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*CC : Mr Patrick Gandil, Director General of French Civil Aviation, Direction générale de l'Aviation civile*

**Re: Joint letter in response to the upcoming High Level Conference on carbon pricing and aviation taxes on 20-21 June in The Hague.**

Dear Ministers,

We are writing to you in connection with the upcoming High Level Conference on Carbon Pricing and Aviation Taxes, which will take place on 20-21 June in The Hague. We note that while many officials & experts from European Governments and the European Commission will be attending, the aviation industry (airports, airlines and air navigation service providers) have not been invited to participate – not even as observers. This is unfortunate, as there is in our view no questioning that the industry and its extensive workforce are important stakeholders to be considered in these issues.

This conference is testimony to the fact that in the wake of the UN IPCC's report published last October (*'Global Warming of +1.5%*'), the impact of air transport on climate change has become the subject of intense scrutiny – and rightly so. This report calls for urgent & drastic action to limit global warming, in line with the objectives of the Paris Agreement.

Europe's airports and regional airlines are well aware that aviation collectively needs to up its game when it comes to climate action. Both ACI EUROPE and ERA have been engaging their members on Climate Action and will continue to do so as a matter of priority (see below additional information).

However, while curbing demand by taxing aviation may look like a promising avenue to some, it raises important questions and requires a thorough and concerted impact analysis.

One aspect to be emphasised in this regard is **the impact of taxing aviation on the Regions.**

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There is little doubt that regional communities across Europe have come to depend on air connectivity for their development. Air connectivity is what is now putting regional communities on the global map – allowing them to be connected not just to their national capital, but also:

- Directly with other European capitals and their hub airports, through which they benefit from indirect connectivity to the rest of the World.
- Directly with other regions across Europe.
- Increasingly, for those regions with larger airports, directly with non-European markets (especially the US, Canada and the Middle East).

Smaller regional airports in Europe<sup>37</sup> have over the past 10 years welcomed an additional 251 million passengers (more than the combined annual traffic of London-Heathrow, Paris-CDG and Amsterdam-Schiphol). Since 2014, they have boosted their **direct connectivity** by **+28.8%**.

There is no escaping that these figures attest to the fact that air connectivity is an indispensable enabler to develop tourism, attract inward investment and create local jobs across the regions of Europe. As such aviation plays an essential role in ensuring **social and territorial equality** – and meet the **cohesion objectives of the EU**.

Taxing aviation involves risks in this regard. This is because **the economics of regional air connectivity are fragile and subject to volatile/changing market dynamics**. Indeed:

- While Low Cost Airlines used to be a primary driver of air connectivity & traffic growth for regional airports, these airlines have over the past years initiated an up-market move into larger & primary airports, motivated by the search for the higher units revenues (and thus higher air fares) that these market provide to airlines. Such move has in part happened to the detriment of smaller regional airports.
- Several small airlines with significant activities at regional airports have gone bankrupt over the past 2 years, resulting in network attrition for a number of regional airports.
- New & more efficient aircraft technology is mainly focused on medium size & larger aircraft, with regional aircraft (especially smaller ones) not benefitting from the same advances & efficiency gains, which in turns makes regional air routes more challenging from an economic point of view for airlines.

These factors have resulted in **direct air connectivity falling by -2.9% this year at smaller regional airports**<sup>38</sup> – making that segment of the airport industry the worst performing (direct connectivity is expanding by an average of + 1.2%<sup>39</sup>). Considering the link between direct connectivity and GDP growth<sup>40</sup>, this is obviously not a positive development for regional development in Europe and raises concerns over the potential impact of taxing aviation on regional communities.

We are indeed concerned that taxing aviation would hurt regional air connectivity in a disproportionate way – with price/demand elasticity being very higher on regional air routes and these routes typically being less profitable than higher volume air routes, the risk of further air connectivity losses in the regions will be very high.

This means that taxing aviation raises **serious issues of social & territorial inequality** – the very themes that are driving public debates and politics across the EU right now. It is thus legitimate to question whether taxing aviation would be compatible with the **core cohesion policy & objectives of the EU**. It cannot be discarded that these objectives rely in part on affordable and extensive air connectivity for the regions.

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<sup>37</sup> Regional (non-capital) airports will less than 5 million passengers per annum.

<sup>38</sup> **Airport Industry Connectivity Report 2019** (ACI EUROPE), publication date: 26 June 2019.

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<sup>40</sup> Every +10% increase in direct connectivity yields a +0.5% increase in GDP per capita (Intervistas, 2015).

Beyond these specific but important aspects of social & territorial equality, we believe that aviation taxes are unlikely to address the fundamental and crucial issue of the decarbonisation of aviation. Indeed, as related revenues would not be earmarked for that purpose, we fail to see how such approach would effectively and meaningfully contribute to the objectives of the Paris Agreement. At the same time, its impact on citizens in economic terms cannot be discarded. From that standpoint, we firmly challenge the methodology and results of the study undertaken by CE Delft for the European Commission.

We remain at your disposal and restate our wish to be fully engaged on these matters.

Yours sincerely,

Olivier Jankovec, Director General, ACI EUROPE

Montserrat Barriga, Director General, ERA



European airports have a track record of proactive climate action through **Airport Carbon Accreditation** – the global standard for carbon management endorsed by the UNFCCC and the European Commission. **147 airports** in Europe are currently certified under the programme (accounting for 64.6% of total passenger traffic on the continent), with **43** having achieved the **carbon neutrality level** – of which **3** have even reached **net-zero carbon emissions** (without offsetting).

But, as more needs to be done, ACI EUROPE will unveil an ambitious Sustainability Strategy for the airport industry at its upcoming Annual General Assembly in Cyprus on 26 June. This will include a new commitment to climate action, which will add to and complement our target to reach 100 carbon neutral airports in Europe by 2030.



Small to medium-sized airlines operating regional routes provide unparalleled value and must be viewed differently to larger airlines for a variety of reasons. They provide vital connectivity, direct connectivity from secondary to secondary destinations or linking regional airports to main hubs and consequently, alternative modes of transport to flying does not often equate to public transport such as trains, but more likely the use of cars. Further to this, for many parts of Europe, such as remote islands or sparsely populated areas (Scotland, Ireland, Canary Islands, Scandinavia, Greece and many more) there is no viable alternative to flying.

Regional aviation is probably the easiest part of aviation to decarbonise and can make easier use of **sustainable biofuel**, with ERA member **Braathens** a perfect example having recently demonstrated how emissions can be reduced by almost 50 per cent with an exercise they named '**the Perfect Flight**'. As this shows, there are several ways already commercially available to reduce emissions, including electric and hybrid technology, of which regional aviation is probably the first sector within aviation that will make use of, as proven by Widerøe's initiatives.

These are only two examples but there are many other small operators doing significant efforts in the sustainability front. Nevertheless, most methods require investments i.e. biofuel, new aircraft, etc., and as airlines are already today paying for their infrastructure through airport charges, en-route and terminal charges levied upon them, new taxes will not help airlines to invest for the future.

**ACI EUROPE** is the European region of Airports Council International (ACI) representing over 500 airports in 45 European countries. Our members facilitate over 90% of commercial air traffic in Europe: 2.3 billion passengers, 21.2 million tonnes of freight and 25.7 million aircraft movements in 2018. These airports contribute to the employment of 12.3 million people, generating €675 billion each year (4.1%) of GDP in Europe.

**ERA** (European Regions Airline Association) is a trade association representing the European aviation industry. Our membership includes 51 airlines and 145 associate and affiliate members who jointly cover the entire spectrum of the aviation sector - airlines, airports, manufacturers and suppliers