AIRLINES FOR EUROPE

FIT FOR 55

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# ENERGY TAXATION DIRECTIVE REFORM

## BACKGROUND

Aviation is responsible for just 2.4% of global emissions. EU airlines have set ambitious targets in line with the European Green Deal and the COP21 Paris Agreement.

A4E is fully committed to the ultimate objective to reach a net-zero emissions aviation ecosystem in Europe by 2050, as well as strongly contributing to the EU's 2030 ambition. The Destination 2050 roadmap provides robust evidence on how this can be reached.

Every actor in the aviation ecosystem needs to play its part. 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.

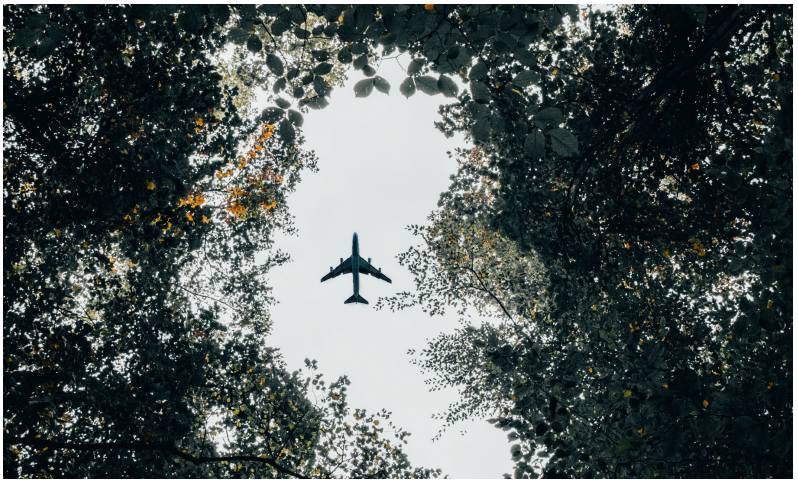
According to Destination 2050, carbon neutrality and an alignment of the industry with the EU's climate targets can be done without further taxation of the sector. This pathway, aligned with the Paris Agreement, foresees growth in air transport without the need for further taxes.

## Market-based Measures:

Smart economic instruments, such as carbon trading and offsetting schemes, are preferable to taxes. They cut emissions at the least cost to consumers -- something simply imposing taxes cannot do. The EU ETS is the most appropriate economic measure to reduce and price CO2 emissions.

Reliance on economic measures will reduce 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 removal. This is why governments need to invest all revenues from ETS aviation allowances into the deployment of decarbonisation technologies. Sufficient investment is needed already today in the solutions which will help airlines decarbonise tomorrow.

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.



# Would an intra-EU kerosene tax lead to a distortion of competition?

**Did you know?**

Imposing taxes without reinvesting its revenues in decarbonisation will not help lower emissions from flying.

YES!

- An intra-EU kerosene tax could lead to a competitive distortion within Europe's internal market and globally.
- A kerosene tax that would set minimum tax rates for intra-EU flights is likely to have the most distortive impact, as it may open the door to different rates inside the single market.
- This would harm the functioning of the EU single market and could lead to fuel being tankered inside the EU, whilst at the same time causing carbon leakage due to the narrow scope of the policy.

# 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 is economically counterproductive and legally inefficient. If airlines pay for their CO2 under the EU ETS and CORSIA, they should not have to pay for it again under a reviewed Energy Taxation Directive.

# Rebalancing the aviation tax burden

If the goal of kerosene taxation is to ensure that the aviation sector contributes to national budgets, new taxes 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 costs which other modes of transport, such as rail, do not currently pay for -- and this must be better considered when designing future policies.

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

**For more information:**

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