

Flying to new green heights

The pre-budget report is likely to tax low-cost flights, but only international cooperation can solve climate change.

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Today's pre-budget report is likely to feature a remarkable event. Gordon Brown may raise the air passenger levy, hitting budget flights to Benidorm and shopping hops to New York. The Daily Mail probably has angry headlines already written. But the paper will doubtless find that the Conservatives take little advantage of what, just a few years ago, would have been a golden opportunity to go on the attack. The major British parties are fighting for the green moral high ground, so the new tax will be not be too much of a vote-loser.

This sounds like a good thing for the environment. A trip to the states produces as much greenhouse gas as a year's worth of domestic energy use. Increasing the levy will rein in the idea that we can innocently pop over to New York for Christmas shopping. As Jackie Ashley has pointed out, future historians will see transatlantic trips to Macy's as a madness of this age.

But this good news hides a bigger problem. Brown's tax fits the "polluter pays" principle: we pay for the mess we make. But who should we pay? The British government will pocket the passenger levy. Yet it is developing nations that suffer most from the droughts and floods that climate change will bring. A real good news story would feature the introduction of a global aviation tax, with the proceeds used to help the world's poor combat the changes that our emissions are causing.

The numbers behind this idea add up nicely, as Oxford University's Benito Müller and Cameron Hepburn have argued. Overseas aid budgets can't hope to help developing nations adapt to climate change. The World Bank estimates that developing countries will need between \$10bn and \$40bn annually. Adding just \$5 to an average airline ticket would raise \$10bn a year.

Müller and Hepburn also make a good political case. Western nations have little interest in boosting aid budgets. But an international tax would be collected and distributed by an international body, so there would be limited domestic political penalties for

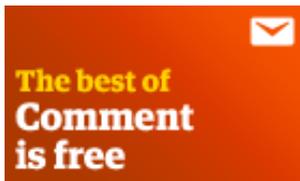
supporting it. It would also apply to anyone rich enough to travel, whether they come from Switzerland or Eritrea. A major objection of the United States to the Kyoto protocol - that developing nations do not have to pay for emissions - would thus not apply.

The problem with global taxes is that everyone has to sign up. Critics will point out that nations struggle to agree on patent rules, import tariffs or pretty much any topic of economic importance. Yet, without anyone really noticing, many countries have already signed up to a global climate tax.

To avoid big cuts under Kyoto, rich nations can pay for clean energy schemes in poorer countries. A 2% tax is levied on each scheme and the proceeds used to help poor nations adapt to climate change, exactly as Müller and Hepburn suggest. For advocates of a just redistribution of global wealth, this is a stealth tax to be celebrated.

So there is impressive groundwork in place. The fund exists. Developed and developing nations are in general agreement over how to run it. The UN provides the framework under which all parties can have their say. The aviation levy now starts to look less like political pie in the sky.

So far, the Kyoto money has brought just a few million in the fund, but a global airline tax would increase that a thousand-fold. This week's domestic agreement on environmental taxes is a surprising and welcome situation; an international consensus on the same issue would be a truly remarkable event.



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