worth saying that the way in which this is working means that the effect is smaller for larger airports than it is for regional airports. Work that Oxera did for the ACI Europe, the airports trade association, on the European Fit for 55 policy demonstrates that, because typically regional airports have lower price points—they have low-cost carriers there typically—when you add the additional costs on the airlines into the ticket price, that will have a bigger impact than it will on the prevailing prices at other airports.

It is also those regional airports that tend to have the shorter-distance flights. Again, they are more likely to be captured to some extent by the EU ETS than some of the longer-haul flights or the medium-haul flights that Dr Chapman referred to. It is worth bearing in mind that, not only are there cost differences for airlines, but it also affects different airports in different parts of the country in a different way.

Q94 Barry Gardiner: The Climate Change Committee in the sixth carbon budget was very clear that demand management had to be part of that. It has modified that in the seventh carbon budget, but I wanted to get your thoughts on the form of demand management and how pricing, and obviously carbon pricing, can play a role in that.

Dr Jenkins: The most important point with regard to the question of growth in the UK aviation sector is the extent to which a high carbon price has been factored into those estimates. For example, burning one tonne of kerosene produces, on order, three tonnes of CO₂. As a minimum, you could consider the cost of offsetting that CO₂. To offset it in a durable manner with high additionality—that is storing it for a long period of time out of the atmosphere—you are perhaps talking, in mid-century, of a cost between £100 and £200 per tonne.

For a tonne of kerosene on a flight, you are talking about a £400 to £600 change in the fuel price for that flight. If all of that was passed on to the customer, that needs to be reflected in the estimate for demand for aviation in the coming decade, particularly in the context that there are other policies in place that might encourage short-haul aviation of today, perhaps to Europe, to be shifted towards rail transport travel to Europe, which has been pointed out as this transition towards medium and long-haul travel from the airport sector.

Q95 Barry Gardiner: Why do you think it is that the Sustainable Aviation road map for net zero does not include demand management as one of the factors?

Dr Jenkins: The term “demand management” is the important term here. Globally, it is expected that aviation as a sector is going to grow in the coming decades. The question is how we manage that growth and make sure that that growth takes place in the correct circumstances and regions.

Q96 Barry Gardiner: If we look at the Climate Change Committee’s graphics



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on this, it is very clear that the largest element—it is half and half, actually—of the reduction in carbon emissions has to come from demand management, and yet it does not appear in the Sustainable Aviation strategy whatsoever.

Dr Jenkins: It is true. The position can change on demand management, but it has to come with a clear understanding of what that means for additional capacity in the offset market, additional capacity in the SAF market and ongoing costs for, ultimately, the customer of that airfare. At the moment, there is bit of disconnect between ignoring a demand management policy, but actually the consequences in terms of cost on the airfare and perhaps how that might itself impact on the demand of the aviation sector.

Q97 **Barry Gardiner:** Can I put to you something else? If you look at the plans around the three airports, Heathrow, Stansted and London City, the expansion of those airports would constitute a significant increase in carbon emissions. Given that we have looked at the net zero carbon road map that Sustainable Aviation has produced to underpin that, it talks about a large proportion of sectoral net zero plans. It is talking about direct air carbon capture and storage, which would be at between £205 and £453 a tonne, which would mean an abatement cost of £9.5 billion to £21 billion just for the abatement of this expansion.

How is that going to help the economy? You may have an increase in GDP, because there will be an awful lot of work going on, but it is certainly not going to be in terms of what Professor Dasgupta would have called inclusive wealth.

Dr Jenkins: Quite, and this was the point I was alluding to just now. The cost of that clean-up activity, that carbon disposal that comes with an expanded aviation sector in the UK, needs to be factored in to the estimates for the growth of the market. It is all well and good adding capacity today or in five years' time, for example, in the south-east and gaining flight capacity for a decade. If that only leaves us with a more challenging aviation sector decarbonisation problem in the 2040s, we have not really bought ourselves very much benefit from that.

Q98 **Ellie Chowns:** I have two brief questions. The first is perhaps to Dr Jenkins and Dr Chapman. You have made a really clear case that there are huge externalities that are not incorporated in the aviation markets costings currently. Clearly, they have to be. Those carbon costs need to be incorporated in pricing, not just in calculations of potential economic growth. What policy recommendations do you think this Committee should make in order to ensure that the externalities of aviation are included in the price?

Dr Jenkins: I would say two things. One thing that is good that has happened recently within the UK context is the UK SAF mandate, which creates an external policy tool to pricing. Pricing is the often-touted route to implement a carbon adjustment for a service or product. It is a good thing and the price signal obviously will have an impact on the customer.



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The other way that we can implement things is by essentially mandating or obliging a sector or particular set of organisations to do something as part of their right to operate.

The UK's choice to implement a mandate on fuel suppliers in UK aviation to supply an increasing portion of their fuel as sustainable aviation fuel is a positive step. That is a good thing because it creates a market signal. The UK, I know, has recently put a Bill forward for a revenue support mechanism to support the early development of the SAF supply chains that will come with that. These are good policies.

Going forward, a better alignment is needed of that SAF policy with the carbon offsetting policy that is also going to be needed. Earlier, we talked about the synergies and the opportunities. One clear opportunity is in novel SAF development, so where you need a CO₂ stream that you have captured from the atmosphere to develop synthetic fuels. That same CO₂ capture stream could be used as a carbon offset. You get this nice synergy, where you could ask for the CO₂ to be captured today or over the near term, agnostic to whether it is going to be used in your SAF supply chain or as a direct offset to ongoing kerosene use. There are these alignments of policy, not just in the SAF component of the aviation sector's decarbonisation, but across that wider package of offsets as well as SAF that could be looked at.

Q99 Ellie Chowns: Dr Chapman, would you like to comment specifically on carbon pricing across the board?

Dr Chapman: In the environmental principles policy statement, the Government are committed to the principle of the polluter pays. The demand forecasts that justify these airport expansions are on the basis that the polluter will not pay, because we have not even talked about non-carbon emissions here that probably make up the majority of the damage done to the climate. Nothing is being paid for that. We are simply not policy compliant right now. I will be looking very carefully to see, when the review of the airports national policy statement comes up, how that circle can be squared with the EPPS.

In terms of what we need to see, we need higher prices, and the existing mechanism is there, so it is probably best to use it, which means the emissions trading scheme. The best option probably is to expand the emissions trading scheme to non-EU destinations. The EU is consulting on that right now. We have just announced that we are aligning with the EU ETS a few days ago. If the EU were to make that move, it would be a good move and would at least prevent this. I see quite a significant danger to us right now of people going medium haul for their leisure.

I would also look at something similar to the carbon price support mechanism to lift up the effective price to a jet-zero-compliant level, but doing it outside of the ETS. If you do it within the ETS and lift up the price of the ETS for everyone, you are also making British Steel and other manufacturing industries pay more for the luxuries of the aviation sector.



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You could have a sector-specific additional price floor or similar that would target luxury aviation travel.

Finally, if you are going to do all of that, you need something to make sure that you protect the interests of the family who is looking for their one family holiday a year or whatever, so that they do not feel like they are being penalised for the green transition.

Q100 Ellie Chowns: I have a specific question on that, but I understand that Mr Meaney wants to come in on this one.

Andrew Meaney: You asked the question from the environmental perspective, and that is this Committee. I want to remind people that there is the environmental cost but also the economic benefit. Any Government analysis using their transport analysis guidance will balance the two on a similar price basis. The guidance there is to forecast what the cost of emissions will be over whatever time period you are looking at. You balance that against the economic benefits.

The analysis we did on the Gatwick scheme, which was accepted by the examining authority and the Secretary of State, said that there was a considerable excess of economic benefits over those environmental costs, taking into account these increases in the carbon price. I know that Dr Chapman disagrees with that, but I say that just to balance things. When these decisions are taken, and when a Heathrow decision is taken between scheme options, for example, or around the individual scheme, the carbon costs and the economic benefits will be forecast and compared. It is just a simple point I wanted to make.

Ellie Chowns: We have already had some disagreement on that.

Dr Chapman: Just to, as I see it, correct the record on that, the planning inspectors recommended refusal of the central case that was put out by Gatwick for its expansion on the basis that the economic benefits were not that great and not sufficient to outweigh the environmental costs. There is a lot more complexity around the alternative DCO that we are now negotiating, but its recommendation was to refuse the central case, which is the one that Oxera presented its assessment on.

Andrew Meaney: Let us not relitigate that. It was pretty clear that the positives outweighed the costs in terms of how that was positioned.

Q101 Ellie Chowns: We clearly have a difference on this, but I want to come to my second question. Dr Chapman, you touched on this. You pointed out that it is projected that 50% of airport expansion will be used by just 3% of the people. You talked about the inequalities that are at the centre of expansion of this particular form of transport. One policy that has been suggested to address that is the introduction of a frequent flyer levy. Can you comment on that, please?

Dr Chapman: We see it as a fair approach to making sure that those least responsible can still access occasional air travel. We put out a



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proposal of a frequent flyer levy for Europe last year. In the process, we got some legal analysis commissioned on its implementation, because it is something that people have always flagged. People say, "Yes, it is fair. It is a good idea, but it is difficult to implement". The first thing to say is that that analysis suggested that there is a route towards delivering a frequent-flyer levy.

It also flagged that, if a Government were looking to do a simpler, lower-effort approach to getting something similar to a frequent flyer levy, the way to do it would be, for example, to increase carbon taxes and then give a first-flight discount out, and/or to deliver a ultra-frequent flyer levy, for example, for people who fly six or more times a year, who are that group I was talking about, but to charge them on their tax return at the end of the year, as opposed to doing it on their ticket. Administratively, it is much easier to do that. You just ask people at the end of the year to tot up what they have done. It would act as an incentive for very high frequency flyers to look at their year ahead and go, "That flight is maybe a bit less essential. That one can be done by train instead".

That is exactly what we need, but also it has that pure fairness in it, which is lacking right across the green transition right now. EV subsidies, solar panel subsidies and heat pump subsidies are good things that middle-class people like me have benefited from, but they are not explicitly progressively pro-poor. Having a very clear narrative that either says "We are discounting your first flight", or, "We are going on the ultra-frequent flyers", is a much more compelling narrative to the public. The polling, from the Climate Change Committee to all the rest of it, suggests that the public are on board with that.

Q102 Pippa Heylings: I just wanted the Committee to understand. I think that we have heard from you, Dr Chapman, but also from you, Mr Meaney, assumptions that it was the carbon pricing ETS that has changed behaviour, so demand management has worked, in terms of short haul to medium haul. Is there evidence to show that that assumption has led to what Dr Chapman is saying was this increase in the number of flights now to those medium-haul places?

Dr Chapman: That price signal is there right now, but it is only worth a few pounds, which is mainly because they are getting their emissions trading permits for free.

Q103 Pippa Heylings: That is why I am asking. We are hearing an assumption that that could benefit disadvantaged regional areas, but actually, from what we have also heard, because of the exemptions it is not actually being applied.

Dr Chapman: If we are getting this pattern with only a small price signal like that and we are looking at a world in which the ETS hopefully does go up and there is nothing on long-haul, what is going to happen when the



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price differential is £50? It could viably be that in the next five to 10 years with the different trajectories of those two prices.

- Q104 **Pippa Heylings:** I get the assumption and probably subscribe to it. I am just wondering whether there is evidence to show that that few pounds is what is creating this difference to the medium haul.

Dr Chapman: It needs more analysis.

- Q105 **Sammy Wilson:** We have heard quite mixed evidence about the economic benefits of airport expansion. On the positive side we have heard that airports, for example, generate £27 billion on GVA and 270,000 jobs. The airlines that use them generate about the equivalent contribution to GVA and 390,000 jobs. Tourism benefits by about £27 billion, and that is 285,000 jobs. Indeed, a lot of our high-value trade now goes through airports. £200 billion goes through Heathrow, which is greater than what goes through Felixstowe and Southampton.

On the other side, and we have heard a lot of it here today, if we expand the airports more people will want to go abroad and spend money abroad, so that has a negative impact on spending in our own economy. Indeed, the value of airport expansion might only be about £3.3 billion when you have put in all the costs over 60 years. Mr Meaney, what is your view on the economic benefits or the economic impact of airport expansion and why?

Andrew Meaney: Based on the schemes that I have looked at, the benefits exceed the costs, including the emissions costs, air quality effects etc. Where we are today is that it is pretty clear in the Department for Transport's analysis guidance how you capture the emissions costs of a scheme. There will be differences of opinion about the assumptions you make about how those emissions costs are going to project into the future, but there is a lot less good science behind the benefits calculation.

Specifically, there is good analysis you can do on the benefits when fares reduce when you increase capacity, but, as I referred to earlier on some of the other impacts, there is no guidance, effectively, on air freight in the transport analysis guidance. There are very few impacts covered in there around trade and foreign direct investment. Looking to the fairly near future, the science is going to have to improve considerably in those areas to make sure that we are capturing the benefits effectively.

There is then a separate question around how you tax people and what the relative emissions costs are for different emissions schemes. Certainly from my perspective and the schemes I have seen, the benefits tend to exceed the costs. The assumptions underlying that, which are discussed at length in a planning inquiry and other forums, are really important to get right.

- Q106 **Sammy Wilson:** We have not really touched much on the trade benefits that airports give. I mentioned the figure for Heathrow, which is £200



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billion-worth of exports. 86% of belly-load exports go through Heathrow, where is already at 98% capacity or whatever. There is a real danger, as we move towards a more high-value export economy, where goods will be sent by air because it is quicker, et cetera, that, if we do not increase capacity, we will hit limits as to the ability to export the high-value goods that we are seeking to develop with our industrial strategy.

Andrew Meaney: The evidence I referred to earlier on was talking about how an increase in direct flights leads to increases in GDP and employment. I certainly heard Dr Chapman's points around that evidence. A hub airport such as Heathrow can enable more long-distance connections or short-distance connections that are then used by exporters for belly-hold flights. As I said, there is no guidance on the analysis of how you capture those economic benefits in a Government appraisal at the moment. There is a capacity challenge and a connectivity challenge. We currently would have to do new types of modelling to capture the air freight benefits associated with that connectivity.

Q107 **Sammy Wilson:** I met with the Indian high commissioner last evening, who pointed out that there are now 4,000 Indian companies that have invested in the United Kingdom. How important is having a strong hub airport to investors from outside the United Kingdom that want to invest in the United Kingdom, having that degree of connectivity to the investment which they undertake in our country?

Andrew Meaney: With a hub airport such as Heathrow, like any hub in any network, you feed stuff into that hub and that generates its own network effects and the benefits associated with that. The more you can rely on those network effects, the more connectivity you are going to generate. It will be important for those types of employers to be able to see that capacity increasing.

Of course, there are other ways in which you could achieve that. You could hub into Schiphol, for example, and generate similar benefits. There is then a question as to whether we would rather do that in this country or see those effects overseas. That is part of the trade-offs that are going to have to be made.

Q108 **Sammy Wilson:** That probably brings me to my question to Dr Chapman. I think that I am quoting you properly here. In an earlier part of your evidence, when we were talking about the net deficit that there is in tourism, you said that any policy that sends as many people abroad as possible is not going to be conducive to economic growth. Is it really the case that the Government send people abroad for their holidays, or that people actually make a choice to go abroad for their holidays? If that is the case, if we restrict their ability to fly from airports in the United Kingdom, are they not likely simply to take a short haul to airports in Europe and fly from there anyway? They are not being sent. They are choosing to go, and choosing to go for whatever reason. I would just like your view. Do we not actually lead to more short-haul flights out of GB to other European countries, rather than stem the flow of people going



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abroad?

Dr Chapman: I have a different view of the economic approach to this, or the economic thinking around it. If you fly first class to Australia today, your effective tax rate is likely to be 2% or 3%, maybe. If I go into the shop and buy a sugary drink, I will pay VAT and sugar tax. Fuel duty will have been paid on its way to get to the shop and I could end up paying 50% of the price in tax.

The relative attractiveness of a good is ultimately about its price. A household will say, "Am I going to go on holiday this year, or am I going to buy a new car or a new TV, or go to Skegness instead of going to Malaga or whatever?" The price signal determines, to a great degree, what they decide to do. Yes, there is lots of demand out there for flying at the moment, but that is a product of a dramatically undertaxed sector proportionate to its actual impact on wider society. Let us bear in mind that the majority of people do not fly in any given year, and that is just in the UK. When you look globally at the fairness of all this, it is more questionable.

On the point about the hub airports, lots of countries promote their hub airports. Most of those countries own their own hub airport. For example France, Netherlands, Madrid airport and most of the middle eastern airports are all owned by the national Governments, so they have a much stronger stake in the success of that airport and the revenue it generates. We do not own ours, in which case our analysis should be, "What is the strategic benefit of that hub airport?" As I said to you, business passenger numbers at Heathrow were at 50% back in the day. They are now well below 20%. They are falling and falling. When you create these more efficient connections to more and more places around the world, more often than not it is people flying out of the country on holiday. Some of them come here but, as we have heard, in a deficit.

Q109 **Sammy Wilson:** Yes, but you do not begrudge them that. If people want to fly and go to Greece or Spain for their holidays, who are we to tell them, "You should not do it", or, "We do not like you doing it"? We have seen it already. You mentioned the tax on going to Australia. Many people now fly to Dublin to escape the air passenger duty that they would have to pay if they flew from Heathrow to America or elsewhere. It is whatever it is, £50 extra on their ticket. Is there not already evidence that, if you cannot get the opportunity or the opportunity is made more expensive, people will not change their behaviour? They will simply decide to go elsewhere to take the benefits of the flights that might be available, or the price at which those flights might be available.

Dr Chapman: At the margins, you will see people trying to circumvent taxes and things like that. That is standard, but the overall price signal is important. It is not just about price; it is about experience as well. We have the channel tunnel sitting there only running at less than 50% of its potential capacity. Why? That is just total madness for me. There is the state of the UK railways, the overall experience and the price incentives



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that we put in place when we tax holidays in the round in wider parts of the UK.

- Q110 **Sammy Wilson:** Might it not be that people decide, "I would rather get a 30-minute flight to wherever I want to go than a three-hour train journey"? Again, that is a case of individual choice. Is it not important that, in a free economy, we give people those choices?

Dr Chapman: We need to be careful. As I have set out, 50% of the extended airport capacity is likely to be used by 3% of the population, who are people who fly six or more times per year. Do I begrudge those people taking their seventh flight? In truth, maybe slightly because of the huge damage that does to the climate, but it should at least be priced properly. It should be priced to a level that reflects the damage that they are doing.

- Q111 **Sammy Wilson:** The point I was trying to make was that, if other places close at hand provide the opportunity and ability for people to do that, are they not still going to undertake those flights? Why should we not get the benefit of the bigger airports, the hub airports etc., which can have the other additional benefits to the economy in terms of freight transport, investment and ease of ability for investors to come to the United Kingdom and United Kingdom businessmen to make connections elsewhere in the world?

Dr Chapman: I have not seen the evidence that suggests that the situation at Heathrow is actually an impediment to investment in the UK, because we have digital economies now. It is also worth noting that APD-equivalent taxes have just increased in Germany, the Netherlands, Denmark and France. Around Europe, people are realising that we need to tax this more. Actually, they are quite liking it, because they are making a lot of money for the Government off it at the same time.

Dr Jenkins: This raises a really important point. International aviation requires a co-ordinated international response. There is no point in a policy being very strong in one jurisdiction if you can pop across the border into the next and there is no impediment to your travel or consequence to your CO2 emission. The alignment of UK and EU policy and UK and local jurisdictions' policies is really important here.

The other point is that we talked a lot about the carbon price as a mechanism here to deliver demand control and to deliver signals into the aviation sector that it needs to look for alternative fuels, efficiency gains, et cetera. There is a risk that a narrative that relies very much on the EU ETS to start with, and perhaps CORSIA alignment with the ETS mechanism, and therefore essentially applying a carbon price to the passenger as the sole public narrative of aviation policy risks a very public backlash to that policy, particularly as the carbon price rises to the sort of level that is required for the durable storage or offsetting of the emissions associated with aviation.



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This comes back to the alignment of policies. The consumer-focused pricing is really valuable. It creates a demand signal and it creates a supply-side signal to some extent, but that needs to be aligned with supply-side conversations, for example going to the fuel supplier with what we have done with the SAF mandate and saying, "We are going to mandate you to start supplying SAF into this market and grow that percentage". You could argue for the same thing from the perspective of conventional kerosene suppliers, with a mandate to supply CO2 offset certificates with that kerosene supply, with strict criteria on what that offset certificate needs to look like. If you did that, you could have a joint SAF and conventional fuel market that was scaling towards net zero. If one side of that conversation faltered for whatever reason, you could backstop it with the other. You would have that flexibility in policy approach along with your carbon pricing.

Chair: We will bring this first panel to a close. I almost heard an argument for closer alignment of our policy with our nearest neighbours, but that is never going to catch on. Thank you, Mr Meaney, Dr Jenkins and Dr Chapman, for your evidence.

Examination of witnesses

Witnesses: Matthew Gorman, Duncan McCourt and Neil Robinson.

Q112 **Chair:** Thank you very much to our second panel representing the airport sector and sustainable aviation. I will start by inviting you to introduce yourselves. Could you explain who you are and who you represent, please?

Neil Robinson: Good afternoon. My name is Neil Robinson. I am the chief sustainability officer with Manchester Airports Group. We own and operate Manchester, East Midlands and London Stansted airports. I am also the chair of the Sustainable Aviation Coalition.

Duncan McCourt: Good afternoon. I am Duncan McCourt. I am the chief executive of Sustainable Aviation. We are a trade association that brings together all parts of the aviation industry, so the airlines, the airports and the manufacturers, along with NATS, which is air traffic control, some sustainable aviation fuel suppliers and some others in the supply chain, to deliver a more sustainable future for aviation.

Matthew Gorman: I am Matthew Gorman. I have been carbon and sustainability director at Heathrow for 17 years now and, since the beginning of this year, leading our work on expansion as we develop proposals for the Government. I would also say that I have been passionate about the environment since I was a teenager, but also passionate about travel and the huge benefits it brings. I am really all about how we protect those benefits by decarbonising. That is what Heathrow's plan is about, as I am sure we will explore.



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Q113 **Chair:** To pull at that thread that you alluded to there, are you by trade and profession an environmentalist who ended up working for an airport, or an airport man who has an interest in the environment?

Matthew Gorman: I am an environmentalist who ended up working for an airport. That passion guided my career through consultancy and the not-for-profit and campaigning sectors for a time before 20 years in business now.

Q114 **Chair:** Mr McCourt, how do you believe that airport expansion will benefit the aviation industry?

Duncan McCourt: Aviation delivers a set of benefits to the public and constituents that we cannot get in any other way.

Q115 **Chair:** To clarify the question, we have heard quite a bit about the economic evidence in the previous panel. I am asking at this moment specifically about the benefits for the aviation industry. We will go on to the wider benefits.

Duncan McCourt: By delivering those benefits to more people, it benefits those people, but it also benefits the industry in producing more growth, jobs and flights.

Q116 **Chair:** How certain are these benefits? You were present for the previous panel. We had quite a knockabout there. How robust do you think the evidence is about the benefits of that growth, both to your sector and to the wider economy?

Duncan McCourt: As you say, I listened to the last panel and there is clearly some disagreement between economists on the quantification of those benefits. I would come back to the personal benefits that aviation brings. It is difficult for a family that has relatives living a long way abroad to connect in ways other than aviation. It is clear that aviation can deliver those benefits.

Q117 **Alison Taylor:** Mr Gorman, I have a few questions for you surrounding Heathrow airport. How will the airport expansion costs be transferred on to customers? Will it be a blanket cost, or is there likely to be a mechanism that will spread the costs in a less impactful way on those who fly less, or if they have lower incomes as well?

Matthew Gorman: I am very happy to answer that. Very quickly, for a second, before I come to the questions, why expansion at Heathrow? We were talking about benefits more broadly. You heard from the last panel that it is the UK's hub airport, the busiest in Europe and a huge source of competitive advantage to the UK. There are two stats I would leave you with. We connect from Heathrow in a single direct flight to 92% of the world's GDP. Each year, through trade in goods at £200 billion, as we heard from one of your colleagues earlier, we are the UK's largest port by value, but we are at capacity, so very strongly supportive of expansion.



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We are an economically regulated business. The Civil Aviation Authority ultimately sets a price cap of what we can charge at Heathrow on a five-yearly basis after an extensive process of engagement with our airline customers and us. We will set out our investment plans, consult on airlines with those and put forward a proposal that the CAA will ultimately reach a view on. That ultimately translates through to a charge per passenger.

Expansion will be regulated through a similar approach, where the CAA will need to think about exactly what the right approach is for a project of many billions over many years, but the same principles will apply. Ultimately, the cost of expansion will fall on passengers. At the moment, the CAA takes a view on what is the right level of charge per passenger, to address your point.

Q118 Alison Taylor: In the previous panel we were hearing a lot about frequent flyers and an unfairness there. Is there anything that you can do to balance out any inequalities there for a family that maybe has to go and see relatives once a year, for example?

Matthew Gorman: Let me explain a bit more about that. That probably would seem more a question, I guess, for national policy, rather than the CAA's economic regulation and pricing at Heathrow. Let me start by talking about what expansion will do to fares. Then I will talk about carbon costs, which are vital here as well. At the moment, there is what we call a congestion premium at Heathrow, because the airport is full. Ticket prices are higher than they would otherwise be. One benefit of expansion is that those ticket prices will be relatively lower than they would have been, because you have more competition and more choice for consumers. To your point on access to aviation, expansion can help.

Equally, we have always supported the polluter pays principle, and we heard about that from the previous panel. Passengers should pay their carbon costs. They should do that in a way where that investment is channelled back into cuts in emissions, rather than blunt taxation, so that it is effectively scaling up some of the solutions we need. I am happy to talk more about that as we go forward. Carbon costs work counter to the falling fares from expansion. Costs would rise slightly as a result of carbon pricing, but overall costs of fares at Heathrow would still be lower than they would otherwise have been because of that congestion premium today.

Q119 Alison Taylor: I have another question for you. There is a bit of a track record at Heathrow about projects being over budget—I have a list of examples if you wanted, but you are probably aware of them—and being more expensive than other airports as well. Will these costs be passed on to the industry and eventually to passengers? How will you ensure that the airport expansion costs do not skyrocket and eventually lead their way to being passed on to the passengers, in effect?



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Matthew Gorman: I am very happy to look at the list you have. I would say a couple of things. As I said earlier, on the first question, we are an economically regulated business. Ultimately, the CAA approves our expenditure, but I would take you forward in the process to the amount of engagement that we do with our airline customers. All our investment is signed off by our airline customers before we invest. We have an independent fund surveyor that will produce reports on all our investments.

The description of projects being over budget is not one that I recognise. I am saying that based on our two biggest investment projects in the last 15 or so years, the opening of terminal 5 and terminal 2. Both were on time and on budget. Those were very significant and very successful projects. Going forward, we would expect that the same economic regulation and the same degree of scrutiny would apply to us in future.

This may be behind some of the question. We are conscious that certainly some of our airline customers have called for the approach to economic regulation of Heathrow to be looked at again, partly in the context of expansion. We are supportive of looking at what the right regulatory model is for the future, but scrutiny of our spend and independent assessment of efficiency are already there and will remain.

Neil Robinson: If I may, I would like to make a contribution on the point about the frequent flyer tax. As Mr Gorman says, it is a matter of national policy. It is an issue that I hear raised from time to time. There are two points I would like to make, one practical and one of principle.

The purely practical point—I only caught the tail end of the last session, so I do not want to drag you back to a point you may have already covered—is that there is a relatively high aviation tax in the UK and very high levels of connectivity between the UK and Europe. From a purely practical point of view, if we were to increase that tax disparity between the UK and mainland Europe, we would be concerned about carbon leakage, where airlines structure their networks to lower costs and passengers behave in ways that look irrational—I heard the airport of Dublin mentioned—and fly short haul to avoid taxation. There is a purely practical concern about that tax disparity.

Probably more fundamental than that, there is a point of principle. The scope of this Committee is very much aimed at driving down emissions from aviation. If you want to drive down emissions, there is a better alternative. Schemes such as the emissions trading scheme limit and cap carbon and allow the market to function. There are two really distinct advantages to that. First, the outcome is certain. Because you set a carbon cap and a limit, you know the environment is safeguarded in all circumstances. Clearly, with any tax, the outcome has to be uncertain to a degree.

The second thing that is really quite important for the industry is that you allow the market to function efficiently and you find carbon savings at the



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lowest price. That allows the market and the aviation sector to work more efficiently.

Q120 **Chair:** Mr Gorman, I am interested in what you said a moment ago. Your way of looking at polluter pays is that the passenger has to pay more. Many people would think that the polluter is the airport or the airline. When you talk about polluter pays, you are talking about the passenger. That is an interesting perspective, is it not?

Matthew Gorman: It is a relatively well-established view. It picks up on the comment one of your colleagues was making about the choice to travel by different modes. If someone chooses to travel by air, we think it is reasonable that part of the costs would be the carbon cost that the journey incurs. That is a pretty well-established principle over many years in the UK and internationally.

I would build on Mr Robinson's point, though, about the best way to cover those costs. The distinction that we would draw is between a tax and a really well-functioning market mechanism. With a tax, the cost is clear, but the environmental outcome is not. With a good carbon trading system, the environmental outcome is clear, because you set the cap, and the market then determines the price as it finds the most efficient way to get carbon out of the economy.

Let me explain why I say that the outcome is uncertain with a tax. The UK's air passenger duty is probably the best example of this. It was introduced 30 years ago. It has gradually risen but has had little discernible impact on demand, although at some levels it is now a relatively high level of tax. We would be much stronger advocates of including aviation in emissions trading, which it has been in Europe and the UK since 2012 now, and finding the right way to pass on the cost of sustainable aviation fuel, which I am sure we will come on to. That is the big solution that we need to scale for flight between now and 2050, but it comes with a green premium. We need to find the right way to pass that cost through to consumers to help develop that market.

Q121 **Barry Gardiner:** Mr Gorman, I would agree with you that a trading system is better for the reasons that you have said, but it does not work terribly well when 59% of the permits are free. I wanted to check the hand signals that you were making. You said that expansion would lower the cost to the traveller and you agreed that an increase in the carbon price would increase the cost to the traveller. There was still, in your hand signals, a gap.

I wanted you to quantify that, because I would have thought it was the other way around. We heard in the first panel that within the next five years we have to go from today's carbon price of £40 to a price of £150. Per tonne, it is going to be £110 more on your carbon tax. Are you telling the Committee that the savings from expansion per ticketholder per tonne travelled would be more than £110?



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Matthew Gorman: The first thing to say is that I am going to need to follow up on some of this. We are planning to publish some of this work, but we are just looking at the question of the congestion premium at Heathrow and some of the benefits of expansion. The hand gestures were deliberately—

Barry Gardiner: Confusing.

Matthew Gorman: No, not confusing. There are different scenarios for how this plays out. Let me anchor back to the core point on polluter pays. We are agreeing that it is right that the polluter pays. When I say that prices rise slightly, we are still confident in our demand forecasts. We test through our demand forecasts. Increasingly, this is made public in our annual reports as part of climate disclosure legislation. We work through future forecasts of the price of sustainable aviation fuel and the various flavours of the DESNZ carbon price—low, central and high.

We have concluded that even in the DESNZ high scenario, which is a net zero-aligned set of carbon prices, demand, including expansion, remains robust. That tells us that people are prepared. They value the ability to travel by air, particularly some of the long-haul connectivity that Heathrow provides, and are prepared to pay a bit more to do that.

I come back to this point. The answer is to ensure that, where people are paying, that is properly invested back in the solutions.

Q122 **Barry Gardiner:** We do need to see that evidence. Could you write to the Committee setting out those figures, the extent to which you see the gain from expansion reducing ticket prices and how that aligns with the offset in the carbon price?

Matthew Gorman: I would be very happy to. This will be part of the proposals that we have been invited by the Government to produce in the summer. It will be published in the course of the summer, but I would be very happy to share that.

I had one final point that I was going to make very quickly on APD. You talked about carbon pricing. This is a back-of-the-envelope calculation that I did, which needs a bit of checking but is directionally right. What the APD raised in the UK last year was £4 billion. We think around three-quarters of that was from Heathrow because of the long-haul and more premium travel at Heathrow. There was about £3 billion from Heathrow. There was about 18 million tonnes of carbon from departing flights at Heathrow. On average, passengers at Heathrow are paying about £166 per tonne of carbon already as a proxy price, which is well above the traded price of carbon and in the DESNZ low to central range at the moment.

The challenge is that this money is tax. It is not being invested back in scaling some of the solutions that we need, particularly sustainable



aviation fuel, which is why we think there are better ways of covering the carbon cost.

Neil Robinson: I just want to come back on this more general point about the cost of transition. Working collegiately within Sustainable Aviation, we have set out a clear decarbonisation road map, which shows how aviation can play a full part in net zero through a combination of measures. I am sure we will get into some of those as we get into the evidence.

Within the bounds of uncertainty—clearly, there has to be a significant degree of uncertainty—we have attempted to cost that transition because we think that is an important point. We are clear that there is a cost to the transition. Although we are confident that there is still substantial growth to be had, because consumers really value the services that we provide and the cost is within the model of aviation, we would expect passenger levels to be a little lower by 2050 as a result of the costs of transition. We think it will be about 13% to 14% or on that sort of order.

Some of that cost will be absorbed by innovation in the supply chain and the value chain within aviation, but a degree of it will find its way through to consumers, which is why demand will be a little bit lower.

Q123 **Martin Rhodes:** Mr Robinson, are airports making the best use of the capacity that they have? Is there spare capacity in the system?

Neil Robinson: I can clearly speak confidently only for my own airports. Yes, I would argue that we are making best use of our capacity. If I take the example of Manchester, we are completing a £1.3 billion investment programme to provide world-class terminal facilities.

We have just broken through the 30 million mark, which is the greatest number of passengers that we have had, and we continue to grow. We have a long-haul network that we could only have dreamed of a generation ago. We now have flights daily to Beijing, Shanghai, Hong Kong, India and North America. We provide really valuable connectivity for the whole of the north of England. We have been very successful in doing that.

If I look at an airport such as Stansted, Stansted has permission to grow the airport from where it is currently, which is approaching 30 million passengers, to 43 million passengers. We are confident that we will grow within the next decade to that value. We are in planning at the moment to raise that planning threshold to 51 million passengers.

One of the strengths of that application is that growing that increment by another 9 million passengers does not require any more aircraft than are already permitted. It is simply a product of our airline customers buying slightly larger aircraft. It is the same airframes and the same engines, but slightly larger aircraft. We can accommodate more passengers and all the social and economic benefits that flow from that with no significant



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change in noise or emissions. I would argue that we are doing all we can within a very competitive market to make best use.

Q124 Martin Rhodes: In terms of your current capacity at the airports that you have, are you at full capacity? Are you suggesting that you would need to expand to increase capacity? Are there other ways in which you could use your current capacity better? Is there any spare capacity there that you could develop?

Neil Robinson: It depends how you define "capacity". In terms of runway capacity, there is clearly runway capacity at all our airports. At Manchester, we have a two-runway airport. There is substantial capacity to grow. At Stansted, even with a single runway, we think we can grow the airport to 51 million passengers; it is currently at 30 million. Clearly, that comes with investment in all the physical infrastructure required to accommodate the passengers, but in the longer term we think the market is there to support that. We have thriving successful airports that will grow to take up more of that capacity.

Q125 Martin Rhodes: Is it an option to use that capacity in other airports beyond Heathrow? Rather than expanding Heathrow, could we use the capacity that is already in the system elsewhere?

Neil Robinson: It is probably a little beyond my speciality as a sustainability officer, but this is very much a market-led industry. Aviation involves very large capital investments in aircraft. By definition, they are very mobile assets. It is led by the customer. The customer will house those aircraft where they can achieve what they think to be market-leading yields. We think we have a good product, a good proposition and strong markets around our airports. We are confident that we will continue to grow.

Q126 Martin Rhodes: Would it be possible to spread the environmental impacts beyond one area by using the capacity that may already be in the system or investing in new infrastructure that allows hubs in Manchester or somewhere else to be developed?

Neil Robinson: Let me explain how I would look at this. This goes back to what I said before. If you look at the work that we have done collegiately in Sustainable Aviation, we have looked at the national demand forecast and we have reassured ourselves that there is a credible evidence-based route to net zero by 2050 that accommodates all that growth without it being geographically specific. Any airport expansion that serves that market demand can take place with the reassurance that it is within reasonable carbon limits.

When you get to some of the other environmental limits that are more locally focused, whether that is noise or local air quality, clearly every airport proposal has to be considered on its merits. That is probably best done locally.

Q127 Pippa Heylings: I want to ask a central question for the Committee. Mr



McCourt, would you like to help me with this? Expanding airports will increase carbon emissions and environmental impact through construction and increased air travel and a greater number of flights. Is that not making it harder for the sector to deliver on its net zero promise?

Duncan McCourt: Through Sustainable Aviation we have set out this road map—Mr Gardiner referred to it earlier—that sets out how we think the aviation industry can and will get to net zero by 2050. That will involve expanding passenger numbers through the more efficient use of airspace, with the airspace modernisation programme that is going on; using more efficient aircraft, which are already being purchased; using next-generation aircraft, including zero-emission flight and hydrogen; using sustainable aviation fuel; using some greenhouse gas removal; and, as Mr Robinson mentioned a moment ago, the cost impact adding a little to the price of a ticket, which will reduce demand by a degree. We think that can accommodate significant growth in airline passenger numbers and reach net zero.

Q128 **Pippa Heylings:** Can you help us understand what we heard from the previous panel? The New Economics Foundation said that these expansions would blow the Clean Power Act's aspirations for net zero by 2050 out of the water. There is London Luton and Gatwick. If we continue with Heathrow expansion, we will blow the benefits of the Clean Power Act within five years. Why is there such a difference?

Duncan McCourt: I cannot comment on the New Economics Foundation's analysis. I can just comment on Sustainable Aviation's analysis.

Chair: You can comment, if you would like.

Duncan McCourt: In which case, I will decline to.

Q129 **Pippa Heylings:** Is there any other analysis that you would dispute? This is the central issue for the Committee. If it was so clear, there would not be a Committee inquiry right now, would there?

Duncan McCourt: I will say two things. First, the work of Sustainable Aviation brings together all parts of the aviation industry. These are people who are responsible for building the planes, buying them and flying them, directing them through the skies and having them land at their airports. We have all come together to work collegiately to work out what we think is likely to happen in aviation over the coming years and therefore what the impact of that is on carbon emissions. That leads to the road map that we are talking about, which leads us to net zero by 2050.

I will say one other point. All the expansion plans are subject to strict environmental considerations. For example, if Heathrow is to get Government permission to expand, it will have to prove that it meets national environmental standards, including on carbon emissions.



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Matthew Gorman: I have one quick follow-up. I cannot comment on the New Economics Foundation work either, but I would point to the work of the Climate Change Committee. As the UK's independent statutory adviser, it is a really important body and one that we supported the set-up of nearly 20 years ago.

It has reached a slightly different conclusion on the degree of aviation growth that is possible. I wanted to start by summarising where we do agree because there is a huge amount of common ground between the Climate Change Committee, the industry and the Government.

The starting point is that the Climate Change Committee has concluded that significant growth in aviation—it is close to 40% in their latest carbon budget; the industry is at 70%—is possible while reaching net zero. That is the first point.

We agree on the main tools in the toolkit, which are efficiencies, sustainable aviation fuel, zero-emission flight and greenhouse gas removals. Part of the difference with the Climate Change Committee is its assumption that sustainable aviation fuel counted against emissions reductions in the UK needs to be produced in the UK. They have told us that there are a set of accounting rules they are following to reach that conclusion.

As a sector, we observe the market dynamic, which is that kerosene, fuel for planes, at the moment is an internationally traded commodity. We think sustainable aviation fuel will be in future. We think it is artificial to assume that the UK does not import SAF. With that said, we absolutely and very strongly support a UK SAF sector. We think the UK has huge competitive advantage, particularly in, as you heard from the previous panel, the second generation of SAF, which is made from different kinds of waste. We think that could offer a £10 billion GVA opportunity by 2050 and about two-thirds of the SAF that we need could be UK-produced. We are not saying that we should not have UK SAF, but we think we will also import some. I just wanted to anchor to an independent body that thinks significant growth is possible.

Finally, the industry has said we think we can grow more while getting to net zero. We will clearly need to demonstrate performance against that over time and be held to account against that. We would expect that.

Neil Robinson: I would amplify that really narrow point. While it is a very narrow one, it is very important. There is a good deal of common ground between all of the main commentators in this area, including industry and the Climate Change Committee. To this point about imported SAF, in practice the Climate Change Committee agrees that the fundamentals of making SAF are such that other territories around the world are likely to have an abundance of cheaper renewable electricity. As such, sustainable aviation fuel is likely to be manufactured in third countries, imported and used into the UK. There is not a practical difference of opinion.



The concern that the Climate Change Committee has is over an accounting rule. It is uncertain whether it can account for that as a saving in the UK. There is an issue there that we as industry, Government and the Committee need to look at in the round to understand how we are going to manage that point. It sounds like an academic difference rather than a practical one.

Q130 Pippa Heylings: You said that there were four ways in which we will reach this net zero pathway, and you said that the Climate Change Committee agrees with that. It does agree with those four ways, but there is also a fifth way, which it puts first, which is demand management. That has not been included by any of you as one of the active management pathways. You have said at the end, potentially with growth, we may get some indirectly, as a tag-on, but I would put it to you that, in the four pathways that you mentioned, not one was demand management.

The Climate Change Committee puts demand management as one of the first levers that it would use. If, as we approach 2050, it looks like the measures that you are talking about are not getting us on the pathway to net zero, would you more proactively consider demand management than you are at the moment?

Matthew Gorman: I will just offer a perspective that is partly from Heathrow. I will answer your question, but, on the point about the Sustainable Aviation road map, I was interested in the exchange on the last panel where one of the panellists said that the pathway to net zero that we have published does not include demand management, which is factually wrong. It absolutely does. It is very clear in the plan.

As I described, Sustainable Aviation factored in carbon prices for Heathrow. That saw a lower growth rate by 2050 as a result of carbon pricing. That is the top wedge, as we call it in our plan, before we then apply those other levers.

This is a Heathrow perspective, but the way that we look at the need for demand management—this goes back to the conversation with Mr Gardiner earlier—is that it should be carbon price-driven through a market mechanism. If you are pricing carbon right, that will track through to demand to a degree. Demand management is not a goal in itself. You are setting a carbon price. If people choose to fly a bit less, that will cut carbon. All the evidence that we have as Heathrow is that people will be prepared to pay, and we need then to invest that in scaling up the solutions.

Duncan McCourt: Just to add to that, there may be a degree of semantics here. Demand management could be interpreted as an active choice by Government to regulate. The wedge that we are speaking about is the impact on consumer behaviour, given the inclusion of the additional costs of decarbonising into the price of a ticket. Going back to



Mr Gorman's point, that is the market-driven way of dealing with the problem rather than a top-down Government intervention.

Q131 **Pippa Heylings:** That is where my question comes in, really. The Climate Change Committee says it is uncertain yet whether sustainable aviation fuel and other technologies will reach the net zero goals and, therefore, if they do not, the Government should consider active demand management. I am just trying to elicit a response from the sector. You must be considering scenarios around that, I assume.

Duncan McCourt: The Climate Change Committee includes the price impact on demand as a tool in the toolbox of demand management. We think it is right that the industry gets the opportunity to show it can decarbonise and prove we are decarbonising before additional Government-led demand management measures are put in place.

Neil Robinson: There is something in principle about the environment that you create as well, is there not? If you establish an environmental limit, which is what we are all collectively proposing, you drive the industry to innovate and invest with confidence because it knows the bounds within which it can grow and achieve. If you manage demand, you potentially risk choking off and stifling some of that investment.

Some of the companies in the membership of Sustainable Aviation are very much the most successful in the UK and export around the world. The technologies that they create will be of global benefit.

Q132 **Pippa Heylings:** I have one final question. We have heard from the evidence that we are just not seeing the improvements yet, are we? It is about being able to track some of that.

Matthew Gorman: I would challenge that for Heathrow. Colleagues can talk to the national picture, but let me just give you a couple of stats from Heathrow, and I will contrast those with the Climate Change Committee view. Between 2019 and last year—bear in mind that we had more flights and more passengers last year than we did in 2019—emissions have fallen about 11%. That is driven by two main trends. The first is more efficient aircraft. That was in part accelerated by covid, as some of the older aircraft retired, but, from all of our projections, we are confident that the ongoing rollout of newer, cleaner aircraft will continue to drive efficiencies.

Part of the 11% was also from sustainable aviation fuel. We have introduced at Heathrow an incentive in our landing charges. We raised the charges a bit for everyone to create a pot that airlines can bid for to help close the price premium that SAF has at the moment. Some 2.9% of all the fuel at Heathrow last year was SAF. We are aiming to reach 3% this year and then to peg that at a level above the UK's mandate going forward.

The reason that I flag that is because the Climate Change Committee's projections had UK-wide SAF at 1.3% this year. To the notion that we are



not demonstrating performance, we have grown passenger traffic while significantly cutting emissions over the last five years, ahead of the Climate Change Committee's projections on SAF use. There is good evidence.

We have to continue to drive up the speed and scale of those technologies going forward. The UK's mandate for sustainable aviation fuel is 10%. At Heathrow, we have said 11%. We are using our incentive to stretch that a little bit by 2030. We need to keep driving the scale up, but there is a good track record to date.

Pippa Heylings: We hope that the trade deal with the US and the collapse of bioethanol will not affect our ability to do that.

Q133 **Blake Stephenson:** I would like to explore the strategic plans that are in place, setting out levels of consumer demand and how you justify the need for expansion. I will turn to Mr McCourt to reflect on the industry as a whole, but, before I do that, can we perhaps just take a view from each of the airports that are represented? Mr Gorman, can you give us a view on the strategic plans that you have that outline the consumer demand that justifies the need for expansion?

Matthew Gorman: I will give you the short version of the story for Heathrow. The airport carried 84 million passengers last year, but it is at 98% capacity. Like everyone, we saw a dip in covid, but both flights and traffic are right up against our air traffic movement limits, and our passengers are therefore limited.

To my comment earlier, we have a very long-standing forecasting model to project future passenger demand. That shows a strong ongoing demand for connectivity from Heathrow. That is very significant long-haul connectivity as well as short-haul and European, given the nature of our business. We think that the demand is there, even factoring in rising SAF prices and the DESNZ carbon prices, to the earlier point.

There is one other point that I would make about Heathrow. We may or may not have time to explore this today, but I am very happy to send some supplementary evidence on the whole question of tourism deficits, which is not a picture we recognise. We talk a lot about passengers. What we have not really talked about particularly—certainly, the last panel did not—is trade. Heathrow, as you heard from one of your colleagues, is the largest port by value. The trade in goods through Heathrow is £200 billion each year. It is by far our largest port.

Again, that is almost all in the belly hold of passenger aircraft. There are very few dedicated cargo flights at Heathrow. Our ability to continue to grow exports is limited. We see a very strong case for growth. As I said at the very beginning, there is not a choice between growth and net zero. We have to be able to deliver both. There is no way we are going to protect those benefits of aviation if we are not decarbonising at the same time.



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Q134 **Blake Stephenson:** How robust is that work? How has it been tested? Does it justify the expansion that you would like in your airport?

Matthew Gorman: We think our forecasting work is very robust. It sits within a framework of international forecasts of growth, particularly those done by the UK Government, that we have taken as well. We are confident in it. We need to be because ultimately our investors, if they are planning to invest in expansion, will need to stand by that set of traffic forecasts.

Q135 **Blake Stephenson:** Mr Robinson, perhaps you can talk very briefly about MAG.

Neil Robinson: I outlined some of our plans earlier. We are very confident that we have a strong catchment around our airports. For an airport such as Manchester, the catchment could be expanded and improved through investment in service access, particularly rail access across the north. We are confident that both airports have the right conditions to grow.

If I look at this really simplistically, we are confident enough to make the substantial investments that are necessary. Our shareholders are investing £1.3 billion at Manchester and looking to invest similarly at Stansted. This is an industry that is led by its customers. If you look at airline orders, you will see that they are very substantial airline orders with very large capital values. Some of those are our key customers. We are really pleased to see that.

Q136 **Blake Stephenson:** Mr McCourt, I am interested to know how this all comes together at industry level across the whole of the UK. Of course, airports are run by separate companies. This is perhaps where you have a role to play. What strategic plans are in place for the industry as a whole across the UK?

Duncan McCourt: Our focus is on how we deal with the carbon emissions of aviation. We are a taker of passenger number forecasts from the DFT. We take the Department of Transport's passenger forecast and we model how we think we will get from that to net zero. As I understand it, the DFT is due to publish an updated forecast, but it has not done so yet.

Q137 **Blake Stephenson:** What do you think about those forecasts? Are they reliable? Are they helpful for your work?

Duncan McCourt: They are very helpful. We take them and they are the numbers that we run with. You are probably better able to scrutinise the Government on its accuracy than I am.

Q138 **Blake Stephenson:** Yes, possibly. I do not know. My final question is about the airports national policy statement. That was produced in 2018 before a number of key climate and environmental obligations were put into legislation, yet decisions on airport expansion have been made on



the back of that policy. Is it in urgent need of an update? Should it have been updated before some of these decisions were taken? You may all want to comment on that.

Matthew Gorman: I am happy to start because, although it is an airports national policy statement, it particularly refers to Heathrow. It is worth just reminding the Committee of what it says about climate because, as we read it, the clauses in it have allowed it to move with the thrust of legislation since then. It requires us, as we put in a development consent order, our planning application for Heathrow, to demonstrate that expansion is consistent with the UK's climate targets and commitments.

In 2018, that was, from memory, an 80% cut in CO₂ by 2050. A year later, the UK legislated for net zero. That is now a net zero target by 2050. We still need to demonstrate compliance with that, hence the huge work that we have done with the industry, as colleagues have outlined, developing our net zero plan.

It is worth just reminding the Committee—we have not covered this yet—that the UK sector was the first globally to publish a net zero plan in 2020 and set out the detail of that, to some challenge from global colleagues at the time.

The ANPS sets a very clear test for us. The need to update it is really a question for the Government, but the Government have talked in principle about reasonably regular updates to national policy statements. They may well want to update that at some point, but that is really a question for them.

Neil Robinson: Just for clarity, the situation at Heathrow is unique because the national policy statement only applies there. For airports that are not Heathrow, there is a long-standing policy of making best use. The Government's policy is that growth at airports other than Heathrow can take place, the context being that that growth is consistent with the net zero commitment. We see that in the jet zero strategy and in our own work through Sustainable Aviation.

We think that is a very helpful policy. Some issues are more naturally best considered at a national level. Some of the other issues that come with expansion, such as noise, local air quality, congestion and traffic are best considered locally. That works well with the local planning system we have.

Q139 **Sammy Wilson:** Mr Gorman, there are two things that we seem to have taken for granted so far. You said you did not recognise one of them, which is the deficit in tourist spending. The other thing that was said to us today by the New Economics Foundation is that airport expansion is quite elitist. Only 3% of the population will benefit from it. Is that a figure that you recognise? If you do have figures as to the wider benefits and the wider usage of expanded airports, could you provide those to the



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Committee?

Matthew Gorman: Let me just tackle both those points. On the first one, before I say just a couple of words, I am not an economist, but I did talk to a leading economist about this question of tourist deficits. I may encourage him to put some evidence in to the Committee.

The New Economics Foundation's approach describes outbound tourists as effectively an import. Taking the logical extension of that, doing less of that is effectively a form of protectionism, as I read it, which is not currently a policy that is supported by any of the main parties. They are effectively saying that we should not be travelling.

Q140 **Barry Gardiner:** For a start, that was not the New Economics Foundation. It was the Government's chief scientific officer from the Department for Transport. That is the first point. It was not analysis from the New Economics Foundation. I asked him about it and he confirmed it. It was the Government's own analysis that the net outflow was more than twice as much as the inflow.

Matthew Gorman: The point is that this implies there is a fixed pie that we are all competing for. The idea is that, if we are trading in a global world, GDP will grow; productivity will improve; and countries and companies will then specialise in what they are best at. One of the reasons—one of your colleagues made this point—that tourists will travel from the UK is partly to enjoy warmer climates. That is one of the reasons people go on holiday.

Q141 **Barry Gardiner:** At this rate, they will be able to stay here and enjoy them. That is what we are worried about.

Matthew Gorman: Indeed, and I am extremely worried about that too.

Barry Gardiner: I should not be flippant.

Matthew Gorman: There was a figure I did not recognise in terms of this idea of a deficit. The research that I have looked at from the Tourism Alliance suggests that in 2024 the UK received a benefit of £146 billion, 6.5% of UK GDP, from inbound tourism. It was the third-largest destination in the world by visitor spend, though not necessarily by visitor numbers. I am not sure the evidence supports the degree of deficit that was being described.

Q142 **Barry Gardiner:** It is on the Government's website at ACN0004. It is by Dr David Metz. It states that it is £62.29 billion against £28.358 billion. Those are 2019 figures.

Matthew Gorman: We are very happy to provide some more evidence on that. The idea seems to be, by extension, that in order to address that we should be travelling less overseas or encouraging people to travel less. I am not sure that is the right answer economically, but I am very happy to provide some further evidence on that and the Tourism Alliance report that I mentioned.



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On the figure of 3%, I do not recognise that. The previous panellist said that the New Economics Foundation published that report today, so I have not had a chance to look at that. I would come back to a couple of the points I made earlier.

Chair: With respect, we have heard the points that you have made. Can we move on?

Q143 **Ruth Cadbury:** The Transport Committee is about to look at the maritime policy statement, which is a national policy looking at maritime all around UK waters. For some reason—this is historic—the airports national policy statement only applies to Heathrow. Is that fair? Does it make sense to have a national aviation strategy looking at what the future could or should be for our regional airports, whether we are talking about Manchester, Northern Ireland, Scotland or the far south-west?

Neil Robinson: It is largely a question of scale. In formulating the making best use policy, the Government formed the view that the scale of developments that are likely to happen outside Heathrow, from a climate perspective, can take place in accordance with their own climate policies. That was something that could be addressed at a national level, leaving the local planning system to address the other factors. I can see from a practical point of view why that is a very sensible arrangement.

Matthew Gorman: It is partly a question for the Government. The Government would say that it has a national policy or a national framework for aviation. Mr Robinson talked a bit about the approach to growth at other airports. You are right. The national policy statement does refer specifically to Heathrow. It is not for us to judge whether that is fair, which is the question. It is a very clear policy framework. It supports the growth of Heathrow as the UK's hub and sets a series of clear environmental requirements, which I have touched on a bit in relation to carbon.

Q144 **Ruth Cadbury:** Mr Gorman, you are projecting growth in passenger demand for flights from Heathrow. Who are these people? Where are they starting from? What journeys are they going on?

Matthew Gorman: I will give you the historical broad split of passengers.

Q145 **Ruth Cadbury:** What are your projections to justify your third runway?

Matthew Gorman: We will be publishing more information on that as part of our submissions to the Government. I can only talk about the position to date until we have done that, but broadly it is a third visiting friends and family, a third leisure and a third business. Those are the typical trends.

In terms of where they are coming from and going to, one of the ways that a hub works is by pooling short-haul traffic to fill up long-haul planes and vice versa. Historically, about a third of our passengers have been



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transferring from one plane to another, which helps us maintain the frequency and range of destinations.

Q146 **Ruth Cadbury:** Is that just for the UK or elsewhere?

Matthew Gorman: It is both. It is UK to the rest of the world and other—

Q147 **Ruth Cadbury:** Is some of the growth made up of leisure passengers coming from elsewhere in the UK by train, plane or automobile to Heathrow to fly on holiday? Is that an element of your passengers and therefore your projected passenger growth?

Matthew Gorman: Yes, it will be.

Q148 **Ruth Cadbury:** Heathrow is my local airport. I have never not found a destination that I wanted to go to on holiday from my local airport, but there are an awful lot of people who join me on the flight who have could have flown out from a nearer airport, whether it be Manchester, Newcastle or Glasgow or wherever. I am just trying to understand what proportion of your growth in demand is coming from people who probably do not want to come all the way to Heathrow.

Matthew Gorman: I can follow up with a bit more information on that because we will have more detail on our catchment and where people come from. If people could travel from Manchester to their destination, I would be surprised if they would come to Heathrow to travel.

Q149 **Ruth Cadbury:** They would not fly. They could come by train.

Matthew Gorman: Possibly, yes. I would need to look at that.

Q150 **Ruth Cadbury:** I am sorry, Chair. I just want to go back to SAF. Are we going to reach our targets? I have been asking questions about what second-generation SAF is going to look like, whether it is produced in this country or imported. Are we going to get there? It strikes me that we are still arguing about whether it is household waste or not and whether there is it going to be enough household waste, given that that is also going to municipal energy.

Neil Robinson: One of the points that I would make is that this is a global commitment to a global industry. There is an awful lot of momentum behind SAF right now. There are about 20 plants that are producing SAF right now. There are more than 200 proposed. The production of SAF has doubled in each of the last three years. There is a lot of global momentum and a lot of forward commitment from airlines in orders.

To some degree, the key question here is, "What is the UK's role going to be?" We are either going to import SAF or manufacture SAF. Clearly, as an industry, we would like to manufacture as much as we could in the UK because we think there is a good argument for the industry being able to



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keep prices low and increase resilience. We think there is a really good economic opportunity for the UK too.

- Q151 **Ruth Cadbury:** I get that that would be great. Mr Gorman used the word “could”. We could scale up; we could deliver. I am just wondering whether you have any expectation that we will deliver.

Neil Robinson: We are confident that the policy framework that we have seen the Government moving towards is the right one. The Government have provided capital support to a number of projects to help them develop their proposals. That has been helpful. The Government have also created a regulated market with the mandate. That builds confidence with investors. That is really helpful.

The third element, which makes these plants a much more investable proposition and helps a number of them reach financial close quickly, is what is called the revenue certainty mechanism. We are keen to see that. If there were an angst on the part of the industry, it would be that we would like to see that as soon as possible because we really want to gain momentum.

- Q152 **Barry Gardiner:** I want to pick up on the revenue certainty mechanism that you were talking about and also talk about the buyout mechanism. There is a buyout provision within what the Government have said to you, is there not? If you do not manage to secure an adequate supply of SAF, you can pay money instead. What are your estimates for that?

Duncan McCourt: The airline industry desperately wants to avoid that.

Barry Gardiner: I am sure.

Duncan McCourt: It is likely to be more expensive than SAF. They also would not get the equivalent ETS benefit from that, so they would end up paying twice.

- Q153 **Barry Gardiner:** Mr Gorman, perhaps when you write to us with those stats, you could include what you are factoring in here. By 2040, you have to have 22% SAF in your fuel mix. It is going to be tough to get there. I accept what Mr Robinson was saying about the increase. It is an important industry. There is no doubt about it. It is important that we understand what you think you will achieve by getting SAF and what you may have to achieve via the buyout mechanism, which allows you a get-out-of-jail-free card, if I can put it that way.

On the airports national policy statement, do you accept that it has been pretty much out of date since 2018? It is seven years old. It was predicated on the assumption that either there would be a cap on all UK emissions that applied to it or that there would be a global emissions trading scheme, through which emissions could be offset. Neither of those is in place. It does not seem to bear any resemblance to the current global situation.



Matthew Gorman: We think the core foundation of the ANPS is still right. Just very quickly, it came from a study into how the UK could best protect its hub capacity, which is why it was very specifically a publication or a policy around Heathrow. There was a recognition of the economic value and the need to meet clear environmental requirements.

Some things have changed, notably the net zero legislation in 2019. The UK industry and the whole global sector has backed net zero and published plans to get there. There is also the UK's jet zero strategy. I take the point, but I would need to go back and look at some of the foundations that you mentioned in terms of emissions trading.

Q154 **Barry Gardiner:** Let me just bring you back to the question that I asked. Given that it was predicated on either there being a cap on all UK emissions or that there was a global emissions trading scheme for the sector, and neither of those is the case, do you not think we need to have a national policy statement that takes cognisance of what the global situation is?

Matthew Gorman: As I said to Ms Cadbury, that is ultimately a question for the Government. It is the Government's policy.

Q155 **Barry Gardiner:** It is Government's job. We are agreed. Perhaps you would say that it should be a recommendation of this Committee that the Government update the ANPS to take account of the global situation as it now is.

Matthew Gorman: That would be for the Committee to decide, inevitably. I will not comment on that.

To come back to the core point, as a sector we have published a plan to get to net zero. As Heathrow, we have anchored off that. The policy statement sets a very clear requirement to demonstrate that growth is compatible with that. We think we have that plan. Those tenets have not changed.

Q156 **Barry Gardiner:** First of all, let me create some common ground. Heathrow has done particularly well in terms of the reduction in noise pollution and air pollution and the improvement in air quality around it over the past few years. Of course, these are at risk if there is expansion. How will airports ensure that any expansion delivers not just on those measures but also on biodiversity commitments? This is going to involve a heck of a lot of construction.

Matthew Gorman: It is. I will give you the very brief version of that. I am happy to follow up with more information because our written evidence was primarily focused on carbon.

On noise, there are also four main tools in our toolkit: quieter aircraft, quieter ways of flying them, noise insulation and restrictions on flying at night, which is the most sensitive time of day. On each of those, Heathrow has taken a leading approach over many years. I was looking



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back at this. Some of the first activities to manage noise date back to within a decade of the airport opening in the 1950s. We have had a very active programme since the 1970s. Bringing it more up to date, the noise footprint around the airport has shrunk by close to 40% since 2006, even as traffic has grown over that period.

As a result of all those things, we have one of the quietest fleet mixes, and we incentivise that. We have pioneered quieter ways of flying. We offer significant noise insulation to 20,000 homes and we have some of the toughest night flight restrictions of any European airport. That basic package will continue in future. The airports national policy statement requires an ongoing reduction in noise in future.

On air quality, the main impact on air pollution around Heathrow is from road vehicles. The reason for that is that, as aircraft take off, above a few hundred feet the pollution disperses from the aircraft. It is primarily a vehicle question. There are things that we have done, particularly investing in public transport. About 45% of our passengers arrive by public transport. We have also benefited from the huge shift nationally to EVs. I would also call out the Mayor's policy of extending the ultra low emission zone to accelerate cleaner petrol and diesel on the way to EV.

Barry Gardiner: We are always glad to have an imprimatur for that.

Matthew Gorman: This is a really important point. When we were talking about expansion a decade ago, the pollution limits in the communities around Heathrow were not quite being met. That was no different, by the way, from central London or other big cities in the UK and Europe. They were not. All those regulatory standards for pollution are now met around Heathrow.

Although the main contribution is road traffic, we have had a continuous monitor right next to one of our runways, literally a few meters away, since the early 1990s. Even that pollution monitor now meets pollution limits, which is evidence that planes have become a lot cleaner as well.

Q157 **Barry Gardiner:** I am sure you will provide us with further information on those aspects. The Environment Agency has recently given you regulation 61 notices on PFAS. How are you going to minimise PFAS at your airports? That applies to all airports, not just Heathrow.

Neil Robinson: Yes, I am happy to say a couple of words about PFAS. I do not know what level of familiarity the Committee has, but it goes without saying that PFAS are very widely used across the economy in all sorts of products, fabrics, non-stick coatings, industrial solvents and chemicals. They are widely used at airports. The principal use is in firefighting foams. There has been a historic use in firefighting foams.

Your question was, "How are we going to minimise the use of PFAS?" The direct answer is that we do not use them. There is really a historic



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contamination issue as to how much PFAS have been used and whether they are entering the ground and in watercourses around airports.

The Environment Agency is working with all major airports to do very extensive water sampling to see the extent to which PFAS could be detected in our water. We are pleased to be doing that. We are working closely with the Environment Agency.

The only answer that I can properly give is that we will see what the results are and, working with the Environment Agency, we will formulate a risk assessment and do whatever is necessary to protect the environment.

Q158 Barry Gardiner: When do you expect those tests to be completed?

Neil Robinson: It will be about another year or so to complete the monitoring programme.

Barry Gardiner: Will Thames Water still be in existence to work with you on that, Mr Gorman? That was not a serious question. I will pass back to the Chair.

Chair: We have a helicopter landing. It is not your cab home, is it, guys?

Q159 Olivia Blake: I have three questions. The first one is in three parts. I would appreciate swift answers, given the time. They are all for Mr McCourt, if that is okay. First, do you agree that we will need strong regulation of the production of SAF as it sector expands? Are there risks of habitat destruction, such as deforestation, which we have seen in the use of virgin biomass feedstocks in other sectors? Are you feeding into the land use framework to discuss these risks and these matters?

Duncan McCourt: On the regulation of SAF, yes, definitely. We want to be confident that the SAF that is being used in airplanes is frankly serving its purpose in decarbonising. The UK regime is strong on that. In fact, as I understand it, it is constructed in such a way that it measures the decarbonisation benefit, which is important.

On the point of deforestation, again, the monitoring of that is very welcome.

On the land use framework, I am not aware of us contributing to that, so I would say no.

Q160 Olivia Blake: I want to ask about where the Government should be spending its research money. Should the UK Government be putting more into synthetic fuels, using direct air capture and waste CO₂, rather than biofuels, hydrogen or batteries? Should another tech be prioritised for R&D? If so, why?

Duncan McCourt: The answer is complicated. Ultimately, third-generation SAF, synthetic fuels or power-to-liquid fuels—as a panellist previously described, this is green hydrogen combined with captured



carbon—is a very attractive long-term solution. It requires relatively cheap hydrogen, which requires plentiful renewable electricity. They are all relatively difficult to achieve. Given the cost of renewable electricity in the UK, they are relatively difficult to achieve in the UK.

Ultimately, it would be desirable. The science of how you get there is relatively straightforward. The challenge is scaling up the production at an affordable cost. Anything that the Government can do to stimulate and help that would be very welcome.

The Government have rightly prioritised second-generation SAF for the plants to be developed in the UK. We think that is the right decision.

- Q161 **Olivia Blake:** Finally, the Sustainable Aviation Fuel Bill aims to reduce the cost of SAF, but it will still be more expensive than kerosene jet fuel. Would parity in fuel pricing help drive the industry to take up SAF faster? What level should kerosene jet fuel be taxed at?

Duncan McCourt: Getting price parity would almost certainly make it adopted more readily, but there is still quite a difference in price. The real fundamental challenge for the industry, SAF producers and Government is to close that differential as quickly as possible by supporting the development of SAF plants through the revenue certainty mechanism and by ensuring there is sufficient feedstock available, which will come largely through regulation.

On the second part of your question, at the moment the tax is appropriate at air passenger duty level. In effect, it taxes the end user, but ultimately, as many on the panel and the previous panel have suggested, the thing that we are trying to drive out of the system is carbon. Pricing carbon effectively is the better solution to deliver decarbonisation rather than taxing either the flying itself or the fuel.

- Q162 **Ruth Cadbury:** Very quickly, when it comes to decarbonising airside vehicles and equipment, is the UK best in class? Are any of our airports best in class?

Neil Robinson: If I can speak on behalf of all airports generally, we are all making pretty good progress on that. Certainly, MAG has made a commitment to complete that transition by 2030 as part of our net zero commitment.

Matthew Gorman: For Heathrow, certainly all our own vehicles are now electric or hybrid.

- Q163 **Ruth Cadbury:** Yes, but that is a small proportion of the—

Matthew Gorman: Yes, it is. I know. I was going to come on to that. I have forgotten, although I did read it before this session, the percentage of the total airside fleet that is now electric. It effectively mirrors the national shift that we talked about. The cost of operating EVs means that, where they can, airside operators are shifting to EVs.



Q164 **Ruth Cadbury:** Tugs cannot be EVs.

Matthew Gorman: Some of the smaller tugs for short-haul aircraft are electric and have been for some time. For some of the bigger ones, operators are looking at hydrogen as a potential alternative. There is significant use of biodiesel as a transition. We are not saying that is the end state, but that is widely used.

Q165 **Chair:** Finally, Mr Robinson, just from your perspective, a lot of the talk about expansion is focused on the south-east. You have Stansted within your group, but, thinking more about Manchester and the East Midlands, do you see that growth in capacity in the south-east benefiting Manchester and the East Midlands or harming your growth or being basically neutral?

Neil Robinson: Again, without wanting to stray beyond my level of competence, the broad view in the organisation is that we are confident that we have airports that are in strong markets. We serve those markets well and we are confident that we are going to grow. We are making relevant investments to support that growth, and we think that growth will come with or without developments in the south-east. We are confident that the underlying level of demand in the UK is sufficient to support all those investments.

Chair: Thank you very much. To all three of you, we appreciate your attendance here today and the evidence that you have given. We will bring this session to a close.