



## **A4E Statement on European Commission Energy Taxation Directive Reform**

### **Background:**

Aviation is responsible for just 2.4% of global emissions. European airlines have set themselves ambitious targets which are in line with the European Green Deal and the COP21 Paris Agreement. The sector is committed to accelerating its emissions reductions to reach net zero CO2 emissions by 2050 and have a [Destination 2050 roadmap](#) that provides robust evidence on how it will reduce its carbon footprint by 2030 and by 2050. The task ahead is daunting, and every actor in the aviation ecosystem needs to play its part. Future European policies are critical in ensuring investment in new technologies such as Sustainable Aviation Fuels (SAFs), more efficient air traffic management and greater operational efficiency. Destination 2050 showed that decarbonization and an alignment of the industry with the EU's climate targets can be done without further taxation of the sector. This pathway, aligned with the Paris Agreement, foresees growth in air transport without the need for further taxes. It would guarantee that air transport remains affordable whilst supporting the EU in delivering on its climate goals.

### **Market-based Measures:**

Market-based measures, such as the Emissions Trading Scheme (ETS) are key to reducing CO2 emissions, especially in the next 10-15 years. Reliance on economic measures is reduced over time as breakthrough technologies become more widely available (e.g. through SAFs, or new aircraft and engines) -- leaving residual emissions to be addressed through carbon removals. This is why governments need to invest all revenues from ETS aviation allowances into the deployment of decarbonisation technologies. We need to ensure that there is sufficient investment already today in the technologies which will help airlines decarbonize tomorrow.

The EU ETS is the most appropriate economic measure to limit and reduce CO2 emissions and price CO2. To ensure cost-effectiveness, EU and national economic measures must be market-based. Climate policy regulation in the form of taxes is ecologically and economically counterproductive. It reduces the aviation industry's capacity to invest and innovate whilst potentially shifting CO2 emissions to other regions, an effect known as carbon leakage.

### **An intra-EU kerosene tax would lead to a distortion of competition:**

An intra-EU kerosene tax could lead to a competitive distortion within Europe's internal market and globally. A possible kerosene tax that would set minimum tax rates for intra-EU flights is likely to have the most negative impact, as it may open the door to different rates inside the single market. This would distort the market and could lead to tankering of fuel inside the EU, whilst at the same time leading to carbon leakage due to the narrow scope of the policy. An EU-wide aviation tax proposal also seems odd from an environmental perspective, since aviation is currently covered by the EU ETS -- precisely to decarbonize those sectors covered by the scheme, and with the UN's CORSIA on its way.

## **No double pricing of CO2:**

There should be no double pricing of CO2 under various economic measures such as ETS/CORSIA and energy taxation. Doing so would be economically counterproductive and legally inefficient. If airlines pay for their CO2 under the EU ETS and CORSIA, they should not have to do it under a reviewed Energy Taxation Directive.

And if the goal of kerosene taxation is to ensure that the aviation sector contributes to national budgets, the review must take into account the overarching costs which are unique to airlines in Europe, including: ticket taxes, solidarity taxes, air traffic control charges, airport charges and security costs – the latter of which is paid for by the State in other sectors. These are all costs which are not carried by other modes of transport, such as rail, and must be better considered when designing future policies.

Imposing taxes without reinvesting their revenues in decarbonization will not lower CO2 emissions from flying. It will rather hamper connectivity without effectively contributing to aviation's sustainable transformation, depriving airlines from financial resources that could better be used for green investments.