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JCR comments on the effects of ICAO Long-Term Global Aspirational Goal, etc. on its Green Bond Framework Evaluation to ANA

The International Civil Aviation Organization (ICAO)¹ adopted the long-term aspirational goal (LTAG) for international civil aviation CO₂ emission reductions by 2050 at its 41st Assembly held in October 2022. Japan Credit Rating Agency, Ltd. (JCR) hereby expresses its views on the effects of this ICAO LTAG on its Green Bond Framework Evaluation to ANA Holdings, Inc. (ANA), which was announced on August 1, 2022².

On October 7, 2022, ICAO Member States adopted a collective long-term global aspirational goal (LTAG) of net-zero carbon emissions by 2050 in the field of international aviation at the 41st Assembly³. ICAO further expressed that it made a significant changes from its previous goal of "not increasing the total volume of greenhouse gases (GHG) by international air since 2020" to reducing GHG emissions.

ICAO also completed the first periodic review of CORSIA⁴ at the Assembly. The member states agreed on a new CORSIA baseline since 2024 onwards, defined as 85% of CO₂ emissions in 2019, and on revised percentages for the sectoral and individual growth factors to be used for the calculation of offsetting requirements from 2030 onwards.

JCR concluded that it needs no changes or revision on its evaluation results of ANA's Green Bond Framework in response of ICAO's adoption of LTAG and international agreements at the Assembly for the following reasons.

- 1) The ANA Group has already set targets to achieve carbon neutrality by 2050, which is consistent with ICAO LTAG.
- 2) According to ICAO, the achievement of the LTAG may rely on the combined effect of multiple CO₂ emissions reduction measures, including the accelerated adoption of new and innovative aircraft technologies, streamlined flight operations, and the increased production and deployment of sustainable aviation fuels (SAF), which are all incorporated in the ANA Group's strategies for achieving carbon neutrality.
- 3) The use of proceeds 1 prescribed in ANA's Green Bond Framework (the Framework), namely the procurement of SAF, investments in projects/companies aiming at increasing available SAF, falls under the category of "the increased production and deployment of sustainable aviation fuels (SAF)" among CO₂ emission reduction measures described by ICAO. Despite that the use of proceeds 2, investments in utilization of negative emissions technologies such as DAC (Direct Air Capture), CCS (Carbon dioxide Capture and Storage), and CCU (Carbon dioxide Capture and Utilization), is not specified as a measure to

¹ ICAO:International Civil Aviation Organization

United Nations specialized agency established under the International Convention on Civil Aviation (commonly known as the Chicago Convention) adopted in 1944 to ensure the safety and orderly development of international civil aviation and to cooperate among countries in ensuring that international air transportation operations are operated soundly and economically on the basis of equality of opportunity

² ANA Holdings, Inc. Green Bond Framework Evaluation August 1, 2022

https://www.jcr.co.jp/download/14b2ac7e80292bb74ed22b2eeb4ebc90ba97ecbe70247c4eeb/22d0455en_2.pdf

³ ICAO News Release

<https://www.icao.int/Newsroom/Pages/States-adopts-netzero-2050-aspirational-goal-for-international-flight-operations.aspx>

⁴ CORSIA:Carbon Offsetting and Reduction Scheme for International Aviation

Carbon offsets and mitigation schemes for international aviation created by ICAO.

reduce CO₂ emissions of ICAO, it is stated in IPCC⁵'s Sixth Assessment Report⁶ that negative emissions technologies are essential technologies for mitigating climate change and are certified as an eligible green project.

- 4) The ANA Group intends to update its transition strategies as appropriate in light of environmental changes and the pace of technological innovations, and will update the transition strategies in future in accordance with the adoption and agreement at the 41st ICAO Assembly. When updated as appropriate, ANA Group plans to make the use of proceeds in the Framework core measures in its transition strategies.

In the future, in any similar case such as the adoptions of new goals or new agreements, JCR believes that there will be no need to change or update its evaluation of the Framework to the extent that these reasons are fulfilled.

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JCR Green Bond Framework Evaluation: This evaluates the extent to which the funds procured through green finance are appropriated for green projects as defined by JCR and the degree to which the management, operation and transparency of the green finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) symbols.

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- ICMA (registered as an observer with the Institute of International Capital Markets)

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- EU Certified Credit Rating Agency
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⁵ IPCC: Intergovernmental Panel on Climate Change

⁶ IPCC Sixth Assessment Report Climate Change 2022: Mitigation of Climate Change 2022 April
https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf