The Reduction Now Plan

Aviation Baseline Consortium

Low Carb Fund

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How might we re-design our current business model so that we may continue to thrive while also accelerating the decarbonization of the aviation industry?
Airlines are chasing decarbonization, but reductions are **competitive** and **elusive**.
Large legacy airlines are taking off
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Some LCCs are thinking ahead too
Large legacy airlines are taking off

Some LCCs are thinking ahead too

But the majority of LCCs are taking minimal action
“For sustainability, I think a big chunk of the work is government's work.”

—UAE Professional, eCommerce.

“We are focused on improving efficiency because we see the cost savings.”

—Indian LCC Professional, Operations.
LCC is a key growth customer but ahead lies turbulence.
82% of industry passenger growth will come from LCCs in the next 5 years

60% of all LCC planes are leased

2027 CORSIA mandatory phase begins
SAF available at scale

Hydrogen & electric aviation tech

we’re focused on today

not on the fog
LCCs are not excited about carbon offsetting:

- Not resourced to staff the appropriate teams
- No connection to airline operations
- Historically controversial
"If the world were graded on the historic reliability of carbon offsets, the result would be a solid F."

—Lisa Song, ProPublica
How might we cement ourselves as a critical partner of the low cost carrier for an uncertain future while helping them meet their decarbonization needs today?
Our Principles

Start now.

Provide equal access.

Prioritize low-cost solutions.
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Aviation Baseline Consortium

“They should be joining consortiums, it’s not a short-term answer but will get a foot in the door.”

—Managing Director, Yale Carbon Containment Lab
SMBC-AC should catalyze a representative body dedicated to the long-term decarbonization of low cost airlines (LCCs).
Launch the **Aviation Baseline Consortium**

Recruit Partners

- Sustainability Consultancies
- Energy Innovation Initiative
- Nest

Recruit Members

- Green Investors
- LCCs
- Project Developers
- SAF Producers
- Regional Govt bodies
- Verification Bodies

Invest in SAF production, aviation-centered methodologies, OEM & new tech startups.

Create, develop & invest in “in-setting” projects for the aviation industry.
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Low Carb Fund

“Over the next five years, we expect that the demand for high-quality offset projects will prompt significant development in the emissions offset value chain.”

—Boston Consulting Group
SMBC-AC should treat carbon credits like it does planes, as assets.
Carbon credits are a good investment, and the LCC will need them.

McKinsey, Jan 2021
“If they wait three years to invest, it will be too late”

—Managing Director, Yale Carbon Containment Lab
Identify projects & invest in them.

Consultancies

Research Labs

Recruit partners from **Consortium**

**Consultancies**

**Research Labs**

Launch the **Low Carb Fund**

**v1 Buy**

**v2 Expand**

Design & build a carbon credit fund.

Add SAFc & “in-setting” projects to the fund.

Make “in-setting” investments through **Consortium**

Efficiency Tech

SAFc

Fleet Removals

Launch DiversiFly Beta

2022 2023

2025

2027
A relevant offset portfolio today to supply LCCs in the future.

**Bike Share Program**
Location: Howrah, India
Production: 0.5 mil cr/yr
Validated: 10/2019

**Peat Bog Restoration**
Location: Co. Tyrone, Ireland
Production: 1 mil cr/yr
Validated: 12/2021

**Ship Hull Coating**
Location: Global
Production: 0.25 mil cr/yr
Validated: 08/2021
Adding airline-specific “insets” with partners from the consortium.
To see if the fund would be easy to access & helpful for our LCC partners, we designed a low-fidelity prototype for the fund.
We also explained how the product could evolve in the mid-term.
Initial feedback indicates that the fund has potential...

“If we can see how much our efforts contribute to CO₂ reduction on the dashboard, this brings us great motivation. It interests people outside the operations department as well. It may be great from the PR perspective as an airline.”
—Operations Specialist, Legacy Carrier.

“If there is a platform where you can see the amount of CO₂ reduction at a glance by inputting certain data, I think it is simply convenient.”
—Sustainable Solutions Professional, Legacy Carrier.

so, when mandates hit, the LCC can easily buy high quality, relevant credits from a trusted & curated platform.
As the fund develops, we can invite investment from the LCC... and their passengers too.
Benefit to Low Cost Carriers

- Shielded from carbon credit price volatility
- High-quality, airline-relevant projects
- Marketing opportunities with passengers
- Access to SAF and new technologies
Benefit to SMBC Aviation Capital

**Hedging**
against an industry on the rise

**Servicing**
a critical customer need

**Enticing**
new LCC customers
$547M investment

$1.5B return
2023-2036

16% ROI per year
Climate change won’t wait till 2050. There is today and the fog.
Thank you!

from Team Hito

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