

Adrian Corcoran
Irish Aviation Authority
The Times Building
11-12 D'Olier Street
Dublin 2, D02 T449

Sep 17, 2026

Re: Aer Lingus response to the Irish Aviation Authority (IAA)'s Draft Determination on Maximum Levels of Airport Charges at Dublin Airport for 2027-2031.

Dear Adrian,

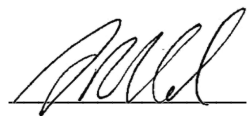
Aer Lingus is pleased to respond to the Irish Aviation Authority's (IAA's) Draft Determination on Maximum Levels of Airport Charges at Dublin Airport for 2027-2031.

Aer Lingus supports the overall direction of the Draft Determination and several of the principal judgements reached by the IAA. Our response focuses on the areas where further targeted improvements could materially strengthen the IAA's approach ahead of its Final Determination.

Our response is structured in three parts. First, the Executive Summary sets out Aer Lingus' overall position and our support for the direction of the Draft Determination. Second, the Key Issues section focuses on targeted areas which we consider warrant particular attention ahead of the Final Determination. Finally, Additional Commentary by Building Block provides some further observations on the individual elements of the IAA's Draft Determination for further consideration by the IAA.

Aer Lingus appreciates the substantial work undertaken by the IAA and its advisers in developing the Draft Determination. We look forward to continuing to engage constructively with the IAA as it finalises the 2026 Determination.

Yours sincerely,



Steve Ronald
Director of Schedules Planning and Alliances

Aer Lingus

Executive Summary

Aer Lingus welcomes the IAA's Draft Determination and considers that, overall, the maximum level of Airport Charges and the core allowed return for the 2027-2031 regulatory settlement, proposed in the Draft Determination appear directionally reasonable and appropriately balanced. Aer Lingus therefore encourages the IAA to review the refinement opportunities we have outlined below to strengthen the Final Determination.

It is a priority that the regulatory framework places strong incentives on Dublin Airport to operate efficiently during the control period, to deliver the investment programme for which Airport Users are being asked to pay, and to meet the expected Quality of Service (QoS) targets/standards at an efficient cost.

In that context, our proposed refinement opportunities are targeted at strengthening incentives, transparency and accountability within the IAA's proposed framework, rather than reopening its overall calibration. By commenting within the IAA's proposed framework, our response does not prejudice our position on funding models for significant capacity investment more broadly.

- **Triggered project Weighted Average Cost of Capital (WACC):** retain the IAA's targeted treatment of triggered investment, which minimises the need to make an uncertain forecast of the share of new debt that should be reflected in the WACC for uncertain trigger investment. The Final Determination should make clear that the WACC for triggered investment is structurally neither higher nor lower than the WACC for untriggered investment. Aer Lingus would not support the application of two distinct WACCs for Dublin Airport. The only difference applied by the IAA should relate to the relative proportions of embedded versus new debt, which happens to result in a higher trigger project WACC for this determination.

Consistent with this, the same underlying WACC framework, including for example, gearing and cost of equity assumptions, should continue to apply across the Regulatory Asset Base (RAB). Aer Lingus asks the IAA to make clear that the underlying WACC framework remains common and to introduce guardrails so that Dublin Airport is not incentivised to prioritise or allocate expenditure towards projects in order to artificially inflate the overall allowed return.

- **Capital expenditure (Capex) clawback:** retain the proposed clawback mechanism, but revisit whether the €161.7m quantum fully reflects the capital-cost remuneration recovered from Airport Users in respect of investment that was not delivered. Passenger volumes exceeded the forecasts used to set charges, meaning that the component of the per-passenger price cap associated with undelivered Capex was recovered from a larger passenger base. Our illustrative analysis indicates that this could increase the relevant over-recovery by around €8m. The resulting amount should be returned to Airport Users as soon as reasonably practicable, rather than backloaded to smooth future charges or support financeability. In addition, any balance deferred should attract an appropriate financing adjustment; even using the IAA's €161.7m figure, its proposed repayment profile leaves Airport Users around €20m worse off in NPV terms.
- **Pre-funding allowance:** retain the principle of targeted pre-funding where Dublin Airport genuinely progresses a materially larger investment programme but revisit the calibration of the proposed 79% allowance. Aer Lingus does not consider that financeability ratios should be used

mechanically to bring revenues forward during a period when some tightening in those ratios would naturally be expected from a major increase in Capex. Pre-funding should instead be limited to the minimum amount reasonably necessary to support efficient delivery of the higher-investment programme.

- **Security productivity improvements:** retain the IAA's detailed bottom-up security assessment but ensure that 2025 transitional performance is not embedded as the steady state. The IAA should assess further productivity gains as C3, operating processes and workforce experience mature, test the assumptions for staff non-availability and roster coverage and demonstrate the operational case for the proposed increase in Security staffing over 2027-2031.
- **Commercial revenues and management stretch:** ensure the forecast captures ongoing improvement in commercial performance, either through robust category-specific time trends or an explicit management stretch, reflecting Dublin Airport's sustained historic outperformance. The IAA's own modelling identifies positive residual growth after controlling for passenger volumes; for food and beverage (F&B) alone, applying the c.1% annual trend in its preferred model would increase Commercial Revenues by around €8.5m over 2027-2031. This would represent a more realistic forecast of achievable Commercial Revenues over the next period.
- **Capture Capital Investment Programme (CIP or CIP27) benefits as well as costs:** ensure that the benefits used to justify capital investment are captured as consistently as its costs. Against a c.€4.1bn capital programme, the IAA's financial model identifies only around €3.1m of annual CIP-related Opex savings by 2031. The IAA should ensure that identifiable Opex, Commercial Revenue and other efficiency benefits are transparently captured as projects are delivered.

In the next section we provide a more detailed response on these key issues. Our remaining comments by building block are set out later in this response. These provide additional observations which Aer Lingus asks the IAA to consider, but the key issues above represent our principal areas of focus ahead of the Final Determination. We remain available to discuss any element in more detail as required.

Key Issues

Maintain appropriate calibration of the WACC and avoid perverse allocation incentives

Aer Lingus broadly supports the IAA's proposed 4.56% real pre-tax WACC and considers the overall level of allowed return to be reasonable. We also agree with the IAA's approach to estimate a different share of new and embedded debt for the two Capex treatments (untriggered and triggered), as it reduces the level of uncertainty in the forecast of the new and embedded debt share used. The trigger project WACC assumes that the debt component is financed entirely through new debt, resulting in a higher calculated return of 5.23% at current interest rates¹.

Aer Lingus considers this a sensible and targeted response to uncertainty over the scale and timing of the additional financing required for a materially larger investment programme. Importantly, however, we do not regard this as establishing two conceptually separate WACCs for Dublin Airport. The same gearing, cost of equity and broader WACC framework continues to apply; the difference arises only from the assumed mix of embedded and new debt used in the cost-of-debt calculation for incremental triggered investment. This approach reduces the risk of forecast error contained in the IAA's estimate on the share of new and embedded debt and reduces the scope for this being an underestimate, one of the reasons regulators often cite as a reason for aiming up.

Aer Lingus therefore asks the IAA to make this principle explicit in the Final Determination. The differentiated debt assumption should remain a targeted adjustment for incremental financing requirements and should not become a precedent for separate WACCs underpinned by different gearing, equity-return or risk assumptions.

There is, however, a potentially perverse incentive issue created by applying the 5.23% return to the full Capex allowance of projects classified as triggered while untriggered investment earns the 4.56% core return. Where Dublin Airport faces constraints on planning, procurement, management or construction capacity, this could create a financial preference to prioritise expenditure on triggered projects simply because they attract the higher remuneration. The IAA's own rationale for the differential is the greater assumed use of new debt for additional investment, rather than the triggered projects themselves being inherently riskier.

Aer Lingus therefore asks the IAA to introduce an appropriate guardrail so that the higher debt allowance is linked as closely as practicable to efficient Capex genuinely incremental to the baseline investment programme. For example, the IAA could consider remunerating expenditure up to the €2.6bn baseline level of Capex at the core WACC, irrespective of the mix of projects, with the higher new-debt assumption applying only once aggregate efficient investment exceeds that level. This would preserve the intended financing support while reducing the incentive to allocate expenditure according to regulatory treatment rather than project priority.

¹ We note – and request the IAA to clarify in its Final Determination – that if current interest rates were lower than historic rates, the effect of this treatment of untriggered and triggered Capex would be to *reduce* the allowed WACC for triggered Capex *below* the proposed 4.56% untriggered WACC.

Return the historic Capex clawback promptly and on an NPV-neutral basis

Aer Lingus strongly supports the IAA's decision to clawback historic capital costs arising from the significant underdelivery of the 2023-2026 untriggered capital programme. Airport Users funded depreciation and return on capital in respect of investment that was not delivered, and those amounts should be returned. However, we consider that the IAA should revisit whether the proposed €161.7m fully reflects the amount recovered from Airport Users.

The IAA calculates the €161.7m by applying the overall Capex underdelivery rate to the capital costs allowed for 2023-2026. However, passenger volumes subsequently exceeded the forecasts used to set the per-passenger price cap. The component of charges associated with the undelivered investment was therefore recovered from a larger passenger base than originally assumed. Holding the expected Capex profile constant and abstracting from the separate effect of delayed Capex delivery, our illustrative analysis indicates an implied over-recovery of approximately €170m, around €8m above the IAA's proposed clawback. Aer Lingus therefore asks the IAA to consider whether the reconciliation should reflect the capital-cost remuneration actually recovered from Airport Users, rather than only the amount expected to be recovered when the price cap was set.

Having established the appropriate amount, the starting point should be to return it to Airport Users as soon as reasonably practicable. The IAA instead proposes to return only 20% in 2027-2028 and defer 60% until 2030-2031. Earlier repayment would better align the Airport Users receiving the benefit with those who bore the original over-recovery. While exact matching is impossible, greater delay increases the likelihood that repayment benefits a different mix of airlines and passengers from those that paid the higher charges during 2023-2026.

Aer Lingus recognises that avoiding unnecessary volatility in Airport Charges can have value for Users. However, financeability should not provide a reason for retaining historic over-recoveries. The financeability assessment should remain a cross-check on an efficiently determined regulatory settlement, rather than a mechanism for supporting Dublin Airport's future cash flows or financial ratios. The IAA's Trigger A mechanism is specifically intended to bring forward funding where a materially larger investment programme creates additional financing requirements, further weakening the case for retaining historical capital costs already due back to Airport Users.

Irrespective of the repayment profile adopted, any balance that remains outstanding should attract an appropriate financing adjustment. Expressing the clawback in constant March 2026 prices protects against inflation but does not compensate Airport Users for the time value of money. Even using the IAA's proposed €161.7m clawback, its repayment profile has a value of approximately €141.4m at 1 January 2027, creating an NPV shortfall of around €20.3m. Aer Lingus therefore asks the IAA to adopt a materially more front-loaded repayment profile and to ensure that whatever balance remains deferred is returned on an NPV-neutral basis.

Reconsider the basis for calibrating the pre-funding allowance

Aer Lingus recognises the principle of targeted pre-funding where Dublin Airport genuinely progresses a materially larger capital programme. The IAA is right to recognise that a substantial step-up in investment may create temporary financing pressure and that targeted pre-funding can, in principle, help support timely delivery. We welcome the additional condition that Trigger A should only activate where total efficient Capex is materially above the Untriggered Scenario, rather than simply when an individual project reaches its project-specific milestone.

Our concern is with how the 79% pre-funding allowance has been calibrated. The IAA first models the high-Capex Triggered Scenario with no pre-funding. It then calculates that 69% pre-funding is required to keep Funds From Operations (FFO)/Net Debt above 15% and Net Debt/EBITDA below 5x under its target financeability assumptions. It subsequently increases this to 79% so that FFO/Net Debt remains above 13% under the most impactful individual downside sensitivity it models - a 10% Commercial Revenue reduction with no corresponding cost saving.

Credit rating metrics should not be used this mechanically to determine the scale of pre-funding. The financeability assessment should remain a cross-check on an efficiently determined regulatory settlement, rather than a mechanism which automatically brings revenues forward whenever cash-flow ratios tighten. This is particularly important during a period of high capital investment, when some temporary deterioration in financeability ratios is to be expected even under an otherwise financeable RAB-based settlement. This is consistent with the position set out elsewhere in our response.

The IAA's own analysis reinforces this point. It describes the Triggered Scenario, approximately €820m of average annual Capex, as being *"right at the top of the plausible Capex range"* and acknowledges that it is highly unlikely that all triggered projects will be delivered to Dublin Airport's proposed timetable. The resulting 79% pre-funding allowance is then calibrated so that Dublin Airport remains above the target ratios even under the most adverse of the individual downside sensitivities modelled. That risks turning the financeability test from a reasonable cross-check into a mechanism that insulates Dublin Airport from ordinary cash-flow pressure.

Additionally, the calibration of the 79% pre-funding allowance appears to depend on the assumed financing strategy for the Triggered Scenario. The IAA's model assumes that any financing deficit associated with the triggered investment programme is met through additional debt, after retaining available earnings, with no apparent assumption of further shareholder equity. This has the effect of applying a gearing assumption that is much higher than the notional assumption, and higher than other airport/airport groups. This causes net debt to rise and therefore places direct pressure on the FFO/net debt and net debt/EBITDA metrics used to determine the level of pre-funding.

We recognise that the IAA appropriately assumes no dividend payments in the Triggered Scenario, meaning that available earnings are already retained. However, it is less clear why Airport Users should be required to pre-fund 79% of the capital costs before the IAA has tested alternative reasonable financing responses, including some contribution of new equity by the shareholders. A greater equity contribution would reduce the size of the additional net debt required, and strengthen the relevant credit metrics, potentially reducing the amount of pre-funding required to maintain the IAA's target ratios. The IAA should therefore demonstrate the sensitivity of its proposed pre-funding percentage to alternative debt/equity financing assumptions rather than treating the debt-funded financing profile embedded in the model as the only plausible response to the high-Capex scenario.

Overall, Aer Lingus therefore asks the IAA to revisit the calibration of the pre-funding percentage ahead of the Final Determination. The level of pre-funding should reflect the minimum amount reasonably necessary to support efficient delivery of a genuinely high-investment programme, rather than being mechanically set to preserve target credit ratios under the most adverse individual sensitivity tested. The IAA should also explain why any headroom provided through pre-funding is necessary in addition to the other protections already embedded in the settlement, including the higher new-debt weighting applied to triggered investment and the broader ability of Dublin Airport to manage financing through retained earnings, dividends and debt issuance.

Security productivity improvements

Aer Lingus supports the IAA's detailed bottom-up assessment of security and broadly supports the resulting allowance. The key remaining issue is whether the forecast sufficiently captures the productivity gains that should emerge as the new C3 security operating model matures.

The 2025 evidence was collected during transition and should not be treated as the steady state for 2027-2031. In T1, tray throughput remained below both pre-C3 performance and the level previously expected following C3/Automated Tray Return System (ATRS) implementation, while the reduction in images per passenger also fell short of earlier expectations. Further productivity gains should therefore be expected as C3 beds in, operating processes mature and workforce experience increases.

Against that background, the IAA should explain why total security staffing is nevertheless forecast to increase from 1,202 Full Time Equivalent (FTE) in 2027 to 1,225 FTE in 2031, and further test the assumptions of 28% staff non-availability and 12% roster coverage which materially affect the staffing requirement. The Final Determination should demonstrate that the allowance reflects an efficient mature operation, rather than embedding transitional performance or unnecessary staffing buffers.

Commercial revenues and management stretch

Aer Lingus supports the IAA's more granular approach to forecasting Commercial Revenues and welcomes its use of category-specific evidence, elasticities and targeted uplifts. However, the resulting forecast should also capture the ongoing improvement in commercial performance that an efficient airport operator should be expected to deliver over time.

The IAA's own econometric analysis identifies positive revenue growth after controlling for passenger volumes in several categories. Most clearly, its preferred F&B model includes both a passenger elasticity of 0.94 and a statistically significant annual time trend of around 1%, yet the forecast appears to apply only the passenger elasticity. For F&B alone, applying the identified time trend would add around €8.5m of revenue over 2027-2031.

Aer Lingus does not suggest applying historic time trends mechanically. However, where robust residual growth is identified, the IAA should either reflect it in the relevant category forecast, after allowing for any overlap with specific uplifts, or use the evidence to calibrate an explicit management stretch. Targeted project or transformation uplifts should not be assumed, by themselves, to capture the continuing scope for improvement through pricing, tendering, digitalisation, penetration and yield management.

Capture the efficiency benefits of CIP27 as well as its costs

Aer Lingus supports necessary and efficient investment in Dublin Airport and welcomes the IAA's detailed scrutiny of CIP27. However, Airport Users should receive the full benefit of the capital investment they fund, rather than bearing project costs and associated Opex increases while corresponding efficiency or revenue benefits are insufficiently captured.

The IAA has already identified an imbalance in Dublin Airport's Regulatory Proposition, *"Dublin Airport has focused on areas where capital projects can be expected to lead to incremental increases in opex,*

with less of a focus on where projects may reduce opex".² The same principle applies to Commercial Revenues. Where projects provide additional retail, food and beverage, lounge or parking capacity, or are justified by automation, asset-condition improvements, streamlined passenger flows, reduced maintenance or lower staffing requirements, those benefits should form part of the regulatory assessment alongside the project's cost.

Aer Lingus therefore reiterates the point raised previously during this process, including in its response to the Issues Paper, that the IAA should make the linkage between historic CIP expenditure and its impact on Opex and Commercial Revenues in the upcoming period more explicit, as well as the impact of CIP27 on the future benefits that Airport Users can expect. For material projects for example, the approval or StageGate process should identify the expected Opex, and Commercial Revenue benefits, together with when those benefits are expected to arise. Where benefits fall beyond 2031, they should be recorded so that they are not lost when allowances are reset at the next determination.

This would not require the IAA to assume savings before an asset becomes operational. It would instead ensure symmetric treatment: incremental costs should be recognised when they arise, and identifiable efficiencies and revenues should be captured on the same basis.

² CEPA (2026) Dublin Airport Opex Efficiency Study: 2027 – 2031. Accessed [here](#).

Additional Commentary by Building Block

The sections below provide additional commentary on individual building blocks for the IAA's consideration, including further detail on certain matters identified under the Key Issues above. This section is intended to complement, rather than repeat, those Key Issues and the positions set out in Aer Lingus' earlier response to the IAA's Issues Paper.

We focus on areas where Aer Lingus considers that the Draft Determination would benefit from a specific change, clarification or further evidential support. These comments should also be read alongside the supporting consultant reports submitted with Aer Lingus' response, including CEPA's report on the WACC, Skylark's assessment of traffic, Commercial Revenues and Capex, and the Clarity/Grant Thornton review of Opex efficiency.

Aer Lingus asks the IAA to consider these points, together with the accompanying technical evidence, in finalising its Determination.

1. Approach to Regulation

High level approach

Aer Lingus welcomes the IAA's decision in the Draft Determination to retain the established high-level regulatory framework for Dublin Airport. In particular, as set out in our Issues Paper Response,³ we support the continued RAB-based Building Blocks framework and single till; the use of an independent, demand-led passenger forecast; the detailed efficiency-based approach to Opex; the more granular assessment of Commercial Revenues; the expanded use of StageGate and project triggers to manage Capex and delivery uncertainty; and the decision not to apply a general aiming-up adjustment to the core WACC. We also support the IAA's conclusion that an Independent Reporter is not necessary for the 2026 Determination. This is consistent with the position set out in our response to the Issues Paper.

Our support for the overall regulatory framework should not be interpreted as support for every aspect of the Draft Determination's calibration. Rather, we consider that the framework provides the appropriate basis for the Final Determination, provided that the individual building blocks, incentives and risk allocation are set consistently and in the interests of current and prospective Airport Users.

Till structure

We note that Dublin Airport has indicated that it may seek a review of the wider regulatory framework, including the till structure, in 2027. If such a review is undertaken, it should be evidence-led, commenced sufficiently far in advance of the next determination to allow meaningful stakeholder engagement, and undertaken without any presumption that the existing approach should change.

Any proposal to move away from the single till should demonstrate clear benefits for Airport Users, taking account of the implications for charges, incentives, risk allocation, transparency and regulatory complexity. The risk-sharing and credit-protective properties of the single till should also continue to be recognised consistently in the IAA's assessment of WACC and financeability.

³ Aer Lingus (2025) Response to IAA's Issues Paper. Accessed [here](#).

2. Passenger Forecast

Aer Lingus broadly supports the IAA's proposed passenger forecast and considers that it provides a reasonable centreline or "fair bet" for the 2027-2031 regulatory period. We welcome the IAA's decision to develop its own independent, demand-led forecast using a range of macroeconomic and industry evidence, rather than relying on Dublin Airport's infrastructure-constrained forecast. This overall approach is also supported by our consultant Skylark in its accompanying report.

Aer Lingus supports the IAA's use of both Gross Domestic Product (GDP) and Modified Gross National Income (GNI)* as the principal macroeconomic drivers of its demand-led forecast and welcomes its recognition of the limitations of relying solely on headline Irish GDP. We agree that GNI* provides a more representative measure of underlying activity in the Irish economy and would support the IAA placing somewhat greater weight on the GNI*-based forecast.

Our main reservation relates to the weight assigned to the EUROCONTROL-based forecast. EUROCONTROL provides a useful independent cross-check, but its forecast is produced at an Ireland-wide movement level and requires further assumptions to translate it into Dublin Airport passenger volumes, whereas the GDP- and GNI*-based models are estimated directly against Dublin Airport passenger traffic. Given these limitations, we do not consider that the EUROCONTROL-based forecast should receive equal weight to the Dublin-specific demand models. We therefore ask the IAA to reduce the weight placed on the EUROCONTROL forecast in the Final Determination, and increase the weight placed on the GDP- and GNI*-based forecasts.

Ahead of the Final Determination, we also ask the IAA to consider the regression results over the longer 1995–2025 period, which provide a stronger statistical fit, and to update the forecast using the latest available Autumn 2026 macroeconomic projections. Given the availability of substantially complete 2026 outturn data by the time of the Final Determination, the IAA should also use the latest robust full-year estimate of 2026 passenger volumes as the base year for its forecast, before applying its demand-led approach from 2027 onwards.

Aer Lingus strongly supports the IAA's decision not to constrain its forecast by reference to Dublin Airport's assumed infrastructure limitations. The IAA's analysis, supported by To70, identifies scope to accommodate continued passenger growth notwithstanding constraints at particular peak periods, including through more efficient use of available stands and airport capacity, aircraft upgauging and growth outside the most constrained periods. Skylark's accompanying analysis provides further support for this conclusion. Applying a lower infrastructure-constrained forecast in these circumstances would not provide an appropriate centreline estimate of passenger demand.

Aer Lingus also strongly supports the IAA's decision not to apply Dublin Airport's proposed shock adjustment or otherwise reduce the passenger forecast to provide an ex-ante allowance for future downside events. The IAA's analysis appropriately recognises that ordinary historic volatility is already reflected in the evidence used to estimate the forecast, while genuinely exceptional events are better addressed through the regulatory framework if and when they occur. Providing an annual allowance for such events would systematically lower the centreline forecast and increase Airport Charges in periods when no shock occurs. This is also consistent with retaining passenger-volume risk with Dublin Airport: a properly calibrated centreline forecast should provide a balanced prospect of upside and downside outcomes, rather than protecting Dublin Airport from downside risk while allowing it to retain the benefit of upside outperformance.

3. Opex

Aer Lingus broadly supports the IAA's proposed approach to Opex and the resulting allowance. As set out in our response to the Issues Paper, the objective should be to establish a challenging but achievable efficient cost allowance, using detailed bottom-up assessment alongside appropriate top-down cross-checks. We therefore welcome the IAA's decision to retain this approach and to undertake deeper reviews of those cost categories where Dublin Airport has proposed material increases.

We also support the IAA's decision to retain the current scope of Opex pass-through arrangements rather than expand them to cover additional cost categories. This appropriately preserves efficiency incentives and ensures that cost risks remain with the party best placed to manage them.

Aer Lingus also supports the IAA's decision to assess the efficient baseline from 2025 outturn rather than adopt Dublin Airport's proposed 2026 baseline. The resulting forecast provides for real Opex of €439.5m in 2027, increasing to €478.0m by 2031, while real Opex per passenger falls over the period. This approach is particularly important given the material increase in Dublin Airport's proposed opening cost base, concentrated principally in Security and Facilities and Cleaning. The IAA's category-by-category assessment provides a stronger basis for distinguishing efficient structural cost changes from temporary, insufficiently evidenced or inefficient expenditure.

This conclusion is reinforced by the review undertaken by Aer Lingus' advisers on Opex, Clarity and Grant Thornton. Their assessment finds that the IAA's detailed bottom-up work has substantially addressed the principal concerns identified in Dublin Airport's original Opex proposals, while identifying a smaller number of areas where further scrutiny remains warranted. Aer Lingus asks the IAA to retain this approach in the Final Determination and to ensure that any update to the baseline is supported by clear evidence that the additional costs are efficient and genuinely incremental.

Security

Aer Lingus supports the IAA's detailed bottom-up assessment of Security costs and considers that it has substantially addressed the principal concerns arising from Dublin Airport's proposal. In particular, we support holding Vehicle Control Post (VCP) staffing at 131 FTE rather than accepting Dublin Airport's proposed increase and replacing its broad N+1 resilience proposal with a targeted allowance where CEPA's modelling identifies material queue risk. These conclusions are also supported by Clarity and Grant Thornton's review of the Draft Determination.

The principal remaining issue is whether the forecast fully captures the productivity improvements that should emerge as the C3 operating model matures. The IAA appropriately assumes that throughput should improve as staff experience, operating processes and deployment mature. However, the evidence suggests there remains scope for further gains. In T1, 2025 tray throughput remained below both pre-C3 performance and the level previously expected following C3/ATRS implementation, while the reduction in images per passenger has also fallen short of earlier expectations. Clarity and Grant Thornton similarly identify further transparency on C3 maturity, process learning and technology-driven productivity as an important area for the Final Determination.

Against this background, Aer Lingus asks the IAA to explain more clearly why total Security staffing nevertheless increases from 1,202 FTE in 2027 to 1,225 FTE in 2031, and how the expected benefits of C3 maturity and greater workforce experience have been reflected in the staffing requirement. The IAA should also validate the material assumptions of 28% staff non-availability and 12% roster coverage against the latest available evidence; Clarity and Grant Thornton note that these assumptions are accepted in the modelling but are not independently evidenced.

Aer Lingus supports sufficient resources to deliver a resilient Security service. The Final Determination should nevertheless demonstrate that the allowance reflects the efficient requirements of a mature operation and captures the productivity benefits of the technology and workforce improvements funded by Airport Users.

Airfield operations, congestion and new cost pressures

Aer Lingus strongly supports the IAA's rejection of Dublin Airport's proposed congestion-driven increase in Airside Operations costs.

CEPA estimates a Dublin-specific historical elasticity of approximately 0.42 and adopts a 0.4 elasticity for its forecast, rather than Dublin Airport's proposed increase to 1.0. This results in Airside Operations staffing increasing from 83 FTE in 2025 to 88 FTE in 2031, compared with Dublin Airport's proposed 114 FTE. The basis for this proposed adjustment is compelling. Different Airside activities have different underlying cost drivers: some respond to traffic growth, while others are more closely related to the number of stands, the airport footprint, governance or specific operational requirements. A blanket increase in the passenger elasticity therefore risks conflating ordinary traffic growth with the temporary or project-specific effects of congestion and construction. CEPA also notes that significant runway, taxiway and apron works have previously been delivered without the additional staffing now proposed by Dublin Airport.

Aer Lingus therefore supports the IAA requiring any additional allowance for congestion, construction disruption or CIP27 activity to be supported by a specific and phased operational case. Where additional costs are genuinely necessary, they should be allowed, but temporary pressures should be treated as temporary, and Dublin Airport should demonstrate why they cannot be accommodated within existing resources or allowances. The IAA should maintain this evidential threshold if Dublin Airport seeks to reinstate any of the proposed Airside step changes ahead of the Final Determination.

Facilities and Cleaning

Aer Lingus also welcomes the IAA's more detailed assessment of Facilities and Cleaning, where CEPA's proposed efficient baseline is materially below Dublin Airport's proposal. However, we identify two areas where the Draft Determination may remain somewhat generous.

For Facilities, CEPA's bottom-up task model estimates an efficient requirement of 282 FTE in 2025, compared with Dublin Airport's 300 FTE. The Draft Determination adopts the midpoint of these estimates, at 291 FTE, notwithstanding the evidence gaps CEPA identifies in Dublin Airport's resource model. In the absence of further evidence supporting Dublin Airport's higher estimate, Aer Lingus considers that greater weight should be placed on CEPA's independently assessed task-model requirement.

For outsourced Cleaning, CEPA estimates an efficient non-pay baseline of €9.3m before adding a further €0.9m service-quality adjustment. Aer Lingus agrees that the forecast should provide sufficient expenditure to meet the service-quality standards required by the regulatory settlement. However, expenditure above an independently benchmarked efficient level should be supported by evidence that the additional amount is necessary to deliver those standards. If that cannot be demonstrated, the €0.9m adjustment should not be included in the Final Determination.

Ongoing efficiency and benefits from capital investment

Aer Lingus strongly welcomes the IAA's introduction of a 1% annual ongoing efficiency challenge and asks the IAA to retain it in the Final Determination. The inclusion of an ongoing efficiency challenge directly addresses an important issue raised in our response to the Issues Paper and recognises that an efficient airport should be expected to improve productivity over time through technology, improved working practices, procurement, asset management and management innovation. The challenge is particularly important where the forecast separately allows for real wage or wage-linked cost growth.

We recognise the IAA's rationale for applying the challenge selectively where productivity has not already been captured through a bottom-up assessment, rather than applying an additional adjustment which may double count efficiencies already reflected elsewhere. The 1% challenge should therefore be retained at a minimum in the Final Determination. The IAA should also consider whether its calibration remains sufficiently stretching in light of the scale of technology and capital investment being funded by Airport Users, while ensuring that any stronger challenge does not duplicate identifiable category-specific efficiencies.

Separately, Aer Lingus supports the IAA's recognition that the Opex consequences of capital investment should be assessed symmetrically. Dublin Airport's Regulatory Proposition placed greater emphasis on additional operating costs arising from CIP27 than on the savings which capital investment may deliver. This is particularly important given the scale of the investment programme: against approximately €4.1bn of new untriggered and triggered Capex allowances over 2027 – 2031, the IAA's financial model identifies only around €3.1m of annual CIP-related Opex savings by 2031. Where projects are justified by automation, improved asset condition, simplified operating processes or reduced maintenance and staffing requirements, the corresponding Opex benefits should be identified explicitly and reflected in the forecast from the point at which they are expected to arise.

For some late-period investments, such as the proposed airfield technology programme, the majority of these benefits may arise after 2031. That does not justify imposing savings before the investment is operational, but the expected benefits should be identified when the investment is approved and carried forward into the next determination. This will ensure that Airport Users receive the operating-efficiency benefits of the capital investment they fund, rather than recognising project-specific Opex increases while allowing corresponding savings to disappear from future forecasts.

4. Commercial Revenues

Aer Lingus broadly supports the IAA's revised approach to forecasting Commercial Revenues. As set out in our response to the Issues Paper, Dublin Airport has consistently outperformed previous Commercial Revenue forecasts, including by amounts that cannot be explained solely by higher passenger volumes.

We therefore welcome the IAA's move towards a more granular category-by-category assessment, using 2025 outturns, disaggregated revenue lines, category-specific elasticities or contractual assumptions and separately identified baseline and investment-related adjustments. This responds to a number of the concerns raised by Aer Lingus in the Issues Paper and provides a stronger basis for the forecast than relying on Dublin Airport's own commercial plan. The history of sustained outperformance should nevertheless remain an important cross-check on whether the resulting forecast is sufficiently stretching.

Ongoing commercial improvement and management stretch

Aer Lingus agrees with the IAA that an airport operating in a competitive market would face an ongoing incentive to innovate and improve its commercial performance. However, we do not consider that the Draft Determination has fully demonstrated that this effect is captured in the forecast. The IAA argues that its elasticity-based forecasts effectively roll forward historic performance, while targeted baseline and project-specific uplifts provide additional stretch. Its own econometric analysis suggests that this distinction requires further consideration.

For a number of Commercial Revenue categories, the IAA's econometric modelling identifies a positive time trend after controlling for passenger growth. The clearest example is F&B. The IAA identifies Model 2 as the stronger specification, with a passenger elasticity of 0.94 and a statistically significant positive annual trend of approximately 1%. However, the forecast appears to apply only the 0.94 elasticity after the 2026 transformation uplift. Applying both elements of the IAA's selected model from the post-transformation baseline would increase cumulative F&B revenues by approximately €8.5m over 2027 – 2031. Similar positive and statistically significant time trends are identified in other categories, including Lounges, FastTrack and Platinum Services.

Aer Lingus does not suggest that these historical time-trend coefficients should be applied mechanically. They may capture a combination of ongoing management improvement, catch-up performance, omitted variables and benefits already recognised through specific baseline or investment uplifts. However, nor is it appropriate to disregard them while assuming that the passenger elasticity alone rolls forward historic commercial performance. Where a model decomposes historic revenue growth into a volume effect and a statistically significant residual time trend, applying only the volume effect does not capture the full historic relationship.

There is relevant regulatory precedent for using this evidence more systematically. In its work for the Civil Aviation Authority (CAA) at Heathrow, CEPA used econometric time trends to test whether Commercial Revenues had historically increased after controlling for observable revenue drivers. CEPA treated the resulting trend as evidence relevant to a management-stretch assumption, while recognising that the econometric estimates should be used as a cross-check rather than translated mechanically into the regulatory target.

Aer Lingus therefore asks the IAA to revisit its treatment of ongoing commercial improvement in the Final Determination. Where a robust category-specific time trend is identified, the IAA should consider reflecting that trend in the relevant forecast after allowing for any demonstrable overlap with specific adjustments. Alternatively, where the individual coefficients are not considered sufficiently robust for direct application, the evidence of residual revenue growth across categories should inform an explicit and appropriately calibrated management-stretch assumption. Targeted uplifts for identified projects

should not, by themselves, be assumed to capture the continuing scope for improvement through pricing, tendering, product development, digitalisation, penetration and yield management.

Aer Lingus continues to support the use of rolling incentives in principle where they are needed to avoid distortions in the timing of commercial initiatives. However, such incentives should only reward genuine incremental performance against appropriately stretching revenue targets. We therefore support the IAA's proposal to remove Car Parking from the rolling scheme, where outperformance may increasingly reflect capacity constraints and yield management rather than innovation, and consider that the existing cap should be retained or reduced where necessary to prevent the absolute value of the incentive becoming disproportionate as Commercial Revenues grow.

Commercial benefits from capital investment

Aer Lingus also supports the IAA's general approach of separately identifying the Commercial Revenue benefits associated with capital investment.⁴

The IAA has applied this principle in several areas. For example, it includes the commercial benefit of the T2 International Departure Lounge (IDL) investment in the baseline forecast and links the additional Post-CBP lounge revenues to delivery of the relevant triggered project. We strongly support linking commercial benefits to project delivery in this way, as this ensures that users receive the revenue benefit when they begin funding the corresponding capital investment.

There remain areas where the treatment is less clear. In particular, the CIP27 programme includes a new Pier 3 upper-level lounge expected to become operational in November 2029, with its capital cost included within the Pier 3 trigger, but no corresponding Commercial Revenue uplift is separately identifiable in the IAA forecast. The IAA should confirm whether this benefit is embedded elsewhere and, if not, include an appropriate trigger-linked uplift. More generally, a number of in-period ARI retail projects may generate benefits across Direct Retail, Retail Concessions and F&B, but the Draft Determination does not provide a clear reconciliation showing where each of these benefits has been captured.

We also note some uncertainty around the calibration of the T1 and T2 Direct Retail uplifts. The IAA's assumptions imply a lower incremental uplift per passenger from the T2 redevelopment than from T1, notwithstanding the different passenger mix and greater concentration of long-haul passengers in T2. This does not in itself demonstrate that the T2 uplift should be higher, as the scope and starting position of the two projects differ. However, the IAA should validate the relative uplifts against the underlying business cases, changes in commercial space and expected passenger mix before the Final Determination.

Lounge provision and airline access

Aer Lingus welcomes investment to improve and expand lounge facilities at Dublin Airport. Lounge access is an important part of Aer Lingus' premium customer proposition and there is a clear need for

⁴ Under the single till, the treatment of investment should be symmetric: where Airport Users fund Capex which expands or improves retail, F&B, lounge, parking or other commercial facilities, the resulting incremental Commercial Revenues should be reflected in the forecast from the point at which the investment becomes operational.

additional capacity. Our existing lounge is space constrained and we have actively sought additional lounge space, but no further capacity has yet been made available.

Against that background, Aer Lingus would strongly argue that airlines should have a genuine opportunity to secure and operate their own lounge facilities where there is sufficient demand. This is particularly important given Dublin Airport's dual role as controller of scarce airside commercial space and operator of commercial lounges. The creation or refurbishment of lounge space should therefore not result in Dublin Airport operating incremental capacity by default. Aer Lingus has previously raised concerns that Dublin Airport may be able to exercise market power in relation to lounge rents and other scarce commercial space.

The IAA should therefore ensure that future lounge capacity is developed and allocated following meaningful consultation with airlines, and that airline requirements are considered on transparent and non-discriminatory terms. In particular, further engagement is needed on opportunities for additional airline-operated lounge space in Terminal 2.

5. FastTrack

Aer Lingus welcomes the IAA's proposal to maintain the existing regulatory treatment of FastTrack rather than treating the service as wholly commercial, as Dublin Airport had proposed in its response to the Issues Paper. However, the Draft Determination does not resolve the principal concern raised by Aer Lingus in relation to airline access to the facility.

On the evidence available, there is no demonstrated FastTrack capacity constraint that would justify restricting airline access. Dublin Airport has in recent years sought to limit airline access to first and business class passengers, but Aer Lingus has seen no evidence that this restriction is necessary to manage capacity. This is difficult to reconcile with the substantial increase in FastTrack capacity identified by the IAA and Dublin Airport's continued promotion and discounted sale of FastTrack products directly to passengers. The IAA itself assumes that the new Terminal 1 facility will materially increase FastTrack capacity and penetration, and includes a €2.3m uplift in the 2027 Commercial Revenue forecast on that basis.

FastTrack passengers do not use dedicated security screening machines; the service provides priority access to the common passenger-security screening process. Any restriction on airline access should therefore be supported by clear evidence that the FastTrack access arrangements themselves are genuinely constrained, rather than by a general assertion of limited security capacity.

Prior to any restrictions on airline access, Aer Lingus asks the IAA to require Dublin Airport to demonstrate:

- the total and peak capacity of the FastTrack facilities;
- forecast demand, distinguishing between airline/wholesale access and Dublin Airport's own direct commercial sales; and
- where any capacity constraint is identified, the basis on which available capacity is proposed to be allocated between users.

Where capacity does become constrained, Dublin Airport should not be able to prioritise its own direct-to-passenger FastTrack sales over airline access without clear justification. Capacity should be

allocated using relevant, objective, transparent and non-discriminatory criteria. Any restriction on airline eligibility should be demonstrably necessary and proportionate to the identified constraint, rather than driven by Dublin Airport's commercial incentive to maximise direct FastTrack revenue.

This is consistent with Aer Lingus' understanding of the Airport Charges Directive. Aer Lingus therefore asks the IAA to provide clear guidance in the Final Determination on how these principles should apply to FastTrack, including where Dublin Airport proposes to restrict access according to passenger fare class.

Aer Lingus also welcomes the IAA's decision not to reflect an assumed future increase in Dublin Airport's wholesale FastTrack charge in the Commercial Revenue forecast. The IAA is right that doing so could pre-empt future annual charging decisions. More generally, the existing regulatory treatment of FastTrack should not be capable of being undermined indirectly, whether through restrictions on airline eligibility or through changes to the wholesale charge which materially impede airlines' ability to make the service available to their passengers.

6. Capital Expenditure

Aer Lingus recognises the importance of continued investment at Dublin Airport and supports the delivery of an efficient capital programme that addresses existing infrastructure constraints, releases capacity and improves the operation and passenger experience of the airport. Timely delivery of the CIP27 programme will be important not only for airlines and passengers, but also for supporting future traffic growth and the wider economic benefits associated with improved connectivity.

We therefore welcome the IAA's detailed assessment of Dublin Airport's proposed CIP27 programme and its intention to provide efficient allowances for projects that are in the interests of current and future Airport Users.

The principal challenge is to support delivery of a substantially larger capital programme while avoiding a repeat of the significant underdelivery seen during the current regulatory period. The IAA's approach should therefore preserve Dublin Airport's ability and incentive to progress necessary infrastructure quickly, while ensuring that Airport Users do not pay as though expenditure will occur materially earlier than can reasonably be expected.

CIP27 allowances and deliverability

Aer Lingus broadly supports the IAA's approach to assessing deliverability. Dublin Airport has spent materially below the capital allowances available during 2023-2026, while proposing a considerably larger programme for the next regulatory period. The IAA is therefore right that the ex-ante allowance should represent a reasonable centreline estimate of Capex likely to be delivered, rather than simply adopting Dublin Airport's proposed expenditure profile. The use of project triggers and category-level deliverability adjustments allows necessary projects to proceed while reducing the risk that Airport Users fund capital costs materially before the corresponding investment is delivered.

The principal area where we consider a further deliverability adjustment is warranted is Sustainability. Dublin Airport spent only 18% of its untriggered Sustainability allowance during the current period. The Draft Determination nevertheless includes €336m of untriggered Sustainability Capex for 2027-2031, equivalent to approximately €67m per year compared with average expenditure of around €20m per

year during 2023-2026. The IAA itself estimates that applying its category-level deliverability methodology would result in around 60–70% of the proposed untriggered allowance being included.

Aer Lingus considers that the same methodology should be applied consistently to Sustainability. We recognise that expenditure is likely to increase as projects mature and that the category was relatively new during the current regulatory period. However, moving immediately from historic expenditure of around €20m per year to €67m per year of untriggered expenditure represents a very substantial step-up. Applying the IAA's established category-level methodology would not prevent the underlying projects from proceeding, but would provide a more reasonable centreline assumption for the timing of expenditure.

Incentives for timely delivery

The IAA's Draft Determination responds to uncertainty over CIP27 delivery through reduced untriggered allowances and the expanded use of project triggers. These mechanisms better align remuneration with project progress, but do not directly address the separate issue of late delivery where infrastructure is ultimately delivered, but materially later than Airport Users require it.

This matters given Dublin Airport's recent delivery record and the importance of a number of CIP27 projects to capacity, operational efficiency and passenger service. Delayed delivery can impose real costs on airlines and passengers even where the underlying expenditure is eventually incurred. For selected projects where the required output and delivery date can be clearly specified, there is therefore a case for strengthening the financial incentive to deliver on time.

Aer Lingus encourages the IAA to further consider the role of reverse triggers where Dublin Airport's actions result in avoidable delays that would not have arisen for a competent and efficient operator. For example, a project should not receive an enduring price-cap uplift after reaching an early trigger milestone if subsequent delivery is then materially delayed for reasons within Dublin Airport's reasonable control.

The CAA's project-level Capex incentive framework at Heathrow provides an alternative model. At the investment decision stage, Heathrow and airlines agree project budgets and Delivery Obligations covering required outputs, quality and, where appropriate, timing. Failure to deliver an agreed obligation adjusts the project baseline against which the financial incentive is calculated. The relevant principle for Dublin Airport is that incentives should be linked to delivery of the outputs Airport Users require, rather than expenditure for its own sake.

Any such mechanism should apply principally to delays within Dublin Airport's reasonable control and allow for legitimate changes in scope or timing. It should also be targeted at projects where delayed delivery would impose a material cost on Airport Users, rather than applied mechanistically across the entire capital programme.

Triggered projects and pre-funding

We strongly support the IAA's expanded use of triggers for CIP27, and consider the IAA's decision to make greater use of project-specific triggers, including an earlier Trigger A milestone, a constructive development.

The IAA's Draft Determination proposes that new CIP27 triggered projects receive a 5.23% real WACC, compared with the 4.56% core WACC,⁵ while Trigger A allows 79% of the project's capital-cost allowance to enter the price cap once the project is 'on-site', has full planning permission and average efficient Capex over the regulatory period to date exceeds €570m per year.

We welcome the introduction of this aggregate Capex condition, which responds to the risk that individual A triggers could otherwise activate despite relatively low overall investment.

However, the interaction between the trigger WACC and the €570m threshold may create two unintended incentive effects which merit additional safeguards.

- **Different assumptions on cost of debt mix in the WACC may affect project prioritisation.** The 5.23% WACC applies to the full capital-cost allowance of projects classified as triggered, while investment within the untriggered programme earns the 4.56% core WACC. Where Dublin Airport faces constraints on planning, management, procurement or construction capacity, this creates a financial preference for progressing triggered projects over otherwise worthwhile untriggered projects.
- **This appears disconnected from the rationale for the WACC differential.** The IAA's methodology assumes a higher proportion of new debt for the additional triggered investment; it does not suggest that the triggered projects themselves are inherently riskier investments. If the differential is intended to reflect the cost associated with funding investment above the baseline programme, there is a case for applying the higher WACC only to the marginal Capex requirement above that baseline, rather than to the full value of whichever projects are classified as triggered.
- **The €570m threshold may affect expenditure timing.** Trigger A operates as a cliff edge: the IAA's own worked example shows average efficient Capex of €567m failing the test while €575m satisfies it. Crossing the threshold can therefore unlock 79% pre-funding across a much larger portfolio of triggered projects. This could create an incentive to accelerate or reprofile otherwise allowable expenditure where doing so enables Trigger A to activate.
- The requirement that only "efficient Capex" counts towards the threshold provides some protection against straightforward overspend. However, efficiency for this purpose is principally assessed by reference to expenditure remaining within the latest StageGate or grouped allowance. This does not necessarily establish that the timing or prioritisation of otherwise allowable expenditure is efficient. The incentive is also strengthened because, once an A trigger activates, it remains active for the rest of the regulatory period even if average Capex subsequently falls below €570m.

The IAA should therefore consider modest additional guardrails which preserve the strong incentive to progress the CIP27 programme while reducing these distortions. In particular, it could link the higher WACC more directly to Capex genuinely incremental to the baseline programme, require reasonable delivery of the untriggered programme before Trigger A activates, and/or periodically retest the aggregate Capex condition.

Historical Capex reconciliation and clawback

⁵ We note that the triggered WACC varies only in its assumption of 100% new debt, and these are fundamentally the same WACC.

Aer Lingus strongly supports the IAA's decision to clawback historical capital costs arising from the significant underdelivery of the 2023-2026 untriggered Capex programme. However, we consider that the IAA should revisit whether the proposed €161.7m fully reflects the amount recovered from Airport Users in respect of investment that was not delivered.

The clawback reflects the return of capital (depreciation) and return on capital that Airport Users paid through charges in respect of expenditure that was assumed in the price control but was not ultimately incurred. The IAA calculates the proposed €161.7m clawback by applying the overall Capex underdelivery rate to the capital costs allowed for 2023-2026. This is equivalent, on the simplified assumptions used below, to identifying the component of the per-passenger charge associated with the undelivered investment and applying it to the passenger volumes forecast when charges were set.

However, passenger volumes subsequently exceeded those forecasts. The same per-passenger component was therefore recovered from a larger passenger base. Holding the expected annual Capex profile constant, our illustrative calculation indicates that approximately €170.1m was recovered in respect of the undelivered share of the programme, around €8.4m more than the IAA's proposed clawback.

Table 1: Illustrative impact of passenger outperformance on capital-cost over-recovery

	2023	2024	2025	2026	Total
Undelivered-Capex component of charge (€/pax)	0.51	0.96	1.39	1.83	-
Passenger forecast used to set charges (m)	31.7	33.6	34.7	35.7	135.7
Actual / current forecast passengers (m)	33.5	34.6	36.4	37.9	142.5
Recovery at forecast passenger volumes (€m)	16.1	32.2	48.3	65.2	161.7
Recovery at actual / current passenger volumes (€m)	17.0	33.2	50.7	69.2	170.1
Additional recovery from passenger outperformance (€m)	0.9	1.0	2.4	4.1	8.4

Note: The undelivered-Capex component of the charge is calculated by applying the overall c.43% underdelivery rate to the annual capital-cost allowance and dividing by the passenger forecast used to set charges. The illustration holds the expected annual Capex profile constant, thereby abstracting from the separate effect of the timing of Capex delivery. 2026 passenger volumes are based on the current forecast.

This calculation does not seek to reopen the general allocation of passenger-volume risk to Dublin Airport. Rather, it asks a narrower question: where the IAA has decided that capital-cost remuneration associated with undelivered investment should be returned to Airport Users, should the reconciliation reflect the amount of that remuneration actually recovered, rather than only the amount expected to be recovered when the price cap was set? Aer Lingus considers that the IAA should address this point in the Final Determination and revise the clawback where appropriate.

Having established the amount to be returned, the starting point should be to return the money to Airport Users as soon as reasonably practicable, rather than treating the timing of the clawback principally as a means of managing the future price-cap profile.

A more timely repayment would also better align the Airport Users who benefit from the clawback with those who bore the original over-recovery. Exact matching is not possible, but the IAA's proposed profile returns only 20% in 2027-2028 and defers 60% to 2030-2031. This increases the likelihood that the benefit accrues to a different mix of airlines and passengers from those who paid higher charges during 2023-2026. Earlier repayment therefore better reflects the purpose of the reconciliation: correcting for capital-cost remuneration recovered from Airport Users in respect of expenditure that did not occur.

The IAA explains that its proposed profile has regard to both smoothing the price-cap trajectory and its financeability analysis, with the backloading reducing the fall in charges in 2027 and offsetting prospective increases from triggered projects later in the control. Aer Lingus does not consider financeability to provide a sufficient reason for delaying the return of money already determined to be due to Airport Users. The financeability assessment should remain a cross-check on an efficiently determined regulatory settlement, rather than a mechanism for retaining historic over-recoveries to support Dublin Airport's future cash flows or financial ratios. The IAA has introduced Trigger A specifically to bring forward funding where Dublin Airport progresses a materially larger investment programme and additional financing support is considered necessary. This mechanism weakens the case for also retaining historical capital costs already determined to be due back to Airport Users.

We recognise that avoiding unnecessary volatility in Airport Charges can have value for Airport Users. However, smoothing should be secondary to timely restitution, and Aer Lingus therefore asks the IAA to adopt a materially more front-loaded clawback profile in the Final Determination. The prospect of higher charges from future triggered investment is not in itself a reason to defer repayment of amounts arising from underdelivery in an earlier regulatory period.

Irrespective of the repayment profile ultimately adopted, **any amount that remains outstanding should attract an appropriate financing adjustment for the period of deferral**. Expressing the clawback in constant March 2026 prices protects against inflation but does not compensate Airport Users for the time value of money.

Using the IAA's proposed €161.7m clawback and its 4.56% core real WACC as an illustrative financing rate, the proposed repayment stream has a value of approximately €141.4m at 1 January 2027, around €20.3m less than the €161.7m due to Airport Users. Preserving the IAA's existing profile while making it NPV-neutral would require total real repayments of approximately €185.5m over 2027-2031. This estimate is conservative because it only compensates for deferral from 1 January 2027, rather than from the period during 2023-2026 in which the excess remuneration was originally collected, and it ignores the excess revenue raised on extra passengers.

Table 2: Illustrative impact of an NPV-neutral clawback

€ / passenger	2027	2028	2029	2030	2031
IAA Draft price cap	8.630	8.349	8.756	10.010	11.051
NPV-neutral clawback adjustment	-0.009 (-0.1%)	-0.027 (-0.3%)	-0.091 (-1.0%)	-0.221 (-2.2%)	-0.202 (-1.8%)

€ / passenger	2027	2028	2029	2030	2031
Illustrative NPV-neutral price cap	8.621	8.322	8.666	9.789	10.849

Note: The IAA Draft Determination price cap includes forecast triggered allowances and the proposed clawback profile. The illustrative case holds all other building blocks unchanged and adjusts only for the financing cost associated with deferring the clawback.

Aer Lingus therefore asks the IAA to adopt a more timely repayment profile and to apply a financing adjustment to any balance that remains deferred. These address separate issues: earlier repayment better aligns the benefit with the Airport Users who bore the original over-recovery, while NPV neutrality ensures that whatever profiling remains does not transfer value from Airport Users to Dublin Airport.

StageGate, flexibility and ongoing oversight

Aer Lingus continues to strongly support the StageGate framework for projects where scope, solution or efficient cost cannot yet be determined with sufficient confidence. We therefore welcome the IAA's decision to increase the number of StageGate projects from 32 in Dublin Airport's proposal to 45, reduce the number of Flexible projects, and retain a single StageGate process rather than the two-tier approach proposed by Dublin Airport. These changes strengthen ongoing scrutiny of cost and scope while retaining the flexibility needed for projects that remain at an early stage of development.

We also welcome the IAA's proposed quarterly Capex reporting, including reporting on reallocations and projects not originally consulted on. However, where material expenditure is reallocated within a Flexible grouping to a new or materially different project, reporting only after the expenditure has been committed limits the value of consultation. The IAA should establish an appropriate materiality threshold above which significant reallocations are notified to Airport Users when they occur, alongside the proposed retrospective reporting.

The importance of matching regulatory treatment to the degree of uncertainty is illustrated by the proposed treatment of PFAS expenditure. Aer Lingus supports the IAA's decision not to include ex-ante costs for CIP27.02.50, PFAS on Construction Sites, and instead to provide for costs to be recognised as contamination is identified and expenditure becomes necessary. However, the same protection has not been applied to CIP27.01.11, Legacy PFAS Mitigation and Remediation, for which the Draft Determination includes an assessed allowance of approximately €172.9m.

The evidence supporting that allowance remains highly provisional. The estimate is based on desktop assessment, with detailed site surveys still outstanding, while the cost of PFAS remediation can vary materially depending on the extent and location of contamination and the appropriate treatment method. In these circumstances, fixing a large remediation allowance before the underlying requirement has been established exposes Users to substantial cost and timing uncertainty.

Aer Lingus therefore asks the IAA to apply a comparable drawdown approach to CIP27.01.11, with remediation expenditure entering the regulatory framework as the extent of contamination and efficient treatment costs are confirmed. At minimum, expenditure should initially be limited to the investigation and survey work required to establish the remediation requirement, with the substantive allowance determined through the StageGate process once the evidence base is sufficiently developed. This would

apply the same regulatory principle consistently across the two PFAS projects while allowing necessary remediation to proceed.

Sustainability

Aer Lingus recognises that Dublin Airport will need to undertake investment to comply with binding environmental and sustainability obligations. Such projects should be provided with efficient allowances where their need, scope and timing are sufficiently evidenced. However, the scale of the proposed Sustainability programme makes it particularly important that the same standards of need, efficiency and value-for-money assessment are applied as elsewhere in CIP27.

The nine projects within the Sustainability envelope have a combined assessed value of approximately €669m. Skylark's review notes that the supporting business cases are described principally in qualitative terms and do not publish conventional quantitative assessments such as NPV, payback period or cost per tonne of carbon abated. Without this information, Airport Users cannot readily assess whether the proposed expenditure represents the least-cost means of meeting the relevant obligation or whether the scale and timing of the investment is proportionate.

Ahead of the Final Determination, the IAA should therefore distinguish clearly between expenditure required to meet specific binding obligations and expenditure reflecting Dublin Airport's wider sustainability ambitions. For both categories, the proposed solution should be demonstrated to be efficient. Where expenditure goes materially beyond minimum requirements, the IAA should additionally demonstrate that the incremental expenditure provides sufficient operational, cost, resilience or other benefits to Airport Users to justify recovery through Airport Charges.

Finally, as discussed above, Aer Lingus supports applying a category-level deliverability adjustment to the untriggered Sustainability allowance. The combination of historically low delivery, the substantial increase in proposed annual expenditure and the early development stage of a number of projects means that the full €336m untriggered allowance does not appear to represent the most reasonable centreline assumption for 2027 – 2031.

7. Quality of Service

Aer Lingus supports the continued use of a strong QoS regime to ensure that Dublin Airport delivers the standard of service passengers and airlines should reasonably expect at an efficient cost. We welcome several elements of the Draft Determination, including the retention of important protections on passenger security queue times, the strengthening of Passengers with Reduced Mobility (PRM) standards, the introduction of a specific staff security search target, and the IAA's decision to retain a high threshold for exemptions.

The starting point for the QoS regime should be that Airport Users already fund, through Airport Charges, the efficient Opex and Capex required to deliver an appropriate minimum standard of service. The regime should therefore place a strong financial consequence on failure to deliver those standards, particularly for services that directly affect the passenger experience and airline operations, rather than allowing persistent underperformance to become embedded in future targets.

Washroom cleanliness is a clear example. Dublin Airport has incurred rebates for failing the existing standard in recent years, despite the costs of providing and maintaining these facilities being funded through the regulatory settlement. Aer Lingus considers that the Final Determination should maintain a stretching but achievable standard in this and other areas of current underperformance, rather than recalibrating expectations around recent poor performance. More generally, the QoS framework should focus on outcomes that matter to passengers and airline operations and for which Dublin Airport can reasonably be held accountable.

Security queue-time targets

Aer Lingus supports the IAA's decision to reject Dublin Airport's proposed 90% monthly security target and to retain the daily 30-minute standard and 45-minute backstop. We also agree that the existing 20-minute target should be recalibrated. However, the IAA has not yet demonstrated that its proposed replacement, 95% of passengers within 20 minutes each month, would provide equal or better protection for passengers.

The IAA has modelled how often alternative targets would have been breached using actual performance between 2023 and 2025. While useful, this does not show how far performance could deteriorate while Dublin Airport remained compliant. The proposed 95% monthly target would have been achieved throughout 2024 and 2025, making it important to understand the level of passenger service the new standard would actually permit.

Moving from daily to monthly assessment also risks masking poorer performance during the busiest periods. The retained 30-minute daily target provides protection against particularly severe queues, but repeated waits between 20 and 30 minutes could still occur during principal departure and transfer banks while Dublin Airport remained compliant with the monthly standard. This is particularly relevant if queue-time observations are not weighted according to the number of passengers affected.

Ahead of the Final Determination, Aer Lingus therefore asks the IAA to extend its modelling in two respects:

- Maximum compliant deterioration: quantify how much queue-time performance could deteriorate before a rebate is triggered under the existing and proposed regimes.
- Passenger exposure: estimate how many passengers could experience waits above 20 minutes under a credible worst-compliant scenario under each regime, using actual within-day passenger volumes.

The second test is particularly important. The QoS regime should incentivise Dublin Airport to protect performance when the greatest number of passengers are affected, rather than allowing strong off-peak performance to compensate for poorer outcomes during peak periods. If the proposed monthly standard permits materially worse outcomes for more passengers than the existing regime, the IAA should recalibrate it or introduce an appropriate passenger-weighted or peak-period safeguard.

Staff security search

Aer Lingus strongly welcomes the IAA's proposal to introduce a specific QoS target for staff security search. Aer Lingus identified staff security checks as an area requiring improvement in its response to the Issues Paper, reflecting the importance of timely staff access to the orderly operation of the airport.

However, we question whether the proposed target of 99.5% of staff processed within ten minutes each month is sufficiently stretching. The IAA's T1 data show that between 99.8% and 100% of staff-search observations were already below ten minutes in every month of 2025, while equivalent T2 data were not available for the Draft Determination. Aer Lingus experienced material delays in T2 during peak operational periods in 2025, illustrating why strong average or monthly performance may not capture the periods when staff-search performance has the greatest operational consequence.

Aer Lingus therefore asks the IAA to test the proposed target using the T2 evidence available ahead of the Final Determination and against performance during the principal operational banks. A staff-weighted measure or tighter peak-period safeguard should be considered so that material delays affecting large numbers of operational staff cannot be averaged out by strong performance during quieter periods.

Stand availability and utilisation

Aer Lingus remains concerned that the QoS framework does not include an appropriate measure of stand and gate availability. We raised stand congestion, towing delays and stand availability in our Issues Paper response, reflecting the importance of reliable stand access to aircraft turnaround, passenger experience and the operation of Aer Lingus' hub schedule.

The IAA has not proposed such a measure, in part because stand availability can be affected by infrastructure capacity and wider operational factors. However, this does not fully address the issue raised by Aer Lingus. Whatever infrastructure is available, Dublin Airport can materially influence the service delivered from it through stand planning and allocation, towing, stand readiness and real-time operational management. The QoS regime should incentivise efficient utilisation of the stand estate already funded by Airport Users.

Aer Lingus therefore asks the IAA to work with airlines to develop a measure focused on Dublin Airport's operational management and utilisation of available stands. Such a measure should isolate outcomes Dublin Airport can reasonably control and should not depend on assumptions about future infrastructure or provide additional funding for Capex.

Passenger satisfaction and bonuses

Aer Lingus remains opposed in principle to the payment of QoS bonuses. Airport Users already pay through Airport Charges for Dublin Airport to deliver the service standards established by the regulatory settlement. Rebates are appropriate where those standards are not achieved. Conversely, Airport Users should not be required to pay an additional amount simply because Dublin Airport delivers the standard already funded, nor for performance above that standard where the additional improvement has not been demonstrated to provide commensurate value to passengers. This is consistent with the position Aer Lingus set out in response to the Issues Paper.

This concern is particularly relevant to the proposed passenger-satisfaction measures. For most new measures the IAA has mechanically set the rebate threshold 0.3 points below the 2025 average and the bonus threshold 0.5 points above it, without demonstrating that these represent appropriate minimum and exceptional standards or reflect passengers' willingness to pay. Where an existing service already requires improvement, anchoring the thresholds around current performance may also entrench an inadequate standard rather than incentivise improvement. Departure-gate seating, for example, scored

7.6 in 2025 but would face no rebate until 7.3, while the lounge threshold of 7.8 is based on a 2025 score affected by closures and refurbishment.

There is a further problem with the interaction between bonuses and rebates. Bonuses earned for exceptional performance on passenger-satisfaction metrics can reduce the overall financial consequence of failing minimum standards elsewhere in the regime. Aer Lingus raised this concern in its Issues Paper response, noting that bonuses in 2023 and 2024 reduced the overall rebates associated with failures in security, washroom cleanliness and ground-transport information. There is no clear passenger benefit from allowing overperformance in one, unrelated service to compensate financially for failure to deliver another minimum standard.

Aer Lingus therefore does not support increasing the overall level of bonus rewards simply because additional satisfaction measures have been introduced. If the IAA nevertheless retains bonuses, they should only be capable of being earned once the minimum standards across the QoS regime have been met, and should be reserved for genuinely exceptional performance where there is evidence that the additional service quality is valued by passengers.

8. Cost of Capital

WACC treatment of the main RAB and triggered project RAB

The only difference between the treatment of the WACC return on the untriggered RAB versus triggered projects is the assumed mix of embedded and new debt. For the untriggered RAB, the IAA applies its standard cost of debt assumption, including a 48% weighting on new debt. For triggered projects, it assumes that the debt component is financed entirely through new debt, resulting in the higher 5.23% calculated return.

Aer Lingus supports this differentiated debt assumption as a targeted means of reflecting the greater financing requirement that may arise if Dublin Airport progresses a materially larger investment programme, and lowering the likelihood of the debt share assumption being incorrect. We also note that this should not be interpreted as a triggered projects premium, given that the WACC is only higher as at present the real cost of new debt is higher than embedded debt. Were the reverse to be true in the future, and the cost of new debt were lower than the cost of embedded debt, we would expect to see this accounted for symmetrically, with a triggered projects WACC being lower than the untriggered projects WACC.

We do not advocate for and strongly reject this approach becoming an avenue for the IAA to consider two separate WACCs underpinned by two separate sets of building blocks in future, and would not support different gearing or cost of equity assumptions. The underlying WACC framework should remain common across the RAB.

In addition, we are concerned around the potential perverse incentive effects that two different remuneration rates could create. A higher rate of return on one category of projects, which at this point in time happens to be trigger projects, creates an incentive for Dublin Airport to allocate Capex to trigger project spend first to attract a higher return – a perverse incentive we think the IAA should control. One possible measure could be remunerating the first €2.6bn of Capex spend (equivalent to the untriggered forecast) to be remunerated at the baseline WACC, and only Capex spend above this to be remunerated

at the trigger project WACC, regardless of whether the Capex spend actually was incurred for untriggered or triggered projects. This is also consistent with the assumption that once expenditure exceeds €2.6bn, Dublin Airport would be required to raise new debt, and this additional expenditure may be more new debt financed.

A similar principled protection has been put in place on pre-funding. We understand the IAA is proposing that pre-funding should only activate where total efficient Capex is trending materially above the untriggered Scenario, in addition to the project-specific trigger conditions.

Beta

Aer Lingus strongly supports the level of balance achieved by Europe Economics (EE) and the IAA. Overall, we view the approach to be more objective than that adopted for the previous price control, as it moves away from a subjective weighting approach. It is more transparent and ultimately leads to a beta estimate that is more reflective of Dublin Airport's low level of risk.

We consider the focus on the four main airports to be appropriate at this point in time, notwithstanding our concerns raised about currency issues with Zurich airport. We request going forward the IAA still consider cross-checks against other listed comparator airports including Bologna, Athens, and Sydney.

Advice from BA's academic advisers Prof Mason and Prof Robertson in relation to the Heathrow Airport Initial Proposals emphasises the inherent difficulty in estimating beta based on measurements that vary over time. They highlight the risk of allowing estimates to be overly influenced by periods containing outlier observations or by the mechanistic use of specific estimation windows. Our consistent position, supported by our advisers CEPA, has been to advocate for an estimation approach that sets recent estimates in the context of long-term returns.

We agree that EE's use of 2yr and 3yr beta estimates in support of IPs resulted in estimates that reflect the balance of recent evidence, cross-checked against longer-term trends. We continue to support an approach that avoids placing weight on outlier observations from the Covid-19 impacted period.

In making its final judgement, we expect the IAA will seek to reconcile its beta estimate with recent measurements in the six months since its Draft Determination publication data cut-off. Our advisers CEPA report that 2yr and 3yr measurements for comparator airports have increased slightly in that time – but remain within the range they considered to be representative. Although CEPA seeks to avoid estimates that are excessively sensitive to short-term fluctuations, they suggest that a small increase of 0.01 in the empirical range would be consistent with the recent evidence.

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. Again this is consistent with academic advice from Prof Mason in relation to Heathrow Airport: Prof Mason supports an approach that translates an airport's capacity constraint and single till regulatory framework into a downward adjustment to beta estimates for airports with less constrained capacity and a hybrid or dual till framework. Although EE and the IAA have acknowledged and agreed with these points, it is unclear that this has been explicitly and sufficiently reflected in the beta estimation.

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.”

In addition to the IAA’s point that single till is more credit protective and that therefore Dublin Airport’s systematic risk is lower than comparator airports under dual/hybrid till, EE 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.

The measured betas of listed airports span a very wide range and also vary over time. As a result, the overall assessment is highly sensitive to the IAA’s conclusions on which comparators are selected and Dublin Airport’s risk exposure relative to these comparators.

We welcome the increased level of transparency in this assessment; however, we have concerns about the exclusion of the 2-year Fraport beta estimate.

- Firstly, EE retains Fraport as an appropriate comparator, and the principal reason for disregarding the two-year estimate is that it falls below the regulatory asset beta range for Irish utilities. However, EE 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, while there is no equivalent quantitative upper-bound test for relatively high airport betas. This is particularly relevant given that Fraport’s lower beta appears to coincide with a period of relatively elevated AENA beta estimates. Excluding AENA on top of Fraport leaves a very restricted peer group (made up of airport groups with much higher systematic risk relative to DUB).

Before excluding any observation, we would encourage the IAA and EE 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. Any screening criterion should be applied consistently and symmetrically, particularly given that excluding observations further restricts an already small comparator set.

Overall, the updated evidence supports a modest upward revision to the beta range and central estimate, rather than a wholesale change in approach. Our proposed range can be supported either by applying a downward adjustment to the overall comparator evidence to reflect Dublin Airport's lower systematic risk, or by giving appropriate weight to Fraport's now somewhat higher, but still relatively low, beta as evidence towards the lower end of the range.

Aiming up

We strongly 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.
- 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.

As raised below, we would like to acknowledge that the rounding in the Equity Risk Premium (ERP) estimate also means the ERP is tending slightly to the upside.

In addition, the application of a commercial WACC which rewards shareholders at a market competitive rate may already be over rewarding Dublin Airport. The use of pre-funding replaces some of the need for shareholders to provide equity where they would be required to do so in a fully commercial environment.

Inflation

Aer Lingus, and its advisers 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 or real market evidence used to estimate individual WACC parameters is denominated by reference to a different inflation measure, the IAA should consider whether a structural difference exists between the inflation series and consider an inflation wedge where appropriate.

We do not agree with Europe Economics that the RAB indexation metric is irrelevant as a matter of principle. The fact that outturn inflation will differ from forecast inflation does not remove the need for consistency when setting the allowance ex ante. Outturn indexation protects Dublin Airport against deviations in the realised Irish CPI from expectations, but it does not in itself correct for any expected or structural difference between Irish CPI and the inflation measure used to convert nominal market evidence into real terms. Recent regulatory precedent pointed toward use of a 10-40bps wedge for a differential between German BE inflation and Irish HICP for the PR6 and PC5 price controls.⁶ In the UK, the CMA at PR24 and the CAA at H8 have sought to express WACC parameters on the same real inflation basis as the indexation of the regulated asset base, making adjustments where market evidence is expressed on a different basis (RPI-CPIH wedge).⁷

⁶ CEPA (2023) PC5 Allowed Return. pp. 27–33. Accessed [here](#).

CEPA (2025) PR6 Cost of Capital Estimation. pp. 29–34. Accessed [here](#).

⁷ Competition and Markets Authority (2026) Water PR24 References: Final Determinations, Volume 4: Allowed Return – Chapter 7. pp. 15–17. Accessed [here](#).

The inclusion of this principle does not imply that a positive adjustment is necessarily required. Aer Lingus and CEPA agree that a zero wedge is a plausible assumption on the current evidence. We agree with Europe Economics that the recent relationship between Irish and euro-area inflation has not been stable or consistently one-directional. However, the IAA should re-assess the forward-looking expected differential as well and apply an adjustment only where the evidence supports one.

Separately from the question of whether an inflation wedge adjustment is required, Aer Lingus also considers that the IAA should examine whether its treatment of inflation appropriately reflects Dublin Airport's financing structure. Aer Lingus encourages the IAA to consider the approach currently being developed by the CAA for Heathrow. The CAA is considering fixing the inflation indexation applied to the proportion of the RAB funded by fixed-rate debt, to reduce the risk of windfall gains where outturn inflation exceeds the inflation assumption used to deflate debt costs. British Airways has publicly supported this approach, describing it as an appropriate remedy to the "inflation leverage" issue.

This issue is also relevant to Dublin Airport, given its material fixed-rate debt. Aer Lingus therefore considers that the IAA should examine whether a similar approach would provide a more symmetric treatment of inflation risk and reduce the scope for unintended gains or losses.

Risk-free rate, TMR and ERP

For the Total Market Return (TMR), we are supportive of the use of long-run historical returns, of which the DMS dataset is a widely recognised source, and support use of the arithmetic means (and agree with points raised by EE on geometric means). However, we disagree with Europe Economics' approach in two places. Firstly, 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 EE's 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 we agree 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. EE's 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, and we consider this could be characterised as implicit aiming up.

For the risk-free rate, the aim is to identify the rate of return on an asset that bears no risk. The IAA's overall approach has remained consistent for some time in using Irish and German government bond yields as a benchmark. We agree that government bonds are a useful benchmark, but propose that German government bonds are a good proxy for a European-wide risk-free rate given Germany's AAA credit rating, the depth of the German government bond market and the quality of available market data. 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 its expert judgement to determine an appropriate averaging period. Where index-linked bond

FTI Consulting (2026) Initial Proposals for the H8 Cost of Capital. pp. 18–29, particularly the discussion of the RPI-CPIH wedge and Table 2-2. Accessed [here](#)

series are not available, we agree with the approach of calculating a real series from nominal bonds, however we support using daily inflation data to deflate the nominal series each day, and then averaging, as opposed to averaging a nominal series and using an inflation estimate to deflate the average.

Cost of debt

For calculating an allowed cost of debt for Dublin Airport, Aer Lingus remains supportive of the IAA's approach of a separate new and embedded debt calculation. For embedded debt, CEPA does not disagree in principle with the approach of using Dublin Airport's actual debt book but proposes a market-based cross-check should still be applied to check for reasonableness. We welcome the increased level of transparency from the IAA in providing the interest rates, tenors and descriptions of the debt items underpinning its weighted average calculation.

For new debt, we agree with the use of average bond yields from market indices, including the iBoxx source. We consider the IAA's use of an average of A and BBB (compared to 2/3rd weighting on BBB and 1/3rd on A) an improvement and step towards noting the strong credit position of Dublin Airport. We would still encourage the IAA to consider the 7-10yr benchmark series alongside the 10yr+.

Regarding issuance costs and Revolving Credit Facility (RCF) costs, we think the EE approach is reasonable. 5bps issuance costs on new debt and embedded debt; plus 2.5bps for RCF liquidity cost and 2.5bps for RCF set up cost on the embedded debt allowance. We agree with no cost of carry adjustment particularly given the level of pre-funding used.

We agree that under a scenario of WACCs with separate debt share assumptions for untriggered and triggered projects, that the untriggered or base case cost of debt should include a share of debt reflective only of untriggered projects. We would request some more transparency from the IAA on the derivation of the 51.83% embedded debt and 48.17% new debt share calculations. The share of debt would ideally be underpinned by a calculation reflecting the RAB growth over the next period.

Gearing

As included in our Issues Paper Response, we think a 40% notional gearing assumption would more closely reflect Dublin Airport's recent actual gearing as well as comparator gearing. As well as the gearing assumption in the WACC, our concern lay primarily in the size of the gearing assumption used in any notional financeability assessment as opposed to in the WACC. Given that the IAA employ a more "actual" financeability assessment reflecting Dublin Airport's actual debt profile and gearing, the concern here no longer holds.

Tax

While the focus on the regulated entity data is appropriate, the IAA's approach appears to extrapolate the 2023-2025 average effective tax rate without demonstrating that the underlying mix of taxable activities is expected to remain the same in the next price control period. We do not disagree with the proposed 15.5% rate, but would welcome a forward-looking cross-check using forecast revenues/profits by applicable tax rate over 2027-2031. We would also welcome confirmation of whether the IAA has sought specialist tax advice in developing or validating this assumption, and, if so, how that advice has informed the proposed tax rate.

The IAA should also test whether the 15.5% effective tax rate remains appropriate under both the untriggered and triggered investment scenarios. If triggered investment materially changes the mix of regulated activities or taxable profits, the tax assumption should reflect this.

9. Risk, Return and Financeability

Aer Lingus agrees with the overall financeability approach: that the IAA should consider whether the overall regulatory settlement enables Dublin Airport to finance efficient investment and raise debt at a reasonable cost, and support the IAA's stated objective of balancing Dublin Airport's ability to generate sufficient cash flows and raise investment-grade debt against protecting Airport Users from unnecessary upward pressure on the price cap. The financeability assessment should, however, remain a cross-check on the outcome of efficiently determined building blocks, rather than become a mechanism for increasing charges or bringing revenues forward to protect Dublin Airport against risks which it is capable of managing. We also agree that the assessment should focus on the regulated Dublin Airport entity rather than the wider daa group.

We reiterate daa's strong historical financial position having consistently maintained an A- or A credit rating even through Covid-19, with now an even stronger backing from a strong Irish government rating.⁸ This is further strengthened by the reaffirmed A rating post DD rating from S&P noting "significant rating headroom".⁹

We welcome the IAA's recognition that the single-till regulatory framework is credit protective by providing diversification between aeronautical and Commercial Revenues and reducing volatility in the regulated business. This should be appropriately reflected when assessing the degree of financial headroom Dublin Airport requires.

Approaches to assessing financeability

Aer Lingus broadly supports the IAA's continuation of the financeability framework used in previous determinations.

We do not disagree with a more "actual" versus "fully notional" approach and appreciate that a financeability assessment based on the actual financing structure removes a need for a notional gearing assumption. However, we would reiterate that should Dublin Airport choose a highly geared financing structure, this should not be a basis for increasing/accelerating charges or a reassessment of the regulatory determination. We expect the large capital programme to be financed through a mixture of equity/retained earnings and new debt and should not be financed 100% through new debt.

In particular, we agree with the use of S&P's Financial Risk Profile methodology and with the IAA's focus on FFO/Net Debt and Net Debt/EBITDA.

⁸ S&P Global (2026) Ireland Upgraded To 'AA+' On Stronger Economic and Fiscal Profiles. Available [online](#).

⁹ S&P Global (2026) daa PLC 'A' Ratings Affirmed Amid Improved Irish Fiscal Position; Outlook Stable. Available [online](#).

Aer Lingus does not seek to prescribe a particular target credit rating. We recognise that some financial headroom is appropriate to allow Dublin Airport to absorb reasonable downside risks while maintaining efficient access to debt markets. However, the IAA should carefully consider where that headroom is required.

The IAA has historically targeted a notional credit rating of at least BBB+, however has been less prescriptive in this determination. The IAA's review of S&P's methodology indicates that there is already material headroom between the thresholds relevant to Dublin Airport's stand-alone credit profile and those which would result in a downgrade of Dublin Airport. The Draft Determination notes that S&P affirmed Dublin Airport's A- rating on forecast average FFO/Net Debt of around 17%, and that a deterioration of the stand-alone credit profile from bbb+ to bbb would not itself affect Dublin Airport's rating. S&P indicated that a one-notch downgrade of Dublin Airport would require a further deterioration of the stand-alone credit profile to bbb-, associated with FFO/debt below approximately 11%. The purpose of regulatory headroom should be to maintain efficient access to investment-grade finance, rather than to insulate Dublin Airport from any possibility of movement within the investment-grade range.

The strength of Dublin Airport's business risk profile should also be recognised in this assessment. S&P has identified an EBITDA margin below 30% as one potential factor which could weaken its assessment of the business risk profile. The IAA's modelling shows EBITDA margins materially above that threshold throughout the regulatory period, including under its downside scenarios.

Financeability scenarios

Aer Lingus broadly supports the IAA's approach of assessing both an Untriggered Scenario and a higher-investment Triggered Scenario and agrees that downside stress testing is an appropriate part of the financeability assessment.

The results provide comfort that even under downside stress tests, the unTriggered Scenario remains financeable without adjustments.

We reiterate that the stress testing approach could be improved in two ways. Firstly, upside scenarios should also be presented. Dublin Airport can, and historically has, benefitted from Opex efficiencies and Commercial Revenue outperformance. In addition, Dublin Airport has historically outperformed passenger forecasts, leading to higher EBITDA margins than anticipated. Presenting this gives a more balanced picture of the overall balance of the risk and return package.

Secondly, a scenario on differing inflation outcomes should be presented. With indexed regulatory revenues/RAB but substantial fixed-rate nominal debt, unexpected inflation can affect equity returns in either direction.

Aer Lingus agrees with the overall choice of scenarios:

- Passenger underperformance of 5% combined with associated Commercial Revenue underperformance of 5% in every year 2027-2031, without any offsetting cost savings.
- Passenger underperformance of 10% in every year 2027-2031, with any associated impact on Commercial Revenues offset by cost containment related savings.
- Opex overspend of 10% in every year 2027-2031, not associated with any passenger or Commercial Revenue outperformance.

- Commercial revenue underperformance of 10% in every year 2027-2031, without any offsetting cost savings.
- Capex overspend of 10% in every year 2027-2031.
- Nominal cost of new debt of 5% rather than 4%.

Approaches to addressing financeability issues

Aer Lingus agrees with the IAA that no financeability adjustment is required for the Untriggered Scenario. More generally, temporary pressure on cash-flow ratios during periods of high investment should not automatically justify changing otherwise efficiently determined building blocks. A RAB-based regulated business can experience periods of weaker cash metrics while investment is being undertaken, without the underlying settlement being unfinanceable.

For the Triggered Scenario, we recognise the large capital investment, and understand the IAA's proposal of pre-funding, and agree with the IAA that pre-funding should only activate where overall efficient Capex is materially above the Untriggered Scenario, rather than when an individual project reaches the milestone.

Trigger project pre-funding and financeability

We recognise the importance of ensuring that Dublin Airport remains financeable, particularly if it is required to fund a material step-up in capital investment. However, we question whether it is appropriate to calibrate the level of pre-funding mechanistically to ensure financeability under a combination of assumptions which the IAA itself considers unlikely. The 69% pre-funding requirement is already derived assuming that all triggered projects proceed to Dublin Airport's proposed timelines – a scenario which the IAA describes as being at the “top of the plausible Capex range” and “highly unlikely” to materialise in full.

After modelling average Capex of c.€820m per year on the assumption that the triggered projects proceed to Dublin Airport's stated timelines, the IAA says: *“We consider this to be right at the top of the plausible Capex range, because it is highly unlikely that Dublin Airport will deliver all triggered projects to the proposed timelines.”*

The proposed 79% further increases pre-funding so that FFO/Net Debt remains above 13% even when this high-Capex scenario is combined with the most severe individual downside sensitivity modelled: Commercial Revenues being 10% below forecast in every year, with no offsetting cost savings. This appears particularly conservative given that the IAA elsewhere recognises Dublin Airport's ability to respond to revenue and passenger downsides through cost containment and expressly considers its downside sensitivities to be relatively unlikely.

In its discussion of risk allocation, the IAA says that historically Dublin Airport has demonstrated *“its ability to limit costs when traffic underperformed”*. While such scenarios are useful stress tests of the resilience of the determination, we do not consider that the pre-funding percentage should necessarily be calibrated to ensure that minimum financeability thresholds are met under the most severe individual stress tested. The appropriate level of pre-funding could instead reflect a balanced assessment of the reasonably expected financing requirement, while retaining appropriate but proportionate headroom for downside risk.