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Ireland: Trends and Developments

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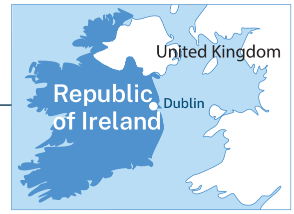

Trends and Developments

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A&L Goodbody is one of Ireland's leading Irish corporate law firms. Its aviation and transport finance team is led by partners Marie O'Brien, Séamus Ó Cróinín, Maria McElhinney and Keith Mulhern. Collectively, the firm has great experience when advising on financing structures, including significant experience in the establishment of new aircraft leasing and financing platforms, joint ventures and sidecars, M&A, asset-backed securitisations, aircraft portfolio sales, acquisitions and financings, aircraft leasing transactions and high-profile restructurings. A&L Goodbody works closely with clients in the USA, Asia, the Middle East and Europe to start or expand their business through a presence in Ireland, helping them navigate the Irish legal, tax and regulatory environment. As one of the largest aviation teams in Ireland, the firm has the experience to advise on the largest and most complex transactions with a focus on delivering client-first, solution-based Irish legal advice.

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Market Conditions, Supply Chain Issues, New Technology, Geopolitical Risks, and Green Aviation in Ireland

Introduction

As the global hub for aircraft leasing, Ireland enjoys a uniquely wide perspective on the trends and developments in the industry. 2025 delivered another year of strong performance for the aviation sector, driven by resilient demand for air travel, constrained aircraft supply and a favourable financing environment. The industry has evolved, consolidated and specialised. Ireland's central role, managing or legally holding more than half of the world's commercially leased aircraft, has only deepened as new platforms are established and existing players expand through M&A activity.

The Irish aircraft lessor community continues to play a vital role in the development of the global aviation sector. In this article, the authors examine some of the key trends and developments in the aviation finance and leasing sector in Ireland in 2025 and 2026, and how aircraft lessors, lenders and investors are navigating a market characterised by opportunity, complexity and geopolitical risk.

Market conditions and demand

The aircraft leasing market entered 2026 in a position of considerable strength, underpinned by a persistent mismatch between aircraft supply and airline demand. The International Air Transport Association's (IATA) most recent industry outlook projected continued global passenger traffic growth in 2026 and forecasted a further increase in industry net profit over 2025 levels, with passenger load factors remaining at or near record highs.

Some analysts have predicted that the global aircraft leasing market will grow from approximately USD209 billion in 2025 to USD226.7 billion in 2026, reflecting a compound annual growth rate of 8.4%. Leasing penetration has expanded in recent years to over 50% of the world's commercial aircraft now leased rather than owned. Ireland remains the jurisdiction of choice for new and established aircraft finance and leasing platforms.

Supply chain issues and new technology

Although finance availability has been plentiful, the lack of available aircraft presents a real challenge to industry. Manufacturer production rates remain below demand levels despite gradual improvement. Airbus reported a 4% increase in commercial aircraft deliveries in 2025 to 793 aircraft, whilst in late 2025 Boeing was granted permission to increase 737 MAX production to 42 units per month. The aircraft supply picture is slowly improving from the peak disruption of recent years, but the market remains fundamentally constrained, with engine shop visit backlogs and limited MRO (maintenance, repair and operations) throughput preventing a return to pre-pandemic supply conditions.

Reliability concerns in newer-generation aircraft continue to weigh on the market. The well-documented powder-metal contamination affecting Pratt & Whitney's PW1100G Geared Turbofan (GTF) engine has proved more persistent than initially anticipated. Pratt & Whitney has indicated that a full resolution is unlikely before the end of the decade.

IATA has estimated that supply-related disruptions cost the industry approximately USD11 billion in 2025, of which some USD2.6 billion was attributable to engine-related issues alone. This ongoing disruption has reinforced demand for mid-life and older aircraft, pushed engine and airframe lease rates upward, and driven activity of certain near-new aircraft being dismantled for parts because their engines command a higher value than the aircraft in operational service.

These supply-side constraints have had a pronounced effect on market dynamics. Secondary market trading volumes have risen, lease extension activity has increased, and upward pressure on both aircraft values and lease rate continues. This environment has been broadly favourable for lessors with higher returns, greater leverage in negotiations and the ability to be more discerning when selecting airline counterparties and placing assets. Given the high percentage of ownership of aircraft assets by Irish companies, this activity has driven activity in Ireland.

Financing trends

The ability to access a diversified range of funding sources remains a key competitive advantage for aircraft lessors. Key capital sources include the unsecured and secured bond markets, traditional bank lending, alternative credit funds, and also more specialist products such as Islamic financing and Japanese operating lease structures. Total aircraft deliveries in 2025 exceeded USD100 billion in value, and annual demand is projected to rise to approximately USD125 billion for 2026.

The aircraft ABS (asset-backed securities) market enjoyed an active year in 2025 with total public issuances surpassing USD10 billion across approximately 16 transactions. That momentum has continued into 2026, with a number of offerings priced in the first half of the year. FTAI Aviation attracted attention with a USD612 million debut ABS in May 2026, and High Ridge Aviation also entered the market for the first time. Experienced sponsors such as Castlelake, Carlyle, Sky Leasing and Altavair returned with further issuances. Griffin Global Asset Management closed its debut USD1.245 billion offering in November 2025, which the sponsor characterised as the largest single issuance in the history of aircraft ABS. The development of "master trust" platforms has been an interesting trend, enabling a single issuing vehicle to finance successive aircraft portfolios over time. The aviation loan ABS market has likewise seen increased activity, as alternative lending platforms continue to identify opportunities to deploy capital in the sector and assume a more prominent role in the overall capital structure.

The E-note sector of the aviation ABS market has been slower to recover, with limited new primary issuance notwithstanding some secondary trading activity. Market appetite for E-notes remains uncertain and will likely depend on the trajectory of credit spreads and interest rates. Irish-incorporated entities continue to play a central role in aviation ABS, typically serving as the holding and leasing vehicles within co-issuer structures. Deal structuring has matured since the pandemic. Credit enhancements have been strengthened, investor reporting has improved and waterfall mechanics have been refined in light of the credit stresses experienced during the pandemic.

Sale-and-leaseback transactions remain an essential source of financing, especially in the narrowbody aircraft market, with operators in the Asia-Pacific region and India reliant on this product.

Rate reductions by the US Federal Reserve gave a significant boost to aviation financing markets and contributed to a compression of credit spreads. Its target range was cut three times in the final quarter of 2024 and a further three times in 2025, bringing the federal funds rate to 3.50–3.75%. The European Central Bank's deposit facility rate stands at 2.00% following a succession of moves from late 2024 through mid-2025. Declining swap yields have contributed to lower all-in borrowing costs for aviation borrowers. A notable feature of 2025 was the disruption of the historically tight correlation between interest rate movements and lease rate factors. Even as financing costs declined, supply constraints resulting from manufacturing delays and engine maintenance backlogs supported elevated lease rates.

A number of larger aircraft lessors strengthened one of their key competitive differentiators by securing credit rating upgrades during 2025. Lessors confront substantial refinancing obligations in 2026, with an estimated USD19.3 billion of maturing debt to be addressed alongside the need to fund large orderbook commitments for new aircraft deliveries.

Mergers and acquisitions

Consolidation continues to define the strategic direction of the aircraft leasing sector with a number of landmark M&A transactions either completed or announced over the past 12 months. The intensity of deal-making activity underscores the growing maturity of this industry. Operational scale, diversified portfolios and access to deep pools of capital have become critical competitive differentiators.

The single most consequential transaction in 2025 was the acquisition of Air Lease Corporation by a consortium of Sumitomo Corporation, SMBC Aviation Capital, Apollo-managed funds and Brookfield. The transaction was announced on 2 September 2025 and completed on 8 April 2026 for approximately USD7.4 billion (or USD28.2 billion inclusive of debt obligations). Air Lease was renamed Sumisho Air Lease

Corporation, with its holding company now based in Dublin and structured as an Irish designated activity company. SMBC Aviation Capital serves as servicer to the Sumisho Air Lease portfolio. Air Lease's orderbook was transferred to SMBC Aviation Capital as part of the transaction. The acquisition was supported by USD12.1 billion of committed debt financing provided by SMBC, Citi and Goldman Sachs Bank USA. The deal has materially reshaped the leasing landscape, consolidating the Sumitomo/SMBC group's position as the world's second-largest lessor platform by fleet size behind AerCap.

Dubai Aerospace Enterprise (DAE) announced in February 2026 that it had signed a definitive agreement to acquire Macquarie AirFinance for approximately USD7 billion. The deal is expected to close in the second half of 2026 and bring DAE's fleet to 1,029 owned, managed and committed aircraft, serving 191 airline customers across 79 countries.

Other notable aircraft portfolio transactions include Aviation Capital Group's signing of definitive agreements with Avolon in February 2026 for the acquisition of a portfolio of 24 aircraft, and SMBC Aviation Capital's agreement with United Airlines in December 2025 for the sale-and-leaseback of 20 Boeing 737 MAX 9 aircraft scheduled for delivery in 2025 and 2026. AerCap placed a firm order for 100 A320neo family aircraft with Airbus in March 2026, comprising 23 A320neo and 77 A321neo jets. This is AerCap's largest single direct order for the type with Airbus.

New investment platforms also continue to emerge with DAE and Blackstone Credit & Insurance announcing the launch of "Equator" in April 2026, a long-term aircraft leasing investment programme with a targeted annual deployment of approximately USD1.6 billion. The investor group includes capital from funds managed by ITE Management, a strategic partner of Blackstone Credit & Insurance.

Ireland's pre-eminence as the global hub for aircraft leasing and finance remains firmly entrenched. Nine out of ten of the top aircraft lessors including the top three, AerCap, Avolon and SMBC Aviation Capital, are all headquartered or domiciled in Dublin in addition, reinforcing the jurisdiction's central role in an industry in which Irish-based lessors manage approximately half of the world's leased commercial aircraft fleet. The strength and depth of the aviation ecosystem in Ireland has proven very valuable to the industry which has relied on the experience and expertise within Ireland to deal successfully with the challenges presented.

Geopolitical risks

The restoration of a zero-tariff framework for civil aircraft and aerospace components between the EU and the US in July 2025 (together with equivalent agreements with other regions) has provided welcome stability for Ireland's aircraft leasing sector. Given that Irish-based lessors depend on seamless cross-border movement of aircraft and parts across complex international supply chains, the continuation of duty-free trade in aerospace goods remains essential to the sector's commercial model.

The US and Israeli military operations against Iran which commenced in February 2026, and the resulting regional conflict, continue to have the potential for pronounced consequences for Irish-domiciled lessors and their financiers. Major carriers have suspended or rerouted services away from affected Gulf airspace. Industry sources indicated a temporary pause in aircraft ABS issuance during March 2026, with deal activity resuming in April. War risk insurance has become significantly more expensive and less certain since 2022, initially driven by claims exceeding USD10 billion arising from aircraft stranded in Russia, and further exacerbated by the 2026 conflict. Iran's effective closure of the Strait of Hormuz has triggered a severe jet fuel price shock. Depending on the length of the conflict and the hedging position of airlines, this may place upward pressure on airline costs and the cost of air travel – increasing insolvency and distress risk for airlines and operators. It may also increase demand for newer-generation and fuel-efficient aircraft types, while older, less efficient aircraft may face accelerated depreciation and longer remarketing periods. Irish lessors and aviation lenders with concentrated exposure to legacy narrowbody fleets are potentially more vulnerable to such valuation pressure.

Sanctions compliance remains a critical transactional concern for Ireland-based industry participants. Western allied sanctions programmes continue to target Russia, with wide multi-sectoral restrictions, including in aviation. Given that Irish lessors and their SPVs are subject to both EU sanctions and the extraterritorial reach of US export controls, the incorporation of robust sanctions representations and covenants has been a feature of aircraft finance and lease documentation in recent years.

Against that backdrop, the Aviation Working Group (AWG), whose board includes representatives of Boeing, Airbus, and leading lessors, has highlighted encouraging developments in 2025 concerning Cape Town implementation and compliance, most notably India's passage into law of the Protection of Interests in Aircraft Objects Act 2025 (giving full domestic legal effect to the Convention). This development carries direct significance for transactional structuring in those rapidly growing markets.

Insurance litigation and the Russia–Ukraine war

The continued effects of the Russia–Ukraine war have acutely impacted the aviation finance sector. Over 400 Western-leased aircraft valued at approximately USD10 billion remain effectively unrecoverable in light of comprehensive Western sanctions packages and the responses from Russia. These included a prohibition on the export of aircraft and engines from Russia without state authorisation and legislation that enabled Russian airlines to re-register foreign-owned aircraft on the Russian civil register without the lessor's consent. These steps were taken in direct breach of the lessors' contractual termination rights and of Russia's international legal obligations.

The most significant judicial development for the aviation insurance market was the English High Court's decision in the "*Russian Aircraft Lessor Policy Claims*", reported as *AerCap Ireland Ltd v AIG Europe SA* & *Ors* (2025) EWHC 1430 (Comm), of Mr Justice Butcher on 11 June 2025. The proceedings consolidated claims by six aircraft leasing companies (AerCap, DAE, Falcon, KDAC, Merx and Genesis) arising from the loss of their aircraft in Russia. The Court held that the aircraft were effectively lost on 10 March 2022, the date on which the Russian government's Resolution No 311 (GR 311) came into force and prohibited the export of aircraft and engines from Russia. GR 311 constituted a "restraint" or "detention" of the aircraft by the Russian state, engaging the war risks provisions of the relevant policies, particularly in the context of other earlier steps taken, including a directive issued to the Aeroflot Group on or around 26 February 2022 and a public notice from Russia's aviation authority on 5 March 2022. The Court further held that the losses were attributable to state action rather than any independent commercial decision by the Russian airlines to retain the aircraft, with the consequence that liability was allocated to the "war risks" insurers rather than the "all risks" insurers.

Parallel proceedings in Ireland were brought to resolution, which by number of legal representatives constituted the largest commercial court trial in Irish legal history. Between February and March 2025, Avolon, BOC Aviation, Nordic Aviation Capital, CDB Aviation, Hermes Aircraft and SMBC Aviation Capital settled with, or discontinued claims against, their respective insurers, effectively concluding the first wave of Irish litigation. AerCap, which initially estimated its Russian fleet losses at approximately USD3.5 billion, has separately disclosed substantial insurance recoveries: in excess of USD1.3 billion from pre-trial settlements, with further sums anticipated following the English High Court's determination.

Green aviation and ESG

The ESG regulatory landscape confronting Irish aviation lessors and financiers has evolved significantly. The EU's Omnibus simplification package, politically agreed in December 2025, has recalibrated the Corporate Sustainability Reporting Directive (CSRD). Ireland transposed the "stop-the-clock" directive in July 2025 (via Statutory Instrument (SI) No 309/2025), deferring reporting obligations for wave two and wave three companies by two years. Under the revised scope, only companies with more than 1,000 employees and net turnover above EUR450 million will be required to apply the European sustainability reporting standards for financial years commencing on or after 1 January 2027. For Irish-based lessors, the clarification of subsidiary exemptions and the narrowing of the net turnover definition have provided welcome certainty. The Corporate Sustainability Due Diligence Directive (CSDDD) has likewise been scaled back by the Omnibus process, with thresholds raised to 5,000 employees and EUR1.5 billion in turnover and the transposition deadline extended to July 2028. The narrowing of due diligence obligations to direct business partners reduces the compliance burden across complex leasing chains of activity.

Separately, the ReFuelEU Aviation Regulation, directly applicable since January 2025, mandates a minimum 2% sustainable aviation fuel (SAF) blend at EU airports, rising to 70% by 2050. In Ireland, the Irish Aviation Authority has been designated a competent authority under SI No 396/2025. ICAO's (the International Civil Aviation Organization) CORSIA obligations continue to apply to Irish operators on international routes, requiring airlines to offset emissions growth above 2020 levels, and the EU Taxonomy's application to aircraft leasing and fleet renewal further reinforces the green credentials increasingly demanded by investors and lenders.

Conclusion

The prospects for Ireland's aviation industry remain encouraging with some short-term qualification for the direct and indirect effects a prolonged conflict in the Middle East may have on stakeholders. The sector continues to demonstrate a capacity for evolution and innovation, underpinned by experienced leadership and a supportive regulatory and commercial environment. Supply chain challenges, macroeconomic headwinds and geopolitical volatility present ongoing challenges, however, the industry's track record of resilience and adaptability through several crises in recent years provides solid grounds for confidence.

Aviation assets are seen by an increasingly broad range of investors as a safe haven asset providing geographical diversity in terms of risk. The fundamental drivers of the market remain robust: passenger demand is strong, airline performance remains robust, supply-side constraints continue to support asset values, and the capital markets serving the sector are both deep and varied. Ireland's position as a trusted and reliable jurisdiction is reinforced by the continued consolidation of the world's leading lessors within the Irish market, further cementing the country's role at the heart of global aviation finance.

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