



Proposed Taxation on Aviation Fuel

Daniel Borg

Wednesday 30 November 2022

In July 2021 the European Commission proposed a revision of the Energy Tax Directive which is going to impact significantly travelling to and from islands.

The proposals of the European Commission have the objective of addressing the harmful effects of energy tax competition, and help secure revenues for Member States from green taxes, which are less detrimental to growth.

However, let me highlight that many a times it is not a one size fits all approach. This is the approach that INSULEUR has always been highlighting in all its responses. Islands need to be treated differently because of the different difficulties they are facing. And while people on mainland Europe have an alternative to access other forms of transport (rail, road), people on islands do not have such an alternative. Air and maritime transport is the only form of connection to mainland Europe. But what is the European Commission proposing?

The European Commission is proposing that:

- Kerosene which is used as fuel in the aviation industry, and heavy oil which is used in the maritime industry will no longer be fully exempt from energy taxation for intra-EU voyages in the EU; and that
- Over a period of ten years, the minimum tax rates for these fuels will gradually increase while sustainable fuels for these sectors will benefit from a minimum rate of zero to foster their uptake.

While INSULEUR agrees with the European Commission's drive towards climate neutrality it believes that the proposed taxation on aviation and maritime fuel is not the way forward. Intra EU travel is not the same for islands as it is on the mainland. Consequently such a move as proposed by the European Commission will have a discriminatory effect on islands.

This will have multiple effects and we believe that since people on islands depend completely on aviation and maritime transport to travel, this move is especially discriminatory for them. More so when one thinks that islands depend significantly on tourism. It is true that as INSULEUR we need to continue working towards the diversification of our island economies, but it is also true that the COVID-19 and the war in Ukraine has impacted significantly our economies, and that tourism is one of the sectors which can help our island economies to grow. Consequently, we see that such a move does not come at an opportune time and is highly discriminatory for islands. It will also continue to increase the inflationary push that has been making accessibility towards islands more and more difficult.

We already have a draft position paper which we will be circulating in the coming days outlining these points. We believe that the exemption on aviation and maritime fuel should remain. However, there should be concrete measures targeted towards enhancing both air and maritime carriers to increase their uptake of new technologies which use renewable energies . However, as currently proposed such a tax will be passed on completely to the consumer inhibiting the freedom of movement of people on islands, and will have little or no leverage in really bringing the required changes in both the air and maritime industry.
