

Air New Zealand Sustainability and Strategic Analysis

Xuan Chen *

Business School, Auckland University, Auckland, New Zealand

* Corresponding Author Email: xche218@aucklanduni.ac.nz

Abstract. The Air New Zealand Sustainability Report looks at the company's sustainability initiative from a variety of angles. Whether Air New Zealand is a wise investment for FPI Ltd. is examined in this paper. The precise objective is for Air New Zealand to become carbon neutral by 2050. Describe the sustainability model used by Air New Zealand. An unavoidable return on investment might result from acknowledging Air New Zealand's contribution to sustainable development. The purpose is to showcase Air New Zealand's commitment to sustainability in terms of its impacts on the community, the economy, and the environment. According to the research, Air New Zealand recycles construction waste at a cost while also adding value. This report's goal was to determine whether Air New Zealand would be a good investment. The pressure on the airline industry is unprecedented, with rising oil prices, inflation, a shaky economic recovery and fighting inflation. In the energy transition, sustainable tourism development needs to have a certain plan to achieve.

Keywords: Air New Zealand; Sustainability; Carbon neutral aviation emission; Efficiency.

1. Introduction

This analysis, which was commissioned by Future-Proof Investments Limited, examined the financial data and sustainability of Air New Zealand. The biggest airline in New Zealand is Air New Zealand (Air NZ). On April 26, 1940, Air NZ was established. Helping Kiwis succeed at home and abroad is the key to Air NZ's success. The Air NZ fleet will be activated as soon as New Zealand's borders are opened and demand increases [1]. Air NZ is a carrier that places a high emphasis on innovative technologies as part of its efforts to promote sustainable development and combat climate change. Because it is crucial to Air NZ's success in the long run, this study concentrates on the company's actions and evaluates the viability of its zero-emission aircraft. It looks at the performance of Fly Neutral, Air NZ's carbon offset initiative, and its sustainable aviation fuel. The company's objectives are steadfast: to keep Air NZ as competitive as feasible in New Zealand. Western sanctions have led to an increase in Russia's crude oil production. Russia was the second-largest exporter of crude oil in the world in 2019, with an economic impact of \$123 billion. Energy prices in Europe increased by 54%. European gas prices have virtually quadrupled because Russia invaded Ukraine, compounding the bloc's problems with energy security. The decrease in Russian oil production will boost demand, raising prices even more. Compared to four months ago, before the war began, Russia is now generating more money from the sale. Its once-failing currency now has a higher worth in relation to the dollar. Numerous Asian nations have purchased inexpensive Russian petroleum, ensuring that demand for Russian supply stays constant. With rising local demand, demand from China, Turkey, and India also climbed, cutting down on upstream losses. This year, Russia's income increased to \$337.5 billion, a 38% increase from 2021, as increased oil demand worldwide helped to balance declining consumption in Europe. Despite the West's pledge to isolate President Vladimir Putin's government, oil production has only fallen by 3% since the invasion of Ukraine. The International Energy Agency estimated in August that Russia produced 310,000 less barrels per day in July than it did before the invasion. Although overall export volumes fell by 580,000 barrels per day, this was not enough to have a significant impact on the Russian economy [2]. Oil prices are greatly impacted by the status of the global economy. Price volatility is caused by fluctuations in supply and demand as well as geopolitical tensions. Oil price spikes can be avoided with a gradual transition in energy. This made growing prices and worries about the economy's recovery even worse. Oil demand is fueled by economic expansion. However, it has an impact on almost everything's pricing. The effects of increased gas prices will be seen not only at the gas pump but also in practically

every other commodity and service we consume. Since oil is a raw material and an energy source, it is used for a variety of transportation needs [3].

2. Climate Action

Through the provision of top-notch services and the promotion of sustainability, Air NZ safeguards its competitive advantages. It also uses zero-emission airplane technology and consistently invests in the company in maximizing returns. In order to maintain its competitive edge, Air NZ continuously invests in New Zealand while utilizing Fly Neutral and aircraft technology with zero emissions. Keep biodiversity important and the ecological environment healthy. Sustainable development techniques must be implemented in order to promote the convergence of environmental, economic, and social advantages and a considerable alteration in economic growth patterns.

Given that operations management skills and human resources research are needed to meet goals for sustainable growth, the company's capabilities should align with these objectives [4]. This outstanding deed and the United Nations have greatly benefited Air NZ financially. Air NZ has consistently been committed to sustainable development. Despite the fact that commerce and tourism are New Zealand's two main pillar industries, finding a path toward sustainable development is crucial, and Air NZ is committed to doing so. In addition, Air NZ established a sustainable development advisory council that provides detailed professional advice [5]. In response to the horrible disaster of climate change, Air NZ and its clients take action to reduce emissions, make up for them, and step up their carbon reduction plans. Air NZ has improved fuel economy by more than 18.3%. Modern airplanes were introduced, and old, ineffective aircraft were removed, to achieve this. With each passing day, less gasoline is released into the atmosphere [6].

a crucial element of sustainability dynamics because the organization's culture already incorporates sustainability values. In order to optimize profits and sustainably engage passengers, Air NZ employs technology innovation to perform a zero-emissions role and significantly improve value capture. With the expansion of the aviation industry, sustainability has become a crucial goal. Airlines invest much in research into the development and use of renewable fuels. Air NZ hopes to achieve net-zero emissions by 2050. Innovation is what fuels Air NZ's continued expansion in an endeavor to reduce overall emission as much as is practical before resorting to offset as a last resort [7]. Long-term measures are taken by Air NZ to protect the environment and boost sales. Air NZ is forced to consider modification as a result of the growing cost of gasoline. Why adopting zero-emission aircraft is crucial to decarbonizing air travel is a question that many people may have. It still emits some carbon dioxide even though it is now the best option for decarbonizing our long-haul flights. Zero emissions airplane technology takes care of this by employing the most modern advancements in hydrogen or battery technology [8].

But the decarbonization problem also has an impact on eco-friendly jet fuel. There are not enough refineries and feedstocks to meet the demand for sustainable aviation fuel. The lack of manufacturing raw materials may make it difficult to meet the demand for sustainable aviation fuel. Inefficient supply could result from timely supply. Operating costs for airlines are increased by the high cost of ecologically friendly aviation fuel [9]. Air NZ said that even while the industry promises to reduce carbon emissions, the right regulation is needed to encourage the development of ecologically friendly aviation fuel. To boost output while minimizing investment risk, it is necessary to conduct research, develop, and market sustainable feedstock creation and improved production methods. Another element is cutting costs. Both a long-term investment in state-of-the-art technology to process feedstocks more successfully at larger quantities and a long-term investment in developing scalable and sustainable feedstock sources are required. Although soon it will be necessary for the government and other interested parties to provide ad hoc support through legislative incentives. To encourage investors to make substantial investments to increase supply, this aid must be embedded into the long-term structure [10]. Through fleet replacement, infrastructure upgrades, and operational changes, airlines and the aviation industry may adapt to the challenges posed by global warming.

Each of these modifications entails a cost, which is quantified in this article from an operational standpoint.

3. Sustainable Tourism

Prior to COVID-19, New Zealand collected \$112 million in daily visitor spending. 14.4% of New Zealanders work in the tourism industry, which also generates 21% of export earnings. The tourism sector and related enterprises have been severely harmed by COVID-19, which has led to a dramatic drop in New Zealanders' revenue. Air NZ has made a variety of operational choices because the industry needs real sustainability results to be long-term viable. It is dedicated to establishing New Zealand as a top eco-friendly vacation destination. New Zealand offers some of the most beautiful landscapes and natural beauties on the earth, thus people must continue to safeguard and preserve the natural environment [11]. As part of its commitment, Air NZ worked with others to develop Tiaki - Care for New Zealand. Tiaki is a programme that actively invites both local and foreign visitors to get involved as part of our shared goal of making New Zealand a location where everyone can have fun and the environment flourishes. Since 2012, Air NZ and the New Zealand Department of Conservation have collaborated to safeguard and enhance the country's natural environment. New Zealand contains approximately 4,000 different species, making it one of the biodiverse regions on Earth, but it also has one of the greatest percentages of threatened species [12]. Bringing birdsong back to our Great Walks is a well-known effort that supports six of the Great Walks, as an example [13].

By restoring birdsong to our Great Walks, decreasing wasteful procedures, and supporting the pursuit of sustainability, Air New Zealand has improved the efficiency of sustainability. The environmental effects of the aviation sector have been extensively researched, but internal management procedures used to create company environmental policies have not. This essay makes the case that in order for environmental management tools to be socially and politically acceptable, they must take into consideration the nuanced, value-laden context in which corporate environmental decisions are made. The Scandinavian Airlines case study investigates the reasons for a company's environmental commitment. An in-depth examination of the factors finds that attitudes, values, and beliefs that are both internally and externally created have a significant role in determining airline environmental policy. Although there are several aspects that affect SAS's degree of environmental commitment, three driving reasons stand out. First of all, this study demonstrates how multiple eco-efficiency measures provide as powerful incentives for SAS. Second, Scandinavian culture has a significant impact on the strategic importance SAS accords to the environment. Third, the study discovered that internal leadership in the form of environmental champions in high management positions was crucial to the achievement of favorable results in airline environmental performance.

The use of carbon offsetting has increased recently as a means of reducing the impact of air travel among travel agents, airlines, linked travelers, and celebrities. It is promised that prices would go up a little bit and that carbon market transactions will "neutralize" the impact of holiday travel on the environment. This can be increased by the possibility of additional non-climate advantages for individuals locally involved in mitigating measures; for example, a retiree in the UK now has warmer housing thanks to an insulation program. Vocational offsetting proponents contend that it involves polluters outside of the confines of current environmental sustainability standards and invests in a variety of causes with normative worth, such as biodiversity preservation, low-carbon technologies, and human development [14].

4. Economic Growth

Operating sales decreased by 8.8% to \$1.1 billion [15]. The future of children and the environment cannot be overburdened by the current economic activities. For making decisions that safeguard environmental assets, there are numerous regulations. It was investigated whether it was feasible to

evaluate the advantages of environmental assets as well as the efficiency with which they were used. Maintaining fundamental environmental safety criteria that establish efficiency ceilings is another tactic to ensure the long-term stability of the economic system [16]. However, because of economic and technological improvements, consumption may also be sustained even though the majority of production currently depends on finite natural resources. Making sustainable production reliant on an essential renewable resource is crucial if we want to keep the environment capable of supporting life. When production depends on a finite resource and cannot be fully recycled because there aren't many alternatives, consumption cannot be supported [17].

Even people who are only interested in making money and don't consider the future of the earth understand how important healthy ecosystems' resources—fresh water, clean air, a variety of species, and rich land—as well as the cornerstones of a just society are to the success of business. Fortunately, most of us also have personal interest in these issues. And yet, as a society, we are failing to make any headway in limiting the harm that companies cause to the planet. Although admirable businesses have started innovative efforts, the harm caused by corporate activity is only becoming worse. Sadly, during the past five years, investors in Air NZ have lost 52% of their investment. Long-term holders have a bad experience. Has Air NZ been the main factor in long-term performance, or is there some inconsistency? Long-term holders aren't the only ones who are suffering. With revenue declines of 16% annually over the last five years, Air NZ is in an undesirable line. Therefore, poor performance might indicate that the market sell-off was excessive. That might occur. Last year's performance may indicate unresolved challenges. Due to increased travel demand, Air NZ increased its first-half profit projection. This is due to rising local and international travel demand as well as declining jet fuel prices. Capacity is still limited, though, and this will continue to have an impact on prices.

5. Conclusion

Climate change is the single biggest danger to sustainable development worldwide, and it disproportionately affects the most marginalized and at-risk populations. In order to prevent climate change and mitigate its repercussions, we must move quickly to meet all of the Goals for Sustainable Development. Resource efficiency must be improved for sustainable growth. Resource efficiency and climate action are closely related because more effective resource utilization can lessen the effects of climate change. The best strategy for helping airlines accomplish their goals swiftly and effectively is to pursue climate action and sustainable development in a coordinated and integrated manner.

The social, economic, and environmental dimensions of Air NZ's sustainable development are the main topics of this report, which highlights the company's efforts and actions in this area. Additionally, Air NZ actively supports environmental preservation. Air NZ promotes sustainability through connecting travelers. Air NZ is the company's strategy and the driving force behind the goal of becoming carbon neutral by 2050. The research suggests buying Air NZ stock. Air NZ is a reliable corporation with no dangerous debts or defaults. Air NZ places a high importance on sustainability and actively pursues it. It might be wise to invest in this aviation company.

References

- [1] Company profile-About Air New Zealand, Air New Zealand Hong Kong. <https://www.airnewzealand.com.hk/corporate-profile>, last accessed 2023/1/15.
- [2] Nadig, S. Western sanctions have a “limited impact” on Russian oil production: IEA. *Offshore Technology*, 2022.
- [3] Why oil prices matter to the global economy-an expert explains. World Economic Forum. <https://www.weforum.org/agenda/2022/02/why-oil-prices-matter-to-global-economy-expert-explains/?DAG=3>. Last accessed 2023/1/15.
- [4] Wilkinson, A., Hill, M., & Gollan, P. The sustainability debate. *International Journal of Operations & Production Management*, 2001, 21(12), 1492-1502.

- [5] Sustainability & Corporate Responsibility, Air New Zealand. <https://www.airnewzealand.com.hk/sustainability>, last accessed 2023/1/15.
- [6] How Air New Zealand Is Focusing On Sustainability, Simple Flying. <https://simpleflying.com/air-new-zealand-sustainability/>, last accessed 2023/1/15.
- [7] Carbon removal solutions, Air New Zealand. <https://flightnz0.airnewzealand.co.nz/initiatives/carbon-removal-solutions>, last accessed 2023/1/15.
- [8] Zero emissions aircraft technology, Air New Zealand. <https://flightnz0.airnewzealand.co.nz/initiatives/zero-emissions-aircraft-technology>, last accessed 2023/1/15.
- [9] Sustainable Aviation Fuel Market. Markets and Markets. <https://www.marketsandmarkets.com/Market-Reports/sustainable-aviation-fuel-market-70301163.html>, last accessed 2023/1/15.
- [10] What is sustainable aviation fuel (SAF) and why is it important? News and views. Air Bp. <https://www.bp.com/en/global/air-bp/news-and-views/views/what-is-sustainable-aviation-fuel-saf-and-why-is-it-important.html>, last accessed 2023/1/15.
- [11] How Air New Zealand is incentivising everyone to care and protect the land. Air NZ. <https://www.airnewzealand.com.hk/sustainability-tourism-development>, last accessed 2023/1/15.
- [12] Air New Zealand and the DOC, Air New Zealand. Air NZ. <https://www.airnewzealand.com.hk/doc>, last accessed 2023/1/15.
- [13] Bringing Birdsong Back to our Great Walks, Air New Zealand. <https://www.airnewzealand.com.hk/doc-great-walks>, last accessed 2023/1/15.
- [14] Broderick, J. Voluntary Carbon Offsets: A Contribution to Sustainable Tourism? Sustainable Tourism Futures, Routledge Advances in Tourism (1st ed.), Routledge.
- [15] Financial results and announcements, Investor Centre, Air New Zealand Hong Kong. Air NZ. <https://www.airnewzealand.com.hk/financial-information>, last accessed 2023/1/15.
- [16] Foy, G. Economic sustainability and the preservation of environmental assets. *Environmental Management*, 1990, 14(6), 771–778.
- [17] Klaassen, A., & Opschoor, B. Economics of sustainability or the sustainability of economics: Different paradigms. *Ecological Economics*, 1991, 4(2), 93–115.