Fiscal policy instruments in the aviation sector

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Study: A fair share from aviation (CE Delft, June 2025)

- **Global Solidarity Levies Task Force (GSLTF)**, coalition of countries that jointly want to introduce aviation levies (14 countries, including Spain)
- **Studied four levies:** Fuel levy for commercial flights, private jet fuel levy, ticket levy and frequent flyer levy
- Important question: What is the main goal to be achieved with aviation levies?
  - **Generate revenues** (GSLTF main goal)
  - **Climate impact:** Reduce CO2- and non-CO2 emissions in aviation sector
  - **Progressive taxation / climate justice:** Make higher income households and frequent flyers pay for their emissions

  - **Goals are not mutually exclusive, but there are trade-offs between the abovementioned goals**

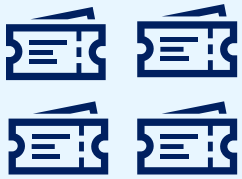
Characteristics of different levies

Fuel levy on commercial flights >> tax the fuel used in aircraft

- Levy increases with fuel consumption
- Progressive by nature if costs are passed through to passengers
- Incentivizes airlines to reduce fuel consumption, fuel efficiency
- Some legal hurdles (fuel tax exemptions in bilateral ASAs)

Ticket levy >> tax the tickets of passengers

- Ticket levy equal for each passenger
- Possibility to differentiate levy by travel distance and travel class
- No significant legal hurdles, many countries have ticket levies



Frequent flyer levy >> tax the tickets of frequent flyers

- Levy increases with frequency of flying
- Progressive as frequent flyers tend to be higher-income households
- Legally feasible, but administrative hurdles to be overcome

Private jet fuel levy >> tax the fuel used in private aircraft

- Low tax base; total amount of fuel used low compared to commercial flights
- Very progressive due to private jet scope
- No significant legal hurdles

Trade-off between climate impact and climate justice

- **Targetting businessclass passengers and private jets makes levies progressive and more acceptable to general public, but too much focus on these travel segments might reduce climate impact**
  - Worldwide, 94% of all passengers is economy class, 6% business class
  - Levies have little effect on passenger demand in higher travel segments due to low price elasticity of demand

Price elasticity of demand: How much does passenger demand change when introducing aviation levies?

Levy design	Price elasticity	Effect on aviation demand	Effect on CO2-reductions	Progressive taxation
Businessclass, private jets	**lower price elasticity**	Aviation levy **lower behavioural response** reduction in aviation demand	**Lower** emission reduction	**Progressive: High-income households pay higher levies**
Economy class, domestic flights	**higher price elasticity**	Aviation levy **bigger behavioural response** reduction in aviation demand	**Higher** emission reduction	**Not progressive**

General recommendations for aviation levy design

- Think carefully about the goal of the aviation levy, as different goals need different design
- If the goal is to create climate impact, ‘regular economy class’ travellers will need to be targeted as well (alongside higher levies for higher travel segments)
- Consider implementing a private jet fuel levy alongside any other type of levy
- Start with a low levy rate and gradually increase it to allow the aviation sector time to adapt