

## APPENDIX C

# Notice under section 22(2) of the Civil Aviation Act 2012 (“CAA12”) that the CAA proposes to modify HAL’s licence

---

## Introduction

---

- C1 Before it can make any modifications to the licence granted to HAL by the CAA under section 15 CAA12 on 13 February 2014 (“the Licence”), the CAA must publish a notice under section 22(2) (“Notice”) in relation to the proposed modifications.
- C2 Such a notice must:
- state that we propose to modify the Licence;
  - specify the proposed modifications;
  - give the reasons for the proposed modifications;
  - state the effect of the proposed modifications; and
  - specify a reasonable period for making representations.
- C3 This Appendix constitutes Notice that the CAA proposes to modify the Licence to implement the policy proposals set out in chapters 1 to 5 of this draft decision.
- C4 If we decide to make them, these proposed modifications would work alongside the policy approach set out in those chapters.
- C5 The modifications to the Licence we propose to make are set out below together with an explanation of the reasons for them and their effects. References to chapters 1 to 5 of this draft decision and to the December 2025 Consultation are provided to indicate where further relevant supporting materials on the reasons for and effects of these modifications are to be found. To the extent that the reasons for and effects of the proposed modifications are set out in those chapters and the December 2025 Consultation, those reasons and effects are deemed to be incorporated in this Notice.
- C6 Stakeholders have the period from the date on which this consultation is published until no later than 5pm on Monday 18 May 2026 to submit their representations on these proposed modifications to us. Please e-mail responses to [economicregulation@caa.co.uk](mailto:economicregulation@caa.co.uk).

- C7 For the reasons discussed in chapter 1 Introduction and Summary and chapter 2 Recovery of early costs by HAL of this draft decision:
- there are plausible scenarios where the benefits of expansion would significantly outweigh the likely extra costs to passengers arising from higher airport charges; and
  - action is needed by the CAA to mitigate the risk that delays to expansion would mean expected benefits to consumers from the timely delivery of expansion would be lost or delayed.
- C8 Bearing these circumstances in mind, we are proposing to modify the Licence to introduce appropriate conditions to implement the policy on the treatment of the early costs of expansion incurred by HAL in 2025 and 2026 set out in chapter 1 Introduction and Summary, chapter 3 Regulatory arrangements to protect consumers and chapter 5 Implementing our policy and making changes to the Licence to mitigate the risk of unnecessary delays to the expansion programme and the potential loss or delay of benefits to consumers.
- C9 Further, for the reasons discussed in chapter 1 Introduction and Summary, chapter 4 Recovery of other promoters’ early costs and chapter 5 Implementing our policy and making changes to the Licence of this draft decision, we are proposing licence modifications to implement our policy of allowing Heathrow West Limited to recover up to £4.3 million (2025 RPI-real prices) of early costs it incurred up to the Government’s Announcement, as we consider them appropriate and consistent with our statutory duties, including our duty to promote competition in the provision of airport operation services.
- C10 As discussed in chapter 3 Regulatory arrangements to protect consumers, chapter 5 Implementing our policy and making changes to the Licence of this draft decision and the December 2025 Consultation<sup>1</sup>, the modifications we are proposing to the Licence also include protections for the interests of consumers to mitigate the risk of them being exposed to inefficient costs and costs that are higher than is appropriate.
- C11 The modifications we propose to make are set out below in “tracked change” format in red compared to the current version of the Licence.

---

<sup>1</sup> CAA, [CAP3201](#) Proposals on the regulatory treatment of early costs of capacity expansion at Heathrow airport, December 2025 (“the December 2025 Consultation”).

## Modifications proposed to permit HAL to recover the financing costs of the expansion early costs it incurs in 2025 and 2026

### Reasons for and effects of the proposed licence modification

- C12 As explained in chapter 2 Recovery of early costs by HAL, we are proposing to allow HAL to be able to recover the efficient early costs of expansion that it incurs in 2025 and 2026. While our policy is for these costs to be added to HAL’s RAB, in the short term we are proposing a modification to the Licence that will allow HAL to recover the financing costs of the early costs it incurs relating to expansion costs in 2025 and 2026 through the H7 price control. To do this, we are proposing to include a new adjustment term in the price control condition that sets the overall maximum revenue yield per passenger HAL can recover from airport charges for 2026.
- C13 We have taken these steps to calculate the new adjustment term “Return on provisional early costs factor”  $RPEC_{2026}/Q_{2026}$ :
- HAL has reported to the CAA that it has spent £33 million on early costs in 2025 and £287 million on early costs in 2026 respectively (both in 2024 Consumer Price Index (CPI)-real prices)<sup>2</sup>. These are the Provisional early costs in 2025 (“PEC2025<sub>2024CPI</sub>”) and the Provisional early costs in 2026 (“PEC2026<sub>2024CPI</sub>”) referred to below;
  - Applying the ONS D7BT CPI and CHAW Retail Price Index (RPI), we have converted these to £35.377 million and £304.024 million (2026 RPI-real prices);
  - Applying the associated financing cost, which is 3.3%, to these amounts. As explained in chapter 3 Regulatory arrangements to protect consumers, 3.3% is the bottom of the range of the allowed the pre-tax RPI-real weighted average cost of capital (WACC) for the H7 price control. This is the WACC applicable to early costs (“WACC\_EC”) referred to below;
  - As HAL will recover these costs in 2026, the financing cost will apply for one year for early costs incurred in 2025, and will apply for half a year for early costs incurred in 2026; and
  - Finally, we have divided this amount by the forecast passenger volume in 2026 using the figure set out in HAL’s 2026 charges consultation.<sup>3</sup>

<sup>2</sup> These figures are based on HAL’s submission to the CAA on 9 December 2025.

<sup>3</sup> Heathrow Airport Limited, [2026 airport charges consultation](#), August 2025.

C14 This proposed new adjustment term will increase HAL’s maximum revenue yield per passenger that HAL can earn from airport charges in 2026 by £0.073. Our calculation is shown below:

$$\frac{RPEC_{2026}}{Q_{2026}} = \frac{1}{Q_{2026}} \times (PEC_{2025_{2026RPI}} + 0.5 \times PEC_{2026_{2026RPI}}) \times WACC_{EC}$$

where:

- $Q_{2026}$  is the forecast passenger volume in 2026. It is equal to 84.811 million, as set out in HAL’s 2026 charges consultation;
- $PEC_{2025_{2026RPI}}$  is the Provisional early costs incurred by HAL in 2025 (in 2026 RPI-real prices), and is derived from  $PEC_{2025_{2024CPI}}$ :

$$\begin{aligned} PEC_{2025_{2026RPI}} &= PEC_{2025_{2024CPI}} \times \frac{CPI_{2025}}{CPI_{2024}} \times \frac{P_{2026}}{P_{2025}} \\ &= \text{£33 million} \times \frac{138.37}{133.86} \times \frac{417.62}{402.68} = \text{£35.377 million} \end{aligned}$$

- $PEC_{2026_{2026RPI}}$  is the Provisional early costs incurred by HAL in 2026 (in 2026 RPI-real prices), and is derived from  $PEC_{2026_{2024CPI}}$ :

$$\begin{aligned} PEC_{2026_{2026RPI}} &= PEC_{2026_{2024CPI}} \times \frac{CPI_{2026}}{CPI_{2024}} \times \frac{P_{2026}}{P_{2026}} \\ &= \text{£287 million} \times \frac{141.80}{133.86} \times \frac{417.62}{417.62} = \text{£304.024 million} \end{aligned}$$

where:

- $CPI_t$  is the average value of the ONS monthly D7BT CPI over Regulatory Year t.  $CPI_{2024}$  and  $CPI_{2025}$  bear the values of 133.86 and 138.37, as set out in the ONS data release<sup>4</sup>.  $CPI_{2026}$  bears the value of 141.80, as set out in the Office for Budget Responsibility November 2025 Economic and Fiscal Outlook<sup>5</sup>;
- $P_t$  is the average value of the ONS monthly CHAW RPI over Regulatory Year t.  $P_{2025}$  bears the values of 402.68, as set out in the ONS data release<sup>6</sup>.  $P_{2026}$  bears the value of 417.62, as set out in the Office for Budget Responsibility November 2025 Economic and Fiscal Outlook<sup>7</sup>; and

<sup>4</sup> Office for National Statistics, [CPI INDEX 00: ALL ITEMS 2015=100](#), release date 25 March 2026.

<sup>5</sup> Office for Budget Responsibility, [Economic and fiscal outlook](#), November 2025.

<sup>6</sup> Office for National Statistics, [RPI All Items Index: Jan 1987=100](#), release date 25 March 2026.

<sup>7</sup> Office for Budget Responsibility, [Economic and fiscal outlook](#), November 2025.

- WACC\_EC is the pre-tax RPI-real WACC applicable to early costs and bears the value of 3.30%.

C15 On this basis, we have calculated the Return on provisional early costs factor  $RPEC_{2026}/Q_{2026}$  as follows:

$$\frac{RPEC_{2026}}{Q_{2026}} = \frac{1}{Q_{2026}} \times (PEC_{2025_{2026RPI}} + 0.5 \times PEC_{2026_{2026RPI}}) \times WACC\_EC$$

$$= \frac{1}{84.811 \text{ million}} \times (£35.377 \text{ million} + 0.5 \times £304.024 \text{ million}) \times 3.30\%$$

= £0.073. This is the amount of the adjustment we propose to include in the price control, in the manner discussed below.

C16 As HAL has already set airport charges for 2026, the effect of the modification would be to either increase its under-recovery against the maximum revenue yield per passenger or decrease its over-recovery against the maximum revenue yield per passenger. This over- or under-recovery would then be adjusted for by the price control formula correction factor for calculating the maximum revenue yield per passenger for 2028 ( $K_{2028}$ ).

C17 Chapter 3 Regulatory arrangements to protect consumers also sets out the CAA's intention to carry out an *ex post* review of these costs and conduct a true up exercise to account for any differences between efficient costs (and the associated returns) and the cap on costs that is set out in that chapter. These arrangements would be conducted and put into effect separately (through a true-up adjustments to HAL's RAB). While they are important supporting policy, these arrangements are not specified in this proposed licence modification because they would be implemented through adjustments to HAL's RAB. By including efficient early costs in HAL's RAB over time, HAL would be able to an ongoing return on these early costs and would be able to cover its capital outlays over time through allowances for regulatory depreciation during the H8 price control period and beyond.

C18 To support our policy, we are also proposing to include new definitions of "early costs" and "expansion" in Condition C1.25 the effect of which would be to delineate the scope of the costs that are covered by these modifications in line with our policy.

## Proposed licence modifications

C19 In the light of the above, we propose the following modifications to the Licence:

- to include the Return on provisional early costs factor  $RPEC_{2026}/Q_{2026}$  adjustment term to Condition C1.5;

- to insert a new sub-paragraph (n) in Condition C1.5 to introduce  $RPEC_{2026}/Q_{2026}$ ;
- to insert a new sub-paragraph (k) in Condition C1.25 to define “early costs”; and
- to insert a new sub-paragraph (l) in Condition C1.25 to define “expansion” in support of the proposed definition of “early costs”.

C20 The licence conditions in question and the modifications we propose to them in relation to  $RPEC_{2026}/Q_{2026}$  (shown in red below) are:<sup>8</sup>

C1.5 On each occasion on which the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in each of the subsequent Regulatory Years starting on 1 January 2025 and ending on 31 December 2026, the Licensee shall fix those charges at the levels best calculated to secure that, in each Regulatory Year, total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the amount set in accordance with the formula below:

$$M_t = Y_{t-1} \times (1 + CPI_t + X_t + B_{t-2}) + \frac{AC_t}{Q_t} - \frac{T_t}{Q_t} + \frac{TDO_t}{Q_t} + \frac{TRS_t}{Q_t} - AK_t + H7_t + \frac{RPEC_{2026}}{Q_{2026}} + \frac{HWLPEC_{2026}}{Q_{2026}} - K_t$$

where:

- (n)  $RPEC_{2026}/Q_{2026}$  is the Return on provisional early costs factor. It shall be used in calculating the maximum revenue yield per passenger only for Regulatory Year 2026 ( $M_{2026}$ ).  $RPEC_{2026}/Q_{2026}$  and shall bear the value of £0.073.

C1.25 In this Condition C1:

- (k) “early costs” means the costs incurred in relation to developing expansion, which were not otherwise taken into account in the calculation of the H7 price control and shall include the costs associated with:

<sup>8</sup> The proposed licence modifications in relation to  $HWLPEC_{2026}$  are discussed below.

- (i) gathering information for and preparing an application for development consent under the Planning Act 2008 and associated materials;
  - (ii) the acquisition of land and other real property to support the timely delivery of expansion in the event that development consent is granted to the Licensee for expansion; and
  - (iii) planning for enabling works to support the timely delivery of expansion in the event that development consent is granted to the Licensee for expansion”
- (l) “expansion” means plans for the expansion of the Airport by means of the construction of a new runway and associated infrastructure”

## Modifications proposed to provide for Heathrow West Limited to recover the expansion costs it incurred in 2025

### Reasons for and the effects of the proposed licence modification

- C21 As explained in chapter 4 Recovery of other promoters’ early costs, we are proposing to allow Heathrow West Limited to recover efficient early costs that it incurred in developing its plans for capacity expansion up to the Government’s Announcement in November 2025.
- C22 To do this, we are proposing a licence modification to allow HAL to recover early costs incurred by Heathrow West Limited, through increasing HAL’s allowed price control revenue in respect of 2026, and to require HAL to pass on these revenues to Heathrow West Limited by the end of 2027. We are also proposing to apply indexation adjustments for payment by HAL to Heathrow West Limited in 2026 and in 2027. This is to ensure that Heathrow West Limited recovers the early costs it incurred with appropriate inflation and time value of money adjustments.
- C23 We have taken these steps to calculate the new adjustment term “Heathrow West Limited Provisional early costs factor”  $HWLPEC_{2026}/Q_{2026}$ :
- Heathrow West Limited reported that it had spent £4.3 million on early costs up to November 2025 (2025 RPI-real prices)<sup>9</sup>. This is the Heathrow West Limited Provisional early costs (“ $HWL_{2025RPI}$ ”) referred to below;
  - Applying the ONS CHAW RPI, we have converted this to £4.46 million (2026 RPI-real prices);

<sup>9</sup> Based on Heathrow West Limited’s data submission to the CAA on 09 April 2026.

- Applying the associated financing cost, which is 3.3%, to this amount. As explained in chapter 3 Regulatory arrangements to protect consumers, 3.3% is the bottom of the range of the allowed the pre-tax RPI-real weighted average cost of capital (WACC) for the H7 price control. This is the WACC applicable to early costs (“WACC\_EC”) referred to below;
- As HAL’s price control revenue will be increased for 2026, the financing cost will apply for one year for early costs incurred by Heathrow West Limited in 2025; and
- Finally, we divide this amount by the forecast passenger volume in 2026 using the figure set out in HAL’s 2026 charges consultation<sup>10</sup>.

C24 This proposed new adjustment term will increase HAL’s maximum revenue yield per passenger that HAL can earn from airport charges in 2026 by £0.054. Our calculation is shown below:

$$\frac{HWLPEC_{2026}}{Q_{2026}} = \frac{1}{Q_{2026}} \times HWL_{2026RPI} \times (1 + WACC\_EC)$$

where:

- $Q_{2026}$  is the forecast passenger volume in 2026. It is equal to 84.811 million, as set out HAL’s 2026 charges consultation referred to above;
- $HWL_{2026RPI}$  is the provisional level of the early costs incurred by Heathrow West Limited up to 25 November 2025 (in 2026 RPI-real prices), and is derived from  $HWL_{2025RPI}$ :

$$\begin{aligned} HWL_{2026RPI} &= HWL_{2025RPI} \times \frac{P_{2026}}{P_{2025}} \\ &= £4.300 \text{ million} \times \frac{417.62}{402.68} = £4.460 \text{ million} \end{aligned}$$

where:

- $P_t$  is the average value of the ONS monthly CHAW RPI over Regulatory Year  $t$ .  $P_{2025}$  bears the values of 402.68, as set out in the ONS data release<sup>11</sup>.  $P_{2026}$  bears the value of 417.62, as set out in the Office for Budget Responsibility November 2025 Economic and Fiscal Outlook<sup>12</sup>; and

<sup>10</sup> Heathrow Airport Limited, [2026 airport charges consultation](#), August 2025.

<sup>11</sup> Office for National Statistics, [RPI All Items Index: Jan 1987=100](#), release date 25 March 2026.

<sup>12</sup> Office for Budget Responsibility, [Economic and fiscal outlook](#), November 2025.

- WACC\_EC is the pre-tax RPI-real WACC applicable to early costs and bears the value of 3.30%.

C25 On this basis, we have calculated the Heathrow West Limited Provisional early costs factor  $\text{HWLPEC}_{2026}/Q_{2026}$  as follows:

$$\begin{aligned} \frac{\text{HWLPEC}_{2026}}{Q_{2026}} &= \frac{1}{Q_{2026}} \times \text{HWL}_{2026} \times (1 + \text{WACC\_EC}) \\ &= \frac{1}{84.811 \text{ million}} \times \text{£}4.460 \text{ million} \times (1 + 3.3\%) \end{aligned}$$

= £0.054. This is the amount of the adjustment we propose to include in the price control.

C26 As noted above, HAL has already set airport charges for 2026 and so any over-recovery by HAL will be increased or any under-recovery will be decreased and the over- or under-recovery would then be adjusted for by the price control formula correction factor for calculating the maximum revenue yield per passenger for 2028 ( $K_{2028}$ ).

C27 The maximum amount payable by HAL to Heathrow West Limited would depend on the timing of the payment. The £4.61 million (£4.460 million x 1.033 = £4.61 million, 2026 RPI-real prices) would be appropriately adjusted by inflation to the year in which the payment is made. We expect Heathrow West Limited would receive the early costs it incurred, with appropriate inflation uplift, by the end of 2027.

C28 We would conduct an efficiency review on the early costs incurred by Heathrow West Limited and publish the results as soon as practicable. We envisage that this efficiency review would inform the amount payable by HAL to Heathrow West Limited. In the event that HAL recovers more revenue than it is required to pay Heathrow West Limited (this could happen when some early costs incurred by Heathrow West Limited are found to be inefficient), we would adjust HAL’s RAB to correct for the over-recovered revenue.

Overall effect of the two proposed areas of modifications above on HAL’s maximum revenue yield per passenger for 2026

C29 When the combined effect of the Return on provisional early costs factor  $\text{RPEC}_{2026}/Q_{2026}$  and the Heathrow West Limited Provisional early costs factor  $\text{HWLPEC}_{2026}/Q_{2026}$  is taken into account, the maximum revenue yield per passenger for 2026,  $M_{2026}$  would become:

$$M_{2026} = M_{2026} \text{ in HAL’s charges consultation} + \frac{\text{RPEC}_{2026}}{Q_{2026}} + \frac{\text{HWLPEC}_{2026}}{Q_{2026}}$$

$$= \text{£}26.092 + \text{£}0.073 + \text{£}0.054 = \text{£}26.219$$

## Proposed licence modifications

C30 To create a mechanism to implement our policy of allowing HWL to recover its early cost incurred up to the date of the Government’s Announcement in November 2025, we propose these modifications to the licence:

- to include the Heathrow West Limited Provisional early costs factor  $\text{HWLPEC}_{2026}/Q_{2026}$  adjustment term to Condition C1.5;
- to insert a new sub-paragraph (o) in Condition C1.5 to introduce  $\text{HWLPEC}_{2026}/Q_{2026}$ ; and
- to insert a new Condition C1.24B to create an obligation for HAL to pay Heathrow West Limited an amount up to that it recovers through this new factor.

C31 The licence conditions in question and the modifications we propose to them in relation to this factor (shown in red below) are:

C1.5 On each occasion on which the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in each of the subsequent Regulatory Years starting on 1 January 2025 and ending on 31 December 2026, the Licensee shall fix those charges at the levels best calculated to secure that, in each Regulatory Year, total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the amount set in accordance with the formula below:

$$M_t = Y_{t-1} \times (1 + \text{CPI}_t + X_t + B_{t-2}) + \frac{AC_t}{Q_t} - \frac{T_t}{Q_t} + \frac{TDO_t}{Q_t} + \frac{TRS_t}{Q_t} - AK_t + H7_t$$

$$+ \frac{\text{RPEC}_{2026}}{Q_{2026}} + \frac{\text{HWLPEC}_{2026}}{Q_{2026}} - K_t$$

where:

- (o)  $\text{HWLPEC}_{2026}/Q_{2026}$  is the Heathrow West Limited Provisional early costs factor. It shall be used in calculating the maximum revenue yield per passenger only for Regulatory Year 2026 ( $M_{2026}$ ).  $\text{HWLPEC}_{2026}/Q_{2026}$  shall bear the value of £0.054.

## Obligation for the Licensee to pay the early costs incurred by Heathrow West Limited

**C1.24B** The Licensee shall pay Heathrow West Limited the revenue recovered through 2026 aeronautical charges and attributable to the Heathrow West Limited Provisional early costs factor  $HWLPEC_{2026}/Q_{2026}$ , no later than 31 December 2027. The maximum amount of payment shall be capped at £4.61 million (2026 RPI-real prices) and uplifted by inflation to the year in which payment is made. Within the limit of this overall cap the level of the payment made by HAL under this paragraph will be determined by the CAA in a written direction provided to HAL.

## Modifications proposed to introduce supporting obligations to protect the interests of consumers

---

### Reasons for and effects of the proposed licence modifications

- C32** For the reasons set out in the December 2025 Consultation and discussed further in chapter 3 Regulatory arrangements to protect consumers chapter 5 Implementing our policy and making changes to the Licence, and the December 2025 Consultation, we propose to modify the Licence to put in place protections for the interests of consumers covering:
- the overall approach that we expect HAL to take to developing its plans for expansion;
  - the appointment of independent experts to advise the CAA and to monitor the Licensee's strategy for the acquisition of land and other real property in support of expansion;
  - the preparation and submission of a business plan for its approach to expansion during the course of 2026; and
  - ongoing reporting requirements.
- C33** These proposed modifications are designed to secure that expansion is delivered in a cost-efficient manner, to mitigate the risk of consumers being exposed to inefficient costs and costs that are higher than is necessary.
- C34** To implement these proposals, we propose to modify the Licence to insert a new condition: "Condition G Expansion". If we were to modify the Licence to implement the proposed modifications, the effects of this proposed new condition would be as follows:

- Condition G1 would create an overarching obligation on HAL to progress expansion efficiently while being mindful of the possibility that the surrounding circumstances might change.
- Proposed Condition G2 would create an obligation on HAL to appoint and pay for one or more technical experts to provide advice to the CAA.
- Proposed Conditions G3 to G5 would require HAL to create a business plan for expansion for the period up until it expects to obtain a development consent order for expansion under the Planning Act 2008.
- Proposed Condition G6 would create reporting obligations on HAL.
- Proposed condition G7 would define certain terms used in other paragraphs of the proposed new Condition G.

## Proposed licence modification

C35 The proposed new licence condition is set out in red below.

### Condition G Expansion

- G1** The Licensee shall develop its plans for expansion in an economical and efficient manner that takes account relevant uncertainties over the scope and requirements for the scheme for expansion to be developed, including (but not limited to) the need to take appropriate account of any revisions, or likely proposed revisions, to the national policy statement relating to airports designated under section 5 of the Planning Act 2008 (as amended from time to time).
- G2** The Licensee shall appoint, in consultation with the CAA and airlines, one or more independent technical experts to provide the CAA with specialist advice. The scope of the work of the technical experts shall include the Licensee's strategy for, and approach to, the acquisition of land and other real property and such other matters as the CAA may specify from time to time. The terms of reference for, and identity of, any technical experts shall be approved by the CAA prior to their appointment. The terms of such appointment shall include provision requiring any technical expert to provide the CAA with factual findings within the scope of its terms of reference on a fair and reasonable basis. Any technical experts appointed shall be paid for by the Licensee.
- G3** The Licensee shall, by a date to be agreed in writing with the CAA, prepare a comprehensive business plan setting out the detail of its plans for the delivery of expansion for the period from 2027 to the date

when it expects to obtain development consent for expansion in accordance with the Planning Act 2008.

- G4 The business plan that the Licensee prepares under condition G3 must include, as a minimum:
- (a) detailed commentary of the areas in which it expects to incur early costs;
  - (b) detailed forecasts of the level of early costs that it expects to incur in each area, together with the total early costs it expects to incur;
  - (c) clear and comprehensive commentary and justification on why it would be necessary and in the interests of consumers for the Licensee to incur costs in the areas set out under Condition G4(a);
  - (d) clear and comprehensive commentary and justification on why it would be efficient for the Licensee to incur the level of costs set out under Condition G4(b);
  - (e) details of how the Licensee is seeking to finance its expenditure on early costs and assurance over the Licensee's ability to finance those early costs; and
  - (f) how the Licensee intends to take account of the uncertainties over the precise nature of the scheme for expansion to be developed in accordance with the Licensee's obligation under Condition G1.
- G5 The business plan that the Licensee prepares under condition G3 must include such detail as may be set out in any relevant guidance issued from time to time by the CAA after consultation with the Licensee and any other relevant parties on that guidance or any revision of it (whether or not such consultation commenced prior to this condition coming into effect).
- G6 The Licensee shall provide to the CAA and airlines that are members of the AOC<sup>13</sup>, in format and to a level of detail approved by the CAA, the reports required by paragraphs (a) to (c) below:
- (a) a quarterly report, setting out

<sup>13</sup> Each of "airlines" and "AOC" is defined in Condition A3.

- (i) the early costs incurred by the Licensee in the relevant quarter;
  - (ii) the total early costs incurred by the Licensee to the end of the relevant quarter;
  - (iii) a comparison of the costs reported under Condition G6(a)(i) and Condition G6(a)(ii) to the forecasts of early costs provided to the CAA in July 2025 and any subsequent updates to those costs; and
  - (iv) commentary explaining the level of costs incurred, and any variances from, the forecasts provided to the CAA for the purposes of Condition G4(6)(iii);
- (b) a report by the Licensee's auditors to accompany, and be submitted on the same date as, the regulatory accounts prepared for the purposes of Condition E1.1, confirming that the level of early costs that the Licensee has incurred in the previous Regulatory Year meet the definition of early costs set out in Condition C1.25(k) and have been excluded from any other costs of the Licensee set out in the regulatory accounts; and
- (c) any other information held by HAL or any independent technical experts appointed for the purposes of Condition G2 that the CAA may reasonably require for the purpose of monitoring and assessing the Licensee's performance and progress in preparing to obtain development consent for expansion pursuant to the Planning Act 2008.

G7 In this condition:

- (a) "early costs" and "expansion" shall bear the meanings set out in Condition C1.25(k) and C1.25(l);
- (b) "quarterly report" means a report relating to the three-month periods ending at the end of March, June, September and December respectively in each Regulatory Year and submitted to the CAA before the end of the month immediately following the end of the quarter to which it relates.