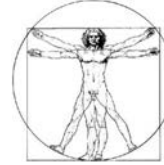


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International Air Passenger Adaptation Levy

PCCB/ecbi Seminar on Innovative Sources for Multilateral Climate Finance, COP 24, Katowice, 8 December 2018

Dr Achala Abeyesinghe

Senior Strategy Adviser, LDC Group
International Institute for Environment and Development (IIED)
Head ecbi Training & Support Programme

Dr Muyeye Chambwera

UNDP Regional Service Center for Africa in Addis Ababa

for sustained capacity building in support of international climate change negotiations
pour un renforcement durable des capacités en appui aux négociations internationales
sur les changements climatiques

IAPAL History



IATAL — an outline proposal for an International Air Travel Adaptation Levy

Benito Müller and Cameron Hepburn



Oxford Institute for Energy Studies
EV 36
October 2006



ecbi policy brief

International Air Passenger Adaptation Levy (IAPAL)

A proposal by the
GROUP OF LEAST DEVELOPED COUNTRIES (LDCs)
within the framework of the BALI ACTION PLAN

Submitted to the UNFCCC AWC-LCA
on 12 December 2008

with
Thirteen Questions and Answers

compiled by
Benito Müller



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IAPAL Proposition



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- A solidarity levy on all international air passengers to support adaptation in developing countries
- Differentiated by class of travel to reflect capability
- **Size of levy**
 - French Solidarity Levy as the basic scenario:
 - Economy trip \$6 (€4)
 - Business/first class trip \$62 (€40)
- **Revenue base**
 - Airline industry handles average 760 million international passengers a year.
 - IATA forecasts annual passenger number growth of 5.1%

Scale and Quality



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Year	Revenue (billion US\$)		
	Economy class	Higher classes	Total
1	3.9	3.9	7.8
2	4.1	4.1	8.2
3	4.3	4.4	8.7
4	4.5	4.6	9.1
5	4.7	4.8	9.5
6	5.0	5.1	10.1

Quality	IAPAL
New and Additional	✓
Predictable	✓
Appropriate	✓
Equitable	✓
Adequate	\$8-10 billion ?

Operational options



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- Revenues go to the *Financial Mechanism of the Paris Agreement*.
- In keeping with the Principle of Common but Differentiated Responsibilities, the levy could also be collected domestically in developing countries— e.g. through National Funding Entities – for domestic adaptation, thus ensuring *no net-incidence* on developing countries.
- AF/GCF compensates airlines for reasonable administrative costs

Potential impact on tourism



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- Economy travel more sensitive to price increases than premium travel but not large enough to deter travel
 - \$6 levy on a \$750 economy ticket results in 0.47% and 0.52% drop in demand for long-haul and short-haul international travel respectively
- Benefits going to developing countries through adaptation revenue is considerably more than expected tourism impacts

Potential impact on Airlines

- Passenger levy borne directly by passengers
- Only impact on airlines is reduced demand, with elasticity of demand being low for international travel
- Unfair distortions on competition in industry is avoided by universal application of levy on international travel, not selective by regions, routes, countries or airlines

Conclusions



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- IAPAL represents a significant additional contribution to adaptation funds that are so critical for the poorest
- Revenues are consistent, predictable and not dependent on annual reviews by governments
- Potential negative impacts much less than benefits: Poor countries benefit more than they lose with IAPAL