

What will be the impact of ESG targets on AF-KLM's credit metrics?

Air France, one of the leading worldwide airlines, has tapped the HY market back in January with an SLB issuance.

Through its sustainability targets, the company has targeted a **reduction in its emissions ratio by 10%** in 2025 (gCO₂e/RTK) from a 2019 baseline (i.e. to 851 from 948), and reach **net zero CO₂ emissions by 2050**.





Sustainable aviation fuels (reduce GHG emissions by up to 80% over the entire cycle): target of reaching 10% of SAF component by 2030.

Fleet renewal (new generation aircraft emit 20-25% less CO2 than old ones): AF-KLM is aiming for new generating aircraft to make up 41% of its fleet by end-2025 (vs 17% as of YE22).





16%



New technologies such as new turbines.

Operational efficiencies including eco-piloting: more direct trajectories, and applying other procedures which limit fuel consumption, such as continuous descent, among others.



10%



8%

High-quality offsets (e.g. direct air capture with carbon storage).

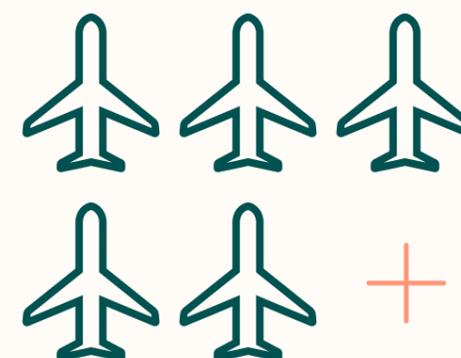


So...what will be the impact on AF-KLM's credit metrics?



Impact on EBITDA from higher fuel costs as the share of sustainable aviation fuels (SAFs) amid the overall fuel consumption increases.

Impact cash generation due to higher capex to cope with the **fleet renewal**.



Both will result on a **limited deleveraging** going forward. However, we note that **the company has a strong liquidity position** to cope with such requirements.

Hence, we maintain our **positive view** on the AF-KLM's credit.

And you, what are your thoughts?