Taxes and addressing CO2 emissions

Fact Sheet

Many governments tax or consider taxing passengers and airlines to address the environmental impact of air transport. While we fully support the goal of reducing CO_2 emissions from air transportation, there are more direct and less costly ways of achieving that than via taxes. Taxation might not deliver any reduction in CO_2, and can negatively impact passengers, jobs, and the overall economy.

1. Addressing air transport's environmental impacts

Environmental issues are at the top of the air transport industry's agenda, alongside safety and security. The industry has adopted a set of ambitious targets to reduce its CO_2 emissions:

- To achieve net zero CO_2 emissions by 2050.
- To stabilize the level of CO_2 emissions from international aviation through the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). CORSIA obliges airlines to pay, via the purchase of carbon credits, for CO_2 emissions that exceed 85% of 2019 emissions, starting from 2024 until the end of the scheme in 2035.

The UN's International Civil Aviation Organization (ICAO) adopted CORSIA in 2016, rejecting carbon taxes and levies as effective solutions.[1] CORSIA is projected to offset 1.3 to 2.1 billion tonnes of CO_2 from 2024 to 2035 and remains the only global market-based measure (MBM) in any industry. Importantly, CORSIA serves as a mechanism for channeling climate finance toward emissions-reduction projects worldwide. IATA estimates that air transport will contribute between USD 30-60 billion in climate finance through CORSIA by 2035. Through the purchase of high-quality carbon units, airlines provide direct financial support to certified mitigation and adaptation activities, including notably projects that promote sustainable development in emerging economies. This establishes a measurable and transparent climate finance pathway that aligns with international carbon market standards, ensures environmental integrity, and facilitates global emissions mitigation beyond the air transport industry.

The industry is pursuing a mix of solutions to reduce its environmental footprint: investing in fuel-efficient aircraft, expanding the use of Sustainable Aviation Fuel (SAF), improving operations and infrastructure, and addressing local environmental issues such as noise and air quality in partnership with communities and authorities. IATA estimates the total cost of the industry's energy transition from 2024 to 2050 at about USD 4.7 trillion.[2]

More than 75% of global CO_2 emissions stem from fossil fuel use, and more than 80% of global energy use is in the form of fossil fuels. This is a whole-economy issue and not one that pertains to any particular industry. The global priority should be to phase out the most polluting energy sources across all sectors, rather than targeting the economic activities that rely on them.

[1] https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf, clause 18, page 6
[2] IATA Net Zero CO_2 Finance Roadmap, 2024. Accessible here.

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Governments should work to scale up renewable energy production in general, and SAF production in particular. Helpful policies would redirect support away from fossil-fuel producers to the renewable energy sector, and prioritize research into all associated new technologies.

2. Taxation is an inefficient policy tool for delivering CO2 emissions reductions

2.1 Global civil aviation needs global rules

The Chicago Convention,[3] signed in 1944, and subsequent international agreements, established the framework for the international air transport system, noting its essential role in promoting peace and prosperity for all. These agreements recognize the need to harmonize rules and regulations for this uniquely global industry, and refrain from erecting barriers to equality of opportunity across jurisdictions.

With reference to ICAO's Policies on Taxation in the Field of International Air Transport (Doc 8632), the ICAO 41st Assembly[4] urged the 193 Member States to follow ICAO's policies on taxation and to avoid imposing discriminatory taxes on international aviation. This was reaffirmed during the 42nd ICAO Assembly in October 2025, where States expressed strong support for ICAO's authority in international aviation taxation matters, endorsed CORSIA's exclusivity in addressing international aviation CO_2 emissions, and noted concerns regarding fragmented approaches by some UN agencies and individual States, as well as the potential impacts of additional taxation.

It is important to note that environmentally motivated taxes on airlines or tickets, would apply on top of existing carbon pricing instruments. Any national ticket tax proposals in the European Union, for instance, would add to the obligations airlines face under the EU ETS and CORSIA. This would result in charging the same tonne of emissions more than once, contradicting ICAO Resolution A41-22, which states that market-based mechanisms "should not be duplicative and international aviation CO_2 emissions should be accounted for only once".[5] While the air transport industry has strict criteria in place under various schemes to avoid double-counting of emission reductions, governments must also prevent the double-charging of emissions.

In this context, adding new environmentally motivated taxes is not only contrary to the international commitments of States but also the least effective carbon pricing measure, as it does not come with any guarantee or assurance that payments made will result in any verifiable emissions reductions.

2.2 The real impacts of taxation

Notwithstanding the legal provisions and the international consensus described above, the taxation of international air transport CO_2 emissions is often presented as a solution to decarbonize air transport. However, experience shows that the effectiveness of taxation (on fuel and/or tickets) as a mechanism to incentivize decarbonization is, at best, negligible.[6] To date, governments that have introduced taxes under the premise of reducing CO2 emissions from aviation have been unable to demonstrate that they have achieved

[3] Article 24(a) – accessible here - provides: "*Aircraft on a flight to, from, or across the territory of another contracting State shall be admitted temporarily free of duty, subject to the customs regulations of the State. Fuel, lubricating oils, spare parts, regular equipment and aircraft stores on board an aircraft of a contracting State, on arrival in the territory of another contracting State and retained on board on leaving the territory of that State shall be exempt from customs duty, inspection fees or similar national or local duties and charges. This exemption shall not apply to any quantities or articles unloaded, except in accordance with the customs regulations of the State, which may require that they shall be kept under customs supervision.*"

[4] https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf, clause 18, page 6

[5] https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf

[6] A 2020 Report from EUROCONTROL reached the conclusion that "there is little evidence that taxing aviation per se leads to lower CO_2 emissions; nor do raising fuel prices or ticket prices reduce CO_2 emissions." More precisely, EUROCONTROL observes that "despite having the highest rate of taxation on air travel in Europe, CO_2 emissions continue to increase in the UK." Similarly, despite the introduction of a departure tax on 1 January 2011 in Germany, CO_2 emissions increased by 4.2% that year. Likewise, although Italy increased departure taxes by almost 40% on 1 January 2016, its CO_2 emissions increased by 5.2% that year, while traffic from Italy fell by just 1.4%. – accessible here.

the intended reductions, and rarely (if ever) have the revenues been used to support investments that would help mitigate or reduce future emissions in the aviation sector.

Governments should be clear regarding the objectives of any taxation. If the objective is to contribute to the general government budget, it is worth noting that airlines are among the least profitable industries globally, with a forecast net profit margin of 3.9% in 2026[7], considerably lower than that of other industries.

If the policy objective is to reduce CO_2 emissions, the resulting emissions reductions must be verifiable, and the policy must be able to report on its cost per unit of emissions reduction. National policies must ensure that global charges for CO_2 emissions are not compounded across the global air transport system. Moreover, the funds should be used to tackle the lack of supply of means by which CO_2 emissions can be reduced. Both carbon credits and SAF are acutely short of supply, imperiling airlines' ability to comply with regulation.

More concretely, taxes have negative impacts on the environment, passengers, and the economy:

- The financial impact of additional taxes on airlines will limit their ability to invest in solutions that are proven to achieve long-term emissions reductions. Indeed, taxes on airlines and their passengers cannot accelerate fleet renewal, introduce cleaner technologies, or bring about more widespread deployment of sustainable fuels.

- Passengers facing higher ticket prices in some locations will seek to avoid them by flying from or via countries where no such taxes are levied, often resulting in longer journeys and more CO_2 emissions.

- Airlines in countries with higher ticket taxes are disadvantaged in a global and very competitive industry where price is the prime selection criterion for passengers. Taxes levied at an individual State level distort competition, often to the detriment of the home carrier of the given State, which is most exposed to the additional tax burden.

- The local economy will be negatively affected as a decline in air passenger volumes spells less tourism and business activity, curtailing demand for goods and services, and dampening overall GDP.

- Higher taxes can in some cases lead to reduced government revenue if demand is significantly reduced. This can have cascading effects across the economy given the indirect effects of lost spending by travelers.

[7] Global outlook