

Response by Andy Harrison, Chief Executive, easyJet at a meeting of The Foundation for Science and Technology to the Stern Review on 8<sup>th</sup> November, 2006

easyJet welcomes the Stern Review. It's great to see such a comprehensive and analytically rigorous evaluation of the environmental threat facing us all. Albeit the prognosis is somewhat sombre and reminds me of Thomas Carlyle's description of economics as the "dismal science".

This report is a call to action to us all and particularly to people such as ourselves who are in leadership positions. So let me move on to talk about aviation, which is a high profile source of greenhouse gasses and more often than not, the subject of ill informed, alarmist PR headlines.

Firstly, let's keep aviation in perspective. As Sir Nicholas says, it currently accounts for around 1.6% of total Global Greenhouse Gasses emissions. By 2050, this is projected to rise to 2.5% and taking into account non-CO2 effects to 5% of the total warming effect (radiative forcing). So aviation can only ever be a small part of the solution.

Technology is unlikely to provide an immediate benefit in aviation. A new generation of carbon fibre, composite aircraft will deliver a 20% improvement in fuel efficiency. This generation of aircraft begins with the Boeing 787 but will not be in widespread use until 2020.

And there are already massive incentives in aviation to drive fuel efficiency and minimise carbon emissions. Fuel is already one of the biggest costs to easyJet and we have more than enough incentive to optimise our efficiency.

Another crucial aspect of aviation is that it is central to one of the main drivers of wealth creation which is the growth of international trade. Undoubtedly, anything which restricts the growth of aviation will have a substantial economic cost. And on a social note, I believe that aviation is a primary facilitator for peace in the world by bringing together different cultures.

And, as the Review acknowledges, aviation is a truly international business which means that any environmental tax or regulatory measures will need to be driven by concerted international action to avoid distorting the market and merely pushing the lump in the mattress into another part of the world.

So what can we do? There are three things which we intend to drive within easyJet.

The first, is to bring aviation within the European Emissions Trading System as soon as possible. We believe that this is the only way to deal with such an international business and to put it on an equal footing with other sources of carbon emission. easyJet is actively working with Brussels to bring this scheme in as soon as possible and to make sure that it is effective. As is so often the case, the devil is in the detail. It is vitally important that ETS captures all travel to and from Europe that it encourages the efficient airlines and discourages the inefficient.

We should make this our number one aim and avoid knee jerk, ineffective local taxes.

Our second thrust is to drive for increased efficiency. As I said, technology is unlikely to provide the solution in the medium term. The answer is to encourage those who use existing resources well. easyJet has been an incredible success growing to be Europe's fourth largest, short haul airline, with 123 aircraft, in just over 10 years. This success is due to a radically different business model which uses the latest technology in a fundamentally more efficient way. We fly the most modern aircraft, in terms of fuel efficiency, emissions and noise footprint. The average age of our fleet is 2.2 years. We also drive up the utilisation of these assets with an 85% passenger load factor.

This means that we create fewer greenhouse gas emissions per passenger kilometre than our traditional competitors. For example, we calculate that because of our aircraft utilisation, we create 27 % less emissions than other airlines who fly the same Airbus aircraft. If we compare a typical easyJet flight to Barcelona with a British Airways flight, we create 38 % fewer emissions. A typical long-haul flight from London to Miami creates ten times more emissions per passenger than an easyJet flight from London to Nice.

The point I am making, is that economic efficiency drives environmental efficiency. Contrary to popular belief, low cost airlines are part of the solution not part of the problem. We like to think of easyJet as the smart car of short haul air travel.

It is for this reason that we strongly oppose airport passenger tax which applies the same levy on efficient airlines such as easyJet as it would do on, say, Alitalia, which operates aging aircraft with low passenger load factors.

The European air traffic control system is a parochial patchwork of over 40 different agencies. Such inefficiency increases fuel consumption by 8-12% and creates significant delays for our customers. The success of the SESAR programme to deliver a single European sky is dependent on both innovative technology and the politicians making the hard decisions when it comes to conflicting national interests.

We desperately need to create the political will to tackle this problem much faster.

Our third area of focus in easyJet will be to use our brand and market presence to increase consumer awareness of environmental issues.

If you've flown on easyJet within the last few months, you will have seen that the in-flight magazine has contained two articles from me on aviation and the environment.

We are looking to use the power of the easyJet brand to launch a voluntary carbon offsetting scheme for our passengers. Our goal, is to persuade 50% of our passengers to adopt carbon offsetting over the next 5 years.

We at easyJet care passionately about the environment. easyJet's aim is to be recognised for leading aviation in environmental efficiency. Perhaps we are driven by

two fears; on the one hand a genuine concern about the projections in the Stern Report, and on the other hand a real fear of well intentioned but ineffective, PR driven taxes and regulation on aviation.

This is why we welcome the Stern Review and we hope that it provides the context for an intelligent and well-informed debate about what action we should all take. Meanwhile, easyJet will continue to push ahead with the actions I've described this evening.

Thank you for listening.