

Jet Zero Consultation – Department for Transport
Response by the Chartered Institute of Taxation

1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 The UK government has set itself a legislative target of achieving net zero emissions by 2050 (Scotland's target must be achieved by 2045). In addition, it has published a 10 point plan for a green industrial revolution.
- 1.3 On 9 August 2021, the UN's Intergovernmental Panel on Climate Change (IPCC) delivered its latest report which states, 'it is unequivocal that human influence has warmed the atmosphere, oceans and land'¹. Clear actions must be undertaken to achieve the Paris climate agreement pact of keeping the rise in global temperatures to well below 2C, preferably to 1.5C, compared to pre-industrial levels.
- 1.4 Given the challenge of meeting the net zero emissions target, and the intermediary targets before then, it would appear that in order for the UK to be successful, a clear overarching strategy and framework is required. Major strategic investment and change will be necessary. Taxation will have a role to play in helping to fund investment, but also by applying a price to carbon leading to behavioural changes. In order to achieve net zero, environmental tax policies need to complement and reinforce the broad climate change strategy. It is also essential that tax policies not directly related to climate change are at the very least neutral in their environmental impacts, and certainly do not work against the net zero target. In light of this, we think that it would be helpful if the government were to produce a climate change tax policy roadmap. The basis for the roadmap should be the 10 point plan, to ensure that tax policies align with achieving the net zero target(s).
- 1.5 We note that the aviation objectives in the 10 point plan depend heavily on research and its success. Unless all the research envisaged is to be conducted by the state (which would seem very stretching for the UK to

¹ P. 6: https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf

pursue on its own, even if thought desirable), it will be necessary to ensure that market carbon pricing either directly or through the best proxies available incentivises and creates an economic case for such research, as well as the investment in and the take up of greener products that it hopefully generates.

- 1.6 We are concerned that the heavy reliance placed on technological solutions in this consultation document does not recognise the immediacy of the threat from climate change or the fact that technological solutions may be unable to provide the solution alone or quickly enough, particularly given the early stage of development of many of the technologies concerned. We think there should be clearer messaging to the aviation industry and the UK population in relation to the climate change emergency. It might be more realistic to acknowledge that there might need to be some limitations to the growth of aviation, in order for the UK to meet its legal commitment to achieve net zero emissions.
- 1.7 Various international aviation agreements impose a constraint on carbon pricing (and taxation generally) in the air transport sector. The UK should be taking a lead in driving renegotiation of that aspect of international agreements, such that they aid the achievement of net zero emissions globally.

2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

3 Introduction

- 3.1 We welcome the opportunity to respond to the Department for Transport (DfT) consultation on Jet Zero – a strategy for net zero aviation.
- 3.2 We recently responded to the HM Treasury consultation on aviation tax reform, which followed through on government commitments made in 2020 to review Air Passenger Duty (APD) and consult on aviation tax reform.² The government's policy position as stated in that consultation is to reform aviation tax such that it supports Union and domestic connectivity and aligns more closely with government environmental

² You can find our response at <https://www.tax.org.uk/ref779>

objectives. The UK government has passed legislation, making a binding commitment to achieve net zero emissions by 2050.³ The Scottish government has set itself a target of achieving net zero emissions by 2045.

3.3 Our stated objectives for the tax system include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

3.4 This consultation sets out three principles that will underpin the delivery of Jet Zero: clear goal, multiple solutions; international leadership; delivered in partnership. These take note of the need for flexibility over pathways taken, the need for global agreement and co-operation, and the importance of all parts of the sector working together.

3.5 The consultation also sets out planned action across five measures: system efficiencies; sustainable aviation fuels; zero emission flight; markets and removals; and influencing customers.

3.6 Given the challenge of meeting the net zero emissions target, and the intermediary targets before then, it would appear that in order for the UK to be successful, a clear overarching strategy and framework is required. Major strategic investment and change will be necessary. Taxation will have a role to play in helping to fund investment, but also by applying a price to carbon leading to behavioural changes. In order to achieve net zero, environmental tax policies need to complement and reinforce the broad climate change strategy. It is also essential that tax policies not directly related to climate change are at the very least neutral in their environmental impacts, and certainly do not work against the net zero target. In light of this, we think that it would be helpful if the government were to produce a climate change tax policy roadmap. The basis for the roadmap should be the 10 point plan for a green industrial revolution that the government published in November 2020.⁴ We note that the aviation objectives in the 10 point plan depend heavily on research and its success. Unless all the research envisaged is to be conducted by the state (which would seem very stretching for the UK to pursue on its own, even if thought desirable), it will be necessary to ensure that market carbon pricing either directly or through the best proxies available incentivises and creates an economic case for such research, as well as the investment in and the take up of greener products that it hopefully generates.

4 Clear goal, multiple solutions

4.1 The consultation sets out a goal of net zero aviation, recognising that there may need to be flexibility in relation to the measures involved. However, the flexibility appears to relate to the combination of

³ <https://www.legislation.gov.uk/ukxi/2019/1056/contents/made>

⁴ <https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution>

technologies involved, rather than policy levers. In particular, the consultation mentions technologies such as sustainable aviation fuels, zero emission aircraft and greenhouse gas removal. It acknowledges that many of these are at an early stage of development or commercialisation.

- 4.2 We are concerned that it may be unrealistic to expect technological solutions alone to enable the net zero aviation goal to be reached. As a result, we wonder whether there is a role for other policy levers, possibly including tax, to incentivise or encourage development and take-up of such technologies. A holistic approach, where climate change policies are designed together and provide mutual reinforcement, is likely to be most successful.
- 4.3 In addition to technologies, it should also be noted that non-technological solutions, such as sequestration by using natural resources, are likely to have a role to play in achieving net zero.
- 4.4 Moreover, given that aviation is the form of transport that generates most carbon emissions per passenger-kilometre,⁵ we wonder whether there should be consideration of investment in and the promotion of alternative modes of transport on particular routes.

5 International leadership

- 5.1 We agree that it is important for there to be global action to tackle carbon emissions from aviation, as indeed to tackle climate change generally.
- 5.2 It is important that lowering one country's carbon emissions produced does not increase global carbon emissions produced, through displacement of carbon emissions. We suggest that there are efforts to harmonise the carbon tax base, and possible use is made of a carbon border adjustment mechanism in conjunction with carbon taxes. In addition, the aim should be to reduce carbon emissions consumed to zero, rather than those produced.
- 5.3 Various international aviation agreements impose a constraint on carbon pricing (and taxation generally) in the air transport sector.⁶ The UK should be taking a lead in driving renegotiation of that aspect of international agreements, such that they aid the achievement of net zero emissions globally.

6 Delivered in partnership

- 6.1 We agree that all parts of the sector need to work together to achieve net zero targets. In order to do this, it is important that all proposed aviation policies, including tax policies, align with environmental objectives, or at least do not detrimentally affect the UK's ability to achieve net zero carbon emissions.
- 6.2 Consideration should be given to the role of the tax system in encouraging a change in behaviour to meet environmental objectives. This includes the interactions between different taxes and between taxes and incentives. For example, targeted exemptions and reliefs, such as on sustainable aviation fuel (SAF), could be used to encourage the uptake of such fuels. Where possible, early communication of tax changes and the

⁵ <https://ourworldindata.org/travel-carbon-footprint>

⁶ Under the terms of Article 24 of the Chicago Convention and as set out in Doc 8632: <https://standart.aero/en/icao/book/doc-8632-icaos-policies-on-taxation-in-the-field-of-international-air-transport-en-cons>.

proposed future roadmap should be made, to provide more certainty to business of the future tax policy environment.

7 Measures

- 7.1 The consultation suggests that a significant part of the reduction in aviation emissions will come from improvements to the efficiency of the existing aviation system. We question whether this is realistic. As noted above (see 3.2), we responded to the recent HM Treasury consultation on aviation tax reform. We raised a concern there that the consultation proposals for aviation tax reform in relation to domestic flights were not consistent with the achievement of the net zero emissions target. Similarly, we are concerned that the heavy reliance placed on technological solutions in this consultation document does not recognise the immediacy of the threat from climate change⁷ or the fact that technological solutions may be unable to provide the solution alone or quickly enough, particularly given the early stage of development of many of the technologies concerned.
- 7.2 As noted above (see 4.4) aviation is currently the form of transport that generates most carbon emissions per passenger-kilometre (for distances up to around 1,000 kilometres).⁸ We wonder whether, in addition to investment in and encouragement to take-up more efficient technologies, there should be clearer messaging to the aviation industry and the UK population in relation to the climate change emergency. It might be more realistic to acknowledge that there might need to be some limitations to the growth of aviation, in order for the UK to meet its legal commitment to achieve net zero emissions.
- 7.3 In relation to influencing consumers, the focus appears to be decarbonisation rather than raising awareness of the environmental effects of aviation. We think it would be more transparent to raise awareness through education about environmental effects and sustainable choices. We welcome that the Civil Aviation Authority are planning to consult on environmental information provisions in 2021. It is important that policies and communications / education identify greener alternatives and make it feasible for industry and consumers to adopt them.

8 Non-CO2 impacts

- 8.1 We think it is important to take a holistic approach. So, when developing the technologies referred to in the consultation that will assist with reducing carbon emissions, it is important that consideration is given to how those same technological solutions affect the environment in other ways. It may be necessary to consider whether there are other policy levers, such as taxation, that can assist with ensuring that a technology that reduces carbon emissions does not result in greater detriment through significantly higher NOx emissions for example.

⁷ <https://www.metoffice.gov.uk/weather/climate-change/effects-of-climate-change> and <https://www.metoffice.gov.uk/research/climate/understanding-climate/attributing-extreme-weather-to-climate-change>

⁸ <https://ourworldindata.org/travel-carbon-footprint>

9 Acknowledgement of submission

- 9.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

2 September 2021