



Taxes & the environment

Fact Sheet

In recent years, there has been an increasing trend, particularly within Europe, to tax passengers and airlines for the environmental impact of air travel. While the overall goal of such taxation is laudable, it has proven to be an ineffective policy choice as it negatively impacts passengers, other airline customers, jobs, and the economy, without incentivizing newer and greener technology that could help in addressing environmental impact of air travel.

Addressing aviation's environmental impacts

Environmental issues are at the top of the aviation industry's agenda, alongside safety and security. The aviation industry has adopted a set of ambitious targets to mitigate CO₂ emissions from air transport:

- To stabilize the level of international aviation emissions from 2021 at 85% of the 2019 emissions level
- To achieve net zero emissions by 2050

In 2016, the International Civil Aviation Organization (ICAO) adopted a global carbon offsetting mechanism for international aviation (the Carbon Offsetting and Reduction Scheme for International Aviation or CORSIA).¹

Initially, the CORSIA baseline – from which airline offsetting requirements under the agreement are calculated – was agreed to be an average of 2019 and 2020 emissions. However, in 2020 the COVID-19 crisis caused a steep drop in demand for air transport of more than half compared with 2019. As a result, the CORSIA baseline would have been significantly reduced, imposing an unexpected and severe economic burden on an already severely weakened airline industry and contradicting the spirit of the CORSIA framework agreed upon in 2016. Therefore, in June 2020, the ICAO Council decided to use 2019 emissions only as CORSIA's baseline for 2021-2023. Most recently, at its 41st Assembly, ICAO set 85% of 2019 emissions as CORSIA's baseline from 2024 until the end of the scheme in 2035.²

The lower new CORSIA baseline also strengthens the ambition level of the scheme compared to previously, and it is projected to mitigate between 1.2 to 2.0 billion tonnes of CO₂ between 2024 and 2035. ICAO member states also consolidated the consensus that CORSIA should be the only market-based measure for international aviation emissions instead of a patchwork of regional and national measures to address emissions from international aviation.³

The aviation sector is committed to advances in technology, including the use of Sustainable Aviation Fuel (SAF), as well as in operations and infrastructure to continue to reduce the sector's environmental impact. Airlines have been replacing old aircraft with more fuel-efficient and quieter models. The industry is also engaged in efforts to mitigate its impact on the local environment and is working with authorities, airports, local communities, and other stakeholders to identify tailor-made measures to address noise and air quality problems at airports.

¹ https://www.icao.int/environmental-protection/documents/resolution_a39_3.pdf

² https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf

³ https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf, clause 18, page 6



Rather than taxing passengers and airlines, governments need to support multilateral efforts to address aviation emissions, including CORSIA. Governments must also create conducive policy frameworks for scaling up SAF production and facilitate its uplift by airlines, while also supporting research and investments into new technologies.

Taxes are not an effective solution

Experience shows that the effectiveness of levies as incentives for cleaner/quieter aircraft is doubtful. No government that introduced a ticket tax has demonstrated that such a tax reduced CO₂ emissions. Furthermore, the removal of less efficient and noisier aircraft from operations has been as fast at airports with environmental levies as at airports with no such levies.

The vast majority of green taxes that are applied or being considered are imposed on top of existing carbon pricing instruments. For example, the ticket tax proposals in European Union countries would be in addition to the EU ETS and CORSIA, which already put a price on carbon, resulting in multiple charges for the same scope of emissions. While we have strict criteria in place under various schemes to avoid double-counting of emission reductions, governments must show the same integrity to avoid double-charging emissions.

These taxes are also contrary to the international commitments of States. In ICAO, States have agreed to reduce taxes levied directly on passengers or shippers. They have also committed to not applying duplicative carbon pricing instruments to international aviation, recognizing that a multilateral approach is more effective in the long term than individual state measures. They also agreed that environmental levies should not be driven by fiscal aims but designed to recover the costs of alleviating or preventing environmental problems.⁴

The real impacts of taxation

Taxes have negative impacts on the environment, passengers and the economy.

The financial impact of a tax on airlines will limit their ability to invest in newer, cleaner and quieter aircraft and technology, delaying fleet renewal and the associated environmental benefits.

Passengers will be more heavily taxed or opt for longer journeys - resulting in more emissions or carbon leakages - through airports where no such taxes are levied.

Airlines will lose their competitiveness if they lose customers to competitors based in other countries. Taxes levied at an individual state level, therefore, 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 is negatively affected as a decline in air passenger volumes leads to decreased tourism and business travel and lower demand for goods and services, negatively impacting GDP.

Governments may also lose revenues if the increase in tax revenues is offset by the decrease in air travel volume and the indirect effects of a reduction in revenue from lost travelers' spending and uncollected fees, charges and taxes.

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

Appendix: Patchwork of regional and national measures⁵

Energy taxation and Emissions Trading Schemes

- **Revision of Energy Taxation Directive (ETD):** The EU legislators are revising ETD, intending to suspend the tax exemption on jet fuel combustion for intra-EU international flights.
- International flights between airports located in the European Union, Iceland, Liechtenstein and Norway are subject to the **European Union Emissions Trading Scheme (EU ETS)**. This includes flights by operators from third countries.
- In the United Kingdom, the **UK Emissions Trading Scheme (UK ETS)** entered into force from 1 January 2021, following Brexit. UK ETS covers international flights departing from the UK to EEA countries.
- In Switzerland, the government has introduced legislation to include international flights departing Switzerland to the European Union, Iceland, Liechtenstein and Norway into the **Swiss Emission Trading Scheme (Swiss ETS)**. The Agreement between Switzerland and the EU on linking the emissions trading systems came into force in 2020. Flights within Switzerland and from Switzerland to airports in the European Union, Iceland, Liechtenstein, and Norway are subject to Swiss ETS. Operators, including foreign operators, must surrender emission allowances in the amount of their CO₂ emissions.

Ticket taxes

In recent years, several states have introduced or indicated that they plan to introduce ticket taxes applicable to international flights, asserting the impact of aviation on climate change as a justification.

- **In Norway**, an air passenger tax is levied on all domestic and international passenger departures since 1 June 2016. NOK82 (~ USD7.6) is levied from passengers traveling to destinations within Europe, and NOK320 (~ USD29.7) from passengers traveling to other destinations. A proposal is currently being considered to further increase this tax from 1 January 2024.
- **In Sweden**, an aviation tax has been levied on passenger departures since 1 April 2018. SEK69 (~USD6.6) is levied for intra-European flights, SEK288 (~ USD27.5) for other flights up to 6000km, and SEK461 (~ USD44.0) for longer flights.
- **In the Netherlands**, the government introduced a ticket tax levied on passenger departures since 1 January 2021, which has been increased to a flat rate of EUR26.43 (~ USD28.8) from 1 January 2023.
- **In France**, the Ministry of Finance introduced an Eco Tax (recently combined with the French Solidarity Tax), which applies to commercial flights departing from French airports. The tax entered into force on 1 January 2020, with rates ranging between EUR2.7 (~ USD2.9) per ticket on domestic and intra-European flights in economy class to EUR63.1 (~ USD68.8) per ticket for business class flights to destinations outside of the EU.
- **In Portugal**, a carbon tax of a flat rate of EUR2 (~ USD2.2) has been levied for departing flights from all Portuguese airports since 1 July 2021. The tax scheme underwent significant amendments and extensions on 1 July 2023, now encompassing non-commercial business jet flights as well.
- **In Denmark**, a passenger tax per departing air traveller (excluding transfer and transit passengers) from Danish airports is being proposed with some indication that a part of the revenues will be utilized to provide financing for the green transition of Denmark's domestic aviation sector. The passenger tax is proposed to be phased in gradually from 2025 and fully phased in by 2030, and its amount would differ depending on the length of the flight. Starting 2025, an average tax of DDK 70 (~USD 6.5) per passenger per flight will be imposed and increased to DDK 85 (~USD 7.9) from 2028 and eventually stabilized at an average of DDK 100 (~USD 9.3) by 2030, thereafter.

⁵This is not an exhaustive list. The Appendix lists a few typical regional/national carbon pricing instruments currently in force or under consideration.



- **In South Africa**, a CO₂ tax was implemented from 1 June 2019 for domestic flights. The rate started at ZAR120 (~ USD6.7) in 2019 and increased annually by 2%.