



# Taxes & addressing CO<sub>2</sub> 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<sub>2</sub> emissions from air transportation, there are more direct and less costly ways of achieving emissions mitigation than via inefficient taxes. Taxation does not necessarily deliver measurable reductions in CO<sub>2</sub>, 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<sub>2</sub> emissions:

- To achieve net zero CO<sub>2</sub> emissions by 2050.
- To stabilize the level of CO<sub>2</sub> emissions from international aviation from 2021 through the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). CORSIA obliges airlines to purchase and cancel carbon credits for CO<sub>2</sub> 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.<sup>1</sup> CORSIA is projected to offset 1.3 to 2.1 billion tonnes of CO<sub>2</sub> from 2024 to 2035 and remains the only global market-based measure (MBM) for international aviation emissions. 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 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.<sup>2</sup>

More than 75% of global CO<sub>2</sub> emissions stem from fossil fuel use, and more than 80% of global energy use is in the form of fossil fuels. Decarbonization requires action across all sectors of the global economy. 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.

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<sup>1</sup> [https://www.icao.int/sites/default/files/left-menu-pdfs/Resolution\\_A41-22\\_CORSIA.pdf](https://www.icao.int/sites/default/files/left-menu-pdfs/Resolution_A41-22_CORSIA.pdf), clause 18, page 6

<sup>2</sup> [IATA Net Zero CO<sub>2</sub> Finance Roadmap, 2024](#)

Governments should work to scale up renewable energy production in general, and SAF production in particular.<sup>3</sup> Effective policy options would redirect support away from fossil-fuel producers to the renewable energy sector and prioritize research into all associated new technologies.

## 2. Additional taxes do not necessarily reduce CO<sub>2</sub> emissions

Notwithstanding the legal provisions and the international consensus described above, the taxation of international air transport CO<sub>2</sub> 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,<sup>4</sup> uncertain, and often limited. To date, governments that have introduced taxes under the premise of reducing CO<sub>2</sub> emissions from aviation have been unable to demonstrate that they have achieved 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 revenue generation, it is worth noting that airlines are among the least profitable industries globally, with a forecast net profit margin of 2.0% in 2026<sup>5</sup>, considerably lower than that of other industries.

If the policy objective is to reduce CO<sub>2</sub> emissions, the resulting emission 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 taxes for CO<sub>2</sub> emissions are not compounded across the global air transport system. Should the government, however, still choose to proceed with the carbon taxation as the policy tool to address CO<sub>2</sub> emissions, then the revenue should be earmarked and channeled back to the air transport industry to incentivize the decarbonization: for example, to tackle the lack of supply of means by which CO<sub>2</sub> emissions can be reduced, such as upscale SAF production and CORSIA eligible emissions units.

### **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<sub>2</sub> emissions.
- Airlines in countries with higher ticket taxes are disadvantaged in a global and very competitive industry where price is often 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.

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<sup>3</sup> To find out more about a sequenced policy plan for the creation of a healthy SAF market, find IATA's brief on [The Energy Transition, System Transformation](#), March 2026.

<sup>4</sup> A 2020 Report from EUROCONTROL reached the conclusion that "there is little evidence that taxing aviation per se leads to lower CO<sub>2</sub> emissions; nor do raising fuel prices or ticket prices reduce CO<sub>2</sub> emissions." More precisely, EUROCONTROL observes that "despite having the highest rate of taxation on air travel in Europe, CO<sub>2</sub> emissions continue to increase in the UK." Similarly, despite the introduction of a departure tax on 1 January 2011 in Germany, CO<sub>2</sub> emissions increased by 4.2% that year. Likewise, although Italy increased departure taxes by almost 40% on 1 January 2016, its CO<sub>2</sub> emissions increased by 5.2% that year, while traffic from Italy fell by just 1.4%. – accessible [here](#).

<sup>5</sup> [Global outlook](#)

- 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.

### 3. International air transport requires globally coordinated policy

The Chicago Convention,<sup>6</sup> signed in 1944, and subsequent double tax agreements and air service agreements, have 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 unique global industry and refrain from erecting barriers to equality of opportunity across jurisdictions.

With regard to ICAO's Policies on Taxation in the Field of International Air Transport (Doc 8632), the ICAO 41<sup>st</sup> Assembly<sup>7</sup> 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 42<sup>nd</sup> session of the ICAO Assembly in October 2025, where States emphasized their strong support of ICAO's authority in regulating international aviation taxation matters, endorsed CORSIA's exclusivity in addressing international aviation CO<sub>2</sub> emissions, and expressed reservations on the fragmented approaches adopted by some UN agencies and individual States, as well as the potential impacts of additional taxation.

States reached this conclusion for several reasons, including the following:

- First, air transport is inherently global. As such, only globally coordinated solutions can effectively address its environmental impact while preserving fair competition.
- Second, taxes typically operate by reducing demand for the targeted activity. In air transport, this risks undermining the economic and social benefits generated by air connectivity. As a matter of fact, aviation supported a total of 87 million jobs and added USD 4.1 trillion of economic activity, equivalent to 3.9% of the world's gross domestic product (GDP) in 2023 – similar to the economic size of Japan or India.<sup>8</sup>
- Third, the 193 Member States of ICAO were already conscious of the cost of the energy transition – estimated at around USD 4.7 trillion between 2024 and 2050 – within the international air transport sector, and recognized that blanket taxation would take important investments away from the uptake and development of credible decarbonization levers such as SAF, and the purchase of carbon credits under CORSIA, which is not an option but an obligation on airlines

Importantly, environmentally motivated taxes on airlines or on the passengers (through ticket taxes) would apply on top of existing carbon pricing instruments. Any national ticket tax proposals in the EU, 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 Assembly Resolution A41-22, which states that market-based mechanisms "should not be duplicative and international aviation CO<sub>2</sub> emissions should be accounted for only once".<sup>9</sup> While the air transport industry has strict criteria in place under various schemes to avoid double-counting of emission reductions, governments must also prevent double-charging for emissions.

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<sup>6</sup> 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."

<sup>7</sup> [https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution\\_A41-22\\_CORSIA.pdf](https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf), clause 18, page 6

<sup>8</sup> IATA, The significant value of air transport to the global economy, Chart of the week, January 2024. Available [here](#). For a more detailed perspective, IATA has also assessed the socio-economic impact of aviation in 82 individual countries around the globe. Available [here](#).

<sup>9</sup> [https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution\\_A41-22\\_CORSIA.pdf](https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf)

In this context, adding new environmentally motivated taxes is not only contrary to the international commitments of States but also leads to limited environmental benefits, as there is no guarantee that the least effective carbon pricing measure will result in any verifiable emissions reductions.

Additional resources:

- To find out more about taxes applied to air transport enterprises and services, please find IATA's brief [here](#).
- To find out more about specific taxes on the use of air transport, please find IATA's in-depth publication [here](#).
- To find out more about public finance and air transport, please find IATA's facts [here](#).
- To find out more about the fiscal landscape of international air transport, please find IATA's brief [here](#).
- To find out more about international climate regulatory frameworks for air transport and maritime decarbonization, please find IATA's brief [here](#).
- To find out more about CORSIA, please find IATA's handbook [here](#).
- To find out more about air transport non-CO<sub>2</sub> emissions, please find IATA's FAQ [here](#).