

*Policy Brief No.2*

# **Air Travel and Maritime Shipping Levies: Making Polluters Pay for Climate Loss, Damages and Adaptation**

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*Executive Summary*

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# Making Polluters Pay for Climate Loss, Damages and Adaptation

The planet is embroiled in an unprecedented climate emergency that threatens a myriad of human rights including the rights to life, health, food, water and sanitation, freedom from discrimination, education, the rights of children, cultural rights, development, and the right to a healthy and sustainable environment. More than one degree of warming has already occurred at the global level, sparking an increase in extreme weather events, droughts, floods, heat waves, wildfires, increased air pollution, water shortages, and a host of other disruptive phenomena that collectively exacerbate biodiversity loss, ecosystem destruction, poverty, conflict, food and water insecurity, livelihood loss, socioeconomic inequality, and poor health outcomes.<sup>1</sup>

## Climate adaption funding and inequality

High- and upper-middle income states, large businesses, and wealthy individuals are primarily responsible for greenhouse gas emissions, deforestation, and other anthropogenic drivers of climate change, yet least developed countries (LDCs) and small island developing states (SIDS) shoulder the heaviest adverse effects. They are least responsible for the crisis, have the least resources to adapt, and lack the financial capacity to respond to devastating losses and damages.

As the ecological, financial, social and human rights costs of climate change continue to swell, there remains a vast gap between existing climate finance for SIDS and LDCs and these countries' urgent financial needs. By 2030, developing countries' climate adaptation burden may reach US \$140 - \$300 billion and by 2050, between US\$280 - \$500 billion per year. Financing for developing countries by 2020 was not fulfilled. Shockingly, the majority of climate finance takes the form of loans that poor countries will struggle to repay.

In addition to the failure to mobilize funding for the immense costs associated with adaptation, there has been an almost total failure to provide funds for vulnerable countries to deal with climate loss and damage. It is estimated that the annual economic costs of loss and damage will be between US\$290 billion - \$580 billion in developing countries by 2030. These economic costs are expected to rise to between US\$1 trillion - \$1.8 trillion per year by 2050. None of these estimates incorporate non-economic losses inflicted by climate change, such as loss of culture, loss of biodiversity, and the adverse impacts on psychological and mental health.

To remedy these failures, SIDS and LDCs have been calling for innovative measures to mobilize climate finance for over three decades. Despite 30 years of discussions, **only a miniscule amount of funds** has been transferred from wealthy States to less wealthy States for loss and damages. Unless substantial financial support is mobilized in the short term, citizens of SIDS and LDCs will continue to suffer irreplaceable losses and experience tremendous damage from climate-related natural disasters and slow-onset events caused primarily by wealthier nations.

In response, this policy brief proposes two international levies—one on commercial air passenger travel and another on emissions from international shipping—to help close the gap in SIDS/LDC finance for losses, damages, and adaptation in an expeditious, equitable and efficient manner. Most or all revenue from both levies would be devoted to SIDS' and LDCs' response to climate change-induced loss, damage, and adaptation needs, thus benefiting the poorest and most vulnerable people whose contribution to climate change is minimal yet who are most harmed by climate disruption.

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<sup>1</sup> For references, please see the full version of the policy brief, available at: <https://www.ohchr.org/Documents/Issues/Environment/SREnvironment/StatementLossAndDamages.docx>

# Air Travel and Maritime Shipping Levies

The maritime shipping levy would be applied at point of bunker, and the air passenger levy at point of ticketing. Revenue would be collected by the airline or shipping company and transferred to a government agency already responsible for collecting levies and taxes, which would then transfer funds to an experienced international climate finance institution such as the Adaptation Fund, Green Climate Fund or Global Environment Facility. The fund or facility would manage the money and disburse to SIDS and LDCs based on transparent rules to ensure funds' appropriate use. Levy amounts for both policies could be reviewed and potentially increased every five years.

If all 195 countries that are signatories of the Paris Agreement participate in both levies and air passenger travel returns to pre-pandemic levels, the proposed levies could generate **between \$US132 and \$392 billion of funding annually** to support SIDS' and LDCs' responses to climate change-induced losses, damages and adaptation, with the possibility of some funds being allocated to research, development and deployment of sustainable fuel and emissions-free technologies. Even if countries comprising only half of the targeted activities participate and international air travel continues at the low 2020 levels due to the ongoing pandemic, the two levies would generate **between \$US56 and \$121 billion of revenue each year**, a significant amount of funding to address climate damages and vulnerabilities that are already substantial and are rapidly increasing.

Notably, even under the best-case scenario (complete country participation and a return to pre-pandemic levels of air travel), the proposed policies would have little adverse effect on aviation and shipping profits, the tourism industry, or the economies of LDC/SIDSs. In this best-case scenario, the two levies would generate a combined **annual revenue equaling less than 0.5% of the global gross domestic product for 2019**.

## Benefits of air travel and maritime shipping levies

Targeting the aviation and shipping industries is appropriate and effective for several reasons. Firstly, **both industries are major greenhouse polluters**. Collectively, carbon dioxide (CO<sub>2</sub>) emissions from commercial aviation (920 million tons in 2019) and international shipping (919 million tons in 2018) are greater than that of Russia, the world's fourth-largest CO<sub>2</sub>-emitting country in 2019. Each industry contributes about 2.5% of global CO<sub>2</sub> emissions from fossil fuel combustion each year, yet their emissions are largely unregulated and not covered by carbon pricing mechanisms. Moreover, **both industries' CO<sub>2</sub> emissions are expected to grow, and their fuel needs are outpacing the development and scalability of carbon-free technology**. Both industries' CO<sub>2</sub> emissions have grown rapidly in recent decades and are projected to multiply several times over by 2050.

Secondly, given the egregious inequity between the small subset of human society largely responsible for the climate emergency and the billions of people whose rights and livelihoods are most severely harmed by the impacts of climate disruption, responding to climate-vulnerable countries' loss, damage, and adaptation needs is a moral and ethical imperative. Both proposed levies are consistent with the "polluter pays" and "common but differentiated responsibility" principles embedded in the UN Framework Convention on Climate Change (UNFCCC). The more the air travel and shipping industries contribute to CO<sub>2</sub> emissions, the more funds will be collected, and the more revenue available to SIDS and LDCs to prevent and respond to climate change harms.

In addition, **revenue streams from both proposed levies would be sizeable, predictable, consistent, and therefore effective and reliable.** Rates of shipping emissions are expected to increase, and only experienced a very modest decrease in 2020 despite the COVID-19 pandemic. Importantly, country participation—and therefore the effectiveness and reliability of the revenue generated—can be reasonably expected to be high for both levies, for a variety of reasons. 195 countries have ratified the Paris Agreement, and there is no evidence that either levy would significantly impact commercial aviation or shipping industry profits, harm tourism in SIDS or LDCs, or otherwise adversely impact SIDS/LDC economic development. Furthermore, the levies' lack of substantial business impacts, combined with increasing industry support for decarbonization and net-zero carbon emissions across both the aviation and shipping sectors, suggests that both policies may garner industry support, particularly if a portion of funds are dedicated to research and development.

Finally, revenue generated by both levies would be genuinely additional, would not affect State budgets, and would help fill the enormous gap in climate change-vulnerable countries' capacity to address losses, damages, and adaptation.

A useful precedent for the proposed air travel levy is the French Solidarity Levy (FSL), imposed on domestic and international flights by 11 States since 2006 to support African efforts to combat HIV/AIDs, tuberculosis, and malaria. Raising billions of euros since it was created, the levy has garnered praise for providing a predictable and substantial source of funding to Unitaid for assisting developing countries to meet their public health needs.

### **Pathways for development and implementation**

To ensure their intended impact, the proposed policies must be paired with effective implementation processes and strong political commitment across governments, industry, and associated institutions. This brief foresees at least three pathways for the proposed levies' development and implementation:

1. The proposed levies could be implemented through a decision of the parties to the UNFCCC at the upcoming UN Climate Change Conference of the Parties (COP 26), which is scheduled to take place in Glasgow, United Kingdom.
2. The specialized UN agencies associated with both industries—the International Maritime Organization (IMO) and International Civil Aviation Organization (ICAO)—could support, coordinate, and galvanize the adoption and implementation of these policies through their agencies' respective processes, agreements, and industry meetings.
3. An independent coalition of supportive nations could take leadership by agreeing to implement the levies themselves (in a manner similar to the process by which the French Solidarity Levy (FSL) was established by France), and then carrying out concerted diplomatic efforts to persuade other countries to impose the levies within their jurisdictions.

Regardless of the process used to implement the proposed levies, the upcoming Conference of the Parties to the UN Framework Convention on Climate Change (COP 26) in November 2021 should be a turning point in global efforts to develop new and innovative sources of climate finance to address losses, damages, and adaptation, with a particular focus on the needs of SIDS and LDCs. As the primary architects of the climate crisis, wealthy States have legal and ethical obligations to boost support for SIDS and LDCs, who already bear the brunt of climate disruption and will continue to do so for the foreseeable future.

After three decades of talk, action to implement the proposed levies on air travel and shipping would be an overdue and inspiring step towards climate justice. As the increasing damage inflicted on the world's most vulnerable citizens by severe storms, droughts, floods, wildfires and sea-level rise spirals upwards, further delay must be regarded as unacceptable.





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