

*CC: Water and Infrastructure Minister Van Nieuwenhuizen*

**Ministerial level conference on aviation taxation**

Dear State Secretary of Finance, Mr. Snel,

The Netherlands has taken the initiative for a high level conference in June on the subject of aviation taxation. In this regard, we would like to present the outcomes of a recent study on aviation taxation.

This unpublished study of CE Delft and SEO for the European Commission shows that the aviation sector is heavily undertaxed in Europe. And importantly, that there are no legal or economic barriers to introducing such taxation.

The Netherlands is still behind in aviation taxation, alongside some other high income EU countries including Ireland, Luxembourg, Belgium and Denmark, while the advantages are significant.

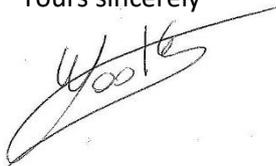
The report shows that a kerosene tax of 33 cents/litre on all departing flights from the Netherlands will cut Dutch aviation CO<sub>2</sub>-emissions 19% and the number of people affected by aircraft noise 15%, raise €1.2bn in tax income and have a net zero impact on GDP and employment. Aviation pricing is an effective measure to reduce emissions and pressure on airport capacity.

The Ministerial level conference on aviation taxation that the Dutch government will be hosting in The Hague in mid-June provides an opportunity for member states to discuss and to take concrete steps in fuel taxation, consistent with national and EU obligations under the Paris Agreement. Using a bilateral/multilateral approach, like-minded states or regions could act as frontrunners to introduce fuel taxation and encourage the scope to be progressively widened. This will function as a call to Europe to act in a coordinated way. The approach could be adopted as explained [in this report](#) for Transport & Environment.

We would appreciate the opportunity to discuss this with you in advance of the June conference.

Please find attached an annex covering the main stakes of aviation taxation.

Yours sincerely



William Todts

Executive Director, Transport & Environment  
william.todts@transportenvironment.org



Marjolein Demmers

Director, Natuur & Milieu  
m.demmers@natuurenmilieu.nl

## Annex

Lacking taxation on aviation amounts to a fossil fuel subsidy of over €40 billion EU-wide<sup>1</sup> for the most climate intensive of all transport modes and the one with the fastest growing GHG emissions - up 26% within the EU since 2012 alone<sup>2</sup>. Taxing fuel uplifted for domestic aviation was legalised in 2003 under the Energy Tax Directive (ETD) but, as we recognise, only the Netherlands amongst the EU-28 took up this opportunity for a period.

Domestic fuel taxation is entirely a member state competence entailing no legal obstacles and, as the unpublished report notes, the US, Japan, Australia, Norway, (and in fact also Brazil, India and Switzerland) have been doing so for years now. Member states have also had the competence since 2003 under provisions of the ETD to tax fuel uplifted for intra-EU flights. None have yet proceeded to do so. It only requires that states enter into a bilateral/multilateral agreement with their EU partners. Unanimity is not required.

The unpublished report by CE Delft and SEO shows that in the case of taxing fuel uplifted on all flights departing the Netherlands, the measure could;

- cut Dutch aviation CO<sub>2</sub> emissions 19%
- cut the number of people affected by aircraft noise 15%,
- raise €1.2bn from a kerosene tax of 33 cents/litre on all departing flights,
- have a net zero impact on GDP and employment while reducing the number of flights 19%.

The report shows that aviation pricing is an effective measure to reduce emissions and pressure on airport capacity. It would obviate the need both to open Lelystad airport or amend the cap on Schiphol movements. Ultimately the aviation fuel tax exemptions in the 2003 Energy Tax Directive and in bilateral agreements need to be abolished but this need not and must not delay action now on taxing fuel uplifted for flights within Europe. Introducing a per flight tax instead of a ticket tax in the Netherlands would also be more efficient (incentivising high load factors) and beneficial environmentally, because of the assumption (not a legal requirement) that transfer passengers which predominate at Schiphol airport would not be subject to a ticket tax.

Taxation reform will end the perverse and unjustified fossil fuel subsidies and start to recover a generation of lost government revenues which can help build a better society, reduce personal tax burdens or be used to fight climate change even in aviation and other sectors. 8% of the Dutch population is responsible for 40% of all flights, while 42% does not fly at all (KiM, 2018). Yet current tax exemptions force all of us to subsidise an activity of the relative few and the business sector, which should equally shoulder its responsibility to fight climate change.

Such carbon pricing would comprise the first effective step to implementing an aviation decarbonisation strategy for the sector in Europe which will ultimately depend on moving to mandating truly sustainable alternative fuels, primarily electro-fuels.

The ETS itself is clearly not sufficiently effective in this regard and the ICAO Corsia, relying on offsetting, will have no effect on aviation emissions. Introducing tax measures as outlined in the report can cut emissions and aircraft noise substantially with no overall effect on GDP or employment.

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<sup>1</sup> <https://www.transportenvironment.org/publications/does-aviation-pay-its-way>

<sup>2</sup> <https://www.transportenvironment.org/press/ryanair-joins-club-europe%E2%80%99s-top-10-carbon-polluters>