



A Third of UK Aviation Emissions Caused by Government Subsidies

20 November 2012

UK Households are subsidising the aviation industry, and therefore accelerating climate change, to the tune of £11 billion a year (equivalent to £400 per household) according to new figures released today by the Intergenerational Foundation (www.if.org.uk).

While private cars pay the full fuel tax and VAT rate, aviation is exempt from fuel tax and zero-rated for VAT. This makes air flights cheaper — and that's before the true cost of emissions are taken into account.

IF estimates that in 2011 forgone fuel duty was £10.4bn and forgone VAT on tickets approx. £3.2billion. This totals more than five times the tax yield of £2.6bn from Air Passenger Duty, resulting in a net subsidy of £11 bn.

The report, entitled ***Flying in the Face of Fairness: Intergenerational Inequities in the Taxation of Air Travel***, discusses the fiscal treatment of the aviation sector and quantifies taxes paid and taxes foregone to arrive at the £11bn “subsidy” enjoyed by aviation at the cost of current and future generations.

“Reducing the subsidy would raise ticket prices and make people think twice about that city break,” comments Angus Hanton, IF co-founder. “On the positive side it would improve the UK’s ‘Tourism Deficit’ by encouraging more people to holiday in the UK and do away with the need to expand Heathrow or build in the Thames Estuary.”

Research suggests that business travel would be affected far less than leisure travel, undermining airline lobbyist arguments that increasing airport capacity is the only option.

The immediate removal of these subsidies would increase a return trip by air by an average of £100, reduce the amount of leisure flying by a third and have a dislocating economic effect. However a gradual withdrawal could reduce future growth in flying and help the UK to go some way towards meeting its emissions target of 80% reductions by 2050, as required by the Climate Change Act 2008.

“Current aviation policy is a double injustice to future generations,” adds Simon Dresner, report co-author and Research Fellow at the Policy Studies Institute. “Under-taxing aviation not only adds to the national debt which future taxpayers will have to fund, but also encourages more flying and greenhouse gas emissions which future generations will have to live with.”

IF urges the government to stand firm against the powerful aviation lobby groups and protect other industry sectors from being landed with even higher decarbonisation targets to meet the requirements of the Climate Change Act 2008 because of excessive emissions from aviation.

“Properly designed aviation policies could help us to balance the needs of current generations with the environmental burden being passed on to future generations,” continues Hanton. “We urge the Coalition to accept the findings of this report in its consultation on its Draft Aviation Framework.”

John Stewart, Britain’s most effective green activist and Chair of UECNA, the pan-European anti-airport-expansion network, who provided the Foreword to the report adds, “This ground-breaking report produces compelling evidence that future generations will pay the price of the failure of this generation to control flying. It should be essential reading for all those involved in the debate about the future of aviation.”

-ends-

Notes for Editors:

- 470 million passengers are predicted to fly by 2050 as opposed to 211 million passengers in 2010 based on conservative estimates, *UK Aviation Forecasts*, Department of Transport, August 2011.
- £2.6bn Air Passenger Duty (APD) figures comes from *Air Passenger Bulletin* (HMRC, April 2012)
- The £11 billion subsidy to aviation could fund GP services (£7.7bn) or fund rail infrastructure.
- The EU Emissions Trading Scheme (EU ETS) is likely to result in windfall gains for the aviation industry.
- Aviation receives 85% of its EU Emissions Trading Scheme CO₂ allowance credits for free.
- The UK is committed to emitting no more than 159 million tonnes of CO₂ equivalent (MtCO₂e) by 2050 to meet the Climate Change Act 2008.
- Aviation accounts for around 13 % of the UK’s total climate impact. This figure takes into account greenhouse gases other than CO₂, which have a warming effect when emitted into the atmosphere at altitude, using data from DECC 2010.
- Flying causes 10 times more climate change damage than taking the train, Greenpeace, 2012.

Angus Hanton and Simon Dresner are available for interview. Link to report is here

Please contact Liz Emerson on 07971 228823 or email liz@if.org.uk