10 October 2025

focus

Flying Into **the Future**

Air travel is one of those everyday conveniences many of us take for granted — whether it's visiting family, exploring new places, or doing business. For New Zealand, the aviation industry carries even greater weight. As an island nation far from global markets, flying is essential to connect us to the world. Tourism, trade, and even the ability for families to remain connected all rely heavily on aviation.

FORSYTH BARR

...SAF is aviation's version of "green fuel" or biofuel...

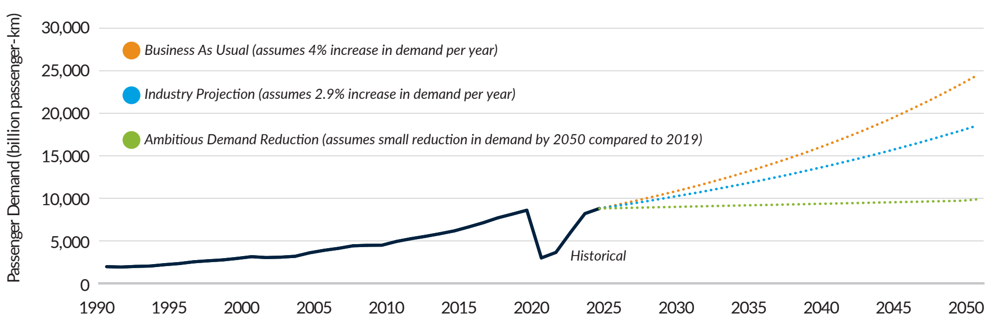
A350-1000 refuelled with sustainable aviation fuel (SAF) - Copyright Airbus SAS 2024

But behind the scenes, airlines are grappling with how to keep us flying while also reducing carbon emissions. Aviation accounts for around 2% to 3% of global greenhouse gas emissions today. That might sound small, but as other industries decarbonise, aviation's share is set to grow—potentially quadrupling by 2050 if nothing changes.

Aviation is a hard sector to decarbonise

In 2024, Air New Zealand withdrew its 2030 science-based climate target. The airline had hoped to cut its emissions intensity by nearly -30%, but potential delays to its fleet renewal plan posed too great a risk to the target's achievability. In addition, other critical levers—in particular the

HISTORICAL AND PROJECTED GLOBAL PASSENGER AVIATION DEMAND



Source: IATA, Bergero et al. (2023). Pathways to net-zero emissions from aviation

...a potential win-win: lower emissions, less waste, and improved fuel security for a nation so heavily reliant on flight...

challenge of scaling sustainable aviation fuel (SAF) at reasonable prices — fall outside the airline's direct control. Instead, Air New Zealand will now publish annual "2030 emissions guidance" to track progress, and it currently expects a -20% to -25% reduction in emissions in 2030. The reduction relies on assumptions including a 10% SAF share of total fuel by 2030, timely delivery of aircraft, operational efficiencies, and use of carbon credits.

Why is SAF such a big deal?

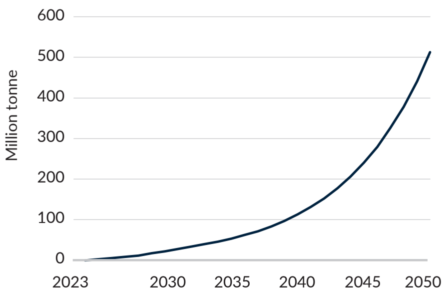
SAF is aviation's version of "green fuel" or biofuel. Unlike electric cars or hydrogen buses, which require new engines and charging infrastructure, SAF is blended with fossil jet fuel and can be dropped into today's aircraft and airports without major modifications. That makes it an immediate pathway to lower emissions, especially for long-haul flights where alternatives like electric or hydrogen planes are decades away at best.

The catch? SAF is still tiny in supply and expensive. Depending on the market and type of SAF, it costs **three to five times more than regular jet fuel.** Some types — like "eSAF," which uses renewable electricity and captured carbon — are even more costly because they require huge amounts of renewable energy.

The roadblocks ahead

Why isn't SAF more widely used? Two reasons dominate: **supply and cost.** At present, SAF makes up less than 1% of the world's aviation fuel. Air New Zealand alone expects to need between 60% to 100% of its total fuel to be SAF in 2050 to meet its net zero target. Scaling up requires significant investment in refineries, as well as policy support to reduce the price gap with conventional fuel.

SAF PRODUCTION OUTPUT NEEDED FOR THE NET ZERO TRANSITION, MILLION TONNE



Source: IATA Sustainability and Economics

In some regions, like the US and EU, mandates and subsidies are already being rolled out to encourage adoption. In New Zealand, currently there is no policy support to help stimulate SAF supply and use, however, opportunities at home are emerging. Projects at Marsden Point are exploring both biofuel-based and synthetic production. Studies suggest woody waste alone could supply up to a quarter of New Zealand's domestic jet fuel needs. That's a potential win-win: lower emissions, less waste, and improved fuel security for a nation so heavily reliant on flight.

1. Marsden Point is a region at the southern entrance of Whangārei Harbour in Northland, New Zealand, known for its significant industrial facilities, including Northport, New Zealand's only fuels import terminal operated by Channel Infrastructure, and a major timber processing plant. It was historically the site of New Zealand's only oil refinery, which closed in 2022, but now functions as the country's largest fuel import terminal.

...Our early participation helps give Air New Zealand the confidence to commit to long-term SAF supply agreements...

Can Forsyth Barr help grow this slowly emerging market?

Recently an opportunity to help support this important but emerging industry came our way. Forsyth Barr, together with Mainfreight, MinterEllisonRuddWatts, and Kiwibank, is participating in an innovative project with Air New Zealand to purchase SAF certificates, otherwise known as SAFc. These certificates not only help reduce lifecycle emissions from aviation now, but also allow us to offset our own corporate air travel emissions.

This initiative provides a way for our business to take responsibility for the impact of travel while supporting the development of low-carbon solutions.

Our early participation also helps give Air New Zealand the confidence to commit to long-term SAF supply agreements. That, in turn, can encourage further investment, bring costs down over time, and support the growth of this industry in New Zealand. We see our role as helping to get things moving, and hope that by doing so we encourage other organisations to follow.

> *"At Forsyth Barr, we believe leadership means taking steps forward on issues that matter and encouraging others to follow. By being among the first in New Zealand to purchase sustainable aviation fuel certificates, we are acknowledging the reality of emissions linked to air travel while supporting Air New Zealand to secure long-term off-take agreements for SAF in a highly competitive global market. By supporting corporate demand for SAF, we hope that costs will come down over time and make low-carbon flying a practical reality for New Zealand."*

Neil Paviour-Smith, Forsyth Barr Managing Director

> *"Forsyth Barr has shown genuine leadership by being among the first New Zealand organisations to purchase sustainable aviation fuel certificates from Air New Zealand. We are incredibly grateful for their support. They are not only tackling their air travel emissions, but they're also backing a new global industry which can only grow if customers like Forsyth Barr take the first step."*

Kiri Hannifin, Chief Sustainability and Corporate Affairs Officer, Air New Zealand

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

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