



Taxes and environmental transition

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 may seem laudable, it has proven to be an ineffective policy choice that negatively impacts passengers, jobs, and the overall economy.

Green taxes do not incentivize newer and greener technology—such as Sustainable Aviation Fuels (SAF) and hydrogen—that could help in addressing the environmental impact of air travel, and only divert money that could be used in the energy transition.

1. 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:

- From 2021, to stabilize the level of international aviation emissions through CORSIA over a baseline of 85% of 2019 emissions, from 2024 until the end of the scheme in 2035.
- By 2050, to achieve net zero CO₂ emissions.

In 2016, the United Nations specialized agency for aviation, the International Civil Aviation Organization (ICAO) adopted a global carbon offsetting mechanism for international aviation which is projected to mitigate between 1.2 to 2.0 billion tonnes of CO₂ between 2024 and 2035 (the Carbon Offsetting and Reduction Scheme for International Aviation or CORSIA¹, expressly rejecting a carbon levy or carbon tax as an effective means to address carbon emissions. The ICAO member states consolidated the consensus that **CORSIA should be the only market-based measure for international aviation emissions**².

The aviation sector is committed to technological advances³ – including using SAF – operations, and infrastructure improvements to continue reducing 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.

Rather than taxing passengers and airlines – whereby the revenue enters a State's general fiscal budget without supporting the industry's decarbonization – governments should support the smooth implementation of multilateral efforts to address aviation emissions, including CORSIA. Governments must also create

¹ [Microsoft Word - Resolution A39-3 Global MBM scheme.docx \(icao.int\)](#)

² https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf, clause 18, page 6

³ IATA Net Zero Roadmaps are the first detailed assessment of the key steps necessary to accelerate the transition to net zero by 2050. Together, they show a clear direction and will evolve as we dig deeper to set interim milestones on the way to net zero. The roadmaps are aimed at airlines, but also for governments, suppliers, and financiers. General. Accessible [here](#)



conducive policy frameworks for scaling up SAF production and facilitating its uplift by airlines, while supporting research and investments into new technologies.

2. Taxation is an inefficient tool for enhancing aviation environmental transition

2.1 Multilateral consensus against taxation

The Chicago Convention⁴, signed in 1944, and subsequent international agreements established the framework for the effective functioning of the international air transport system, have recognized the need to exempt jet fuel from taxation. This long-standing principle, which has become a standard provision included in bilateral Air Services Agreements (ASAs), is also reflected in the ICAO's Policies on Taxation in the Field of International Air Transport (Doc 8632)⁵ and is detailed in Article 13 of the ICAO template Air Services Agreement (ASA)⁶.

The decision to exempt jet fuel is based on the recognition by States that **the situation of international air transport is unique in the field of taxation**. Unlike other types of businesses that operate across national borders, airlines rely on the use of aircraft that carry and consume large amounts of fuel between various tax jurisdictions, with a considerable percentage of these operations occurring outside of any tax jurisdiction (i.e., over the high seas) or across multiple jurisdictions. Governments also recognized that **taxation would act as an obstacle to the development of air transport, which plays a key role in international cooperation and the development of nations around the world**.

On 9 December 1996, through ICAO, the United Nations established its position against any environmental taxes on air transport, highlighting that environmental levies should not be driven by fiscal aims but designed to recover the costs of alleviating or preventing environmental problems⁷: **"ICAO Council strongly recommended that any environmental levies on air transport, which States may want to introduce, should be in the form of charges rather than taxes"**⁸.

It is important to note that the taxation of jet fuel would, for instance, apply on top of existing carbon pricing instruments, particularly CORSIA. For example, any national ticket tax proposals⁹ in the European Union countries would come in addition to the EU ETS and CORSIA, which already put a price on carbon, resulting in the same tonne of emissions being charged more than once.

While the aviation industry has 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, as the reinforced ICAO Resolution A39-3 *"Recognizing that MBMs should not be duplicative and international aviation CO2 emissions should be accounted for only once"*¹⁰.

In this context, **taxation 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**.

⁴ 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."

⁵ [H:\WP51\Taxation-Doc8632\DOC8632\3rd edition-2000\THIRD EDITION.wpd \(icao.int\)](#)

⁶ <https://www.icao.int/Meetings/AMC/MA/ICAN2009/templateairservicesagreements.pdf>

⁷ https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf, clause 18, page 6

⁸ More information can be found on ICAO website, on <https://www.icao.int/sustainability/Pages/eap-im-levies.aspx>.

⁹ See Appendix – p. 4-5

¹⁰ https://www.icao.int/environmental-protection/Documents/Resolution_A39_3.pdf



2.2 The real impacts of taxation

Notwithstanding the legal provisions and the international consensus described above, the taxation of jet fuel, or more generally of international air transport emissions, is often presented as a solution to decarbonize air transport.

Unfortunately, this misguided vision only serves to distract from more sustainable and effective measures.

Experience shows that the effectiveness of taxation (on fuel and/or tickets) as a mechanism to incentivize decarbonization is, at best, negligible¹¹.

More concretely, 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 - 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 revenue if the increase in tax revenue is offset by the decrease in air travel volume and the indirect effects of a reduction in revenue from lost traveller's spending, on top of uncollected fees, charges, and taxes.

Indeed, taxes do not result in accelerated fleet renewal, the introduction of cleaner technologies, or more widespread deployment of sustainable fuels. In practice, taxes often achieve the opposite effect by **reducing or delaying the airlines' financial capacity to invest in solutions that are proven to achieve long-term emissions reductions.**

To date, governments that have introduced taxes under the premise of reducing emissions from aviation have been unable to demonstrate that they have achieved the intended CO₂ 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.

¹¹ A 2020 Report from EUROCONTROL reached the conclusion that "there is little evidence that taxing aviation per se leads to lower CO₂ emissions; nor do raising fuel prices or ticket prices reduce CO₂ emissions." More precisely, EUROCONTROL observes that "despite having the highest rate of taxation on air travel in Europe, CO₂ emissions continue to increase in the UK." Similarly, despite the introduction of a departure tax on 1 January 2011 in Germany, CO₂ emissions increased by 4.2% that year. Likewise, although Italy increased departure taxes by almost 40% on 1 January 2016, its CO₂ emissions increased by 5.2% that year, while traffic from Italy fell by just 1.4%. – accessible [here](#).



Appendix: Patchwork of international, regional, and national measures¹²

Multilateral initiatives

- **Multilateral Carbon Tax Treaty (MCTT)**¹³: The proposal of a [MCTT](#) comprises 31 articles that together establish an obligation on contracting states to tax carbon contained in fossil fuel or one of its by-products at the level of extraction. Amongst other provisions, Article 11 proposes the States' voluntary discretion to impose taxes on fuels as a derogation from the Chicago Convention of 1944. It also foresees that Article 11 shall prevail over any other arrangement agreed upon under an Air Services Agreement (ASA) if both States are parties to the Carbon Tax Treaty and signed up to Article 11.

Airline industry position: The MTCC proposal is an instrument that overlaps the UN's global mechanism to address carbon emissions reduction and offset, and should not apply to aviation. If a Multilateral Carbon Tax Treaty is to be created, Article 11 should be removed.

Alternatively, Article 11 should have the following wording:

Article 11 – Aviation

1. *According to the Convention on International Civil Aviation (also known as Chicago Convention), international tax and sustainability matters on aviation are dealt with by the United Nations' specialized agency for aviation, the International Civil Aviation Organization (ICAO).*
2. *ICAO's 193 Member States agreed on a global market-based measure — the Carbon Offset and Reduction Scheme for International Aviation (CORSIA) — adequately addresses the increase in total CO₂ emissions from international civil aviation over a baseline. ICAO expressly rejected the options of a global carbon tax or a departure levy to address CO₂ emissions.*
3. *Considering the international consensus around CORSIA, recognizing it as the only market-based measure to address carbon emissions, UN Member States should refrain from applying other global, regional, national, or local carbon taxes, charges, or fees.*

Energy taxation and Emissions Trading Schemes

- International flights between airports 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.
- The UK Emissions Trading Scheme (UK ETS) entered into force in the United Kingdom on 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.

Airline industry position: The proliferation of emissions trading schemes overlaps with the existing United Nations' global mechanism to address carbon emissions, agreed by the Member States at the International Civil Aviation Organization (ICAO), the UN specialized agency for aviation.

¹²Non-exhaustive list. The Appendix lists a few typical international, regional, and national carbon pricing instruments currently in force or under consideration.

¹³International Centre for Tax and Development, Multilateral Carbon Tax Treaty (MCTT), April 2024, accessible [here](#).

Ticket taxes and taxes on carbon emissions

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

- In **Canada**, since 2019, every jurisdiction has had a price on carbon pollution. Canada's approach is flexible: any province or territory can design its own pricing system tailored to local needs or can choose the federal pricing system. The federal government sets minimum national stringency standards that all systems must meet to ensure they are comparable and contribute their fair share to reducing greenhouse gas emissions. If a province decides not to price pollution or proposes a system that does not meet these standards, the federal system is put in place.
- In **Colombia**, the national authorities are implementing a carbon tax on domestic flights, which is approx. USD5 per tonne of CO₂ which is adjusted annually to inflation plus 1%. Emitters have the option to meet their carbon tax liability by using offset credits generated from domestic projects.
- In **Denmark**, a passenger (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. 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.
- 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 January 2020, with rates ranging between EUR2.63 (~ USD2.86) per ticket on domestic and intra-European flights in economy class to EUR63.07 (~ USD68.60) per ticket for business class flights to destinations outside of the EU.
- In **Germany**, in January 2024, the government announced a tax increase of about 19%, levied on passengers departing German airports. Depending on the route, a tax of between €15.53 and €70.83 (\$16.63 and \$75.85) per passenger per flight will apply. Previously, the passenger tax had been between €12.73 and €58.06 per person per flight.
- In **Hungary**, an extra-profit tax for air transport based on the CO₂ emissions value per seat of an aircraft is effective from 1 January 2023. Considering the destination of the flight concerned, the tax rates range between HUF 2,700 (~USD 6.9) and HUF 12,700 (~USD 32.43) depending on the emissions value and the destination. Failure to comply results in the tax rate applied in its highest category (17.5 kg or more) and invoiced to the airlines.
- In **the Netherlands**, the government introduced a ticket tax levied on passenger departures since January 2021, which has been increased to a flat rate of EUR29.05 (~ USD31.59) from 1 January 2024.
- In **Norway**, an air passenger tax is levied on all domestic and international passenger departures since June 2016. NOK85 (~ USD8.1) is levied from passengers traveling to destinations within Europe, and NOK332 (~ USD31.6) from passengers traveling to other destinations.
- In **Portugal**, a carbon tax of a flat rate of EUR2 (~ USD2.18) 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 **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%.
- In **Sweden**, an aviation tax has been levied on passenger departures since 1 April 2018. A tax of SEK76 (~USD7.19) is levied for intra-European flights, SEK315 (~ USD29.8) for other flights up to 6000km, and SEK504 (~ USD47.69) for longer flights.

Airline industry position: national initiatives that tax carbon emissions, as the ones exemplified above, are contrary to these States' international commitments at ICAO, but are also the least effective carbon pricing measures, as payments made are yet to prove any verifiable carbon emissions reduction. To date, governments that have introduced taxes under the premise of reducing emissions from aviation have been unable to demonstrate that they have achieved the intended CO₂ 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.