

Dublin Airport: Cost of capital for the 2026 determination – Draft Determination Response paper

Aer Lingus

17 September 2026



FINAL REPORT

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EXECUTIVE SUMMARY

This report has been prepared for Aer Lingus to inform its engagement with the Irish Aviation Authority (IAA). It follows on from our previous report shared with the IAA in May 2026, and includes updated estimates of WACC parameters following the publication of the IAA's 2026 Draft Determination on airport charges at Dublin Airport.

CEPA agrees with a number of important elements of the IAA's approach to estimating Dublin Airport's WACC. In particular, we support the continued use of the WACC-CAPM framework; the separate estimation of embedded and new debt; the use of market benchmark evidence for new debt; the IAA's decision not to apply forward-rate uplifts to the cost of new debt or risk-free rate; and its decision not to apply a general aiming-up adjustment.

In our original report, we concluded on the basis of its risk exposure that Dublin Airport's beta should sit below the midpoint of the listed international airport comparator groups. The IAA has reached a similar conclusion on the basis of a transparent approach that improves on the analysis supporting the prior 2022 determination. The volatility of beta data, however, means that we have revised slightly upwards our estimate of beta. This, and other updates for more recent data, mean that our central estimate of the real pre-tax WACC is now 4.33% - slightly lower than the IAA's 4.56%.

In Table E.1 below we summarise CEPA's independent view of Dublin Airport's WACC and estimates of each of the parameters comprising that WACC. For the cost of embedded debt, share of embedded debt, and tax, we have relied upon values provided by the IAA.¹ We expect further information on share of embedded debt and tax to be included in the Final Determination papers

Table E.1: DAA proposal, IAA Draft Determination and CEPA recommendation on WACC

	Dublin Airport Reg. Prop.		IAA 2027-31 Draft Determination		CEPA updated estimate	
Cost of new debt	2.64%	2.90%	2.18%	2.20%	1.64%	2.28%
Cost of embedded debt	-0.47%		-0.42%	-0.39%	-0.60%	
Share of embedded debt	48%		52%		52%	
Issuance & liquidity costs	0.30%		0.05% to 0.10% already included in above		0.10%	0.20%
Cost of debt (pre-tax)	1.46%	1.59%	0.83%	0.85%	0.58%	0.99%
RfR	1.31%	1.83%	0.93%	1.04%	0.71%	0.98%
TMR	6.50%	6.90%	6.72%	7.10%	6.40%	6.90%
ERP	5.19%	5.07%	5.79%	6.06%	5.69%	5.92%
Asset beta	0.61	0.67	0.35	0.59	0.46	0.58
Debt beta	0.00		0.00		0.075	
Equity beta	1.22	1.34	0.70	1.18	0.72	0.92
Cost of equity (post-tax)	7.64%	8.62%	4.98 %	8.19%	4.79%	6.41%
Notional Gearing	50%		50%		40%	
Tax	16.10%		15.5%		12.5%	15.5%
WACC (pre-tax)	5.28%	5.94%	3.36%	5.27%	3.51%	4.94%

¹ For the underlying debt book and the assumed share of embedded/new debt, we draw on information provided by the IAA; for embedded debt and tax we use the information provided but apply CEPA's own assumptions and sensitivities.

	Dublin Airport Reg. Prop.		IAA 2027-31 Draft Determination		CEPA updated estimate	
Inflation adjustment	40bps		0bps		10 bps	
WACC (pre-tax, post infl.)	5.68%	6.44%	3.36%	5.27%	3.61%	5.04%
Selection of point estimate	6.11% (Midpoint + 10bps)		4.56% (Midpoint)		4.33% (Midpoint)	

CEPA's remaining areas of difference with the IAA are primarily methodological and relate to the calibration of individual WACC parameters, rather than the overall structure of the WACC framework. These differences are summarised below:

- CEPA considers Dublin Airport's lower relative systematic risk should be explicitly reflected in the beta range, and propose an asset beta range of 0.46–0.58, supported by the updated comparator evidence, a 0.075 debt beta and including an explicit relative-risk adjustment of 0.05;
- CEPA disagree with the calibration of the cost of new debt, and propose giving greater weight to A rated debt and evidence from both 7–10yr and 10yr+ maturities, while retaining the IAA's separate treatment of embedded and new debt and its broadly reasonable allowance for issuance and liquidity costs;
- CEPA place greater weight on Eurozone-wide evidence for the TMR and on directly observed German real government bond yields for the risk-free rate, rather than allowing Ireland-specific TMR evidence or ERP rounding to push the cost of equity upwards; and
- CEPA retain the principle that the real WACC should be expressed consistently with the inflation basis of RAB indexation, while recognising that the latest evidence does not support a large inflation wedge.

CEPA also supports the IAA's use of a new debt share for the core WACC based on the expected future mix of embedded and new debt over the regulatory period, and 100% new debt for triggered projects as a targeted means of reflecting the greater financing requirement associated with incremental investment. We do not, however, consider these to be conceptually separate WACCs: the underlying gearing, cost of equity and broader WACC framework should remain common. The IAA should also ensure that the higher remuneration does not create incentives to prioritise triggered projects simply because they attract a higher return.

1. INTRODUCTION

The purpose of this report is primarily to provide an update to CEPA's estimate of the appropriate WACC for Dublin Airport, on behalf of Aer Lingus, and secondly to provide a response to some of the methodological approaches chosen by Europe Economics² and the IAA³, therefore this report is shorter than and cross refers to our previous report submitted to the IAA on 19th May 2026.⁴

The cut-off point for data for this report is 31st July 2026.

² Europe Economics (2026) Dublin Airport Cost of Capital for 2026 Determination. Available [online](#).

³ IAA (2026) Draft Determination on the Maximum Levels of Airport Charges at Dublin Airport for 2027-2031. Available [online](#).

⁴ CEPA (2026) Dublin Airport: Cost of capital for the 2026 determination. Available [online](#).

2. COST OF DEBT

This section presents our analysis of Europe Economics' approach to setting a cost of debt allowance, alongside our preferred approach. Our approach remains unchanged for the cost of new debt, and broadly unchanged for the cost of embedded debt from our previous report. We have, however, updated our estimates for new data.

2.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

For the 2027–31 Draft Determination, the IAA retains the broad approach used in 2022 of estimating embedded and new debt separately.

- For embedded debt, Europe Economics uses Dublin Airport's actual debt portfolio, and provides the underlying data for this, taking account of the maturity and amortisation profile of each instrument to estimate the weighted-average interest cost expected over 2027–31. This is converted into real terms using the IAA's 1.9% inflation assumption, resulting in a real embedded debt cost of -0.50% before additional borrowing costs.
- For new debt, the IAA continues to use the iBoxx EUR non-financial corporate 10yr+ indices, but changes the credit-rating weighting from 2/3 BBB and 1/3 A to an equal weighting of the A and BBB indices. The IAA considers that its WACC should represent an efficiently financed airport at notional gearing, rather than replicate Dublin Airport's actual financing position, and notes that reasonable downside scenarios could result in a credit rating consistent with BBB+. It retains the 10yr+ tenor because Dublin Airport's two most recent bond issues had tenors of approximately 12 years. Europe Economics considers spot, one-, three-, six- and twelve-month averages, placing greatest weight on the spot and one-month observations, and, unlike in 2022, does not apply a forward-rate adjustment. This results in a real cost of new debt of 2.14% before additional borrowing costs.
- The share of new debt is estimated at 48.17%. Europe Economics states that this reflects the expected debt mix under the IAA's untriggered regulatory settlement, taking account of the expected refinancing profile of existing debt and the financing requirements associated with the allowed investment programme. Importantly here, a separate assumption of 100% new debt applied to triggered projects.

The IAA also allows 10bps of additional borrowing costs on embedded debt and 5bps on new debt. This comprises 5bps applied to both embedded and new debt to reflect debt issuance costs, based on evidence on Dublin Airport's actual issuance costs; and for embedded debt, the IAA includes a further allowance for maintaining its Revolving Credit Facility (RCF), comprising 2.5bps for RCF liquidity costs and 2.5bps for RCF set-up costs.

2.2. CEPA ANALYSIS

2.2.1. Embedded debt

For an embedded debt allowance, the IAA has the choice of whether to use a market index under a notional approach, or whether to reflect Dublin Airport's actual debt book. CEPA does not disagree in principle with the approach of using Dublin Airport's actual debt book as the basis for the allowance, as IAA has done in recent determinations. However, it should not go unchecked.

CEPA estimate

Europe Economics have included information on the existing debt structure which underpins their cost of embedded debt calculation. We welcome the IAA's increase in the transparency of the calculation underpinning the embedded debt value. In particular, clarification of (a) the debt instruments IAA considered in calculation of

embedded debt allowance in 2022; (b) characteristics and rate information on existing debt portfolio today underpinning the embedded cost of debt weighted average number.⁵

We understand that the Europe Economics calculation is based on an average of five annual year-end data points. However, we think the correct approach here is to take the average of six points in time, including the 1st January 2027 such that we cover the full length of the regulatory period. Otherwise, our approaches are aligned, and we have used the Europe Economics provided annual data in our own calculation.

We also acknowledge that our approach may not directly match the Europe Economics calculation due to precise information of exactly how and when debt is paid down (lump sum on expiration date, or staggered over a year for example).

We have deflated the nominal weighted average cost of debt using a different forecast assumption of Irish CPI of 2.0%, and conclude **-0.60%** is an appropriate estimate for the real cost of embedded debt.

Table 2.1: CEPA estimate of the embedded debt allowance, 2027-2031

	January 2027	December 2027	December 2028	December 2029	December 2030	December 2031	Average
Weighted average (nominal)⁶	1.40%	1.37%	1.36%	1.40%	1.40%	1.41%	1.39%
Irish CPI estimate⁷	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Weighted average (real)	-0.59%	-0.62%	-0.63%	-0.59%	-0.59%	-0.58%	-0.60%

Source: Europe Economics report, CEPA estimation, Central Bank inflation forecasts.

2.2.2. New debt

For new debt, CEPA agrees with the established approach of using benchmark market data (iBoxx EUR NFC bond yields). Europe Economics' choice of a 10yr+ tenor may be reasonable given infrastructure asset lives and Dublin Airport's existing debt book, however our estimate also takes into account the equivalent 7-10yr benchmark series, as debt of this tenor is also consistent with the financing strategies adopted by peer airports.⁸

Consistent with points raised in our previous report, we continue to conclude that an appropriate credit rating for Dublin Airport for the next regulatory period, and therefore one that best reflects the rates Dublin Airport would be able to achieve in the debt market, would be an A rating, and that A rated benchmarks would be a more appropriate estimate than BBB or a blend of BBB and A ratings.

We continue to use spot rates for our estimates but also place some weight on short term averages to minimise the impact of shocks or short-term volatility that may be captured in spot rates.

⁵ Including size of debt, tenor, interest rate including nominal or floating rate and any underlying reference rate used, type (bank or bond), date of arrangement.

⁶ As calculated by CEPA based on interest rate, loan amount, loan maturity information provided in Table 6.1 of the Europe Economics report.

⁷ We have proposed a proxy value of 2.0% for Irish inflation over the next regulatory period. Latest Irish HICP forecasts (Q1 2026) from the Central Bank are 2.9% for 2026, 2.6% for 2027, 1.9% thereafter. Historically, Irish CPI has trended slightly above Irish HICP, therefore we believe 2.0% to be a conservative estimate for a medium term trend.

⁸ For euro denominated NFC bonds, iBoxx provide a series of 7-10yr remaining tenors, and then 10yrs+. The average years to maturity for these are around 8 years for both A and BBB series for 7-10yrs, and between 13.5 and 16yrs for 10yrs+. iBoxx does not provide a 10-15yr series for euro denominated NFC bonds like it does for GBP denominated bonds.

CEPA agrees with Europe Economics and the IAA that the use of forward-rate uplifts is not appropriate, given forward curves have limited predictive power and can exaggerate the response to current shocks. We suggest an approach underpinned by short term averages of historical data.

CEPA estimates

We present below averages of the nominal iBoxx EUR NFC series for both 7-10yrs and 10yr+ for both A and BBB rated entities, as well as real equivalent rates. Given that our benchmark is European, we have deflated nominal values by the German breakeven inflation for each day of historical data and then taken averages of the real series.

Table 2.2: iBoxx average yields for 10yr EUR NFCs

Data up to 31 st July 2026		Nominal	Average 10yr breakeven inflation	Real
7-10yr A EUR NFCs	Spot rate	3.94%	2.03%	1.87%
	1-month average	3.84%	2.02%	1.78%
	12-month average	3.58%	1.91%	1.64%
7-10yr BBB EUR NFCs	Spot rate	4.18%	2.03%	2.11%
	1-month average	4.08%	2.02%	2.02%
	12-month average	3.82%	1.91%	1.87%
10yr+ A EUR NFCs	Spot rate	4.36%	2.03%	2.28%
	1-month average	4.26%	2.02%	2.20%
	12-month average	4.07%	1.91%	2.12%
10yr+ BBB EUR NFCs	Spot rate	4.49%	2.03%	2.41%
	1-month average	4.38%	2.02%	2.31%
	12-month average	4.16%	1.91%	2.20%

Source: CEPA analysis of iBoxx data and Bloomberg for breakeven inflation assumptions, cut-off 31st July 2026

An approach similar to that taken by the IAA previously that places weight on both the 10yr+ series, and reflects a BBB+ rated entity would likely be towards the top end of a reasonable estimate. For our estimate, we put more emphasis on the A rated series for our WACC estimation, and conclude that a range of **1.64% to 2.28%** is supported by the data.

2.2.3. Weighting approach

CEPA agrees with both Dublin Airport and the IAA that the share of new debt should reflect the average exposure over the control period, not a single end-period snapshot. To estimate the portion of new and embedded debt in the regulatory period, we would suggest the following approach:

- The IAA should align the size and timing of debt raising with the notional Dublin Airport RAB additions, determined under the Draft Determination and then final determination capex allowance as opposed to Dublin Airport's proposition.
- Net additions to the RAB should be assumed to be 60% equity financed and 40% debt financed to align with our notional gearing assumption.
- For embedded debt, this could be assumed to be refinanced either based on Dublin Airport's known maturity rates and profile, or could be assumed to be evenly refinanced over the length of average tenor in the benchmark series. The calculation should reflect the maturity of the €550m bond in June 2028 and any other bank debt maturities, unless the IAA adopts a notional refinancing profile.

The IAA has proposed two different weighting approaches to apply to untriggered and trigger projects. We are supportive that the baseline assumption for the share of new and embedded debt for untriggered projects in the WACC reflects the expected debt mix under the IAA's current view of the regulatory settlement for untriggered projects only, and therefore propose the same split.

2.2.4. Issuance costs, liquidity costs, and cost of carry

CEPA agrees that Dublin Airport should be permitted to recover efficiently incurred issuance costs. The IAA have allowed 5bps on embedded and new debt to reflect issuance costs which we do not deem to be unreasonable.

For RCF costs, the IAA provided clarity that the costs are to be recovered through the WACC and not under an operational cost allowance or as a passthrough item (as can be seen by other regulators). We consider the notional company has a choice as to whether it uses draw downs on an external RCF, or through retaining cash deposits for its liquidity buffer, or a mixture of the two, however, what is important is that customers are not expected to pay any fees where agreed rates are not efficient, and where rates are levied on excessively sized provisions.

The IAA have permitted an allowance for maintaining its RCF, comprising 2.5bps for RCF liquidity costs and 2.5bps for RCF set-up costs which we do not deem to be unreasonable.

Our estimates

Regulatory precedent from recent Irish regulatory decisions, as well as other European airports are summarised below.

Table 2.3: Regulatory precedent for additional borrowing costs

Regulatory determination	
CAA H8 Initial Proposals ^{9,10}	0.19%
CRU PR6 (Electricity system operator) ¹¹ exclusive of RCF costs	0.10% to 0.20%
CRU PR6 (Electricity distribution and transmission) ¹²	0.10% to 0.20%
CRU PC5 (Gas transmission and distribution) ¹³	0.10% to 0.20%
CAA H7 Final Determination ¹⁴	0.25% ¹⁵

Source: CEPA review of recent regulatory determinations

We consider an overall allowance of between **10 and 20 bps** to cover Issuance costs and RCF costs would be reasonable based on regulatory precedent.

2.3. CEPA RECOMMENDATION

Our approach set out above results in a real cost of debt allowance of between **0.58% and 0.99%** for the upcoming regulatory period.

⁹ CAA (2026) H8 Initial Proposals, Section 3. Available [online](#).

¹⁰ Issuance costs of 0.04%, RCF set up costs of 0.01%, liquidity allowance of 0.12%, RCF liquidity allowance of 0.02%.

¹¹ CEPA (2026) PR6 Financial Issues: Onshore. Available [online](#).

¹² CEPA (2026) PR6 Financial Issues: Onshore. Available [online](#).

¹³ CEPA (2025) PC5 Allowed Return. Available [online](#).

¹⁴ CAA (2023) Economic regulation of Heathrow Airport Limited: H7 Final Decision - Section 3: Financial issues and implementation. Available [online](#).

¹⁵ We note that the 25bps also provided for emergency liquidity facility costs.

Table 2.4: Cost of debt resulting from application of CEPA's approach

	Lower bound	Upper bound
Embedded debt	-0.60%	-0.60%
New debt	1.64%	2.28%
Share of new debt	48.17%	48.17%
Weighted cost of debt	0.48%	0.79%
Additional borrowing cost	0.10%	0.20%
Cost of debt allowance (incl. borrowing costs)¹⁶	0.58%	0.99%

Source: CEPA analysis and Europe Economics report to inform values for embedded debt and share of new debt

¹⁶ We have used German breakeven inflation for the deflation of the new debt allowance. We have used an estimate representative of Irish CPI for deflation of embedded debt allowance. Later in the paper we discuss an inflation adjustment to the WACC to account for differences between inflation assumption used in the WACC derivation compared to the RAB indexation. We have considered in determining the size of the overall allowance, an adjustment to reflect the fact that a wedge does not need to be applied to the embedded debt allowance. This overall cost of debt allowance therefore cannot be clearly labelled as German breakeven real or Irish CPI real.

3. BETA

This section again begins with a summary of the IAA's approach and follows with our own estimation of beta, the key parameter within the cost of equity.

3.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

For the 2027–31 Draft Determination, Europe Economics estimates an asset beta range of **0.35–0.59** with a point estimate of **0.50**.

Europe Economics starts from a relatively broad set of listed airports, but ultimately focuses on ADP, AENA, Zurich and Fraport. This represents a move away from the approach used in the 2019 Determination, where individual airport comparators were assigned subjective relevance weightings based on their assessed comparability to Dublin Airport. Europe Economics considers that assigning precise weights based on qualitative judgements risks creating a “false impression of precision”. Instead, it identifies a core comparator set, excludes or treats with caution airports where there are clear data-quality or comparability concerns, and interprets the resulting evidence in the round – a view that CEPA agrees with. Other comparators are excluded based on a combination of liquidity, comparability and the plausibility of their beta estimates.

Europe Economics also applies upper and lower bounds to the beta range: Dublin Airport would generally be expected to have greater systematic risk than regulated Irish utilities (asset betas of 0.31–0.37), but lower risk than airlines operating at Dublin (0.79–0.85).

Europe Economics' beta estimation approach:

- places most weight on 2yr and 3yr daily betas, which it considers sufficiently recent to reflect the post-Covid risk environment while containing enough observations to provide reliable estimates;
- 1yr estimates and 5yr weekly estimates are used as cross-checks, while longer 10yr windows are given less weight because they continue to incorporate periods, particularly Covid-19, which Europe Economics considers less representative of forward-looking airport risk;
- uses the STOXX Europe 600 as the market index and applies the Harris-Pringle approach to de-/re-lever betas. Europe Economics retains a zero debt beta for the Draft Determination; and
- uses the Irish utility and airline evidence as plausibility bounds, rather than relying mechanically on all observed airport beta estimates. This contributes to the exclusion of comparators with very low short-term betas and to the treatment of Fraport.

For the preferred four comparators, the 2yr and 3yr estimates provide eight observations. Europe Economics does not place weight on Fraport's 2yr asset beta of 0.27, because it is materially below the Irish utility range and, in Europe Economics' view, difficult to reconcile with Dublin Airport's systematic risk. Instead, Europe Economics' lower bound is informed by Fraport's 3yr beta of 0.35, while its upper bound of 0.59 reflects the 3yr AENA and Zurich estimates. Across the remaining seven observations, the evidence centres around an asset beta of approximately 0.50; Europe Economics also notes that replacing Fraport's 2yr estimate with the upper end of the utility range produces an average of 0.50. It therefore selects 0.50 as its point estimate, while retaining the wider 0.35–0.59 range.

The IAA also considers Dublin Airport's risk relative to the airport comparator set. It recognises that Dublin Airport may have slightly lower systematic risk than the listed international airport groups: the comparators contain international portfolios of businesses with differing levels of business risk and market power and operate under dual or hybrid tills, whereas Dublin Airport is regulated under a single-till framework. The IAA therefore considers there is “more merit” in the airlines' argument that Dublin Airport has lower systematic risk than the comparator sample and that the 0.50 asset beta “may already tend slightly to the upside”. However, the IAA does not make an explicit downward adjustment to the asset beta to reflect this; instead, it treats these relative-risk considerations as a qualitative cross-check on the selected estimate.

3.2. CEPA ANALYSIS

CEPA's updated analysis points to a range of **0.46 to 0.58** formed of an observed empirical beta estimate of 0.46 to 0.63, with the top end of the range adjusted down by 0.05.

3.2.1. Analysis of IAA approach

Overall, we view the approach used by Europe Economics to be more objective than that adopted previously. It is more transparent and ultimately leads to a beta estimate that is more reflective of Dublin Airport's low level of risk.

CEPA agrees with Europe Economics' assessment that the appropriate core comparator set at this point in time, for reasons explained in our previous paper, comprises AENA, Fraport, AdP and – with caution as to its weighting – Zurich, and have adopted this in our approach. We also propose that a range drawn from these four comparators is subject to cross checks against other airports, something we recommend the IAA considers going forward. We have also regressed European airports and airport groups against the STOXX Europe 600.

While CEPA agrees that Europe Economics' approach to focus on 2yr and 3yr beta estimates avoids the Covid-19 impacted period, our consistent position in beta estimation is to advocate for a robust estimation approach applied over a long (representative) period of time, recognising the tendency of beta measurements to fluctuate. We have also suggested consideration of robust regression techniques, expanded on in Appendix A. We have set out a variety of robust regression techniques to assess beta and control for the distortionary impact of outliers on unadjusted OLS regressions.

We have concerns around the exclusion of Fraport's 2yr beta, as set out below, and encourage Europe Economics to test whether the low estimate reflects a genuine change in systematic risk or an estimation issue, including through alternative estimation specifications and gearing/debt-beta assumptions before excluding. We consider that recent Fraport beta data strengthens the case for its inclusion.

Regarding relative risk, we would like to reiterate our view that there are a number of factors which lower the level of systematic risk for investors in Dublin Airport compared to the comparator set, as raised in our earlier report. Many of these, Europe Economics and the IAA have acknowledged and agreed with, though their impact on the final beta estimate should be made more explicit.

3.2.2. Updated empirical data

In our first iteration of this report, using market data to 31st March 2026, we considered that the empirical evidence supported an asset beta range of 0.46 to 0.61. We have now updated the analysis to a cut-off date of 31st July 2026. Since this range was informed by a wide range of estimation windows and specifications, we have considered whether the additional four months of data provide sufficient evidence to revise the conclusions reached previously.

There has been an upward movement in measurements for each comparator since March (as can be seen in Figure 3.1). The average 2yr asset beta across the four core comparators has increased to 0.54, while the average 5yr estimate is now 0.63. This increase appears to be driven primarily by higher equity betas rather than changes in gearing (we have included the 2yr equity betas in Figure 3.2 to demonstrate this, and a spot gearing chart can be found in the gearing section of this report, *Figure 6.1*).

Beta measurements do fluctuate – as Figure 3.1 demonstrates – and the most recent estimates for each comparator remain well within their historical range. Nevertheless, we have reflected the upwards movement in our assessment. We have concluded that a small upwards adjustment is most defensible because:

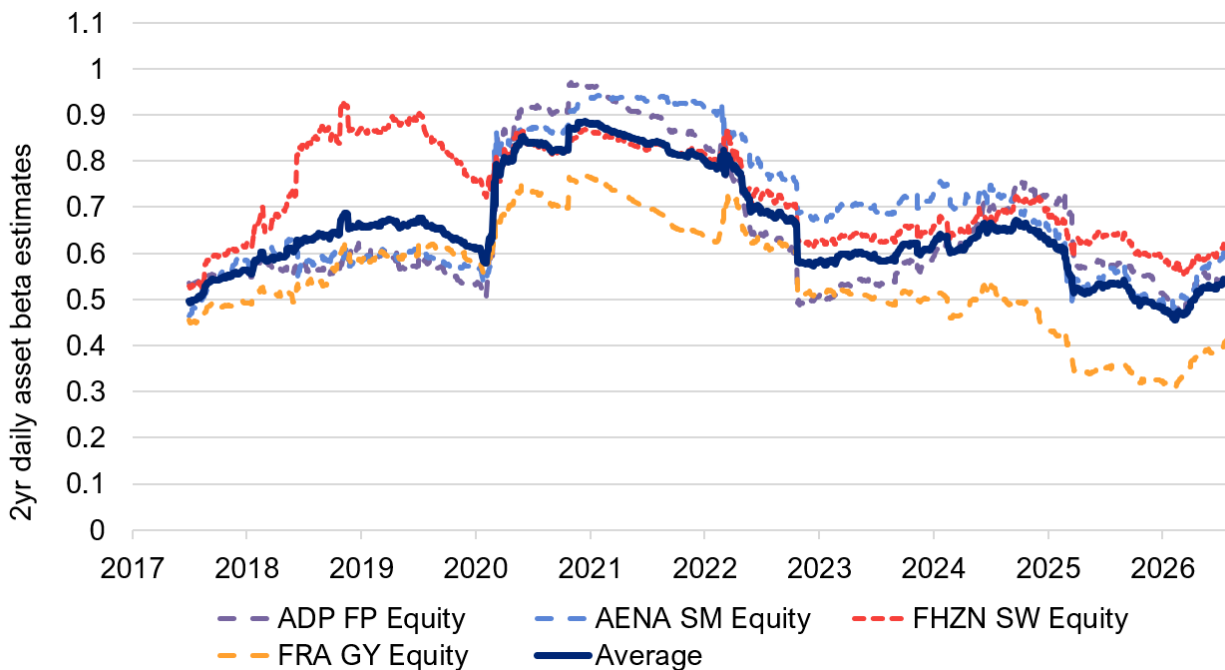
- The comparator evidence remains dispersed. 2yr asset betas range from 0.40 for Fraport to 0.62 for Zurich, with AENA at 0.61 and AdP at 0.55. Our original range of 0.46-0.61 remains well-supported – particularly since recent measurements for Fraport are now more defensible relative to non-airport benchmarks.
- Fraport remains particularly relevant evidence to inform our lower-end. Its beta has recovered from the unusually low levels observed earlier in 2026, but its 2yr and 5yr estimates remain at 0.40 and 0.45

respectively. Its longer-term rolling evidence also suggests values around 0.45–0.50 are not unusual. There is no case for excluding its lower measurements outright.

- Recent upward momentum should not be extrapolated mechanically. 1yr betas indicate some further upward movement may feed into 2yr estimates if sustained, but we recognise that shorter estimates are more volatile and we place less weight on them.
- Our preferred evidence at this point in time remains the 2yr estimates, interpreted alongside their evolution over time, rather than either reacting to the latest short-term movements or assuming all comparator betas should move together.

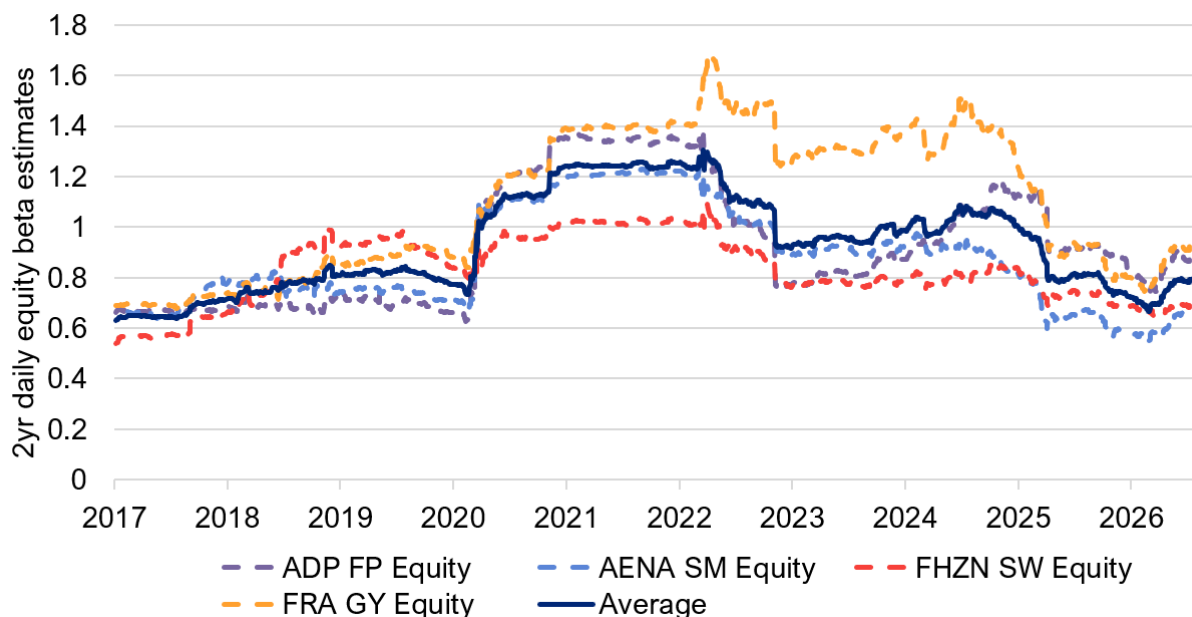
To reflect this, we propose an increase to the top end of our range such that it now spans **0.46 to 0.63**.

Figure 3.1: Rolling 2-year daily **asset** beta estimates for the four main listed airport comparators



Source: CEPA analysis of Bloomberg data

Figure 3.2: 2-year **equity** beta estimates for the four main listed airport comparators



Source: CEPA analysis of Bloomberg data

The upward trend in Fraport's beta also shows somewhat of a recovery from unusually low levels. Our observation here is that the low beta observed over the last few months may not be consistent with investors' expectations of Fraport's risk on a forward looking basis, particularly given the recent high equity betas. This strengthens our view that Fraport is a credible comparator and should be included in the data set.

3.2.3. Suitability of our proposed range

Taking the updated evidence in the round, we consider an asset beta range based on empirical data only of **0.46 to 0.63** is appropriate. This represents a modest increase to the upper end while retaining the lower bound.

- Lower bound – 0.46. Fraport continues to provide relevant lower-bound evidence. We observe a 2yr daily spot beta of 0.40, 3yr daily betas of 0.43, and a 5yr weekly spot beta of 0.45 (at 31st July 2026). We consider the recent low measurements to be unusual, with signs of upward pressure (as shown by 1yr beta estimates), therefore we do not place weight on the very lowest spot observations. However, its current estimates and pre-Covid 2yr beta history support values around 0.45–0.50. A lower bound of 0.46 therefore does not rely on a single low observation.
- Upper bound – 0.63. The updated evidence provides stronger support for a slightly higher upper bound. The other three comparators present 2yr daily betas of 0.55 to 0.62, and 3yr daily betas of 0.61 to 0.63. The 5yr weekly comparators are not inconsistent, with an average of 0.63.

Overall, the updated evidence supports recognising the recent increase in airport betas, but does not indicate a fundamental re-rating of airport systematic risk. We therefore consider a small increase in the upper end of the empirical range, from 0.61 to **0.63**, to be proportionate, while retaining **0.46** as a defensible lower bound.

3.2.4. Relative risk adjustment

Lower and upper bound for beta

Europe Economics uses relative-risk evidence as a plausibility cross-check when interpreting the observed airport betas. It argues Dublin Airport should have greater systematic risk than regulated Irish utilities, for which asset beta estimates are around 0.31–0.37, but materially lower risk than airlines, with asset betas around 0.79–0.85.

The application of this to the data leads Europe Economics to discount Fraport's 2yr asset beta of 0.27, on the basis that an estimate below the regulated utility evidence is not considered plausible given Fraport's greater exposure to

passenger demand and commercial risk; however, Europe Economics retains Fraport's 3yr beta of 0.35, which forms the lower end of the selected range, while the 0.59 upper bound is informed by the higher 3yr estimates for AENA and Zurich.

We recommend including the 2yr Fraport beta estimate.

- Firstly, Europe Economics retains Fraport as an appropriate comparator, and the principal reason for disregarding the 2yr estimate is that it falls below the regulatory asset beta range for Irish utilities. However, Europe Economics itself recognises that utility beta estimates should be used as a “broad sense check, rather than as a hard empirical threshold”, and that there should not be a mechanical minimum gap between airport and utility betas, whereas it has been implemented as a hard lower bound.
- Secondly, more recent evidence reduces the significance of this concern. Since the Draft Determination data cut-off, Fraport's two-year asset beta has increased from around 0.33 to around 0.40 (2yr asset betas). This places it more comfortably above the 0.35 level that informed EE's lower-bound concern and makes the latest estimate less likely to be viewed as anomalously low. While our methodological concern with applying a hard lower threshold remains, the updated evidence means that the treatment of Fraport is now less consequential than it appeared at the Draft Determination stage.
- Thirdly, Fraport's gearing warrants further investigation: its recent high gearing, potentially associated with significant investment across its airport portfolio, may mechanically depress its estimated asset beta when de-levering. If investors expect gearing to normalise, current gearing may not represent the appropriate longer-term assumption.
- Finally, there is a question of asymmetry in EE's approach: a low Fraport observation is excluded, potentially as a consequence of its gearing, while relatively high airport measurements that may also be explained by gearing trends are retained. This is particularly relevant given that Fraport's lower beta appears to coincide with a period of relatively elevated AENA beta estimates. However, excluding both AENA and Fraport would leave a very restricted peer group (made up of airport groups with higher systematic risk relative to Dublin Airport).

Before excluding the observation, we would therefore encourage the IAA and Europe Economics to test whether the low estimate reflects a genuine change in systematic risk or an estimation anomaly, including through alternative estimation specifications and gearing/debt-beta assumptions. Any screening criterion should be applied consistently and symmetrically, particularly given that excluding observations further restricts an already small comparator set.

Adjustments for risks not reflected in comparator set

The limitation of focusing on these four more resilient data estimators (noting the limitations of Zurich raised in our earlier paper), is that the resulting betas are representative of airport groups, with dual/hybrid till risk, and traffic volatility higher than Dublin Airport. They are not reflective of Dublin Airport specific risks.

Europe Economics and the IAA have acknowledged the lower risk nature of Dublin Airport relative to the comparator set. For example, the IAA states:

“On balance we think there may be more merit in the airline's remaining suggestion that Dublin Airport might have slightly lower systematic risk than the comparator sample of international dual/hybrid till airport operators, meaning that a central asset beta estimate may already tend slightly to the upside.”

Europe Economics also acknowledges the low-risk nature provided from a regulatory framework that has shown flexibility in response to severe downside shocks, including through interim reviews during the Covid-19 period; the 100% state-ownership; and the pass-through arrangements for certain costs and StageGate process limiting the cost risk exposure. We do also note that Europe Economics accepts that Heathrow and Dublin differ in traffic risk sharing, capacity constraints and LCC exposure, but identifies countervailing differences such as Dublin's regulatory protections, ownership and cost-risk arrangements.

While both the IAA and Europe Economics acknowledge these directional risk factors, instead of reflecting these in the beta estimate, it is instead part of the consideration on whether any aiming up is warranted, with the IAA stating:

"While we do not propose to make a specific adjustment to the comparator evidence on that basis, we do consider it to be a final relevant consideration when it comes to the question of whether general aiming up is warranted."

CEPA remain of the view that this relative-risk difference should be reflected directly in the beta estimate, rather than only being treated as a consideration in the decision not to aim up the WACC. To reflect the differences, we propose to make use of an explicit adjustment.

We refer the IAA here back to the data presented in our previous report on traffic volatility and till structure (raised in section 3.4.2).

Cross-check empirical betas

Other airports outside of those listed can be informative for Dublin Airport, and reduce the reliance on large, diversified airport groups. Their addition also focuses on comparator selection more towards European hub airports, reducing reliance on non-European comparators. We have proposed three airports as a cross-check with national airports that have not been included in IAA's previous core set. This section presents the same arguments as our previous report, but with updated beta evidence.

- Athens airport. While 5yr betas are not possible to estimate due to the airport only being listed in February 2024, the 2yr betas spot rate at end of July 2026 is 0.50. A six-month average of 2yr daily betas sit lower, both at 0.45.
- Sydney Airport provides high-quality historic market evidence and was removed only because of delisting, not because of concerns over comparability. Sydney Airport betas have previously been characterised as around 0.33 to 0.54 by the IAA.¹⁷ At the point of being delisted in March 2022, CEPA observes Sydney airport's beta to be around 0.55 for the 2yr daily spot rate.¹⁸
- Bologna Airport is a hub airport that is listed with observable market data, closer in scale to Dublin Airport than the other groups in the comparator set. It is essentially a more "pure-play" comparator given it is a standalone airport operator and does not own a broad international airport portfolio; and its equity value is driven primarily by one airport.¹⁹ The French airport regulator, ART, considered it to be sufficiently liquid to include as a comparator in its most recent estimation of a WACC for AdP. At end of July 2026, Bologna's 2yr daily spot rate was 0.37, and the 5yr weekly at 0.41.

Directionally, these observed betas sit towards the lower end of, if not below, the range drawn from the main beta comparator set.

Proposed adjustment

We have set out grounds for estimating Dublin Airport's beta towards the lower end of the comparator range:

- airport group betas reflect higher levels of traffic volatility than their main/core airports and higher traffic volatility than Dublin Airport;

¹⁷ Swiss Economics (2019) Dublin Airport Cost of Capital for 2019 Determination – final report. Available [online](#), p. 41.

¹⁸ 0.075 debt beta.

¹⁹ We note that when assessed against the IAA's previous risk criteria, Bologna would not have scored highly on the "economic regulation" dimension as it operates within the Italian airport charging framework rather than a highly prescriptive standalone incentive-based regulatory model like Dublin or Heathrow.

- Dublin Airport, being a single-till airport is lower risk than the dual/hybrid-till airports included in the comparator set;
- a secondary set of airport betas point towards an empirical estimate that is lower than the core four airports suggested by Dublin Airport.

We propose an adjustment in the region of 0.05.

While this is unavoidably judgement-based, the IAA have agreed in principle to some of the qualitative arguments raised above, which we have sought to quantify where possible in our previous report. We note that the IAA has previously made subjective assessments historically when assessing the beta estimates and estimating the WACC. We view our proposed adjustment as no less subjective than the assumption that Dublin Airport's risk exposure corresponds precisely to that of three airport groups with diverse airport interests.

3.2.5. Debt beta

We have used a debt beta assumption of 0.075 and the Harris-Pringle estimation approach to de-lever and re-lever the comparator betas, and to calculate a Dublin Airport equity beta, for both the high and low case estimates.

Sensitivity of Fraport asset beta to debt beta assumption

We have also tested the sensitivity of Fraport's asset beta by using different debt beta assumptions of 0.125, compared with our central assumption of 0.075, and Europe Economics' assumption of 0 debt beta. This is particularly relevant given Europe Economics' decision to place no weight on Fraport's 2yr asset beta, on the basis that its estimate of 0.27 was below the range observed for regulated Irish utilities.

While we estimate a 2yr asset beta with 0 debt beta slightly above 0.27 at end of February (which we think is consistent with the cut-off date used by Europe Economics), we observe that this is highly sensitive to the choice of debt beta –use of a 0.125 debt beta assumption would mean Fraport's asset beta would not be dismissed by Europe Economics' lower bound test.

We also observe that more recent spot rates for Fraport are higher at 31st July than at the point of Europe Economics cut-off date (which we have interpreted as the last working day in February).

Table 3.1: Fraport 2yr and 3yr daily spot asset betas under alternative debt beta assumptions

Fraport spot rates ²⁰	27 th February 2026 cut-off			31 st July 2026 cut-off		
Debt beta:	0.000	0.075	0.125	0.000	0.075	0.125
2yr daily	0.29	0.33	0.37	0.35	0.40	0.43
3yr daily	0.32	0.37	0.41	0.38	0.43	0.46

Source: CEPA analysis of Bloomberg data

The results also illustrate that Fraport's estimated asset beta is sensitive to the assumed debt beta. This is particularly relevant if Fraport's recent gearing is elevated (shown by the orange line in *Figure 6.1*), potentially reflecting substantial investment across its airport portfolio. With a zero or low debt beta, high current gearing mechanically removes a greater proportion of the observed equity risk when de-levering, which can result in a low estimated asset beta even where the underlying systematic risk of the airport business has not fallen.

A higher debt beta recognises that debt holders also bear some systematic risk, particularly for a highly geared company, and therefore reduces this mechanical effect. This may be especially relevant where current gearing is temporarily elevated and investors expect it to normalise as investment is completed and debt is repaid. In our view, the sensitivity of the Fraport results to this assumption suggests that the IAA should test whether the low 2yr

²⁰ FRA GY Equity ticker on Bloomberg, cut of date 31st July 2026

estimate persists under alternative reasonable debt-beta and gearing assumptions before concluding that the observation should be discounted as implausibly low.

3.2.6. CEPA recommendation

We conclude that the empirical data is most consistent with an asset beta range of 0.46 to 0.63.

We propose that an asset beta range of **0.46 to 0.58**, towards the lower end of the core empirical data set, is appropriate for Dublin Airport's beta, after applying a relative risk adjustment of 0.05 to the upper end only.

3.2.7. Equity beta

Combined with a 0.075 debt beta, our equity beta estimate for Dublin Airport is between 0.717 and 0.917, rounded to **0.72 to 0.92**.

4. TOTAL MARKET RETURN

This section presents our reactions to Europe Economics' approach to calculating a Total Market Return (TMR) alongside our preferred approach. Our preferred approach remains much the same as set out in our previous report. The TMR values presented under the CEPA analysis section differ slightly from the values in our previous report provided to the IAA, but are based on the same data set. The reason for the changes in the numbers are due to methodological improvements following engagement with DMS (authors of the dataset) over the last few months.

4.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

For the 2027–31 Draft Determination, the IAA retains the stable TMR approach, estimating the TMR first and deriving the ERP by subtracting the risk-free rate. However, unlike in 2019 and 2022, the proposed range is based solely on long-run historical DMS evidence, rather than combining this with forward-looking DDM evidence.

Europe Economics uses DMS real equity returns from 1900–2025 and places weight exclusively on the 1yr arithmetic mean, rather than geometric or longer-holding-period arithmetic returns. Europe Economics argues that the arithmetic mean is the appropriate measure of the expected one-period return required by the marginal investor, irrespective of the long-lived nature of airport assets. It also focuses on Ireland and Eurozone evidence, excluding the wider DMS Europe series because it includes non-Eurozone markets.

Europe Economics proposes a real TMR range of 6.72%–7.10%:

- the lower bound of 6.72% is the market-capitalisation-weighted arithmetic average across ten Eurozone countries, which gives greater weight to larger equity markets and relatively little weight to Ireland; and
- the upper bound of 7.10% is the Ireland-specific DMS arithmetic mean. This means that the upper end of the IAA's TMR range is effectively determined by a single country observation – Ireland – despite Ireland being a relatively small equity market. Europe Economics nevertheless considers Irish evidence relevant because Dublin Airport is an Irish regulated asset.

The IAA/Europe Economics point estimate is 6.98%. Rather than simply taking the midpoint of the TMR range, Europe Economics derives an ERP range from the TMR and risk-free rate, rounds its central ERP estimate to 6.0% (to the nearest 25bps), and adds this to the 0.98% risk-free rate.

4.2. CEPA ANALYSIS

CEPA agrees with IAA precedent and Europe Economics' approach to the extent that long-run historical evidence, of which the DMS dataset is a widely recognised source, is an appropriate approach to estimating the TMR. Consistent with our view that European capital markets are highly-integrated, CEPA agrees with placing some weight on the Irish evidence, but also on wider European evidence. The DMS dataset includes complete data for 15 European countries, ten of which are within the Eurozone, and five we consider as "Eurozone+" countries.²¹

CEPA agrees with both Dublin Airport (with Frontier) and Europe Economics' proposal that while there may be some merit with looking at forward looking models, they are very sensitive to certain assumptions, and therefore we do not use them here.

4.2.1. Regulatory precedent

The most recent regulatory determination to estimate the TMR in Ireland by a regulator is the PR6 determination in the Irish Electricity sector, that categorised the TMR as 6.4-6.8%.²² We note that this estimate followed a similar

²¹ Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, and Spain are in the Eurozone, Denmark, Sweden, Norway, Switzerland, and the UK we include in our Eurozone+ estimate.

²² CEPA (2026) PR6 Financial Issues: Onshore. Available [online](#).

approach as we propose here, but was based on the previous issuances of the DMS data set (the 2024 version was used to inform Draft Determinations and the 2025 version to update for Final Determinations).

4.2.2. DMS analysis

Our preferred approach to the TMR places weight on both “ex-post” and “ex-ante” approaches to infer future expected equity total returns from historical data. This subsection describes these approaches in detail, as well as our overarching approach and assumptions surrounding parameter stability.

Ex-post approaches to estimating the TMR take the view that long-run averages of historical data on equity total returns are sufficient to forecast investor expectations for the future without further adjustment. This contrasts with ex-ante approaches, which take the view that historical equity returns reflect some “unexpected” or “non-repeatable” component which investors would not expect going forward.

For our analysis, we propose to source equity returns data for Ireland and also for the eurozone using individual country Equity Total Return Indices compiled by DMS, and published in the 2026 Credit Suisse Global Investment Returns Yearbook.²³

We propose to deflate the historical DMS equity returns with a long-run DMS CPI series, and use the geometric deflation approach (applying the Fisher equation). According to financial theory, AM estimators are superior when forecasting an annual return, while GM estimators provide a picture of annual returns compounded over time.

Ex-post results

Our range of ex-post results are presented below. The Eurozone and Eurozone+ values are medians of the individual country values (including Ireland).

Table 4.1: Ex-post TMR estimates by estimator and holding period (1899-2025)

	Ex-post TMR, 1yr AM	Ex-post TMR, 10yr AM
Ireland	7.10%	6.48%
Eurozone (median)	6.73%	6.08%
Eurozone+ (median)	7.16%	6.52%
Eurozone (average)	6.83%	6.27%
Eurozone+ (average)	7.02%	6.39%

Source: CEPA Analysis of DMS data.²⁴

Ex-ante TMR

The ex-post approach above is founded on a judgement that the future will be like the outturn. Ex-ante approaches, on the other hand, take the view that historical returns reflect an “unexpected” component that was not foreseen by investors at the time and may not be expected on a forward-looking basis by current investors.

From this point of view, sole reliance on unadjusted historical returns may result in an upwardly-biased TMR estimate, due to the presence of these non-repeatable factors. The ex-ante evidence is, however, likely to be less robust overall compared to historical ex-post data, due to the additional subjectivity needed to judge not just *whether* the future will differ from the past but also *how*.

²³ Dimson, Marsh and Staunton (2025), Credit Suisse Global Investment Returns Yearbook.

²⁴ The values presented here differ slightly from the values in our pre-DD report provided to the IAA, but are based on the same data set. The reason for the changes in the numbers are due to methodological improvements following engagement with DMS (authors of the dataset) over the last few months.

We propose to place weight on the so-called “Fama-French dividend growth model approach”. This approach assumes that the repeatable portion of historical equity total returns corresponds to dividend yield and dividend growth and thereby removes the portion of outturn returns that corresponds to an unexpected capital gain.²⁵

For each European country, we apply a dividend growth model approach to DMS data on equity total returns and capital gains to decompose equity returns into:

- a trailing dividend yield,
- the growth rate of real dividends, and
- unexpected expansion in the P/D ratio.

We seek to remove the P/D ratio expansion component from historical returns.

Based on a dividend growth modelling approach using DMS’s real equity total return and capital gain indices, it is possible to estimate the long-run dividend yield and dividend growth rates for the European companies in the sample. The ex-ante “expected” returns are the sum of the dividend yield and dividend growth components. The “expansion in the P/D ratio” term is the residual component of the ex-post returns.

Table 4.2: Ex-ante estimated TMR

	Ex-ante TMR, AM
Ireland	7.03%
Eurozone (median)	6.47%
Eurozone+ (median)	6.87%
Eurozone (average)	6.71%
Eurozone+ (average)	6.82%

Source: CEPA Analysis of DMS data.

4.3. CEPA RECOMMENDATION

We estimate a range of **6.4% to 6.9%** underpinned by the following findings:

- The central tendency of the full suite of evidence below is captured by a 6.4-6.9% overall range.
- The ex-post 1yr AM values can be categorised by a range of 6.7% to 7.1%, but both the ex-post 10yr AM estimates and the ex-ante estimates indicate a downwards adjustment to this range.
- The ex-post 10yr AM values sit around 6.1-6.5%, noting we consider the Eurozone median value to be an outlier, and the ex-ante values can be categorised more like 6.5-6.9%. Therefore, reducing the ex-post 1yr range by 20bps is a balanced reflection of these other measures.

We note two of the Irish values sit above this range, but we consider placing too much weight on this value would detract from the European approach CEPA has used so far. We also note the Irish values reported appear volatile: for example, the Irish ex-ante estimate we draw from a 2024 data cut-off is around 6.77%, and higher than the 6.05% we draw from the 2023 data cut-off. Therefore, CEPA does not agree with either Europe Economics’ or Frontier’s approach, both of which pin the upper end of the range to the Irish observations. We consider this to overestimate the TMR.

²⁵ Fama and French (2002), The Equity Premium, available [here](#).

Table 4.3: Combined estimates of TMR for Ireland

	Ex-post TMR, 1yr AM	Ex-post TMR, 10yr AM	Ex-ante TMR, AM
Ireland	7.10%	6.48%	7.03%
Eurozone (median)	6.73%	6.08%	6.71%
Eurozone+ (median)	7.16%	6.52%	6.82%
Eurozone (average)	6.83%	6.27%	6.47%
Eurozone+ (average)	7.02%	6.39%	6.87%

Source: CEPA analysis of DMS historical returns data (2026 edition)

5. RISK-FREE RATE AND EQUITY RISK PREMIUM

This section presents our reactions to Europe Economics' approach to calculating the Equity Risk Premium (ERP) using the TMR above and its estimate of the risk-free rate, alongside our preferred approach. Our preferred approach remains much the same as set out in our previous report.

5.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

For 2027–31, the IAA retains 10-year nominal Irish and German government bond yields, with German yields informing the lower bound and Irish yields the upper bound for the risk-free rate. In its report, Europe Economics places most weight on the one-month average, rather than the six-month average used by IAA in 2022, to reflect current market conditions while smoothing short-term volatility. German bonds provide the low-risk Euro-area benchmark, while Irish bonds are included because Dublin Airport is an Irish regulated asset and the IAA considers the Euro-area capital market not to be perfectly integrated.

Unlike in 2022, no forward-rate adjustment is applied, with Europe Economics citing the poor predictive performance of forward rates and considering the previous rationale no longer applicable. Nominal yields are deflated using the Europe Economics' 1.9% inflation assumption, producing a real risk-free rate of 0.93%–1.04% and point estimate of 0.98%.

Europe Economics estimate a real TMR range of 6.72%–7.10% and a risk-free rate point estimate of 0.98%. Using the 0.98% risk-free rate implies an ERP range of 5.74%–6.12%, with a midpoint of 5.93%.

Europe Economics considers that the ERP cannot credibly be estimated more precisely than the nearest 25bps, and therefore rounds the midpoint to 6.00%. It then adds the 0.98% risk-free rate back to this rounded ERP, producing a back-calculated TMR point estimate of 6.98%. The 6.98% TMR point estimate is therefore not the midpoint of the 6.72%–7.10% TMR range, which would be 6.91%.

5.2. CEPA ANALYSIS

5.2.1. Reactions to IAA approach

CEPA does not agree with Europe Economics' approach to rounding on the ERP (and back calculating an appropriate TMR). While CEPA agrees that there is a limited level of precision to which the ERP can be estimated, we disagree that rounding to the nearest 1/4 leads to a more precise or appropriate value. Europe Economics' approach leads to a top end ERP range that is high due to the combined effects of placing more weight on an Irish-specific value in the TMR as well as rounding up of the ERP, and we consider this could be characterised as implicit aiming up.

5.2.2. CEPA approach

We estimate the risk-free rate using German government index-linked bonds. We consider these to provide the most appropriate Eurozone proxy for a riskless real asset, given Germany's AAA credit rating, the depth of the German government bond market and the quality of available market data. This approach places greater weight on directly observed real risk-free rates than on nominal yields deflated by inflation assumptions.

We focus on 10-year bonds. This tenor is consistent with our view of the relevant investor horizon for a regulated infrastructure asset, while also ensuring that the estimate is based on a liquid part of the German government bond curve.

We place most weight on recent trailing averages, in the range of spot rates to 1-year averages. In our view, recent observed real yields provide the best available evidence of the risk-free rate likely to apply over the forthcoming regulatory period. Older observations receive less weight because they reflect monetary and market conditions that are no longer representative. However, we support the regulator in using their expert judgement to determine an appropriate averaging period.

We have applied neither a convenience yield adjustment nor a forward-curve adjustment. In our view, prevailing bond yields provide the most reliable estimate of the risk-free rate at the point of determination. Forward rates do not have better predictive power than current yields and can embed term premia, liquidity effects and other market distortions. We therefore prefer to use observed yields directly, rather than adjust them using forward curves. We are particularly cautious of the magnitude of the uplift proposed by Dublin Airport.

We consider this provides a transparent, market-based estimate of the real risk-free rate, while remaining consistent with the use of long-tenor government bond evidence in previous regulatory determinations.

5.3. CEPA RECOMMENDATION

We propose a range for the risk-free rate of **0.71% to 0.98%** which is supported by the top and bottom end of the range from a number of averaging periods.

Table 5.1: 10yr German ILB rates - as of end July 2026

	Spot	1-month	3-month	6-month	12-month
German ILB rates	0.98%	0.89%	0.79%	0.71%	0.73%

Source: CEPA analysis of German 10yr government bonds from Bloomberg

5.4. EQUITY RISK PREMIUM

The resulting ERP from our approach is **5.69% to 5.92%**.

6. GEARING

This section presents our reactions to Europe Economics' gearing assumption alongside our preferred approach. Our preferred approach remains the same as set out in our previous report.

6.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

For 2027–31, the IAA retains a 50% notional gearing assumption for the WACC. Europe Economics considers this remains appropriate given regulatory precedent for Dublin Airport and is broadly consistent with the gearing observed across its listed airport comparator set.

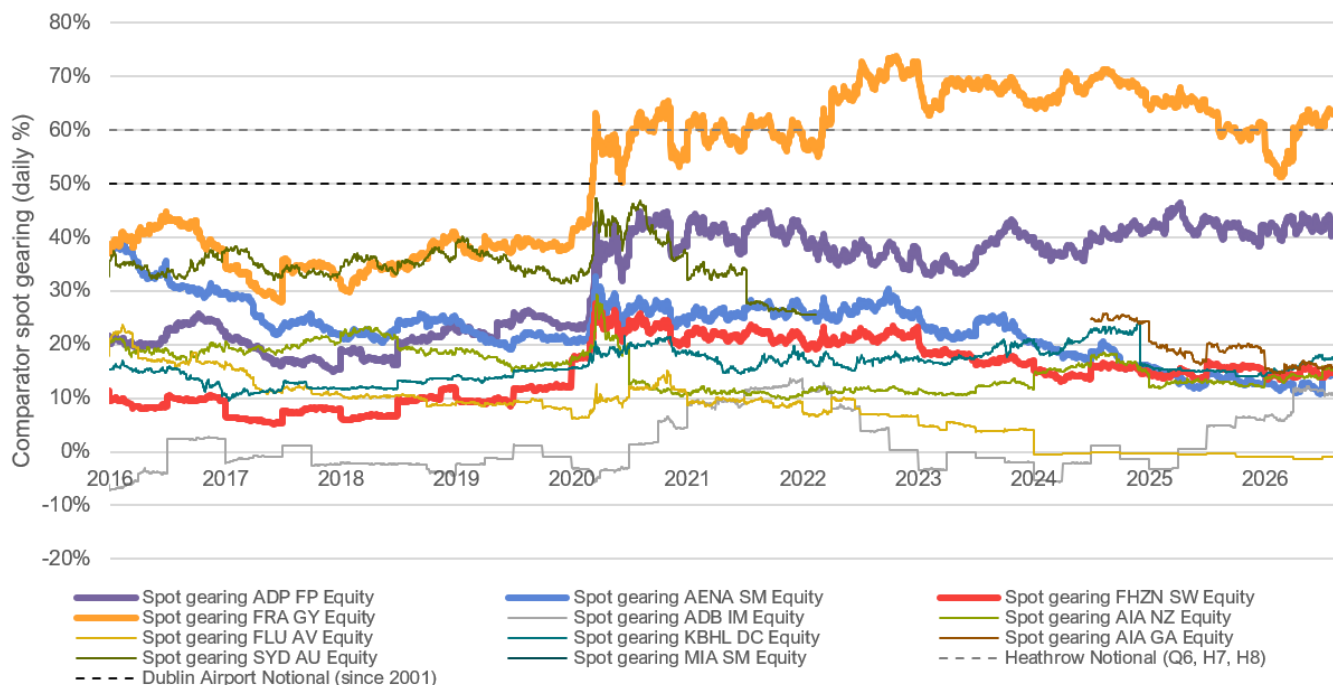
The IAA therefore does not adjust gearing to reflect Dublin Airport's actual or forecast capital structure. Instead, the 50% assumption represents an efficient notional financing structure, and is also used to re-lever the asset beta when estimating the cost of equity.

6.2. CEPA RECOMMENDATION

To estimate an appropriate notional gearing assumption for Dublin Airport, a good evidence base would be to look at both the actual gearing of comparator airports used in our beta estimate, and the actual gearing of Dublin Airport.

We observe a spread of actual gearing of comparator airports. Only one airport exceeds the current notional gearing assumption of 50%, and only one more has in recent years exceeded 40%. Dublin Airport reports recent actual gearing (net debt to RAB ratio) estimates of 34% to 41% (based on the Frontier submission). Therefore, we are of the view that a notional gearing assumption of **40%** is well-supported.

Figure 6.1: Dublin Airport notional gearing versus comparator actual gearing



Source: CEPA analysis of Bloomberg data and regulatory determinations

While the impact on the WACC is small, an unnecessarily higher assumed level of gearing such as 50% can put pressure on credit metrics above and beyond that faced by efficiently financed peer airports, and places an assumption that the marginal investments for Dublin Airport going into the next period would be debt financed.

We understand now that the IAA will undertake a “semi-notional” financeability assessment, reflective of Dublin Airport's actual financing structure, and therefore our concern about the impact of higher notional gearing assumption on financeability tests are less material.

7. SELECTION OF A POINT ESTIMATE

This section presents our reactions to Europe Economics' approach to choosing a point estimate, alongside our preferred approach. Our preferred approach has not altered since our previous report.

7.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

For 2027–31, the IAA does not apply an aiming-up allowance, representing a change from the 50bps uplift applied previously. Figure 7.1 presents how the IAA's previous approach has sometimes led to a WACC point estimate that sits above the top end of the estimated range.

We understand that Europe Economics considers that the central WACC estimates are already appropriately calibrated and finds insufficient evidence of material asymmetry between the consequences of setting the WACC too high or too low.

Europe Economics also considers that several factors reduce the case for aiming up, including that the 0.50 asset beta may already tend slightly to the upside, the use of a zero debt beta increases the WACC, and financeability is addressed separately by the IAA. The IAA therefore adopts the 4.56% central WACC without an additional uplift.

7.2. CEPA ANALYSIS

The approach to selecting a point estimate used by the IAA historically has been arbitrary and CEPA strongly agrees with the IAA's move away from this approach.

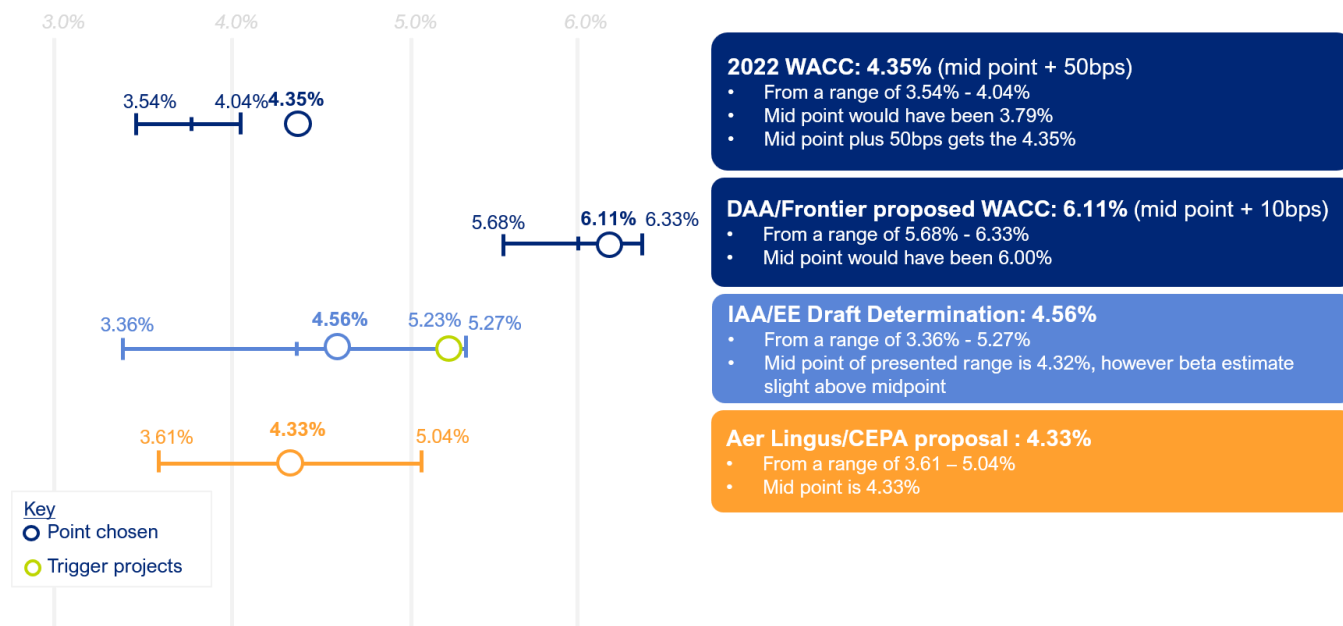
We support the IAA's decision not to include an aiming-up adjustment, and appreciate the acknowledgement of the following points:

- Dublin Airport has benefited historically from a large aiming up adjustment contributing to financial outperformance, coincident with an under-delivery of Capex, and that other factors outside of the WACC are more likely to determine the Capex delivery.
- Aiming up is not the only mechanism available to support Capex delivery. Other incentives and pre-financing mechanisms are available, including the targeted higher new-debt weighting for triggered investment, which mitigates forecast risk when remunerating new investment.
- Where the primary source of estimation uncertainty is the asset beta, particularly given the actual embedded debt allowance, there are reasons why Dublin Airport's risk may be lower than comparator airports and central beta may already tend to the upside.

We would also consider that Europe Economics' approach to estimating the ERP (rounding to the nearest $\frac{1}{4}$) and TMR includes some elements of aiming up. Firstly, for the TMR, the top of Europe Economics' range is underpinned only by an Irish-specific value, and is significantly higher than the median and averages observed. In line with our approach elsewhere in the WACC, we expect equity investors would consider Dublin Airport amongst a pool of European assets, and propose a Europe/Eurozone focused TMR to be more appropriate. We consider Europe Economics' approach places weight on a possible outlier that sits quite far above the central tendency of the other values.

Secondly, we do not agree with Europe Economics' approach to rounding on the ERP (and back calculating an appropriate TMR from that). While CEPA agrees that there is a limited level of precision to which the ERP can be estimated, we disagree that rounding to the nearest $\frac{1}{4}$ leads to a more precise or appropriate value. Europe Economics' approach leads to a top end ERP range that is too high due to the combined effects of placing more weight on an Irish-specific value in the TMR as well as rounding up of the ERP. This could be characterised as implicit aiming up.

Figure 7.1: Comparison of a 50bps to midpoint on historical IAA decisions, the Dublin Airport proposal and the IAA's DD for 2027-31



Source: CEPA analysis of previous IAA regulatory determinations for Dublin Airport

8. INFLATION

This section presents our reactions to Europe Economics' approach to calculating and using inflation, alongside our preferred approach. Our preferred approach remains the same as set out in our previous report.

8.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

Europe Economics adopts a 1.9% long-term inflation assumption to convert nominal WACC evidence into real terms, drawing on German breakeven inflation, ECB survey evidence and the ECB's medium-term inflation objective. Europe Economics applies this assumption when deflating nominal risk-free rate and cost of debt evidence.

8.2. CEPA APPROACH

Where required, in calculation of a real WACC, we have deflated values using historical 10yr German Break-even Inflation for the corresponding day of the nominal values used, i.e. a daily approach, as opposed to a long-run assumption.

9. INFLATION WEDGE

This section presents Europe Economics' discussion of whether an adjustment is required to its estimated WACC for an inflation differential, our reactions to this, alongside our preferred approach. Our preferred approach remains the same as set out in our previous report.

9.1. IAA/EUROPE ECONOMICS PROPOSED APPROACH

Europe Economics does not apply a separate inflation wedge/adjustment for two reasons. Firstly, Europe Economics argue that the inflation measure used to index the RAB is irrelevant in principle to the appropriate deflation of WACC parameters through stating *"there is no question of consistency between this approach and the RAB indexation metric"* and that *"the only question is whether the inflation estimates used in the WACC analysis are correct and applied correctly to obtain the underlying real variables."*

Secondly, Europe Economics also argues that, even if consistency with RAB indexation were relevant, the empirical evidence does not support a positive adjustment because *"the relevant evidence does not show a stable or one-way difference between Irish inflation and Euro area/German inflation."*

9.2. CEPA APPROACH

CEPA consider that the real WACC applied to Dublin Airport's RAB should be expressed on a basis consistent with the inflation measure used to index that RAB (Irish CPI). Where nominal market evidence used to estimate WACC parameters is converted into real terms using a different inflation measure, the IAA should consider whether there is an expected or structural difference between the relevant inflation measures and, where appropriate, make an adjustment for that differential.

CEPA response to Europe Economics approach

We fundamentally disagree with Europe Economics' view that the RAB indexation metric is irrelevant as a matter of principle. The purpose of combining a real WACC with an inflation-indexed RAB is to provide investors with a total nominal return comprising the real cash return and RAB indexation. It follows that the definition of the real return should be consistent with the inflation basis of that indexation. Outturn indexation protects Dublin Airport against differences between expected and realised Irish CPI; it does not correct an ex-ante mismatch where the inflation measure used to derive the real WACC is expected systematically to differ from Irish CPI.

This principle is consistent with recent regulatory precedent. In Ireland, the PR6 and PC5 cost of capital assessments considered an inflation differential between German/euro-area inflation evidence used in deriving real WACC parameters and Irish inflation, with adjustments within a range of 10–40 bps.²⁶ In the UK, the CMA at PR24 and the CAA at H8 have similarly sought to express WACC parameters on the same real inflation basis as the indexation of the regulated asset base, including through adjustments where the underlying market evidence is expressed on a different inflation basis.²⁷

However, accepting the principle does not imply that a positive adjustment must be made. CEPA agrees with Europe Economics that recent evidence on the relationship between Irish and German/euro-area inflation is mixed and has not been consistently one-directional. On the current evidence, a zero wedge is therefore a plausible assumption.

²⁶ CEPA (2023) PC5 Allowed Return, pp. 27–33; CEPA (2025) PR6 Cost of Capital Estimation, pp. 29–34.

²⁷ Competition and Markets Authority (2026) Water PR24 References: Final Determinations, Volume 4: Allowed Return – Chapter 7, pp. 15–17; FTI Consulting (2026) Initial Proposals for the H8 Cost of Capital, pp. 18–29.

We recommend that the IAA retain the principle of ensuring consistency between the real WACC and RAB indexation basis, but reassess the forward-looking expected differential between the relevant inflation measures and apply an adjustment only where the evidence supports one.

CEPA response to Dublin Airport approach

In the Dublin Airport proposal, what the Frontier chart shows, but is not discussed, is that the recent data from 2023 to 2025 is more volatile and not always conclusive on direction of any difference between German and Irish inflation. While a longer-term view can add validity, we are also of the opinion that more recent data is a better proxy for upcoming inflation trends.

Additionally, the 1.87% inflation assumption used by Frontier, an average of German breakeven inflation and ECB forecasts, does not fully take advantage of the scope to triangulate across different sources. In our approach we review a number of inflation series to identify whether there is a gap between German and Irish inflation measures.

9.3. CEPA ANALYSIS

9.3.1. Recent forecasts

Focusing on forecast sources for 2027 (noting longer term forecasts are not available for all of the below sources), we find mixed evidence for a differential between inflation forecasts for Germany and Ireland. Firstly, the most recent forecast available (IMF) places Irish CPI at a higher rate than German CPI.

Secondly, the respective central bank forecasts, as of June 2026, suggested German HICP would be lower than Irish by 20bps. Forecasts are also wide-ranging, with 80 basis points forecast uncertainty reflected in the Irish estimates.

Table 9.1: Inflation forecasts for Germany and Ireland for 2027

Forecast for 2027	Germany		Ireland		Differential
	Rate	Published	Rate	Published	
IMF (CPI) ²⁸	2.30%	Aug-26	2.40%	Aug-26	-0.10%
Bundesbank and CBI (HICP)	2.70% ²⁹	June 2026	2.90% ³⁰	June 2026	-0.20%
ECB (HICP)	2.70% ³¹	Spring 2026	2.60% ³²	Spring 2026	0.1%
Bloomberg (CPI) ³³	2.30%		2.10%		0.2%
Average differential					0.00%

Source: CEPA analysis of forecast data

²⁸ IMF (2026) World Economic Outlook database - Inflation rate, average consumer prices (CPI). Available [online](#).

²⁹ Deutsche Bundesbank (2026) Bundesbank's Forecast for Germany. Available [online](#).

³⁰ HICP forecast from Central Bank of Ireland (2026) Quarterly Bulletin No.2 2026. Available [online](#).

³¹ ECB (2026) Survey of Professional Forecasters – Economic forecast for Germany (Spring 2026). Available [online](#).

³² ECB (2026) Survey of Professional Forecasters – Economic forecast for Ireland (Spring 2026). Available [online](#).

³³ Accessed 21st August 2026.

9.3.2. Historical outturn

Comparison of German HICP³⁴ and Irish CPI³⁵

Primarily we focus on a comparison of German HICP versus the rate to which the RAB is uplifted (Irish CPI), as German Breakeven inflation is more aligned with a HICP measure of inflation than CPI.

Our analysis of historical evidence of German HICP inflation and Irish CPI inflation over the 2016-2026 period gives an interquartile range of 0.1% to 1.20%, using daily data on outturn annual inflation rates, with a median of 0.60%.

However, we note that when we reduce the averaging period, the evidence becomes less and less conclusive. Focusing on a one year averaging period for example (1st August 2025 to 31st July 2026), the size of the differential actually turns negative, with an inter-quartile range (IQR) of -0.80% to -0.60%, and a median of -0.70%, implying that Irish CPI has been on average 0.7% higher than German HICP over the last 12 months. Figure B.1 in Appendix B displays a time series of these indices over the last 10 years.

Comparison of wider German and Irish measures

To complement this analysis, we have also looked at comparing broader inflation indices between Ireland and Germany, but do not find that the evidence is conclusive on the direction of any difference.

Comparison of German HICP and Irish HICP

Our analysis of historical evidence on the German-Irish inflation differential over the 2016-2026 period gives an interquartile range of 0.30% to 1.30%, using daily data on outturn annual inflation rates.

Again, we note that when we reduce the time period to one year, the size of the differential is much smaller and less conclusive on direction, with an IQR of -0.80 to -0.40%, and a median of -0.60% differential (Ireland has 0.60% higher inflation than Germany).

Comparison of German CPI and Irish CPI

A comparison of monthly outturn data on annual inflation rates German v Irish CPI in the last ten years provides an IQR -0.38% to 1.10%, which is not conclusive on direction. The direction becomes even less clear when focusing on more recent data (one year to 31st July 2026), with an IQR ranging between -1.00% and -0.60%, again where a median value of -0.80% suggests Ireland has 0.80% higher inflation than Germany.

Table 9.2: Inflation outturn data for Germany and Ireland for up to end July 2026

Source	Germany minus Ireland - LQ	Germany minus Ireland - Median	Germany minus Ireland - UQ	Overall implication
Breakeven/HICP versus CPI				
German HICP versus Irish CPI – 10yrs	0.10%	0.60%	1.20%	German > Irish
German HICP versus Irish CPI – 1yrs	-0.80%	-0.70%	-0.60%	Irish > German
Comparison of same measures for Ireland and Germany				
Historical HICP - 10yrs	0.30%	0.80%	1.30%	German > Irish
Historical HICP - 1yrs	-0.80%	-0.60%	-0.40%	Irish > German
Historical CPI - 10yrs	-0.38%	0.40%	1.10%	Inconclusive

³⁴ ECB's HICP measure "Overall index" for Ireland and then for Germany, Monthly. This data measure is not available beyond December 2025 due to methodological changes in calculation approach. Available [here](#) and [here](#).

³⁵ As reported on Bloomberg

Source	Germany minus Ireland - LQ	Germany minus Ireland - Median	Germany minus Ireland - UQ	Overall implication
Historical CPI - 1yrs	-1.00%	-0.80%	-0.60%	Irish > German

Source: CEPA analysis of historical data

9.3.3. Summary of inflation differentials

When reviewing a broad range of inflation measures at this point in time, we do not find conclusive evidence of a forward-looking differential between German HICP and Irish CPI inflation measures. Although small differences are inevitable from year to year, we need not expect those differences to be systematically positive or negative.

The latest available forecasts provide little evidence of a systematic inflation differential between Ireland and Germany in 2027. Across four independent sources, forecast differentials range only from -0.2% to +0.2%, with no consistent direction, and the average forecast inflation rate is 2.5% for both countries. Therefore, at least on the basis of current near-term forecasts, there is limited evidence for applying a material Ireland–Germany inflation wedge.

We do place some weight on the view that when looking at longer time ranges, such as ten years, the data suggests that Germany’s annual rate of inflation has tended to be above Ireland’s. This is consistent with recent regulatory determinations adopting a positive adjustment in the WACC - most recently a 40 bps point was chosen from a range of 10-40bps in the CRU’s PR6 determination. Therefore, it remains plausible that an adjustment of up to 40 bps could be defensible.

However, the relevant evidence has become less clear in recent times and a conclusive direction does not prevail across different forecasters, therefore it is also true that no adjustment would also be defensible. We complement the historical averages presented in the table above with annotated time series charts in Appendix B.

9.4. CEPA RECOMMENDATION

CEPA has in part used slightly different inflation sources in different areas of the WACC, including a CPI forecast, and therefore propose any uplift added on the overall WACC is reduced in size to reflect this. For the cost of debt, we have used a German breakeven inflation series in our estimation of the cost of new debt, but a CPI estimate for forward-looking rates on embedded debt, therefore we do not propose an adjustment is required for the cost of embedded debt. For the cost of equity, our risk-free estimate is reflective of German breakeven inflation, but to derive the TMR, we have used the DMS inflation series, which may require an adjustment.

In order to come up with a suggested adjustment, we take into account recent regulatory precedent where a 40bps point was chosen from a range of 10-40bps, forecast data which ranges from -20bps to +20bps, historical long-term trends where there is a case for a differential. Drawing more attention to the latest evidence and shorter term forecasts, however, it is also plausible that no adjustment is required, particularly as the RAB is indexed to CPI rather than HICP inflation and some parts of our WACC are estimated directly in Irish CPI real terms. On balance, we propose a small adjustment of **10 bps** to the WACC.

10. TAX

At present, Dublin Airport's Regulatory Proposition does not clearly explain the basis for the tax rate applied in the WACC. CEPA does not provide tax advice, but we make several observations on the proposed approach and the evidence supporting it.

More than one corporation tax rate may apply to Dublin Airport's activities. Companies in Ireland are generally subject to a 12.5% rate on trading income and a 25% rate on non-trading income.³⁶ We also understand that multinational enterprises (MNEs) and large-scale domestic groups with annual turnover of at least €750 million in at least two of the preceding four years are subject to a minimum tax rate of 15%.³⁷

Frontier estimated Dublin Airport's effective tax rate using the previous two years of data, resulting in an average rate of 16.1%. The IAA has extended this analysis to three years of data and proposed a rate of 15.5%.

We recommend that the IAA undertake further analysis to validate the proposed effective tax rate. In particular, Dublin Airport should explain which regulated activities or revenue streams are subject to different tax rates. The IAA should also ensure that its estimate reflects only the activities of Dublin Airport, rather than those of the wider daa plc group or other group entities. Finally, the tax assumption should be forward-looking. Historical effective tax rates provide useful evidence, but the IAA should assess whether the underlying mix of taxable activities and applicable tax rates is expected to remain representative over the forthcoming regulatory period.

The IAA should also consider the tax assumption consistently across the untriggered and triggered investment scenarios. If triggered investment materially changes the composition of regulated activities, revenues or taxable profits, the 15.5% effective tax rate may not remain equally representative under both scenarios. This does not necessarily imply that a different tax rate should apply to triggered projects. Rather, the IAA should demonstrate that a common tax assumption remains appropriate under both scenarios. In the absence of further evidence, CEPA has used a tax assumption range of 12.5% to 15.5% in estimating the WACC.

³⁶ Revenue – Irish Tax and Customs (2026). Corporation Tax. Available [online](#).

³⁷ Revenue – Irish Tax and Customs (2026). Global Minimum Level of Taxation for Multinational Enterprise Groups and Large-Scale Domestic Groups in the Union. Available [online](#). p6

Appendix A. ROBUST REGRESSION APPROACHES

Equity returns are empirically heavy-tailed³⁸ and can contain influential observations, meaning the estimated beta may be materially distorted by a small number of extreme stock-market return pairs.³⁹ This may motivate alternative designs aimed at mitigating the impact of outliers while preserving information in the bulk of the sample.

Under the view that COVID-impacted outliers are unrepresentative of forward-looking risk pricing, we present several objective and symmetrical approaches to controlling for their impact in the 10yr beta:

- **Influence-based deletion:** We delete observations based on their influence in the OLS regression using Cook's distance. We follow a common rule of thumb of deleting all observations with a Cook's distance greater than $4/n$.⁴⁰
- **Residual-based deletion:** We remove observations with large, standardised residuals (i.e., greater than 3SDs). If residuals are normally distributed this would account for roughly 0.1% of the data.
- **Winsorisation:** We winsorise extreme stock market and company returns at the 1st and 99th percentile.⁴¹
- **Least Absolute Deviation (LAD):** We estimate beta using the LAD estimator. This involves replacing the objective function of the OLS estimator so that instead of minimising the sum of squares, beta minimises the sum of absolute deviations.
- **Robust regression:** We estimate the Huber-robust regression model. This involves placing different weight on normal observations and outliers. It can be thought of as a model in between OLS and LAD.⁴²

We apply each of the five outlier-mitigation techniques described above to the 2yr, 5yr and 10yr spot asset betas, for an end-July cut-off date for the four main comparators.

This analysis indicates that:

- The 10yr asset beta features significant upward bias, correcting for which reduces the asset beta by 0.07 or more.
- There is a limited downward bias of 0.01 in spot 2yr betas and no bias in spot 5yr betas, as can be seen in Figure A.1 below.

We would not suggest that the IAA explicitly place weight on any single one of these approaches, and recognise the challenge of robustly and transparently controlling for outliers in beta regressions. At the same time, this analysis indicates that five separate approaches point to similar degrees of material upward bias in the 10yr spot asset beta.

We measure a standard error for the 10yr equity beta of 0.03, and note that the average reduction in the equity beta implied by the five approaches considered above is -0.10, indicating that the degree of bias is large relative to a standard error.

³⁸ Heavy-tailed is a technical term meaning the underlying distribution of returns contains more mass than an exponential distribution.

³⁹ Chan, Louis K. C., and Lakonishok, Josef (1992). *Robust Measurement of Beta Risk*. Journal of Financial and Qualitative Analysis.

⁴⁰ This was the rule adopted by Ofwat in PR24.

⁴¹ Winsorising is the process of putting a floor and ceiling on the observations.

⁴² Huber, Peter J. (1964). *Robust Estimation of a Local Parameter*. Annals of Statistics.

Figure A.1: Outlier-corrected comparator-average asset betas at different horizons, difference to unadjusted beta. 31 July cut-off.



Source: CEPA analysis of Bloomberg data. Figures presented are cross-sectional averages.

Appendix B. HISTORICAL INFLATION DIFFERENTIALS

Figure B.1: Comparison of German HICP to Irish CPI over 10yrs

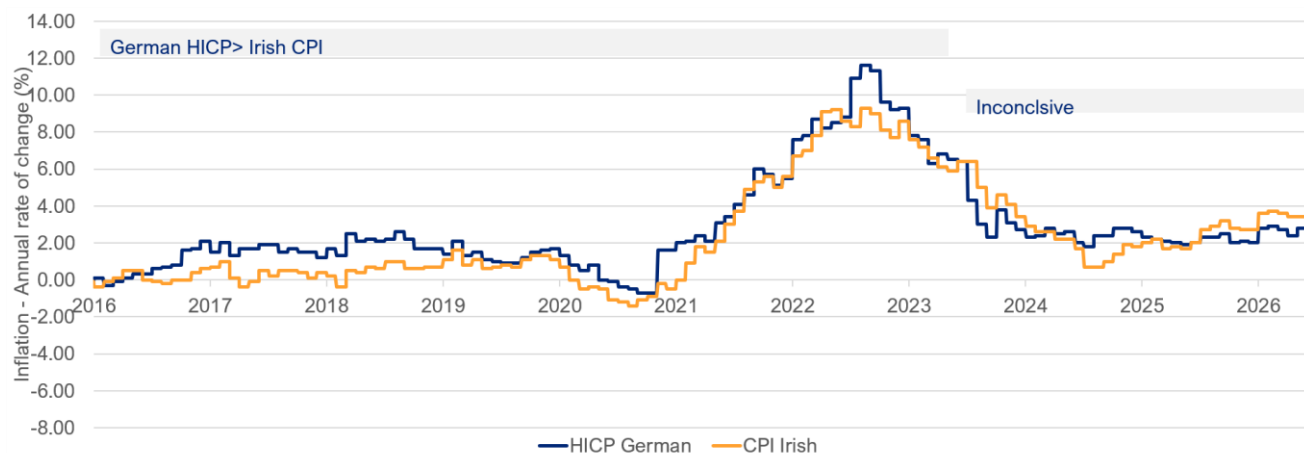


Figure B.2: Comparison of German HICP to Irish HICP over 10yrs

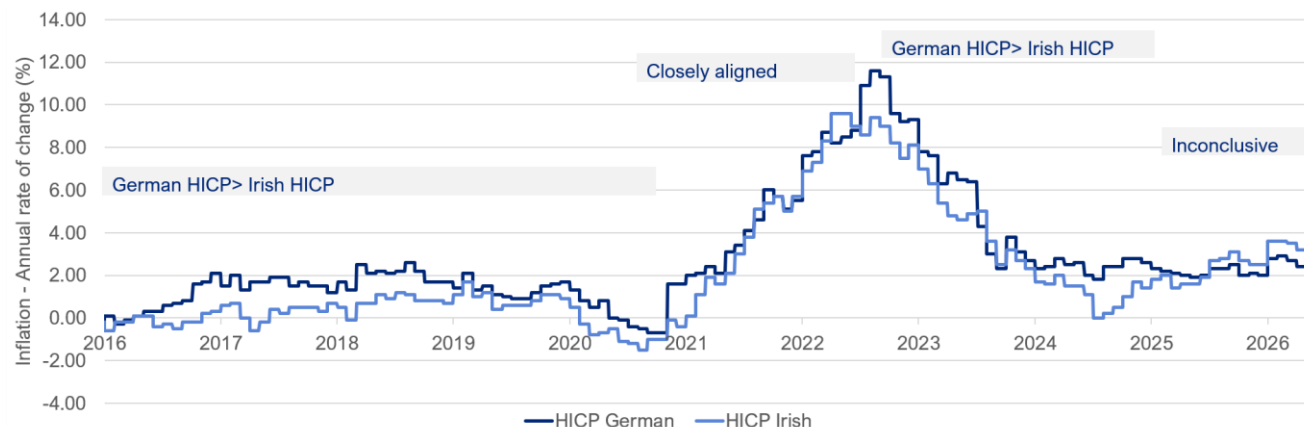
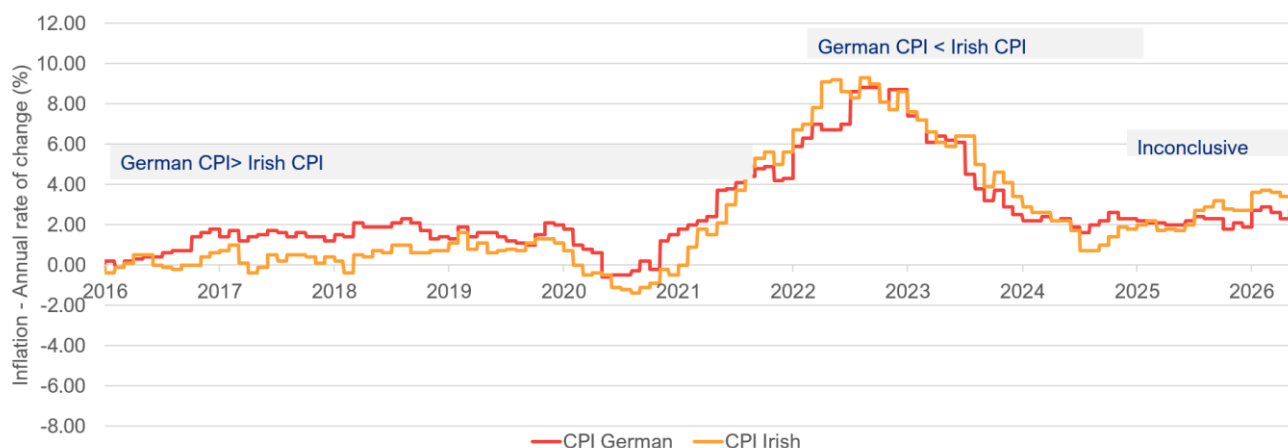


Figure B.3: Comparison of German CPI to Irish CPI over 10yrs





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