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Austria's Aviation Landscape 2025: Legal and Market Developments

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BIO

Dr. Martin R. Geiger, LL.M., CSE, completed postgraduate studies at the University of Amsterdam after studying law at the University of Salzburg. He was admitted to the Austrian Bar in 2002. Before being one of the founding attorneys of GHP in 2024 he was a partner in national Austrian law firms and in an international law firm in Vienna.

Martin Geiger is inter alia a specialist in aviation law, including sales and financing transactions as well as regulatory issues, operating and CAMO issues, and also litigation and arbitration.

His legal know-how and long-standing practical experience in the aviation sector is valued by national and international aircraft carriers and operators, banks, financial institutions as well as technical and service enterprises of the aviation industry.

He is a member of the ABAA and EBAA and regularly publishes in international publications in the field of aviation.



Introduction

Austria's aviation sector has undergone significant evolution since 2024, driven by environmental imperatives, EU regulatory alignment, infrastructure expansion, fleet modernisation, and the rapid ascent of unmanned aerial systems (UAS). As a hub linking Western and Eastern Europe, Austria occupies a strategic position in continental air traffic. Its legal and operational responses to pressing aviation challenges offer critical insights for operators, regulators, investors, and policymakers alike.

This article, reviews Austria's post-2024 developments across regulatory, environmental, technological, safety, infrastructure, and market domains, with a particular focus on the legal ramifications

and strategic opportunities that have emerged.

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In March 2024, the Korneuburg Regional Court ruled against an Austrian carrier's misleading 'carbon-neutral' flight claims, setting a precedent for stricter green advertising standards under Austrian and EU law.

1. Regulatory Framework: Harmonisation and Implementation

1.1 Single European Sky (SES) Reform

In March 2024, a major breakthrough occurred in Brussels with a provisional agreement on reforming

the Single European Sky. Intended to reduce flight delays, optimise airspace, and decrease aviation emissions, the reform mandates performance-based oversight, fosters cross-border cooperation between Air Navigation Service Providers (ANSPs), and bolsters EASA's role. Austro Control, Austria's ANSP, must now navigate a complex landscape of performance targets and cross-border integration, necessitating legal and operational recalibration.

1.2 Standardised European Rules of the Air (SERA)

Implementing Regulations 2024/403–405 introduced major updates to SERA, which came into force in July 2024. These changes further harmonise flight rules with ICAO standards. Austrian operators, particularly those conducting cross-border operations, have had to adjust operational manuals and standard operating procedures to reflect these amendments. Austro Control has been issuing guidance to facilitate compliance.

1.3 ETS and Emissions Reporting

Since January 2024, EU ETS allowances for aviation have been rapidly declining, with 25% fewer free allocations in 2024, dropping to zero by 2026. Austrian airlines now participate in a fully auctioned system, increasing cost burdens. Under the Austrian Emissions Certificate Act (EZG), operators must submit verified CO₂ emissions by 31 March each year. Failure to do so triggers penalties under EU Regulation 601/2012.

1.4 National Aviation Strategy 2040+

Austria's "Luftfahrtstrategie 2040+", released by the Ministry for Climate Action (BMK), outlines long-term goals across decarbonisation, digital transformation, and competitiveness. It promotes sustainable fuels (SAF), hydrogen propulsion, and regulatory support for green airport infrastructure. A companion strategy on Research, Technology and Innovation (RTI) aligns with EU funding instruments.

2. Environmental Oversight and Legal Scrutiny

2.1 SAF Advertising Litigation

A landmark case in March 2024 saw the Korneuburg Regional Court rule against an Austrian carrier that marketed certain flights as "carbon-neutral" while using just 0.4% SAF. The court found the practice misleading, especially given the cost surcharge applied. This ruling sets a precedent: under Austrian and EU advertising law (UWG and Unfair Commercial Practices Directive), green claims must be backed by quantifiable evidence. Airlines must now clearly disclose SAF shares, surcharges, and offsets.

2.2 Aviation Taxation and Fit-for-55

The Fit-for-55 climate package includes an EU-wide kerosene tax, phased in from 2023 to 2033. While Austria currently exempts international flights from VAT and fuel taxes under Directive 2003/96/EC, these exemptions are under pressure. Austrian lawmakers are considering how to transpose EU mandates without destabilising regional operators.

Additionally, Austria's national CO² tax, set at €45/tonne in 2024 (rising to €55 in 2025), further increases airlines' fiscal burdens. Legal questions persist over compatibility with EU competition rules and State aid frameworks.

3. Infrastructure Modernisation and Capacity Growth

3.1 Vienna International Airport (VIE) Expansion

In February 2024, Vienna International Airport broke ground on its long-awaited Terminal 3 South expansion. The €420 million project, due for completion in 2027, adds 70,000 m² of terminal space, additional bus gates, and significantly expanded commercial offerings. This development is pivotal, given VIE's role as a Central European hub.

Legal oversight includes zoning, public procurement compliance under Austrian Federal Procurement Law, and adherence to EU State aid rules given possible public funding components.

3.2 APAS 2024: Austrian Plan for Aviation Safety

The 2024 edition of APAS enhances Austria's risk-based safety oversight and aligns with the European Plan for Aviation Safety (EPAS) and ICAO's Global Aviation Safety Plan (GASP). It sets targets for incident reduction, operator safety management systems (SMS), and proactive data collection.

Austro Control now requires detailed SMS documentation from all AOC holders and maintenance organisations. Operators face intensified inspections and risk assessments, particularly in areas such as human factors and cybersecurity.

4. Fleet Renewal and Commercial Dynamics

4.1 Austrian Airlines' Long-Haul Modernisation

Austrian Airlines began receiving Boeing 787-9 Dreamliners in 2024, replacing its aging 767-300ER fleet. Nine more are expected by 2028. These new aircraft, with lower emissions and improved fuel efficiency, are critical to meeting EU ETS and ICAO CORSIA targets. The fleet transition raises legal considerations, including asset registration, financing under Cape Town Convention protocols, and certification under EASA Type Certificates.

4.2 Domestic Route Reassessment and Pricing Constraints

Austria maintains a minimum ticket price of €40 and restricts short-haul flights under 350 km where train alternatives exist. These policies, while environmentally motivated, limit commercial flexibility. Airlines have reduced routes such as Salzburg–Vienna and focused on international expansion.

Legally, these rules must balance environmental objectives with EU freedom to provide services and the right to free movement.

Complaints are expected at the European level.

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In 2024, Austrian Airlines began integrating Boeing 787-9 Dreamliners into its fleet, aligning with EU ETS and ICAO CORSIA targets while navigating complex legal requirements under the Cape Town Convention and EASA certifications.

4.3 Regional Airport Developments

Klagenfurt Airport experienced governance upheaval in 2023 when the Lillihill Group's proposed Liliair failed to materialise. Ownership reverted to the state of Carinthia. Meanwhile, Ryanair returned to the airport in mid-2024. These developments demonstrate both the fragility and opportunity in Austria's regional airport sector. Legal advisors are increasingly involved in airport PPP structuring, State aid compliance, and route development negotiations with carriers.

5. Unmanned Aerial Systems (UAS): Integration and Oversight

5.1 Hydrogen-Powered UAV Milestones

In January 2025, Austria certified its first SPECIFIC-category hydrogen-powered fixed-wing UAV-ELENA. Developed by AIT and AIRlabs, the UAV required a novel risk assessment framework under EASA's SORA methodology. AIRlabs' Punitz testing site facilitated successful demonstration flights.

This milestone underscores Austria's capability in green UAS innovation. Legal advisors were key in navigating certification, operational authorisation, and liability insurance.

5.2 Alpine Testing and UAS Noise Research

AIRlabs' new LO-R 12 Hochkar test area in the Ybbstal Alps enables high-altitude UAS trials. It supports both fixed-wing and VTOL drones under harsh conditions. Additionally, the UAS-NoiseCheck project deploys GNSS, acoustic sensors, and meteorological tools to analyse noise emissions.

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In January 2025, Austria certified its first hydrogen-powered fixed-wing UAV, ELENA, marking a significant milestone in green UAS innovation and navigating complex EASA SORA risk assessment and liability frameworks.

Austro Control is developing noise certification baselines for drones - a step towards integrating UAS into urban environments. Operators must prepare for future certification obligations under an expected EU drone noise directive.

6. Research, Innovation and Policy Synergies

6.1 Aviation Forum Austria

2024

Held in October 2024, this high-profile event featured BMK, FFG, AIA, and WKO alongside industry leaders. Topics included hydrogen propulsion (e.g. H2EDT project), SAF innovation, AI in flight operations, and airport digital twins. Austrian suppliers like FACC and Pankl presented R&D breakthroughs.

The legal sector plays a role in IP protection, State aid compliance, and international R&D cooperation agreements.

6.2 open4aviation Platform

BMK's open4aviation portal offers a comprehensive map of Austria's 220+ aviation-related entities. It enhances visibility for foreign investors and researchers seeking Austrian partners. The RTI Strategy 2040+ now incorporates sub-strategies for advanced propulsion and icing systems.

6.3 SESAR and Air Traffic Modernisation

Austria is actively involved in SESAR JU's 2025 initiatives, with projects spanning trajectory-based operations (TBO), System-Wide Information Management (SWIM), and AI integration into ATM systems. Legal implications include data protection under GDPR, certification of AI systems, and cross-border data-sharing frameworks.

7. Safety, Security and AI in Aviation

7.1 EU Air Safety List and Oversight

The EU's December 2024 Air Safety List update banned additional carriers, including Air Tanzania. Austrian operators must avoid contractual arrangements (e.g. wet leases) with banned entities to avoid compliance breaches.

7.2 Artificial Intelligence and Regulatory Gaps

A February 2025 study explored the certification of AI systems in aviation, particularly in ATM. Austria's contributions to EU-level AI safety frameworks are notable, given its national AI strategy and participation in Horizon Europe research calls.

From a legal standpoint, AI deployment in aviation raises issues around liability, explainability, and certification. The proposed EU AI Act will likely become a key compliance instrument.

8. Market Outlook and Legal Strategy

8.1 Price Pass-Through and Legal Limits

Airlines face limited scope for environmental surcharge pass-through, especially after court-imposed restrictions on green marketing. Combined with rising CO₂ and ETS costs, this compresses margins. Legal teams must structure transparent surcharge models and preempt regulatory scrutiny.

8.2 Investment and Compliance Opportunities

Austria offers investment avenues in:

- Green airport infrastructure (e.g. Vienna Terminal 3)
- SAF production and certification
- Hydrogen-powered UAVs
- Advanced ATM technologies (SESAR-aligned)

Legal counsel is essential for navigating procurement law, State aid approval (under Articles 107–109 TFEU), and joint venture structuring.

8.3 Litigation and Liability

Litigation risk is rising. Environmental claims are under strict judicial scrutiny. Advertisers must validate any “green” messaging. Airline operators face exposure under the UWG (Austrian Act against Unfair Competition) and the UCPD (Unfair Commercial Practices Directive). ESG statements must be defensible in both civil and administrative courts.

9. Conclusion

Austria's aviation sector is undergoing transformational change, driven by climate commitments, European integration, and technological innovation. From regulatory reforms and fleet modernisation to UAS testing and green infrastructure, the legal environment is increasingly complex and intertwined with global trends.

For capital investors and aviation stakeholders, Austria offers both stability and innovation. However, strategic success will require navigating the EU and Austrian legal framework, especially regarding sustainability, data, AI, and public-private partnerships. As the skies evolve, so must the laws that govern them.

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Austria's aviation sector offers robust investment opportunities in green infrastructure, SAF production, and hydrogen-powered UAVs, but success hinges on navigating complex EU and Austrian legal frameworks, including procurement, State aid, and ESG compliance.