

Reykjavik, August 19 2025

Carbon Neutrality plan for Icelandair 2025-2026

1. General information about the Operator

- a. **Name and address of the operator:** Icelandair ehf., Flugvelliir 1, 221 Hafnarfjörður, Iceland.
- b. **Operator's identification code in the registry system:** ICE.
- c. **Nationality and registration marks of the aircraft according to the International Civil Aviation Organization (ICAO ID):** TF-xxx (example: TF-FIU).

ICAO Fleet type	Total aircraft	Registrations	Remarks
A21N	6	TF-IAA, TF-IAB, TF-IAD, TF-IAC, TF-IAF, TF-IAG	TF-IAF, TF-IAG Estimated delivery 1.11.2025
B38M	17	TF-ICE, TF-ICU, TF-ICY, TF-ICN, TF-ICO, TF-ICP, TF-ICR, TF-ICS, TF-ICL, TF-ICM, TF-ICF, TF-ICG, TF-ICH, TF-ICI, TF-ICJ, TF-ICT, TF-ICV	
B39M	4	TF-ICD, TF-ICA, TF-ICB, TF-ICC	
B752	8	TF-ISR, TF-FIK, TF-FIN, TF-FIO, TF-FIP, TF-FIV, TF-FIR, TF-FIU, TF-LLL, TF-FIA, TF-FIC	TF-FIR, TF-FIU Phased out in September 2025
B763	4	TF-ISN, TF-ISP, TF-ISW, TF-ISO	

- d. **Contact information for the authorized representative and primary contact person:**

- Deputy COO, Director Operations Support: Heiða Njóra Guðbrandsdóttir
- heidang@icelandair.is

2. Historical emissions, including those reported as tonnes of carbon dioxide equivalent (tCO₂eq), for each year during the period 2013–2024

Year	tCO ₂ eq All flights	tCO ₂ eq ETS Reduced scope
2013	699.389	350.850
2014	809.985	381.604
2015	942.761	425.528
2016	1.163.297	503.641
2017	1.255.179	527.422
2018	1.313.962	501.307
2019	1.351.809	567.632
2020	347.403	167.534
2021	483.540	205.173
2022	950.444	382.823
2023	1.119.026	432.648
2024	1.165.939	455.927

3. Milestones and Targets:

Icelandair has established ambitious climate objectives and is taking a structured approach to lowering greenhouse gas emissions, in alignment with international agreements and its long-term vision for carbon-neutral flight operations. The years 2025 and 2026 represent key milestones in this journey. Below is an overview of the primary initiatives and how they contribute to the company’s overarching climate strategy:

Milestones for 2025:

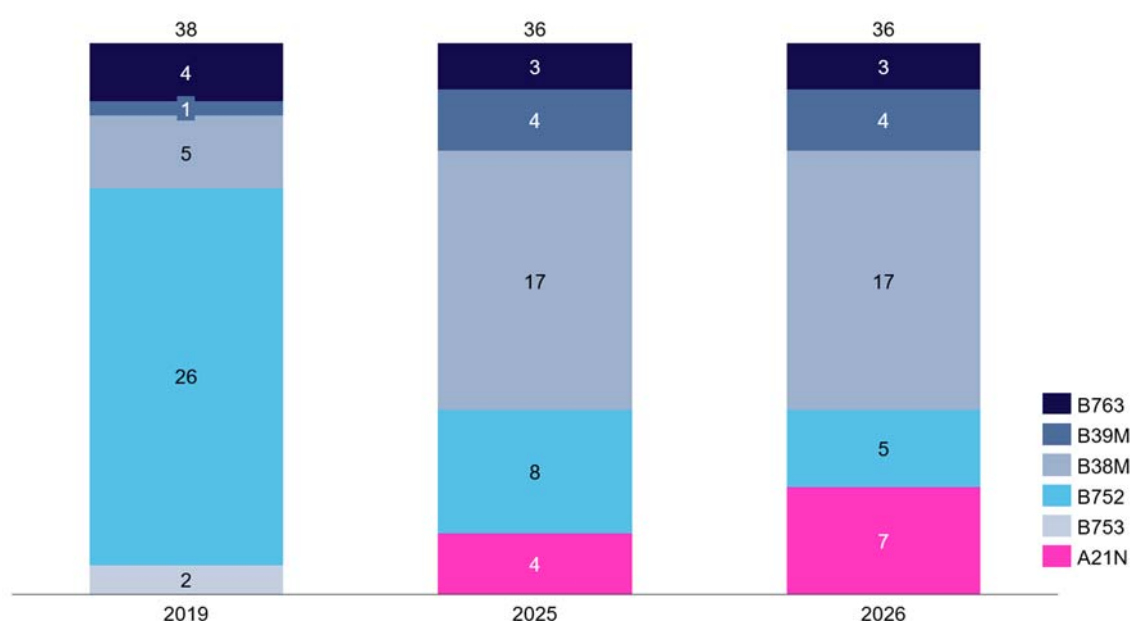
1. Fleet renewal
2. Increased use of Sustainable Aviation Fuels (SAF) in operations
3. Improved fuel efficiency through operational improvements
4. Electrification and infrastructure development

In 2025, strong emphasis will be placed on strengthening the foundation for long-term goals through technical upgrades, streamlining of operations and energy transition.

Renewal and improved efficiency of the aircraft fleet is one of the backbones of the company's action plan. With the introduction of new and more fuel-efficient aircraft, which replace older

and energy-intensive aircraft, a significant reduction in emissions per passenger and route will be achieved. In 2018, 8.5% of Icelandair's fleet was new generation aircraft, but by 2025 the proportion will reach 69% (737MAX, A321). These new aircraft contribute to improved fuel efficiency and have already been shown to have up to 20-25% less fuel consumption per seat kilometer compared to older models such as Boeing 757 aircraft in the fleet, according to aircraft manufacturers, Boeing and Airbus¹.

Icelandair's fleet



Increased use of Sustainable Aviation Fuel (SAF) will also be in the foreground. SAF is produced from renewable raw materials and can reduce lifecycle emissions by up to 80%.²

As part of its climate action, Icelandair will also continue to focus on targeted operational improvements aimed at improving fuel efficiency. Emphasis will be placed on pilot training. At the same time, work will be done to increase the accuracy of aircraft loading and weight calculations, which has a direct impact on flight efficiency and carbon footprint. Streamlining of flight schedules and flight schedules will also be strengthened. In addition, emphasis will be placed on real-time decision-making in aviation through so-called Live Mission Planning, where flight paths and altitude are changed according to conditions, which contributes to improved fuel efficiency and emissions during flights, among other things. These measures, which are based on

¹ Source: <https://www.boeing.com/commercial/737max#overview> , <https://aircraft.airbus.com/en/aircraft/a320-family/a321neo>

² Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001> , <https://www.atag.org/industry-topics/sustainable-aviation-fuel>

a data-driven approach and increased awareness in operations, are an important part of reducing emissions without compromising safety or services.

In the coming years, increased emphasis will be placed on ensuring that service equipment at Keflavík Airport will be powered by electricity or other more environmentally friendly energy sources than fossil fuels, in line with developments in supply and technological solutions. The project will be carried out in stages, taking into account access to electricity and technological advances in equipment and infrastructure at the airport. Icelandair is therefore working in close collaboration with the government, Isavia and other stakeholders to analyze the necessary infrastructure development to support the energy transition in aviation operations in the future.

Milestones for 2026:

1. Icelandair's climate targets will be certified (Science based targets, SBTi)³
2. Fleet renewal
3. Increased use of Sustainable Aviation Fuel (SAF) in operations
4. Improved fuel efficiency through operational improvements
5. Electrification and infrastructure development

In 2026, Icelandair's near-term target to reduce carbon emissions will be submitted for certification according to the Science Based Targets initiative (SBTi). With such certification, the company commits to measurable and scientifically considered emission reduction targets, in accordance with the 1.5°C criteria of the Paris Agreement. The certification will ensure that the company's actions support the climate goals of the international community and provide increased transparency on results and responsibility in climate matters.

The renewal and increased efficiency of the fleet continues, with continued investment in the latest technology that allows for maximizing energy efficiency and further reducing emissions per flight kilometer. The development of the aircraft fleet is, as previously stated, a key factor in achieving lasting results in the Company's carbon footprint.

Increasing the use of SAF will also continue to be a key focus.

Specific emissions targets for 2025 and 2026:

For 2025: Reduce emissions (CO₂eq /OTK) by 22,5-29% compared to the base year 2019⁴.

³ SBTi: <https://sciencebasedtargets.org/>

For 2026: Reduce emissions (CO₂eq /OTK) by 25,5-31% compared to the base year 2019.

OTK (Operational Tonne-Kilometre) measures the **transport capacity an airline offers:**

$$OTK = \textit{Transported payload (tonnes)} \times \textit{Distance flown (km)}$$

*Payload capacity includes both **passenger weight equivalents** (using standard assumptions, e.g. 100 kg per passenger including baggage) and **cargo capacity**.*

CO₂ per OTK - The metric is:

$$CO_2/OTK = \frac{\textit{Total CO}_2 \textit{ emissions (tonnes)}}{\textit{Total OTK (tonne - km)}}$$

⁴ The 2019 baseline for the OTK calculations comes from Skybreathe, our fuel monitoring software and we will continue to use the same approach for future years

4. Measures and Investments

A detailed description of all measures planned for 2025 and 2026

Our long-term climate target is to achieve **carbon neutrality by 2050**, in alignment with the European Union's economy-wide objective. While Iceland's national goal is net zero by 2040, the Icelandic government does not require airlines to commit to this earlier date. This approach is consistent with **EEA Decision 334/2023**, which calls for plans to be "consistent with the climate neutrality objectives of Iceland, and the European Union and its Member States, pursuant to the Paris Agreement."

To ensure a structured and measurable approach, the following measures will be implemented in 2025 and 2026:

For 2025:

1. Fleet renewal

1. 3-5 new Airbus A321LR aircraft added to Icelandair's fleet. Icelandair has entered into commitments to procure an Airbus A321LR which will be implemented in the Company's operations during the year
2. 3 Boeing 757 withdrawn from service
3. Fleet utilization is focused on making full use of newer and more efficient aircraft (737MAX, A321) and reducing the utilization of older aircraft owned by the company to the best of its ability

2. Increased use of Sustainable Aviation Fuels (SAF) in operations

1. Collaboration with fuel suppliers to increase the supply of SAF
2. Improve cooperation with the government on incentives for SAF production in Iceland.
3. Meet the requirements of Refuel EU at those airports where a regulation has entered into force on a 2% incorporation of SAF

3. Improved fuel efficiency through operational improvements

1. Pilot Training in Improved Fuel Saving Methods
2. Implementation of systems that promote increased fuel efficiency
3. Increased accuracy and streamlining of aircraft loading and weight calculations
4. Streamlining flight planning and flight plan preparation
5. Increased real-time flight optimization (Live mission planning)

4. Electrification and infrastructure development

1. Electric service equipment at Keflavík Airport will increasingly be powered by electricity or other new energy sources, as supply and new technological solutions allow, as well as access to electricity at Keflavík Airport
2. Cooperation with the government and stakeholders on the definition of infrastructure needs that support the energy transition in aviation

For 2026:

- 1. Icelandair's climate targets will be certified (Science based targets, SBTi)**
 1. Icelandair's near-term target to reduce carbon emissions will be submitted for certification according to the Science Based Targets initiative (SBTi). Icelandair will currently make short term SBTi target commitments.
- 2. Renew and improve the efficiency of the new fleet**
 1. 1-3 new Airbus A321 NEO jets put into service
 2. Continued phasing out of the Boeing 757 fleet
 3. Fleet utilization is focused on making full use of newer and more efficient aircraft (737MAX, A321) and reducing the utilization of older aircraft owned by the company to the best of its ability
- 3. Increased use of SAF in operations**
 1. Collaboration with fuel suppliers to increase the supply of SAF
 2. Improve cooperation with the government on incentives for SAF production in Iceland.
 3. Meet the requirements of Refuel EU at those airports where a regulation has entered into force on a 2% incorporation of SAF
- 4. Improved fuel efficiency through operational improvements**
 1. Pilot training in better fuel saving methods
 2. Implementation of systems that promote increased fuel efficiency
 3. Increased accuracy and streamlining of aircraft loading and weight calculations
 4. Streamlining flight planning and flight plan preparation
 5. Increased real-time flight optimization (Live mission planning)
- 5. Electrification and infrastructure development**
 1. Electric service equipment at Keflavík Airport will increasingly be powered by electricity or other new energy sources, as supply and new technological solutions allow, as well as access to electricity at Keflavík Airport

2. Continued collaboration with the government and stakeholders on the definition of infrastructure needs that support the energy transition in aviation

Quantification of investments related to the milestones, reported in euros invested in 2025 and 2026 respectively

Investments related to milestones (mEUR)	2025	2026
Fleet renewal	40,0 €	30,0 €
Use of Sustainable Aviation Fuels	2,8 €	2,9 €
Operational improvements	0,7 €	1,4 €
Electrification and infrastructure development	3,0 €	1,5 €
Science Based Targets initiative	0,0 €	0,1 €

Enabling conditions and infrastructure requirements for the measures and investments

1. **Development of infrastructure for SAF:**

1. Support investment in new technologies to develop domestic production of SAF
2. Tax Incentives or Subsidies for SAF Procurement
3. Support for importing SAF

2. **Energy infrastructure for electrification:**

1. Electrical infrastructure at airports needs to be strengthened for electric service equipment
2. Electricity infrastructure and infrastructure for other energy sources at airports must be strengthened to support fleet transition to support the government's goal of carbon neutrality

3. **Co-operation with the government on policy-making:**

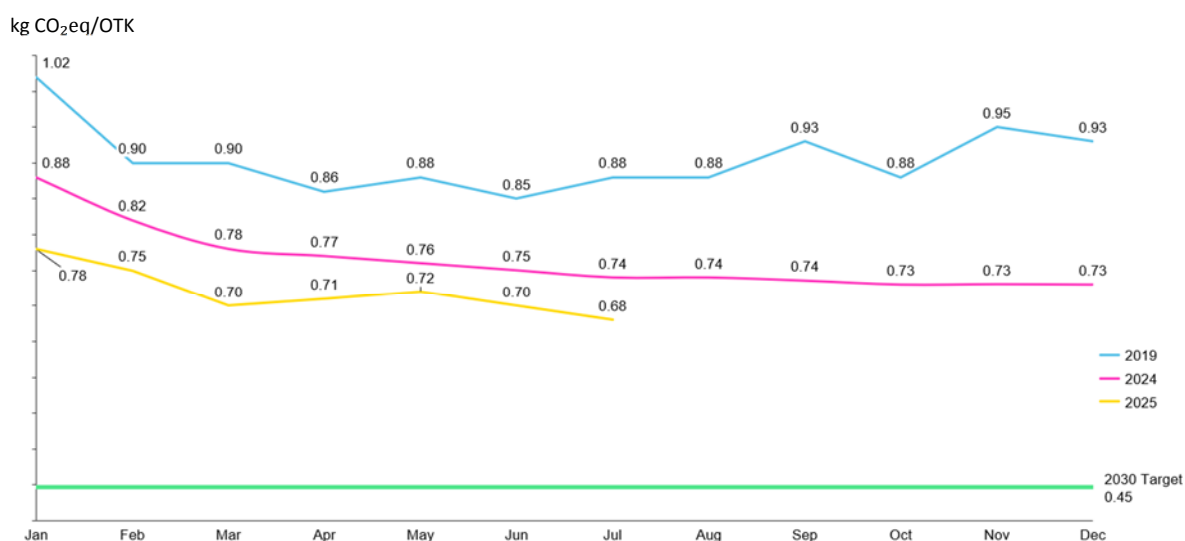
1. A regulatory framework would have to ensure legal incentives for airlines to invest in the energy transition

2. Further investments in technological solutions that promote carbon neutrality in Iceland and for aviation operations must be facilitated

Measures and investments already implemented before the submission of the carbon neutrality plan

1. **Fleet upgrade:** The purchase and implementation of Boeing 737 MAX aircraft began in 2018. Since then, the company has invested approximately EUR 750 million in a new fleet. The year 2024 marked the beginning of further investments in a more efficient fleet, when the first Airbus A321s were purchased and delivered.
2. **SAF implementation:** In recent years, the company has participated in cooperation on the use of sustainable aviation fuel in individual flights as well as at airports with specific provisions on its use.
3. **Operational improvements:** Emphasis has been placed on training pilots in improved habits with the aim of improving fuel efficiency and reducing emissions. Setting up data and implementing systems for pilots and experts in streamlining flight operations has also been a priority, and Icelandair has, for example, reduced emissions by up to 18% (CO₂eq/OTK)⁵ since 2019.

CO₂eq emissions (TTW)



⁵ Definition of CO₂e/OTK: CO₂e: The measured amount of greenhouse gases (GHG) that are converted to the equivalent of carbon dioxide (CO₂) based on the warming potential of each substance.
OTK (Operation Tonne-Kilometer): A metric that takes into account how many tons of passengers and/or goods are transported over a certain distance.

5. Estimated Impact of Measures and Investments

Quantitative and qualitative assessment of the estimated impact of each measure and investment compared to the base year 2019

Measure	Projected CO₂eq/OTK reductions in 2025 (%)	Projected CO₂eq/OTK reduction in 2026 (%)
Fleet renewal	21-25%	24-27%
Increased use of SAF	1%	1%
Operational improvements	0,5-3%	0,5-3%

- Fleet renewal:** The renewal of Icelandair's fleet with the introduction of the Boeing 737 MAX and now the Airbus A321LR has already resulted in considerably lower CO₂ emissions compared to older models, but these new aircraft types are more fuel efficient than previous models. The expected continued total impact on CO₂eq/OTK from fleet renewal is 21-25% in 2025 and up to 24-27% in 2026 based on the impact on emissions per unit compared to 2019. The estimated impact of this is classified under "Transition to low-emission technology"
- Increased use of SAF:** SAF has great potential to reduce CO₂ emissions when used in place of regular jet fuel. It is estimated that SAF can reduce carbon dioxide (CO₂) emissions by up to 80% per tonne over the life cycle of the fuel⁶, but this depends on the raw material used for its production. Over the next two years, the estimated impact of the use of SAF in Icelandair's operations is not considered significant, but it is expected that the estimated use of SAF in 2025 and 2026 will result in approximately 1% lower total emissions in these years. The company aims to increase the use of SAF steadily in accordance with the development that will occur in supply, pricing of SAF, as well as in the regulatory environment.
- Improved fuel efficiency through operational improvements:** To support increased energy efficiency and energy savings in line with the Company's goals of lower emissions

⁶ Heimild: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001>, <https://www.atag.org/industry-topics/sustainable-aviation-fuel>

and more sustainable operations, the teams that promote fuel savings will be further strengthened

1. Increased education and training of pilots with an emphasis on fuel-efficient procedures and decision-making, which results in more efficient aviation.
2. Increased emphasis on reducing weight and improving the weight distribution of aircraft, as loading efficiency and lighter onboard solutions can have a direct impact on fuel consumption.
3. At the same time, we will improve fuel calculation accuracy with updated and new systems, tools and data, ensuring better alignment between schedule and actual use and supporting decision-making.

It is estimated that these measures will result in a combined 1% improvement in fuel efficiency, which is an important step towards our goals of lower emissions and more efficient flight operations.

Carbon capture, utilization, and storage: The aim is to collaborate on carbon capture projects in Iceland, e.g. Carbfix and such collaboration is intended to support the development and progress of the technology. No direct impact on the Company's emissions from carbon capture is expected in the next two years.

A description of the reasons why the measures listed in section 4 were chosen over other potential decarbonization measures

Fleet renewal is the approach that will get airlines the furthest in reducing carbon emissions from their operations. Although it is not yet foreseeable when electric or hydrogen-powered engines will be on the market, new aircraft models today have become significantly more fuel-efficient than previously known. With the continued renewal of the fleet, it is expected that fuel efficiency will continue to increase and thus significantly reduce the company's carbon footprint. The aircraft that Icelandair has chosen to introduce into its fleet in the coming years use up to 25% less fuel than older models.⁷

⁷ Source: <https://www.boeing.com/commercial/737max#overview> , <https://aircraft.airbus.com/en/aircraft/a320-family/a321neo>

Sustainable aircraft fuel is already in production and will play a key part in the transformation of the aviation sector. The fuel is a solution that can be used immediately in the current fleet and can reduce emissions significantly.

Operational improvements and increased fuel efficiency are factors that an airline can have direct control over. With targeted streamlining and changing focus in daily operations, we have already achieved results and will continue on that path.

6. Information on how the operator's public outreach activities align with the goal of carbon neutrality:

Sustainability is an integral part of Icelandair's policy and considers the economy, society, the environment, and good corporate governance. Climate and environmental matters are at the top of Icelandair's sustainability priorities. The company supports the aviation industry's long-term goal of achieving carbon neutrality by 2050 and has set itself the goal of reducing carbon emissions per unit in the short term. Since 2019, Icelandair has reduced carbon emissions per tonne-kilometre by 18%.⁸

The company publishes monthly traffic data on the Stock Exchange for shareholders and the general public, and since the beginning of 2022, figures on carbon emissions have been published, both per unit, CO₂eq/OTK and total carbon emissions from aviation. Other regular information published by the Company is the Company's financial statements and annual report, and since 2019 climate issues and carbon emissions have been part of the information, where emphasis is placed on explaining the actions that the Company has focused on.

Icelandair had a video produced in 2023 about the company's sustainability journey, where special emphasis is placed on what actions the company has emphasized regarding climate and environmental issues, this video is available for passengers in the entertainment system on board the company's aircraft.

In 2019, the company began offering passengers the opportunity to calculate and offset the carbon footprint of air travel in collaboration with an Icelandic forestry project. A lot of development and conversation has taken place in the world regarding the calculation of carbon footprint and the different carbon projects available in the world. Icelandair therefore decided in

⁸ Currently, Icelandair uses 2019 as the reference year, as the company's goals have been set out with that in mind. It is expected that the SBTi process will either be approved in 2019 as the reference year, or that the reference year will be updated to 2023 before the end of 2026.

2023 to stop offering its own carbon calculator and partnered with a foreign company specializing in solutions to offer passengers the opportunity to estimate the carbon footprint associated with air travel, and passengers can familiarize themselves with certified climate projects and support them if they choose.

Icelandair publishes announcements on the company's news website when appropriate. Below are examples of reports:

- Airbus announcement: <https://www.icelandairgroup.com/newsroom/news/icelandair-takes-delivery-of-first-airbus-aircraft-in-airline-s-history>
- Airbus announcement:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-s-first-airbus-a321-rolled-out-of-the-paint-shop>
- CAE Airbus flight simulator:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-invests-in-state-of-the-art-cae-full-flight-airbus-simulator>
- Pratt and Whitney engines:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-selects-pratt-whitney-engines-to-power-the-new-airbus-fleet>
- IdunnH2:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-signs-a-memorandum-of-understanding-with-idunnh2>
- Arctic circle co-operation:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-and-arctic-circle-collaborate-on-matters-related-to-the-arctic-climate-and-aviation>
- Heart aerospace co-operation:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-signs-a-new-loi-with-heart-aerospace>
- Rafknúin flugvél – co-operation:
- <https://www.icelandairgroup.com/newsroom/news/the-first-passenger-flight-of-an-electric-airplane>
- Landsvirkjun and Icelandair co-operation:
- <https://www.icelandairgroup.com/newsroom/news/landsvirkjun-and-icelandair-to-collaborate-on-the-energy-transition-of-aviation>

- Universal hydrogen co-operation:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-to-explore-hydrogen-and-electric-domestic-flights>
- Stop giving away small water bottles to reduce waste:
- <https://www.icelandairgroup.com/newsroom/news/icelandair-saves-20-tonnes-of-plastic-a-year>