

ENERGY TAXATION TRANSPORT & ENVIRONMENT

DIRECTIVE

Ending one of aviation's most unfair tax privileges

Context

The Energy Taxation Directive (ETD) determines minimum taxation rates for fuels, including those used in transport. The ETD has not been reviewed [since 2003](#) and contains many exemptions and outdated rates that are unable to help the EU reach its climate goals. Aviation and maritime fuels were exempt from minimum fuel taxation rates.

What has the European Commission proposed?

The Commission is proposing to end the tax privileges enjoyed by aviation and maritime and ensure taxation rates better integrate the environmental impact of transport fuels.

- Jet fuel for intra-EU flights will gradually be taxed to reach a minimum rate of 10.75€/GJ (approx. 0.38€ per liter) as of 2033, except for cargo only flights.
- Jet fuel used for private jets (business or leisure) will be taxed at the minimum rate (0.38€ per liter) as of 2023.
- Member states, on a voluntary basis, can tax jet fuel for extra-EU flights bilaterally with countries that have

allowed it in their Air Service Agreements (ASA) with the EU.

- Advanced biofuels and e-fuels will benefit from a zero tax rate for 10 years.
- Minimum tax rates are determined by the energy content of the fuel, no longer by the volume, and will be indexed every year with inflation as of 2024

What's good? What's not?

The proposal finally ends one of aviation's most unfair tax privileges. For decades motorists have paid taxes on petrol and diesel while airlines burned tax free fuel. The tax will put a fairer price on flying and the revenues generated can help kick start the deployment of much needed clean fuels. Finally correcting this social and environmental injustice will be a great victory for the EU, but loopholes need to be fixed.

Despite proposing to tax jet fuel used on European flights, the proposal still allows airlines to enjoy the privilege of paying minimal tax rates for 10 years before the proposed rates come into force fully. This represents a **€35 billion subsidy** and loss of potential revenue. The reforms also only apply for fuel used on flights within Europe, **exempting 63% of fuel sales. Cargo-only flights** will also continue benefiting from

unfair tax treatment by **being excluded from these taxation rates.**

How should it be improved?

1) The jet fuel tax for intra-EU flights should be implemented as of 2023 to its full minimum rate and fuel used for private jets should be taxed at a much higher rate than 0.38 cts per liter, given they [are 10 times worse](#) for the environment than commercial aviation.

2) The EU should require EU member states to tax jet fuel used on extra-EU flights. As EU law does not oblige the bloc in its external relations to extend equal treatment to all countries outside the bloc, the EU should impose a tax on fuel uplifted for extra-EU flights when allowed by its ASA with a third country and not just leave it up to member states to choose. It should ask the US to [remove the jet fuel tax exemption](#) in the EU-US Open Skies agreement in the meantime.

3) Cargo flights should be included in the scope of the intra-EU jet fuel tax: the

emissions of the sector have been growing due to the use of inefficient jets and [increasing traffic](#) (the air cargo sector is the only segment of the aviation industry that has recovered to its pre COVID levels of air traffic).

Don't forget...

Taxation rules require unanimous approval within the Council to be adopted. In 2011 the European Commission already proposed to revise the ETD but after four years of unsuccessful negotiations, member states were unable to reach a unanimous agreement and the European Commission withdrew the proposal in 2015. This time, the EU cannot afford to withdraw its proposal as it finally updates an outdated tax framework. [Progressive member states](#) can however still decide to tax jet fuel even bilaterally if talks on an intra-EU jet fuel tax fail.

What next?

The Directive must now be adopted by the Council before becoming law, which should occur over the coming 12-18 months. The European Parliament will adopt an opinion on the proposal but it is up to member states to decide whether or not to implement proposed changes.

Further information

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