

**60th CONFERENCE OF
DIRECTORS GENERAL OF CIVIL AVIATION
ASIA AND PACIFIC REGIONS**

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AGENDA ITEM 7: AVIATION AND ENVIRONMENT

**SAFEGUARDING AVIATION DECARBONISATION
PATHWAYS FROM FRAGMENTED LEVY-BASED
PROPOSALS**

(Presented by the Association of Asia Pacific Airlines (AAPA), International Air
Transport Association (IATA) and Supported by Malaysia)

SUMMARY

This paper raises concerns over proposals being discussed by different organisations that could introduce environmental-related levies on the air transport sector, such as kerosene fuel charges, ticket levies and frequent flyer taxes. These proposals would undermine established global frameworks, such as ICAO's CORSIA, and could negatively affect airlines' ability to invest in decarbonisation solutions. The airline industry already operates within a unique, globally coordinated regime that balances emissions reduction with global connectivity. This paper urges States to support industry-led decarbonisation measures and avoid overlapping fiscal mechanisms that risk fragmenting global climate efforts.

SAFEGUARDING AVIATION DECARBONISATION PATHWAYS FROM FRAGMENTED LEVY-BASED PROPOSALS

1. INTRODUCTION

1.1 The Association of Asia Pacific Airlines (AAPA) and International Air Transport Association (IATA) acknowledge the global imperative for sustainable financing mechanisms to address climate change. However, proposals that include multiple new levies on fuel and passengers could, if implemented, fragment international efforts and jeopardise the goal of achieving net zero carbon emissions by 2050 for international aviation.

1.2 The air transport sector already operates within a globally coordinated framework through ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and other industry-led decarbonisation efforts. It is essential that any new fiscal measures do not undermine these existing commitments or impede the ability of airlines to invest in sustainable solutions.

1.3 This paper presents the airline industry perspective and encourages States to reaffirm their commitment to ICAO's global frameworks and recognise aviation's role as an essential socio-economic enabler, particularly in emerging economies such as those in Asia and the Pacific.

2. DISCUSSION

Aviation's Role in Socio-Economic Development

2.1 Aviation is a critical driver of global economic growth, social connectivity, and sustainable development. Beyond efficiently moving people and goods, air transport fosters trade, supports tourism, and enables businesses to thrive. It plays a crucial role in achieving the United Nations Sustainable Development Goals (SDGs) by improving access to education, facilitating cultural exchange, and enhancing mobility. By linking communities, creating jobs, and supporting industries, aviation serves as a catalyst for long-term economic expansion and higher living standards. In the Asia Pacific region, air transport is not a luxury—it is a necessity. Air transport plays an indispensable role in driving economic development, especially for archipelagic States, landlocked nations, and emerging economies.

2.2 Air transport supported 42 million jobs and contributed \$890 billion to GDP in the Asia-Pacific region. This is equivalent to one in every 45 jobs across the region or 2.2% of all employment and 2.5% of all GDP in Asia-Pacific countries in 2023¹. Additional levies could increase airfares and disproportionately impact regions heavily reliant on aviation for trade, tourism and essential services. The local economy is negatively affected as a decline in air passenger volumes leads to decreased tourism and business travel and lower demand for goods and services, negatively impacting GDP, jobs and living standards across the country.

Risk of Undermining CORSIA and its Exclusivity

2.3 The 193 Contracting States to the International Civil Aviation Organization (ICAO), agreed in 2016 on building and using a global carbon reduction and offsetting mechanism to address international aviation emissions (the Carbon Offsetting and Reduction Scheme for International Aviation or CORSIA²).

2.4 The ICAO member States consolidated the consensus that CORSIA should be the only market-based mechanism for international aviation emissions³ whilst also avoiding potential negative impacts on the ability for smaller and developing States to continue their economic development,

¹ Aviation: Benefits Beyond Borders 2024

² https://www.icao.int/environmental-protection/documents/resolution_a39_3.pdf

³ https://www.icao.int/environmental-protection/CORSIA/Documents/Resolution_A41-22_CORSIA.pdf

expressly rejecting any levies or taxes as an effective means to address carbon emissions.

2.5 Airlines are committed to achieving net zero carbon emissions through a strategy that combines offsetting including under CORSIA and carbon capture, the use of Sustainable Aviation Fuel (SAF), new aircraft technologies and air traffic efficiency improvements.

2.6 The imposition of additional levies by individual States, or a coalition of States, such as: (a) kerosene fuel levy on commercial aviation, (b) private jet fuel levy, (c) ticket-based modular levy and (d) frequent flyer levy, is in contradiction of ICAO Resolution A41-22, where contracting States of ICAO:

- Determined that the CORSIA is the only global market-based measure (MBM) applying to CO₂ emissions from international aviation so as to avoid a possible patchwork of duplicative State or regional MBMs;
- Reaffirmed their concern with the use of international civil aviation as a potential source for the mobilization of revenue for climate finance to the other sectors, and that MBMs should ensure the fair treatment of the international aviation sector in relation to other sectors;
- Agreed on a position against any environmental taxes on air transport, highlighting that environmental levies should not be driven by fiscal aims but designed to recover the costs of alleviating or preventing environmental problems.

Risk of Market Distortion

2.7 Levy-based systems applied by a subset of States would likely distort competition, shifting passenger and cargo traffic to jurisdictions not implementing such levies. This risks penalising airlines in complying States while offering competitive advantages to others.

2.8 Based on IATA's projections, the net profit margin for the Asia Pacific region will be just 1.9% in 2025, with a net profit per passenger flown of USD 2.604. It is important to note that this is well below the 30-year average net profit margin of 7.9% for S&P 500 companies⁴ and also significantly lower than the annual returns to the fossil fuel companies which can exceed 20%. Given the airline industry's thin profit margins, such measures could compromise investments in sustainability and operations.

Frequent Flyer and Ticket Levies – Equity and Privacy Concerns

2.9 Levies based on travel frequency disproportionately affect expatriates, migrant workers and businesses reliant on mobility. These proposals also raise implementation challenges, such as the need for a global tracking system, raising concerns over data privacy, feasibility and administrative cost.

Recognise Industry-States Led Initiatives

2.10 Instead of punitive fiscal measures, this Paper recommends positive, supportive, incentive-based approaches:

- **Incentivising SAF Production:** Support SAF supply chains through targeted regulatory and financial incentives.

⁴ <https://www.iata.org/en/iata-repository/publications/economic-reports/global-outlook-for-air-transport-june-2025/>

⁵ <https://money.usnews.com/investing/articles/what-is-the-average-stock-market-return>

- **Infrastructure Investment:** Improve air traffic management and airport operations to reduce emissions.
- **Fleet Renewal:** Promote investments in next-generation aircraft and propulsion systems.
- **Collaboration and Harmonisation:** Continue supporting ICAO's multilateral frameworks and avoid regional fragmentation.

A source of reference of the critical steps needed for aviation to achieve net zero carbon emissions by 2050 is the IATA Net Zero roadmaps⁶.

3 ACTION BY THE CONFERENCE

3.1 The Conference is invited to:

- a) Reaffirm support for CORSIA as the only global market-based mechanism for international aviation emissions.
- b) Express concern over the potential impact of any levy-based proposals that could undermine ICAO frameworks and market stability.
- c) Encourage States to work through ICAO to ensure measures align with the goal to achieve net zero carbon emissions by 2050 for international aviation.
- d) Promote positive, supportive and incentive-based solutions—such as support for SAF production—over punitive levies that may discourage investment in long-term decarbonisation.

— END —

⁶ <https://www.iata.org/en/programs/sustainability/roadmaps/>