Aviation as an “innovative source” of climate finance

26 October 2023
Global support for employment and economic activity

<table>
<thead>
<tr>
<th>Employment</th>
<th>Economic Benefit (GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>44.8 million</td>
<td>$1 trillion</td>
</tr>
<tr>
<td>13.5 million</td>
<td>$692.8 billion</td>
</tr>
<tr>
<td>18.1 million</td>
<td>$816.4 billion</td>
</tr>
<tr>
<td>11.3 million</td>
<td>$961.3 billion</td>
</tr>
</tbody>
</table>

Source: Aviation: Benefits Beyond Borders 2020
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

Source: Aviation: Benefits Beyond Borders 2020
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

$902 billion
spent by international tourists in 2019

Travel modes of international tourists

2% Rail
4% Water
37% Road
58% Air

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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
- **2001**: Funded by a % of CDM credit transactions + direct funding from developed nations.
- **2010**: Funded by grants from developed nations: $10bn portfolio.
- **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

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

#### EU-only

<table>
<thead>
<tr>
<th>Innovative source</th>
<th>Potential annual revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fossil fuel windfall profit tax</td>
<td>$8 billion</td>
</tr>
<tr>
<td>EU-wide private jet flight tax</td>
<td>$325 million</td>
</tr>
<tr>
<td>Aviation fuel tax</td>
<td>$12.8 billion</td>
</tr>
<tr>
<td>EU digital tax</td>
<td>$5.5 billion</td>
</tr>
</tbody>
</table>

Source: New resources for public climate finance and for the Loss and Damage Fund, Climate Action Network Europe, 2023
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
- Seen as an activity of the wealthy
- Contributor to climate change
- Logistically simple to tax
- Not a public source

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

EU ETS
CORSIA

Infrastructure costs

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.

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

Needs resources to do this.

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:

• 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.