NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

MAY 2024

The Netherlands' Aviation Industry

MARKET INTELLIGENCE REPORT

Summary

- The Netherlands, home to KLM Royal Dutch Airlines and low-cost subsidiary Transavia, boasts a strong aviation industry. The country is home to Amsterdam Airport Schiphol (Schiphol Airport), the world's third busiest airport in terms of passenger traffic, and the European airport with the most global connections.

- The aviation sector faces challenges relating to climate change and other environmental concerns, as well as rising costs and an increasingly difficult geopolitical environment. With Schiphol Airport ordered to cut flight numbers, and airlines facing higher costs and more stringent regulations, the airport and airlines have to adapt.

- The sector is working on new ways of flying, innovations on the ground, and working closely with policymakers to make the aviation sector more sustainable. The transition to lower carbon aviation provides opportunities for innovative New Zealand firms.

Report

This report outlines the state of play in the Dutch aviation sector and the transition to lower carbon flying. It draws on information provided by KLM Royal Dutch Airlines, briefing from Boeing's Chief Sustainability Officer based in the Netherlands, and reports provided by the Netherlands Ministry of Infrastructure and Water Management who are responsible for designing the sustainable mobility strategies of the Netherlands, and other open-source information.

Facts and Figures

The Netherlands is a global player in aviation. According to the Dutch Bureau of Statistics, in 2023 71.3 million air passengers travelled to and from airports in the Netherlands, a 16% increase compared to 2022, although still below pre-pandemic levels. 73% of these travellers were connecting to other destinations in Europe, with the top five being Barcelona, London, Malaga, Dublin, and Lisbon.

The main airports in the Netherlands are Amsterdam Schiphol Airport (62 million travellers), Eindhoven Airport (7 million travellers), and Rotterdam The Hague Airport (2.2 million passengers). This makes Schiphol Airport one of the largest in Europe, second to Frankfurt Airport in Germany. Many of these passengers were in transit, making the Netherlands a key connection hub for international travellers in Europe and beyond. Schiphol also ranks as the European airport with the most global connections, and the second most connected airport in the world (after Atlanta Georgia).

The aviation industry accounts for 0.3 percent of the Dutch economy (€2.5 billion), with Schiphol Airport alone responsible for 68,000 full-time jobs in the Netherlands. While being a relatively small sector, both industry and government policymakers see it as pivotal to the Dutch economy, due to Schiphol Airport's "hub" function, with the surrounding area an attractive location for businesses servicing freight and passenger traffic.

Environmental and Public Health Challenges

Aviation constitutes 1.1% of the Dutch nitrogen output (the main pollutant of concern in the Netherlands right now), putting it far behind big emitters such as industry and agriculture. However, in a report commissioned by Schiphol Airport in January 2024, the airport's emissions reductions were still judged to be insufficient: 9% reduction with the current measures, while a 30% reduction is needed. The airport aims to reach 30% by

putting a flexible tax (depending on distance) on flight tickets, increasing taxes on business class and private jets, and commitment towards a global kerosene tax.

Environmental and citizens' groups have put pressure on the government and the sector to do more to meet its climate goals and to reduce the harmful effects of aviation on the environment and the population. They are also calling on the government to implement more stringent pollution regulations for Schiphol Airport and airlines.

Noise pollution is a problem in the immediate area surrounding the airport. Court rulings have forced Schiphol Airport to reduce flights and noise pollution. In April 2023, the Dutch government started compensating people living in zones surrounding the airport due to excess noise, and there is an ongoing court case between Schiphol Airport and its neighbours over noise. In response, the government proposed cutting the maximum number of flights allowed to take off from Schiphol from 500,000 to 425,000 per year. However, after pressure from the European Union and the United States, which cited Dutch obligations under the Open Skies Agreement, this plan was called off.

Other challenges include the government's climate policy; in its Aviation Note 2020-2050, the Dutch government outlined plans to reduce the country's CO_2 emissions by 50% in 2050 and have close to zero emissions in 2070. The government is looking at numerous innovative and technical solutions, such as investing in biofuels, technological innovations, and increased efforts towards sustainability of the sector.

The Aviation Note identifies four key public interests for the future of the aviation sector:

- Safety for the Netherlands in the air and on the ground;
- Keeping the Netherlands connected;
- Healthy living environment;
- A sustainable Netherlands.

The main innovations for the sector in which the Dutch government looks to invest, are:

- Navigation and communications technology;
- More efficient and quieter engines and airplanes;
- Efficient fuels;
- Electric and hybrid flying.

Innovation and Adaptation

KLM Royal Dutch Airlines is also stepping up its efforts to become more sustainable. Key initiatives include:

- Investing €6-7 billion in new planes, and more efficient flight patterns and scheduling to reduce noise pollution and improve fuel efficiency;
- Aiming for one European airspace (removing national airspaces for air traffic) to reduce costs and improve efficiency;
- Moving towards sustainable fuels. In 2030, the airline aims to be using 10% synthetic fuel (SAF). The airline is currently the largest user of SAF in the world;
- Replacing short-haul flights by trains where possible, working together with partners such as NS Dutch railways. This would be done through offering combination tickets (part flight, part train) for destinations such as Brussels, Paris, London, Dusseldorf, Frankfurt, and Berlin;
- Around 65% of KLM's ground vehicles at Schiphol Airport are currently electric, with an aim to only use carbon neutral vehicles by 2030;
- Reduction of catering waste. The current target is a 50% reduction in 2030;
- The increase in air ticket prices by the government is partly to fund the sustainability efforts for the aviation sector;
- The airline is arguing for globalised standards on aviation sustainability via the EU Fit-for-55, UN CO2 Reduction Mechanism CORSIA, and the EU Emissions Trading Scheme. The airline argues that while airlines based in the European Union (EU) are facing increasing environmental requirements, many airlines outside the EU do not.

Opportunities for New Zealand Businesses

The Dutch aviation sector is at a crossroads. The Dutch government is aiming to reduce environmental harm from aviation, while simultaneously wanting to keep the connectivity and hub function the Netherlands currently holds in international aviation. To avoid cutting back on flights and reducing profits, airlines have turned to innovative ways to continue business, without losing their business model. New Zealand businesses stand to benefit if they have innovative products or services that aid the transition. For example Kiwi tech company Ohmio has recently implemented driverless electric buses for airside ground transport at Schiphol Airport (as well as at airports in the US, UK and Korea). Schiphol aims for a fully autonomous airside operation. Another kiwi company Dawn Aerospace, a winner of several awards at the NZ Hi-Tech awards last year, has significantly expanded its headquarters in Delft.

At the same time, there is widespread interest from sector specialists in the Netherlands in what is happening in New Zealand. Airbus has been working with Air New Zealand on hydrogen-powered aircraft and a recent Air New Zealand trial made news across the sector. Boeing has been working with the Civil Aviation Authority, the Ministry of Business Innovation and Employment and others on autonomous battery electric flights with Wisk aircraft, along with AI assisted airspace integration systems. Boeing has partnered with New Zealand businesses to develop this (Boeing's sustainability team is led out of the Netherlands. Developments in Sustainable Aviation Fuels (SAF) offer potential for the largest chunk of climate emissions reductions in the sector and there is innovation happening on that front too.

New Zealand has a reputation for having high, and internationally comparable, safety standards, and an openness to adapting regulatory approaches. Sector contacts regard this as a key selling point for New Zealand as a base for aviation innovation, and a contribution New Zealand can make to reduce the sector's impact on climate change.

More info

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our subscription page.

To learn more about exporting to this market, New Zealand Trade & Enterprise's comprehensive market guides cover export regulations, business culture, market-entry strategies and more.

To contact the Export Helpdesk

email exports@mfat.net

call 0800 824 605

visit Tradebarriers.govt.nz