



To: the ECOFIN Council

Brussels, 7 April 2005

Dear Minister,

The ECOFIN Council has decided to have a discussion on new finance mechanisms for development assistance at its next meeting on April 12<sup>th</sup> in Luxembourg. One proposal on the table is the introduction of kerosene taxation in the EU and Member States, and we ask you to take this opportunity to achieve a decisive step on this issue.

This would be a timely moment, given that aviation contributes with a fast growing share to the serious threat of climate change. The tax exemptions for aviation harm the environment, distort competition with other means of transport and undermine the fiscal base of state budgets.

The most effective way of taxation would be an EU-wide kerosene tax including important neighbouring countries. We call on those governments that opposed a kerosene tax in the past to give their consent to a unanimous vote for the kerosene tax in the ECOFIN Council.

But even if unanimity is not attainable, there are other viable options for progress: Council-Directive 2003/96/EC allows the introduction of a kerosene tax on domestic flights and intra-community flights. The Netherlands have already introduced a kerosene tax for domestic flights of 206.28 Euro per 1000 litres from January 2005. We strongly urge you to follow this example (in case your country has domestic flights). A recent study of the University of Wuerzburg has proven that international law allows to tax kerosene consumption on domestic flights independent of the origin of the fuel (<http://www.umweltbundesamt.org/fpdf-l/2853.pdf>). Therefore, airlines cannot avoid the tax by tankering.

In addition, we ask you to change your bilateral air service agreements with other Member States (as well as third countries) in order to allow kerosene taxation for intra-community flights. Concerns over competitiveness can be effectively addressed if a number of Member States make a start and convince the others to follow.

The ECOFIN Council should also ask the Commission to provide the legal framework for kerosene taxation in the air service agreements of the European Union with third countries. The recently negotiated agreement with Chile is a positive example that this is possible. The Commission should insist in the ongoing negotiations with the USA that US-airlines may be subject to kerosene taxes on intra-community flights if Member States decide to take this option.

The Commission currently prepares a communication on the different economic instruments to address the impact of aviation on the climate. In different studies it has been shown that, besides kerosene taxes, en-route emission charges can be used to address greenhouse gas emissions of aviation. These instruments can be introduced within a short period of time and the revenues can be recycled back into the economy, e.g. by cutting labour taxes, thus increasing competitiveness.

We support the initiative to use the revenues for official development assistance for Africa, if it would be additional to current support. If it would just replace existing assistance, we would favour the option to use (part of) the revenues to cut labour related taxes or social security contributions in the EU (which forms an essential part of the environmental fiscal reform we favour).

We are strongly convinced that the introduction of a kerosene tax does not harm the competitiveness of the European Union but that it is an important element to accomplish fair competition between the different modes of transport.

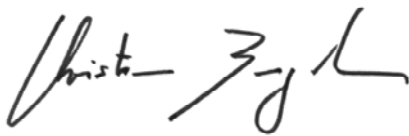
The derogation of civil aviation from fuel taxation has been introduced in 1944 to help the infant industry. Times have changed; please do not grandfather this start-up privilege forever. Over 60 years later, there today are others who might need support and solidarity.

Yours sincerely,

John Hontelez  
Secretary General European Environmental Bureau



Martin Rocholl  
Director, Friends of the Earth Europe



Christian Baumgartner  
Secretary General International Friends of Nature



Jos Dings  
Director, European Federation for Transport and Environment