

# ESG aviation taking flight: Sustainable aviation fuel, advanced air mobility and eVTOL

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Environmental, social and governance (ESG) considerations have shifted from a secondary consideration to an essential factor for achieving business prosperity, value creation and limiting risk. Industries and companies across the globe are taking note that a lack of attention to [ESG factors](#) – including impact on the natural environment and climate, treatment of a workforce and policies around procurement, fair trade and diversity and inclusion – can yield negative consequences from investors, regulators, employees, customers and suppliers alike.

This is certainly true of the aviation industry, where airlines and operators have increased efforts to tackle climate change and reduce carbon emissions. While ESG factors collectively should merit consideration in strategic planning and execution, the financial materiality of one factor relative to another will vary by industry and company. For aviation, it goes without saying that consideration of “E” – environmental – is particularly more pronounced.

## ESG and aviation regulation in Canada

Apart from growing consumer and investor consciousness over ESG issues, the rise of ESG in aviation can be partially attributed to ongoing regulatory developments globally, as airlines and governments commit to achieving the industry’s aspirational target of net-zero emissions by 2050.

Canada’s commitment to achieve net-zero emissions is codified in the [Canadian Net-Zero Emissions Accountability Act](#), which became law on June 29, 2021; the newly released [Canada’s Aviation Climate Action Plan \(2022-2030\)](#); and the advancement of the [Clean Fuel Regulations](#), which requires gasoline and diesel primary suppliers to reduce the carbon intensity of such fuels supplied for use in Canada beginning in 2023. Canada is also party to international regulatory schemes like the International Civil Aviation Organization’s [Carbon Offsetting and Reduction Scheme for International Aviation](#) (CORSIA).

## Sustainable aviation fuel

A central means by which the industry is seeking to meet its decarbonisation goal is through the use and promotion of sustainable aviation fuel. According to the International Air Transport Association (IATA), sustainable aviation fuel reduces CO<sub>2</sub> emissions by up to 80 per cent and can contribute to approximately 65 per cent of the reduction in emissions needed by aviation to reach net-zero by 2050. Accordingly, policymakers and regulators are being called upon by IATA and others to develop policies and standards to accelerate production and deployment of sustainable aviation fuel.

As noted by IATA, such strides are already being made in Europe and the United States, through legislation and policies such as the Refuel EU proposal – a draft legislative proposal that aims to promote production and uptake of sustainable aviation fuel in the EU – and in the U.S. through the U.S Sustainable Skies Act, the U.S. Renewable Fuel Standards and other policies being advanced.

In Canada, the Canadian Council for Sustainable Aviation Fuels (C-SAF) was created in 2022 by over 60 airlines operating in the country to seek collaboration between industry stakeholders and government on accelerating commercial production and use of sustainable aviation fuel in Canada.

It is clear that the use of sustainable aviation fuel instead of conventional jet fuel represents an important way for the industry to meet its net-zero commitments, which will only strengthen as the policy and regulatory environment in Canada and globally continues to develop. As such regulatory frameworks come into force, so to will increased efforts by the industry to better understand legislative requirements, monitor compliance and integrate ESG criteria into operations.

## **AAM and eVTOL technology**

As noted in Canada's Aviation Climate Action Plan, the development of green aerospace technologies, including electric, hybrid and hydrogen propulsion, will be another key way to reach net-zero emissions by 2050. Such technologies are often described as advanced air mobility (AAM), with one specific example being electric vertical take-off and landing (eVTOL) aircraft. Global demand for AAM products has been steadily on the rise, with airlines, helicopter operators and original equipment manufacturers, among others in the aviation sector, increasing investment in AAM to pursue their strategic objectives.

On the domestic front, we've seen Air Canada recently announce a purchase agreement for 30 ES-30 electric-hybrid aircrafts from Swedish manufacturer Heart Aerospace that are expected to enter service as early as 2028. United Airlines similarly announced a sizeable investment in Eve Air Mobility, together with a conditional purchase agreement for up to 400 eVTOL aircraft. On the vertical-lift side of the industry, longstanding operators, such as Bristow Helicopters, are demonstrating ambition to become leaders in AAM, and cargo transport operators have cited eVTOL as part of their ESG action plans.

Aside from environmental benefits, the evolution of the AAM industry offers potential equity and inclusion upsides, such as increasing access to those underserved by transportation and unlocking routes between communities. This will strengthen the AAM industry's ESG position for future investment, development and potential consolidation

within the industry. Moreover, as the technology’s reliability, certification status and airspace architecture continues to develop, we can expect AAM technology and sustainable aviation fuels to become more commercially viable while pursuing the industry’s commitment to net-zero emissions.

## Conclusion

A sustained focus on ESG in aviation is expected to continue as industry participants seek to achieve the aspirational target of net-zero emissions by 2050. In addition, the regulatory environment under which these participants operate is likely to develop further. As a result, industry participants will need to better understand legislative requirements, navigate future complexities and monitor performance. Lastly, ESG has been and will likely continue to be a catalyst for innovation and investment within the industry, as demonstrated by the advancement of AAM technologies such as eVTOL and efforts to accelerate the use and deployment of sustainable aviation fuel.

By

[Jennifer Archer](#), [Sunny Garcha](#)

Expertise

[Environmental](#), [Environmental, Social and Governance \(ESG\)](#), [Aviation](#)

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### BLG Offices

#### Calgary

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

#### Ottawa

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

#### Vancouver

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

#### Montréal

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

#### Toronto

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

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