Swiss proposal for an aviation carbon tax – IATA view

In the context of the revision of the Law on CO2, some political parties have proposed to introduce a ticket tax to restrict aviation in an effort to tackle climate change. Various rates have been put forward, ranging from 12 to 30 CHF for European flights and 30-48 CHF for intercontinental flights. IATA’s view is that:

- Taxes are an inefficient and very costly way to control emissions – an international offsetting scheme reduces more emissions for less cost
- The revenues from the tax will not lead to additional investment in environmental measures – on the contrary, a proposal for the state to help supply sustainable aviation fuels at Geneva airport was rejected last year
- Flight taxes are regressive and impact families and those on lower incomes the most.

In addition:

- The airline industry is a major contributor to Swiss jobs and GDP, which would be damaged by a tax
- The aviation industry already has a robust carbon-reduction strategy and is delivering on its commitments.
- International flights are already subject to a mandatory carbon pricing instrument adopted by Switzerland and other UN Member States. Domestic flights are subject to the Swiss tax on fossil fuels as well as Value Added Tax (VAT).

Taxes are an inefficient and costly way to control emissions

An aviation tax pushes up costs and has a marginal effect on reducing emissions. IATA analysis shows that if the tax is introduced, for each tonne of CO2 avoided, passengers will be paying almost CHF2,250.

- To achieve the same environmental outcome with an offsetting mechanism or an emissions trading scheme, the cost would be 100 times less (10-20 CHF per tonne of CO2 mitigated)
- Similarly, achieving the same CO2 mitigation using sustainable aviation fuels would be 10 times cheaper (200 CHF per ton for HEFA Cooking Oil SAF)

This is why governments in the UN ruled against a tax and supported a global offsetting mechanism to deal with emissions from international aviation: the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The participation of Switzerland in CORSIA will result in the mitigation of about 2.7 million tonnes of CO2 per year on average.

“The real value of aviation is not in the taxes it generates for governments. It is in the jobs and economic growth that flying generates.... Environmental taxes are an ineffective tool to address aviation's environmental impacts.”

Alexandre de Juniac, Director General and CEO, IATA
An increase in the cost of flying would affect families the most

Polling in five major European markets revealed that nearly 4 in 10 people felt that an increase in the cost of air travel would have a very negative impact. And of those people, the impact on families with children was even more pronounced.

Aviation generates significant benefits for Switzerland – which are under threat from a tax

Air transport’s contribution to the Swiss economy is significant. The industry at present supports 206,723 jobs and contributes CHF 26.8 billion to the economy, accounting for 4.1% of Switzerland’s GDP. If the government pursues an agenda for competitiveness, an additional 16,000 jobs and CHF13 billion could be generated by 2037.

Shower heads save CO2

If instead of having to pay the ticket tax, a household of four people buys an efficient shower head (40 CHF), the environmental impact would be about 30 times bigger:
- cost of tax for 4 pax: 48 CHF - associated CO2 mitigation: 21.2 kg
The direct impact of the tax would be a reduction of approximately CHF530 million in Gross Value Added to the Swiss economy and a **potential loss of 3,200 jobs**. The negative impacts could be even greater if the analysis is extended to flights outside the EU and if the additional indirect and induced impacts of the tax are taken into account.

**Environmental action is already underway**

In 2008, the world’s airlines, airports, manufacturers and air navigation service providers committed to three carbon emissions goals, to be delivered though investing in new technology, sustainable aviation fuels, operational efficiencies, and an economic measure.

1. To increase fuel efficiency per passenger by 1.5% per annum
2. To deliver carbon-neutral growth from 2020
3. To cut carbon emissions 50% by 2050 (compared to 2005 levels)

We are delivering on these targets. Emissions per passenger have been cut in half since 1990.

The CORSIA agreement will offset the growth in international aviation emissions from 2020, enabling the industry to achieve carbon-neutral growth.

Improvements in technology and an increase in availability of sustainable aviation fuels will help the industry to cut emissions by 50% compared to 2005.
CORSIA

Emissions from aviation are already subject to mandatory carbon pricing

The UN’s Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) is applicable to international flights to/from Switzerland since 1 January 2019 and is mandatory for all airlines, whether they are registered in Switzerland or abroad. The participation of Switzerland in CORSIA will result in the mitigation of about 2.7 million tonnes of CO2 per year on average.

Domestic flights are subject to the Swiss tax on fossil fuels and VAT.

The map below shows the countries between which airlines will have to offset their emissions from 2021 (green) and from 2027 (blue). Yellow indicates currently exempt states though many may volunteer to join the scheme.

CORSIA will provide for $40 billion in climate finance by 2035, mitigating 2.5 billion tonnes of carbon between 2021-2035.

“CORSIA is a game-changing global agreement on climate change that will enable aviation to achieve carbon-neutral growth from 2020.”

Alexandre de Juniac

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