



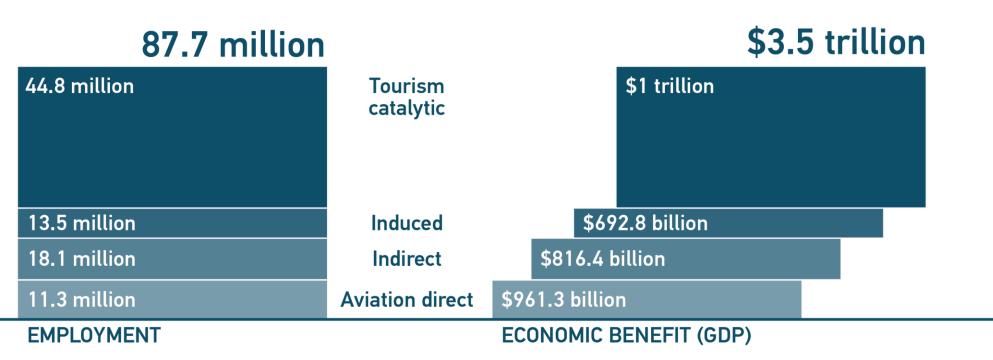
Aviation as an "innovative source" of climate finance

26 October 2023

Aviation: Benefits Beyond Borders

Global support for employment and economic activity





Source: Aviation: Benefits Beyond Borders 2020

High value and time sensitive



\$6.5 trillion

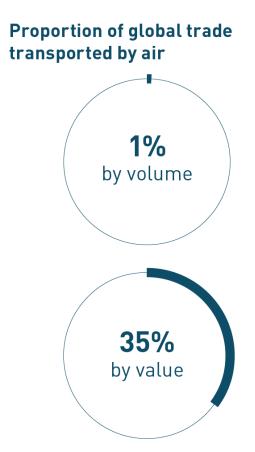
Value of cargo handled by air, 2019

61 million

tonnes of cargo handled by air, 2019

High value

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



Your holiday provides someone else's income

44.8 million

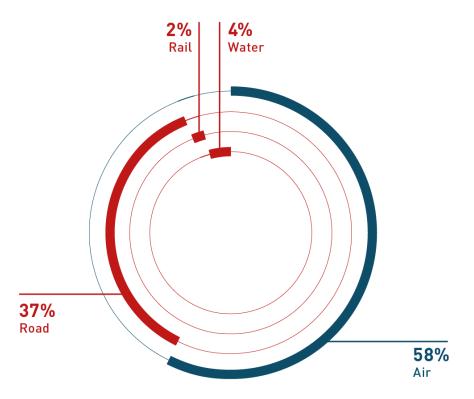
Tourism jobs supported by air transport **\$1 trillion** in global GDP supported by air transport-related tourism

\$902 billion

spent by international tourists in 2019







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...



5 October 2021

As the global community emerges from the pandemic and the aviation sector rebounds from the worst crisis in its history, we will build on the success of previous sustainability efforts to push towards the third era of air transport: net-zero carbon global

Scientific consensus shows that the Paris Agreement 1.5°C goal would greatly reduce the severity of climate change damage. It is imperative that all sections of society and business set course to support achievement of this goal. The collective air transport sector

raises its ambition with a new long-term climate commitment: Global civil aviation operations will achieve net-zero carbon emissions by 2050, supported by accelerated efficiency measures, energy transition and innovation across the aviation sector and in partnership with governments around

This goal is ambitious and challenging for air transport. It will require coordinated efforts within the aviation industry and from partners, particularly strong support from governments and the energy sector. The goal will be underpinned by a commitment to joint and cooperative action between all stakeholders. Waypoint 2050 outlines a number of key elements to achieve the decarbonisation of air transport, including:

Increasing use of sustainable aviation fuels (SAF) and a

transition away from fossil fuels by mid-century as part of a wider aviation energy shift including low-carbon electricity and

We are committed to ensuring that aviation in 2050 will be able to most (



2. Research, development and deployment of evolutionary and

- revolutionary airframe and propulsion systems, including the introduction of electric and / or hydrogen powered aircraft. 3. Continued improvements in efficiency of operations and infrastructure across the system, including at airports and by
- air navigation service providers. Investment in high-quality carbon offsets in the near-term and carbon removal opportunities to address residual CO2

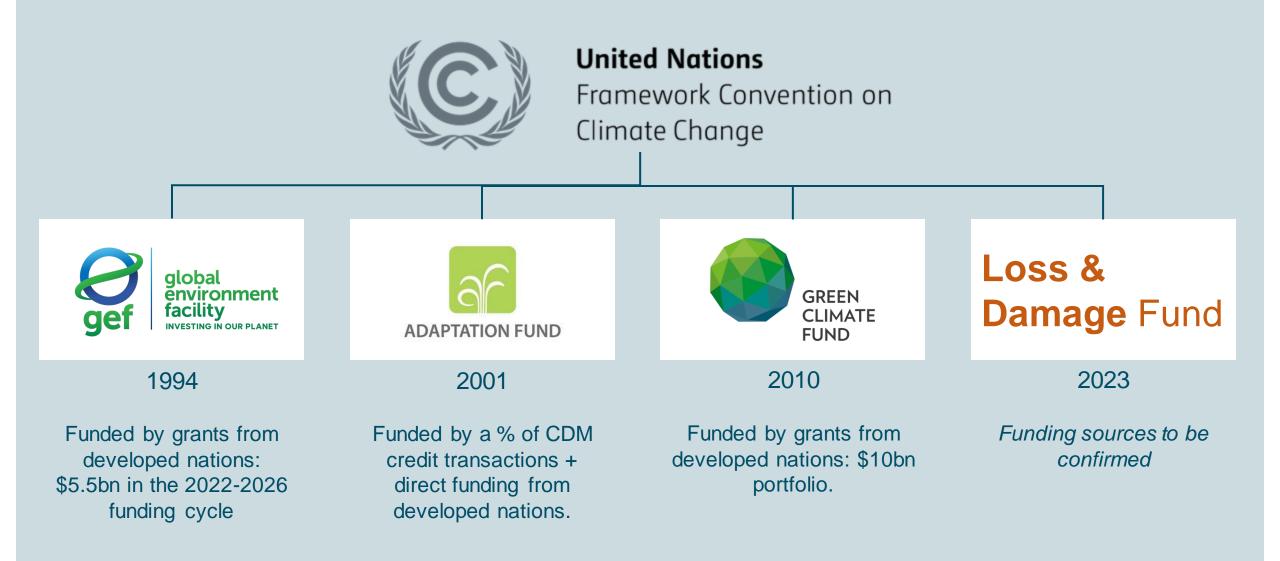
emissions in the longer-term. In this regard, the industry reaffirms its full support for the International Civil Aviation Organization (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as an effective transitional

measure to stabilise net emissions from international aviation. Across the sector, we are already undertaking a vast range of activities to reduce aviation CO2 emissions. Our unwavering commitment to respond to the challenge of climate change has not abated despite the crisis we have faced. To achieve net-zero, the sector will require a supportive policy framework from governments focused on innovation rather than cost-inefficient instruments such as uncoordinated taxes or restrictive measures, as well as a robust and full commitment from the energy industry and other stakeholders. As support at the global level is critical, we urge ICAO member states to support the adoption of a long-term aspirational climate goal at the 41st ICAO Assembly in 2022.

Many long-term solutions require an acceleration of activity in the next decade, particularly the deployment of SAF. Some, such as continued efficiency gains, improvements in air traffic management and the implementation of CORSIA, can provide early climate action whilst longer-term measures are developed

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Looking for money: what are the climate funds?



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		

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?



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 profts: 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:

CLIMATE HOME NEWS

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.