

## **[Comment] The EU should tax airline fuel**

*16.02.2005 - 10:31 CET | By Richard Laming*

EUOBSERVER / COMMENT - The debate about taxing airline fuel has sprung back into life, thanks to the German government. The money could be used for development assistance, they say. Actually, it could be used to do much more than that.

At present, fuel used for international air passenger flights goes untaxed, unlike the fuel used in cars and road haulage. Air travel is the most environmentally damaging form of transport but pays the lowest tax rate on its fuel. This is crazy.

Furthermore, a tax on airline fuel would also be socially progressive, falling most on those who can afford to pay most, the richer people who fly frequently. The sums involved are substantial: billions of euros a year.

This argument has gone round for a while, but governments have said they have been held back by the law. This has always puzzled me.

Surely the difference between being in government and being out of government is that in government you have the power to change the law. The question is whether the national governments within the EU have the courage to do so.

The problem is that the law in question is an international agreement reached through the International Civil Aviation Organisation rather than a domestic law. But that doesn't make it unchangeable. The real problem is political.

It is not really possible for a country in Europe to introduce such a tax unilaterally. For example, if the UK were to introduce some kind of taxation on airline fuel on its own, it would place its own airline industry at a competitive disadvantage. Intercontinental flights would switch from Heathrow or Gatwick to Charles de Gaulle or Schiphol. There would be no overall environmental benefit from this, only the loss of jobs from the UK.

This problem does not arise if the tax is introduced throughout the EU. Isn't this precisely the kind of cross-border problem the EU was set up to deal with in the first place?

The EU could insist that any plane taking off or landing within the EU should pay tax on its fuel at a given rate. It could enter into agreements with third countries so that tax paid on fuel there could be offset against tax payments due in the EU. From an environmental point of view, it does not matter where the tax is paid and there is no reason for the EU to steal tax revenue from third countries.

Measures could be taken against airlines that sought to evade the duty by moving their intercontinental flights from EU destinations to ones outside the EU, such as Zurich. Airlines that did this could pay their EU airline fuel taxes at a higher rate, for instance.

But it is to be hoped that such punitive measures would not be necessary. Much better would be a cooperative approach with the EU's neighbours. After all, it is in everybody's interests to levy this tax: the only problem is that the intergovernmental nature of the ICAO prevents it.

The key to a breakthrough is concerted action in Europe. The member states of the EU have sufficient strength, if they act together, to bring sense to the tax system and plug a gap in European environmental protection. All that is needed is the political imagination to see past the problems at the European level to reach for solutions. Are Europe's political leaders imaginative enough?

*The author is director of Federal Union*

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Printed from EUobserver.com 17.03.2005

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