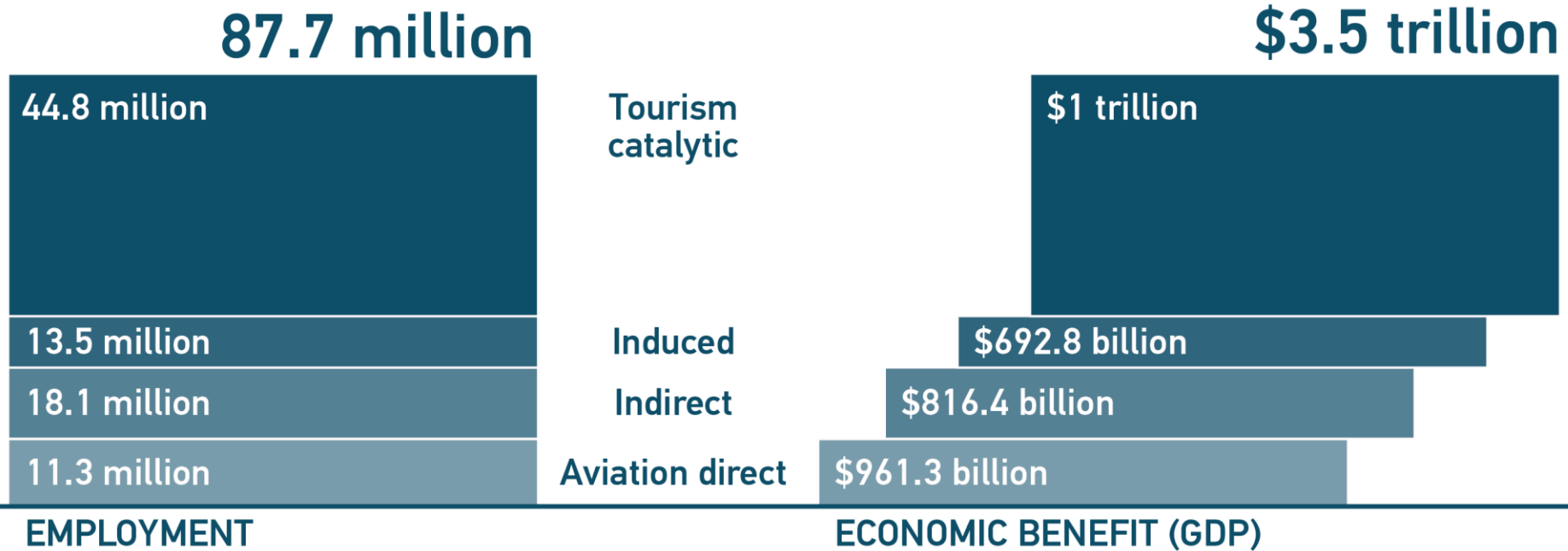




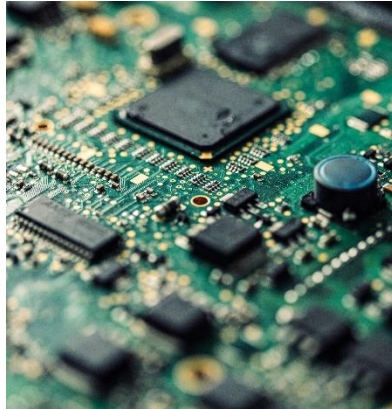
IATA WFS Aviation as an “innovative source” of climate finance

26 October 2023

Global support for employment and economic activity



High value and time sensitive



\$6.5 trillion

Value of cargo handled by air, 2019

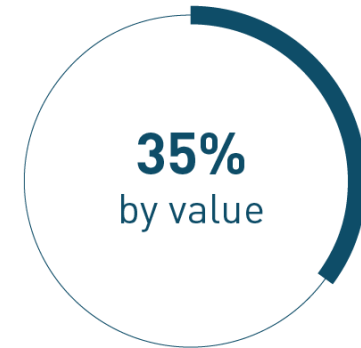
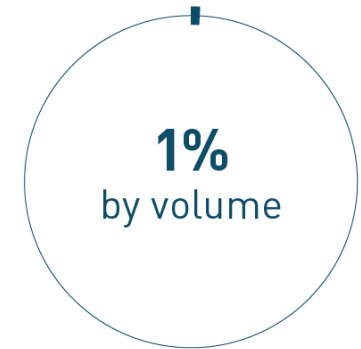
61 million

tonnes of cargo handled by air, 2019

High value

Goods tend to be sent by air: e-commerce, perishables, medicines and electronics

Proportion of global trade transported by air



Your holiday provides someone else's income

44.8 million

Tourism jobs supported by air transport

\$1 trillion

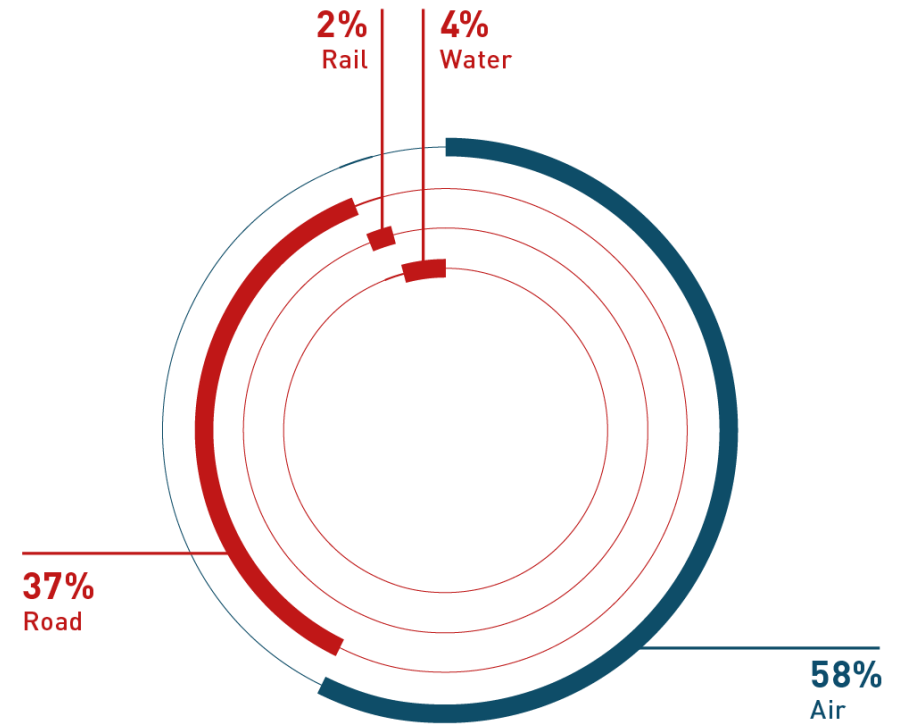
in global GDP supported by air transport-related tourism

\$902 billion

spent by international tourists in 2019



Travel modes of international tourists

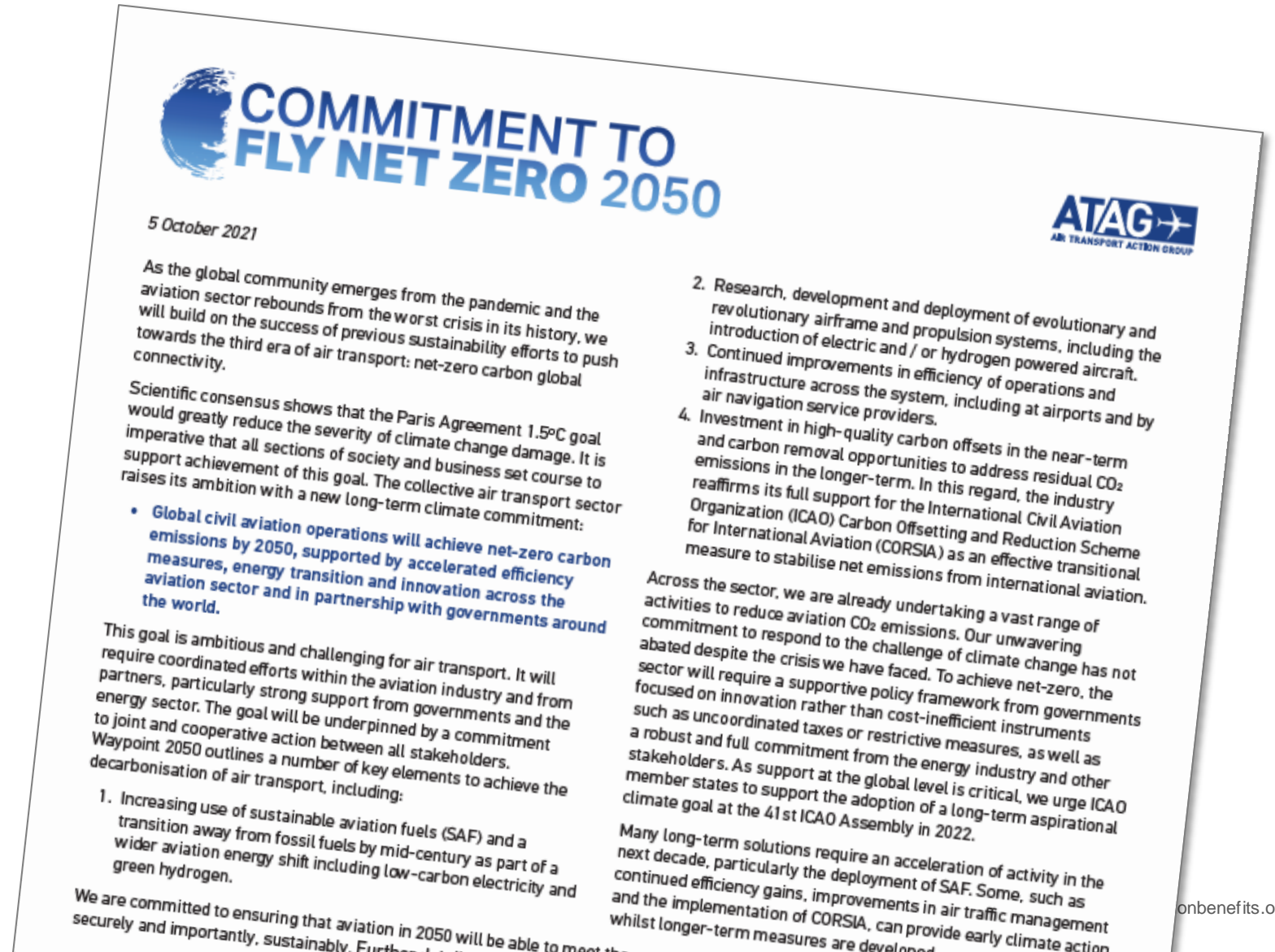


A global mission across the sector

We have our commitment to get to net zero.

We know this will cost.

But today I will brief you on another potential cost that has nothing to do with reducing emissions from air travel...



Looking for money: what are the climate funds?



United Nations
Framework Convention on
Climate Change



1994

Funded by grants from developed nations: \$5.5bn in the 2022-2026 funding cycle



ADAPTATION FUND

2001

Funded by a % of CDM credit transactions + direct funding from developed nations.



GREEN
CLIMATE
FUND

2010

Funded by grants from developed nations: \$10bn portfolio.

**Loss &
Damage Fund**

2023

Funding sources to be confirmed

Looking for money: sources

Public financing

- Direct contributions from national budgets
- Contributions from multilateral institutions

Private financing

- From investment institutions, banks
- From individuals / philanthropy





“Innovative” sources

- Financial transactions tax
- Levy on international aviation
- Levy on maritime traffic
- Oil extraction tax
- Wealth tax

Looking for money: innovative sources potential revenues

Innovative source	Potential annual revenue	Revenue basis	“climate justice”
Fossil fuel extraction levy	\$210 billion	\$5 per tonne of CO2e	High
Air passenger levy	\$4-150 billion	Varies – see next slide	Medium-High
Maritime levy	\$60 billion	\$100 per tonne of CO2e	High
Global financial transactions tax	\$900 billion	0.05% on intl. transactions	
Wealth tax	>\$1 trillion	1% per year on wealth over \$1 million	High

EU-only

 Fossil fuel windfall profit tax	\$8 billion
 EU-wide private jet flight tax	\$325 million
 Aviation fuel tax	\$12.8 billion
 EU digital tax	\$5.5 billion

Looking for money: various models have been explored

Solidarity levy

Proposed by France, also enacted in 11 other States since 2006.

€1-€40 for all departing flights from French airports (depends on sector length and fare class)

€180 million revenue per year in France +€22 million in the other countries.

Intl. Airline Passenger Adaptation Levy

Proposed by several Least Developed Countries in 2008.

Another proposal in 2015 suggested \$20 on economy and \$169 on business for adaptation.

Didn't gain support or traction but could have raised \$150 billion.

Intl. Airline Passenger Levy

Proposed in 2019.

Based on flat fee of \$6 for economy and \$62 for business or first tickets on all international flights.

Potential for \$8-10 billion revenue per year.

Global Frequent Flyer Levy

Proposed in 2022.

Based on either flat fee of \$22 per international flight, or first flight 'free', second flight \$9 and progressively up to \$177 per flight for 20th +.

Potential for \$121 billion revenue per year.

Looking for money: why aviation?




Often seen as
untaxed

Corporate (\$129bn in 2019), environmental fuel or ticket charges in 20+ countries.

EU ETS

CORSIA

Infrastructure costs



Seen as an
activity of the
wealthy

Democratisation of air travel has opened up a lot of markets to middle-income citizens.

The new language of 'frequent flyer levies' seems to acknowledge this.



Contributor to
**climate
change**

Aviation recognises this and has adopted the world's first sector-wide net-zero carbon goal.

Needs resources to do this.



Logistically
simple
to tax

Not a
public
source

Whilst aviation is a very well-structured industry with centralised standard for many things...

... but any global tax would need to be administered by national governments anyway.

Looking for money: why **not** aviation?

Concerns of
burdens
on trade
and tourism

Developing nations are concerned about any impact on their trade or tourism, or the growth in connectivity.

Any global mechanism should really be uniform to be useful.

Need for air
transport to
decarbonise

Aviation has a decarbonisation pathway: ensuring growth in connectivity and reduction in CO₂.

Aviation is not the biggest contributor and has weak profits: oil and gas profits a much stronger target.

In reality,
challenging
to implement

No global mechanism at ICAO.

Individual States could divert revenue or raise/lower to meet other fiscal needs.

A frequent flyer levy is a significant challenge to implement.

Not a
public
source

Many developing nations see the first responsibility for climate funding to come from the public sources (national budgets) for historical reasons.

Will we see an international aviation levy?

- Some political momentum:



EU's nominated climate lead wants a global tax on jet fuel

- Big political challenge to bring all countries on board, and administratively.
- Have seen this many times before... but doesn't stop it going through this time.