



Committee on Aviation Environmental Protection (CAEP) – Topic 2

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Case: Taxation of Aviation Fuel

¹ This paper reflects the author's personal views and cannot be considered as the views of ICAO.

1. Introduction

The aviation industry plays a pivotal role in global transportation but contributes between 2% and 3% of total global greenhouse gas emissions. As the urgency to combat climate change intensifies, there is a growing discourse on leveraging revenue from the aviation sector, particularly through taxation of aviation fuels, to fund climate action initiatives both within and beyond the sector.

2. Historical Background

Historically, aviation fuel has enjoyed tax exemptions. This approach is rooted in the 1944 Chicago Convention which, according to its Article 24(a):

“(a) 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.”

There are various reasons for this. In the post-war era, tax exemption would promote international air travel and economic growth in a rapidly expanding industry; reduce economic imbalance; avoid administrative barriers in a rapidly expanding industry; and prevent double taxation.

3. ICAO's Position on the Taxation of Aviation Fuel

The ICAO Assembly Resolution dealing with Taxation states that *“the imposition of taxes on international air transport, such as on aircraft, fuel, and consumable technical supplies, on the income of international air transport enterprises, and on the sale or use of such services, may have an adverse economic and competitive impact on international air transport operations².”*

The ICAO policies on taxation are contained in Document 8632. They supplement Article 24 of the Chicago Convention and recognize the nature of international civil aviation and the need to accord tax-exempt status to certain aspects of the operations of international air transport. It is important to note that ICAO's policies contained in its Documents are guidelines and not legally binding, allowing individual States some flexibility in their implementation.

ICAO has favored market-based measures (MBMs) like the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) instead of direct taxation. ICAO and industry bodies argue that taxation would mobilize funds from the aviation sector that would not benefit the sector directly – even having the counterproductive effect of reducing funds

² Assembly Resolution A41-27: Consolidated statement of continuing ICAO policies in the air transport field, Appendix B: Taxation, available at [ICAO website](#)

available to enable the sector's decarbonization. Concerns also exist about carbon leakage, where airlines may refuel in non-taxed jurisdictions, increasing emissions due to extra weight from fuel tankering.

However, as nations seek more effective strategies to finance climate action, this stance is increasingly challenged by policymakers.

4. Current Challenges and Developments

- The Global Solidarity Levies Task Force, introduced post-COP28, has proposed a global levy on aviation emissions, including an aviation kerosene fuel levy, to finance climate action beyond the sector³. The Task Force is expected to present its conclusions and proposals at COP30 in Brazil end of 2025.
- The EU's Energy Taxation Directive allows EU Member States to impose aviation fuel taxes domestically and, through bilateral agreements, for intra-EU flights. However, despite this provision, commercial aviation fuel is currently tax-exempt in all EU Member States. Ongoing discussions indicate that the introduction of an EU-wide aviation fuel tax may be postponed for an extended period.
- National governments, such as France and the Netherlands, are advocating for regional aviation levies to fund green energy transitions and climate resilience. The Netherlands implemented a tax on commercial jet fuel from 2005 to 2011 which was limited to domestic flights. Due to complications in implementation and low revenue, it lifted this tax in 2012.

5. Discussion Points for Students

- **Assessing ICAO's Stance:** Evaluate the effectiveness of ICAO's longstanding opposition to aviation fuel taxation in the context of contemporary climate challenges. Should ICAO revise its policies to align with global sustainability goals?
- **Economic Implications:** Analyze the potential economic impacts of imposing taxes on aviation fuel, considering both the aviation industry's growth and the funding of climate action initiatives.
- **Alternative Strategies:** Beyond taxation, what other mechanisms can be employed to mobilize revenue from the aviation sector for climate action? Consider the roles and respective merits and challenges of carbon offset programs, investments in SAF, and technological innovations. To what extent would an aviation fuel tax penalize and slow down the sector's commitment and progress towards net zero emissions by 2050⁴?
- **Equity Considerations:** Discuss the fairness of implementing aviation fuel taxes, especially concerning developing countries and low-income populations. How can policies be designed to ensure equitable outcomes?

³ See GLSTF website at [Global Solidarity Levies Task Force | For People and the Planet](#). See detailed straw-man options subject to a recent online consultation, at [GSLTF-Consultation-on-straw-man-options-for-solidarity-levies-1.docx](#). The Aviation kerosene fuel levy is detailed on page 7.

⁴ [Long term global aspirational goal \(LTAG\) for international aviation](#)

- **Global Coordination:** Debate the challenges and benefits of achieving international consensus on aviation fuel taxation. What role should global organizations, national governments and regional bodies, and the private sector play in this endeavor?

6. Further Reading and Resources

- Chicago Convention
- ICAO Document 8632
- [ICAO Assembly Resolutions in force \(A41-27 Appendix B deals with Taxation\)](#)
- [Long term global aspirational goal \(LTAG\) for international aviation](#)
- [IATA - Taxation](#)
- [Global Solidarity Levy Task Force Consultation document](#)
- [There's a taskforce dreaming up radical climate solutions – and you can help | Environment | The Guardian, 6 February 2025](#)
- [Simple Flying article, Is Aviation Fuel Taxed? If Not, Why Not?, July 2023](#)
- [Revision Energy Taxation Directive - European Commission](#)