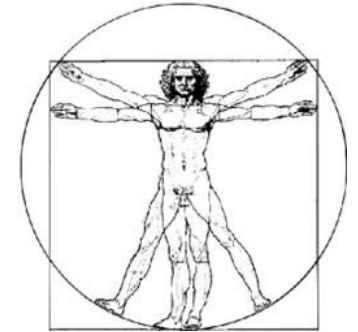


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## International Air Passenger Adaptation Levy

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

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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

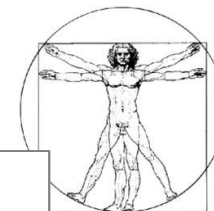


## IATAL — an outline proposal for an International Air Travel Adaptation Levy

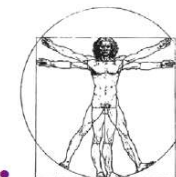
Benito Müller and Cameron Hepburn



Oxford Institute for Energy Studies  
EV 36  
October 2006



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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

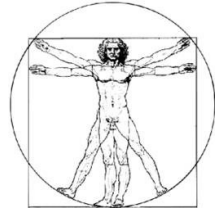
Submitted to the UNFCCC AWC-LCA  
on 12 December 2008

with  
Thirteen Questions and Answers

compiled by  
Benito Müller

European Capacity Building Initiative  
[www.eurocapacity.org](http://www.eurocapacity.org)

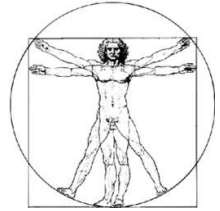
# IAPAL Proposition



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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

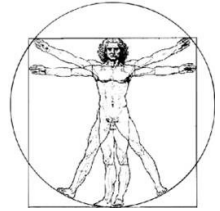


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Year	Revenue (billion US\$)		
	Economy class	Higher classes	Total
1	3.9	3.9	7.8
2	4.1	4.1	8.2
3	4.3	4.4	8.7
4	4.5	4.6	9.1
5	4.7	4.8	9.5
6	<b>5.0</b>	<b>5.1</b>	<b>10.1</b>

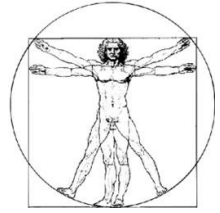
Quality	IAPAL
New and Additional	✓
Predictable	✓
Appropriate	✓
Equitable	✓
Adequate	\$8-10 billion ?

## 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



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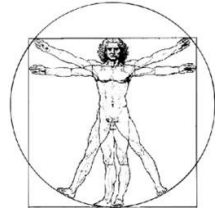
## Potential impact on tourism

- 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