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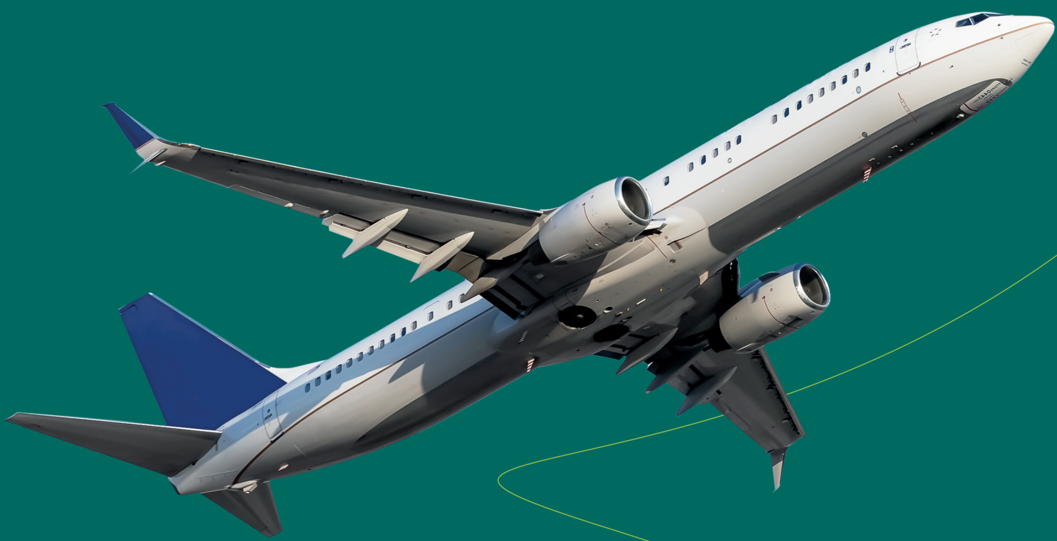
SkyNRG whitepaper



BUILDING THE BUSINESS CASE FOR SAF

SKYNRG

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INTRODUCTION

IN AN ERA WHERE SUSTAINABILITY IS NO LONGER JUST A CORPORATE RESPONSIBILITY BUT A BUSINESS IMPERATIVE, COMPANIES ACROSS VARIOUS SECTORS ARE EXPLORING INNOVATIVE WAYS TO REDUCE THEIR CARBON FOOTPRINTS.

The aviation sector is one of the most carbon-intensive industries, contributing approximately 2-3% of global CO2 emissions. It is also a "hard-to-abate" industry, meaning there are limited (and often capital-intensive) options available to mitigate emissions. Corporates with an aviation footprint face a dilemma: while they have no control over the fuel used in flights they depend on for business travel or the transportation of goods, these emissions still contribute to their overall carbon footprint. Sustainable Aviation Fuel (SAF) certificates provide a solution for these companies.

This whitepaper outlines how non-aviation companies can make a strong business case for purchasing SAF certificates (SAFc) to reduce emissions related to air travel and transport.

Figure [1.1] Overview of GHG Protocol scopes and emissions across the value chain

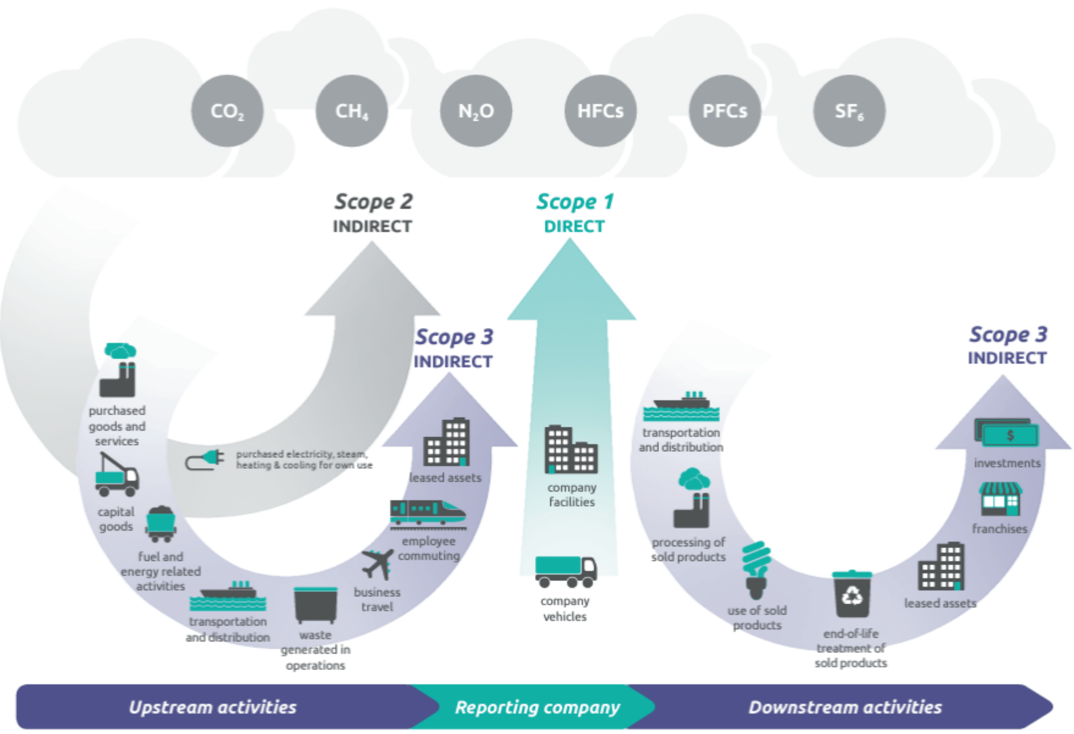


Figure 1.1: The emissions from flying are reported in Scope 3 Category 6 (Business Travel), Scope 3 Category 4 (Upstream Transportation and Distribution), or Scope 3 Category 9 (Downstream Transportation and Distribution) of a company's GHG inventory.

UNDERSTANDING SAF

SAF is an alternative to fossil jet fuel that is produced from sustainable feedstocks such as waste oils. SAF has the potential to reduce lifecycle carbon emissions[1] by over 90% compared to traditional jet fuel, depending on the feedstock and production process. Lifecycle carbon emissions take into account the feedstock used, processing, transportation, and combustion of the SAF. Some of its key benefits include:

- Significantly lower lifecycle GHG emissions compared to fossil fuel
- Compatibility with existing infrastructure and aircraft
- Lower particulate matter and sulfur emissions, which improves local air quality
- SAF can be produced from various feedstocks and with different technologies, and provides an opportunity for energy security and diversification from fossil fuels, as well as the utilization of waste streams
- Green job creation and economic growth

In addition to the Lifecycle Analysis (LCA), it is important to look at the sustainability of the feedstock used and any unwanted, indirect consequences that may occur, such as displacement effects. Airlines can choose to source and use SAF in their operations, but they often face a cost and operational barrier to doing so.

[1]The GHG savings is modeled using the R&D GREET Model (https://greet.anl.gov/) and is compared to a fossil jet GHG intensity of 93 gCO_2e/MJ.

DEFINING SAF CERTIFICATES

SAF certificates (SAFc) decouple the environmental benefits of SAF from the physical use of the fuel. These certificates represent a verified quantity of CO2 emissions reductions and can be purchased by companies wishing to claim the environmental benefits of SAF.

SAF certifications are based on a Book & Claim model. This model, along with the required audits and validation, ensures that emissions reduction claims made by airlines and corporates are real and credible. SAF certificates provide a solution for companies who wish to reduce their aviation-related emissions, without needing to physically purchase SAF or otherwise being involved in the supply chain.

GETTING STARTED WITH SAFc

Many companies who are considering SAF certificates to reduce their aviation-related emissions have already taken their first steps in reducing emissions, for example by looking for more efficient routes, formulating a business travel policy that incentivizes alternative travel modes, or by choosing airline suppliers with a newer and more efficient fleet. In practice, some aviation-related emissions remain as travel and transportation of goods is crucial to many businesses.

TAKING THE FIRST STEP

The first step after identifying SAF certificates as a solution to reduce these emissions, is to educate yourself about the different types of SAF available, the feedstock and sustainability criteria you want to set, and the different ways of procuring SAF that are available to you. Luckily, you don't have to reinvent the wheel as many businesses have gone through this process over the past years. Step two is to create a plan and strategy for your SAF certificate purchase. This will look different for everyone. Some questions that are important to reflect on during this phase are:

- Do you want to use the SAFc for business travel, transportation, a corporate jet, or other purposes? Most GHG accounting guidance advise that SAFc are only used towards aviation emissions, but there are many varieties within that category.
- Defining the purpose of your SAFc purchase will help determine the product (scope 1 claim, scope 3 claim, or both) and supply route suitable to your need.
- What role does SAFc play in your broader sustainability strategy? To determine the right level and duration of your SAF commitment, it is important to know what your emissions profile currently looks like. You should assess the goals you are trying to achieve, as well as your alternative options for emissions reductions.
- What resources do I have available to lead and manage this process? Depending on the availability or resources, you may work with one party who carries out the bulk of the work or engage with multiple parties in-house.

Once it is clear what the desired approach and commitment is, most companies will need to build a business case internally to ensure they get the right internal resources for their SAFc purchase. SkyNRG is a leader in this space: for ten years we have supported companies with their SAFc purchases. A key take away is that building the business case is often perceived as the most challenging aspect of the SAF journey. This is mostly because SAFc is a relatively new instrument, and teams are not familiar with the product. To support sustainability and other business leaders in this effort, we have collected insights and advice towards building a successful SAFc business case.

THE BUSINESS CASE FOR SAFc

BEYOND THE CHECKLIST

Building a business case will look different for every organization. So, rather than providing a checklist, below are tried and tested ways that SkyNRG secures buy-in and resource commitment towards a SAFc purchase.

Set an internal (shadow) carbon price:

- An internal carbon price is a pre-determined price per tonne of carbon (e.g. $150/tonne) that is applied to a company's GHG inventory. This helps companies understand the hotspots of their emissions and puts a cost to the externalities of emitting that carbon (equivalent). The price reflects potential carbon costs due to regulations, market changes or the company's sustainability goals. This can be either an actual internal carbon price, where the price is charged internally and collected in a fund that is used to fund mitigation efforts, or through a shadow price, in which the hypothetical cost of carbon is used to aid internal decision-making.

Connect the case to your core business:

- All companies that are looking at SAFc to reduce aviation emissions are wanting to do the right thing. Those that are successful in building a business case often tie the benefits of the purchase to their (core) business.

For example:

- A bank that ties the gained knowledge of SAF to its lending activities, where knowledge gained can be beneficial for renewable fuels funding and/or for engagement within the aviation portfolio, with the goal of bringing down financed emissions (Scope 3, Category 15).
- A consulting company that uses its gained knowledge and understanding towards its renewable fuels or sustainability consulting practice.
- A service provider that increasingly often receives RfPs that contain questions about the sustainability of their offering and can offer lower-emissions services by purchasing SAFc for travel to and from customers or projects, or lower-emissions product transportation.
- A manufacturing company that can use byproducts of SAF in its production processes, achieving emissions reductions in both business travel and raw materials.
- A travel company that specializes in eco travel and commits to procuring SAFc for its sustainability-focused customers' air travel.
- A professional services company with low Scope 1 and Scope 2 emissions who is pressured by its investor base to reduce emissions.
- A knowledge-led company with a young employee base that cares about the climate impact of business activities.

THE BUSINESS CASE FOR SAFc

BEYOND THE CHECKLIST (CONTINUED)

Connect the case to your company identity and values:

- SAF has been used in commercial aviation for over a decade, but it is still a small market. As a result, commitment from markets including the end-customer (e.g. business traveler, cargo owner) are extremely valuable in growing the SAF market to scale. That means that there is a lot of opportunity to connect the value your SAFc commitment brings to company identities and values. One obvious value angle is sustainability, as SAF brings a 70-90+% emissions reduction compared to fossil jet fuel.

Other values that can be connected to a SAFc purchase include:

- Innovation: SAFc purchases support an innovative product and help scale the SAF industry;
- Market transformation: SAFc purchases provide a demand signal, which are crucial for scaling renewable and sustainable products such as SAF;
- Leadership: the group of corporates committing to SAFc is still limited to a small community of frontrunners. Your commitment shows leadership in sustainability and can inspiring others, especially when committing to new SAF technologies or setting SAF targets;
- Collaboration: SAF adoption requires collaboration across the value chain, including corporates, airlines, fuel suppliers and airports;
- Accountability: taking ownership of aviation-related emissions, even when they are indirect (Scope 3), shows accountability for the company's full impact.

Engage internal stakeholders before bringing the case forward:

- SAFc purchases are often new to legal, accounting, and other corporate departments. To ensure buy-in and a smooth process while bringing the business case forward, SAFc adopters advise engaging with internal stakeholders early on in the process. For example, ensuring accounting teams understand what documentation will be received and what questions they may incur from auditors in the reporting process, legal teams understand the contract structure, and HR and marketing teams receive the right input and data about the value the SAFc purchase might add to retail and employee branding.

Consider starting small and scaling your purchases:

- Although an ambitious SAFc commitment will bring you closer to your sustainability goals, it may prove to be a roadblock in some cases. If a large financial or contractual commitment for an innovative product is too daunting for people whose buy-in is required (e.g. Legal), consider breaking the strategy down by starting with a smaller initial purchase. This allows for a learning process in the way SAFc are evaluated, contracted, tracked and reported on, which can help build internal leadership confidence. These lessons can then be applied to refine your SAFc strategy.

Find a C-level champion:

- The SAFc business case process often goes much quicker if there is a C-level leader championing the effort. This prioritizes the project internally and helps create confidence that reducing aviation-related emissions are a (sustainability) business priority.

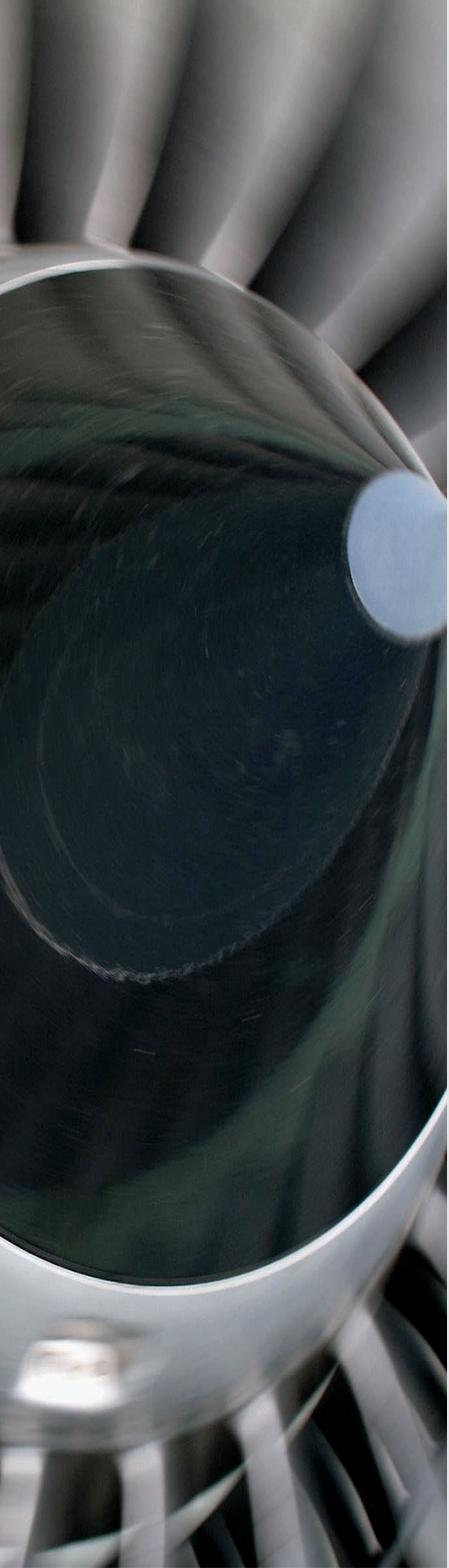
IN CONCLUSION

For non-aviation companies looking to reduce their carbon footprint, purchasing SAF certificates presents a powerful opportunity. Not only does it offer a way to address hard-to-reduce Scope 3 emissions, but it also demonstrates a commitment to innovation, sustainability, and industry leadership. By supporting the SAF market, companies contribute to the decarbonization of aviation while enhancing their own sustainability credentials. As the demand for responsible business practices continues to grow, investing in SAF certificates is a forward-thinking solution that brings both environmental and reputational benefits.

READY TO LEARN MORE?

To learn more about how SAF certificates can help your company achieve its sustainability goals and reduce emissions from air travel or transportation you can contact:

sales@skynrg.com



THE SAFc PLAYBOOK

1. **Educate yourself:**
Learn about the different types of SAF available, the feedstock and sustainability criteria you want to set, and the different ways of procuring SAF that are available to you.

2. **Create a plan:**
Plan the strategy for your SAFc purchase. Think about timelines, resources available, and the goals you are trying to achieve.

3. **Build a business case:**
For SAFc that goes beyond the immediate sustainability benefits.

4. **Set up feedback loops:**
Make sure internal stakeholders are informed about the progress of the business case, and if successful, the impact of the decision.

5. **Communicate about your journey:**
Transparency about wins, challenges, and key insights are extremely helpful in inspiring other corporates, and are a great basis to engage with key stakeholders about your journey to achieving your sustainability ambitions.