



POOLING THE REVENUE FROM SOLIDARITY LEVIES ON AIR TRAVEL: THE OPTION OF FUNDING CLIMATE CHANGE ADAPTATION COSTS

Moderator's Summary from the 6 February 2007 Roundtable Discussion at the Second Plenary Meeting of the Leading Group in Oslo

On 6 February 2007 members of the Leading Group, representatives of international institutions, experts and NGOs gathered in Oslo to discuss the desirability of pooling part of the future revenue from solidarity levies on air travel to fund climate change adaptation costs in developing countries. While not necessarily fully reflecting the discussion, these are some of the main points that were made:

The “underwhelming” funding available for climate change adaptation costs

- Total donor funding for climate change adaptation projects through the currently available multilateral mechanisms remains at very low levels, in the order of 180 million dollars, of which only some 84 million dollars have been collected.
- According to crude estimates it would take USD 6-8 billion a year to make official development assistance (ODA) and foreign direct investment (FDI) to developing countries “climate proof” (for lack of a better word).
- Developing countries’ adaptation to climate change will require the mobilization of tens of billions of dollars.
- The financing needs dwarf the budgets of multilateral institutions such as UNEP and the Global Environment Facility (GEF).

The case for international taxation of air travel

- The case for an International Air Travel Adaptation levy (IATAL)¹ stems from aircraft emissions excess, on the one hand, and a climate change adaptation funding deficit, on the other – and the intuitive links between these two problems.
- Since aviation is not included in the Kyoto process, the only way (in principle) to globally address greenhouse gas emissions from air travel *before 2012* is through international taxation schemes.

A close link between climate change and development

- Much good work for development promotion is being undermined by climate change, in fact the very Millennium Development Goals (MDGs) are being jeopardized by climate change.
- Good climate change adaptation projects are good development projects; there is no contradiction between the two; both aim at promoting *sustainable* development.

¹ “IATAL — An Outline Proposal for an International Air Travel Adaptation Levy”.
Benito Müller and Cameron Hepburn, Oxford Institute for Energy Studies, October 2006.

- Thus, in principle there is no real contradiction between pooling resources for UNITAID and providing funds for climate change projects (although a diversification of end uses necessarily raises resource allocation issues).

Global approaches versus national implementation

- Although a global approach to air travel levies would be desirable, the Leading Group's pragmatic approach (nationally implemented but internationally coordinated levies) seems more realistic.
- This said, there is not necessarily a fundamental contradiction between the two approaches; they may be combined; in principle the IATAL may well be implemented for *resource mobilization only* (as a "solidarity instrument").

Compensation for environmental externalities or resource mobilization only?

- There seems to be a case for a "co-existence" between the inclusion of aviation in emissions quota trading systems (ref. developments in the EU) and solidarity levies on air travel.
- The case could be made that quota trading should address the environmental externalities from aviation (emissions of greenhouse gases) whereas solidarity levies would address the issue of mobilizing finance for development only.
- While from an environmental perspective there is a need to influence upon air travel behavior (reduce the growth of air travel and related emissions), solidarity levies as such need not address this issue.

A case for a future "second window", supplementing UNITAID

- Funding climate change adaptation costs could mobilize new constituencies that perhaps question the linkages between air travel and the funding of pharmaceutical products, and which see a closer and more obvious link between air travel, greenhouse gas emissions and adaptation to climate change.
- Chances are that younger generations of travelers *will* care much more about climate change and adaptation costs, and *will* see the close interrelationships between environmental change and the odds for combating poverty in a sustainable fashion.
- A supplementary end use such as funding climate change adaptation costs could increase the enthusiasm for solidarity levies on air travel, which goes to the core of what the Leading Group is all about.

However, a need to avoid unhealthy competition with UNITAID *now*

- The solidarity levies on air travel should not be overburdened with end uses
- Diversification should only occur on the provision that new countries implement solidarity levies, so that the pool of available funding increases.
- It is important not to harm the UNITAID momentum; important to get UNITAID "on the rails".

Suggested next steps for policy-makers

- A diversification of the allocation of revenue from solidarity levies on air travel should be further discussed if and when more countries implement such levies, so that the pool of available resources expands beyond the modest sums available today and so that funding for UNITAID will not be jeopardized.

THE PANEL:

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