



Air Departure Tax (ADT) – Consultations on an overall 50% reduction policy plan and an Environmental Report

Written submission from Stop Climate Chaos Scotland

Stop Climate Chaos Scotland (SCCS) is a civil society coalition campaigning for action on climate change. Members include environment and international development organisations, student unions and trade unions, community groups and faith groups. We believe that the Scottish Government should take bold action to tackle climate change, with Scotland delivering our fair share of the Paris Agreement¹ and supporting climate justice around the world. We welcome the opportunity to comment on the consultation on the policy of an overall 50% reduction in air departure tax, and we have answered the consultation questions below:

1. Do you support the Scottish Government’s policy plan to reduce the overall burden of ADT by 50% by the end of the current session of the Scottish Parliament? Please answer ‘Yes’ or ‘No’.

No.

2. Please explain your answer to question 1.

Stop Climate Chaos Scotland strongly objects to proposals to reduce ADT by 50%, and ultimately phase ADT out completely. This would represent a huge blow to delivery of the Scottish Government’s social and environmental goals, and is particularly inconsistent with Scotland’s ambitions to be a world leader in addressing climate change. The Committee on Climate Change, in its advice on the new Scottish climate change bill, concluded that ‘Scotland’s shares of international aviation and international shipping emissions should be included within the scope of Scottish gross emissions targets, as measured by bunker fuel sales. Scotland should pursue cost-effective policies to reduce emissions in these sectors’². We consider that cutting tax revenue and acting to increase flight numbers flies in the face of this advice.

Climate change is one of the greatest long-term threats to both people and wildlife. We are very concerned by the Scottish Government’s intention to deliver tax cuts in support of aviation growth and increased emissions, without giving adequate weight to the potential impacts this could have on climate change, the development of Scotland’s low carbon economy, and the natural environment.

The Scottish Government’s aviation policy should be based on the following principles:

- The aviation sector should make an appropriate contribution to meeting carbon budgets;
- Aviation should be one part of a coherent, overarching low carbon transport strategy; and

¹ <http://www.stopclimatechaos.org/news/2017/06/06/joint-statement-paris-agreement>

² <https://www.theccc.org.uk/wp-content/uploads/2017/03/Advice-to-Scottish-Government-on-Scottish-Climate-Change-Bill-Committee-on-Climate-Change-March-2017.pdf>

- Aviation should be subject to a fair tax framework which reflects its social and environmental impacts or 'externalities'.

In order to meet these principles, as a minimum, the Scottish Government should retain ADT at current levels, and seek to use ADT to minimise emissions from aviation.

Climate impacts of cutting ADT

The Scottish Government should seek to use ADT powers to reduce emissions from the aviation sector.

Aviation emissions were 1.6 MtCO₂e in 2014, 12% of total transport emissions³. Flying is the most carbon-intensive form of travel. Someone flying from the UK to New York and back generates roughly the same emissions as the average person does heating their home for a year. By 2020, global aviation emissions are projected to be around 70% higher than in 2005 even if fuel efficiency improves by 2% per year⁴.

Transport Scotland suggests that a 50% cut in ADT would lead to annual aviation emissions increasing by between 87 ktCO₂e and 105 ktCO₂e⁵. This is considerably higher than the estimates that were used to support the 2016 *Consultation on a Scottish replacement to Air Passenger Duty*, which suggested an annual increase in emissions of 34 ktCO₂e to 60 ktCO₂e⁶.

The strategic environmental assessment⁷ suggests that these figures do not take into account that the burning of aircraft fuel has a 'radiative forcing ratio', meaning the total warming effect of aircraft emissions is likely to be 2.7 times greater than the carbon dioxide alone (IPCC⁸). Taking this into account, the increase in annual emissions should be considered as up to 283 ktCO₂e. It is also unclear if a further 'uplift factor' has been applied (in addition to calculating emissions by distance of journeys), to account for additional emissions associated with take-off, circling and 'real world' vehicle performance. This could be a further increase of 10%⁹, meaning the actual emissions increase could be up to 312 ktCO₂e per year.

The Committee on Climate Change has advised that the level of aviation emissions compatible with meeting the UK 2050 climate target is approximately 37.5 MtCO₂e¹⁰. Since the UK airport system is already close to the maximum number of passengers compatible with achieving that target, growth in

³ <https://www.theccc.org.uk/wp-content/uploads/2016/09/Reducing-emissions-in-Scotland-2016-Progress-Report-Committee-on-Climate-Change.pdf>

⁴ http://ec.europa.eu/clima/policies/transport/aviation/index_en.htm

⁵ <https://www.transport.gov.scot/media/39426/sct06174537581.pdf>

⁶ https://consult.scotland.gov.uk/fiscal-responsibility/air-passenger-duty/user_uploads/apd---sea-screening-and-scoping-report.pdf-1

⁷ It is also noted that there are a number of variables that are likely to influence the GHG emissions arising from increased aviation activity which are outwith the scope of this SEA to consider. These include [...] the effect that certain aviation emissions have at atmosphere, known as the multiplier effect, as the impact of this effect is uncertain'. https://consult.scotland.gov.uk/fiscal-responsibility/air-departure-tax/user_uploads/sct0517439858-1_airtax_final.pdf page 122.

⁸ <http://www.ipcc.ch/ipccreports/sres/aviation/index.php?idp=64>

⁹ See p.50 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224437/pb13988-emission-factor-methodology-130719.pdf

¹⁰ <https://www.theccc.org.uk/archive/aws2/Aviation%20Report%2009/21667B%20CCC%20Aviation%20AW%20COMP%20v8.pdf>

the sector should only be permitted if the industry can demonstrate that growth is possible within carbon budgets. It should also be noted that this advice does not appear to have yet been reviewed in light of Paris COP commitments to seek to limit global warming to below 1.5 degrees.

Stop Climate Chaos Scotland is strongly concerned that the proposals to cut ADT are incompatible with Scotland's climate ambitions as:

- No evidence is provided in the consultation that likely increases in carbon emissions are compatible with Scotland's long-term or interim climate targets, or wider UK (non-statutory) targets to limit aviation emissions to 37.5 MtCO₂e by 2050; and
- No detail is provided on how the Scottish Government may seek to compensate for increases in emissions, in the aviation sectors or by requiring additional effort from other sectors (and the corresponding cost of those measures).

Impacts of cutting ADT on rail travel

The Scottish Government should assess impacts of cutting ADT on the rail sector.

Aviation must be considered within the wider framework of a coherent, overarching low carbon transport strategy. Scottish Government policy should ensure that demand for aviation is tempered by lower carbon alternatives, which requires alternatives to be readily available and competitive in terms of cost, convenience and comfort. Lower carbon alternatives to air travel that should be clearly prioritised over aviation include accessible, high quality, low-carbon surface transport network, in particular rail travel.

Should alterations to ADT include cuts for short-haul flights for which there are rail alternatives (including to the Continent via the Eurostar), this is likely to significantly impact the rail sector. The SEA recognises that 'changes to a Scottish ADT could initiate modal shift. For example greater number and choice in short haul flights at a lower price could displace some rail movements'. Indeed, the SEA estimates that the majority of increases in emissions would be due to short-haul flights. This is the opposite of the modal shift that the Scottish Government needs to encourage in order to deliver a sustainable transport system.

It does not appear that any detailed impact assessment on the rail sector has been undertaken. Modelling conducted by Virgin Trains suggests that a third of the Edinburgh-London rail market could be lost if ADT were removed, which could damage rail growth and future investment, including development of high speed rail. Rail investments that encourage modal shift are sorely needed, including better high speed routes. A 2012 study¹¹ showed that maximising carbon benefits of high speed rail depends on modal shift from air to rail.

The Scottish Government should be implementing measures to increase, not decrease the competitiveness of rail travel in Scotland and between Scotland and the rest of the UK.

¹¹ <http://www.cpre.org.uk/resources/transport/rail/item/3081-the-carbon-impacts-of-high-speed-2>

Stop Climate Chaos Scotland strongly recommends that the Scottish Government:

- Assesses impacts of proposed ADT cuts on the rail sector; and
- Uses its powers over ADT to increase competitiveness of the rail sector, not decrease it e.g. ensure that ADT is retained or increased on short-haul flights with rail alternatives¹².

Compatibility with Scotland's Economic Strategy

The Scottish Government should assess how the proposals to cut ADT will impact on achieving other aspects of Scotland's Economic Strategy.

The consultation document states that 'The strategic context for the Scottish Government's aims can be found in Scotland's Economic Strategy', which states that power over air passenger duty 'will enable the Scottish Government to design a replacement tax which better supports our objective to improve connectivity'¹³. This must be balanced against other aspects of the Economic Strategy, which also:

- Sets out the importance of work to expand the rail network; and
- Commits the Scottish Government to "prioritise investment to ensure that Scotland protects and nurtures its natural resources and captures the opportunities offered by the transition to a more resource efficient, lower carbon economy".

3. If you answered 'Yes' to question 1, please provide any suggestions you may have on the most effective way, in your view, in which a 50% reduction in the overall ADT burden should be applied across tax bands and tax rate amounts in order to achieve the Scottish Government's overall connectivity and sustainable growth objectives. For example, should: (a) all of the ADT reduction only be applied to short-haul flights; (b) all of the ADT reduction only be applied to long-haul flights; (c) ADT be reduced equally by 50% across all flight types; (d) some other differential combination be applied?

We did not answer yes to question 1: Stop Climate Chaos Scotland strongly objects to proposals to reduce ADT by 50%, and ultimately phase ADT out completely. If the Scottish Government were to proceed with the policy despite the environmental impacts, and despite our concerns, it would be particularly unwise to apply a reduction to short-haul flights, and flights where there is a viable rail alternative, as this would give high carbon modes of transport an advantage over lower carbon modes.

4. Please provide any other comments you have on the policy plan.

Opportunity to use ADT to further Scotland's sustainable development objectives:

¹² Excluding passengers in the Scottish Highlands and Islands region currently not chargeable under APD.

¹³ <https://beta.gov.scot/publications/scotlands-economic-strategy/documents/00472389.pdf?inline=true>

Stop Climate Chaos Scotland strongly recommends that the Scottish Government use its powers over ADT to support delivery of its wider sustainable development objectives.

The devolution of ADT to the Scottish Government, which at current levels would result in an estimated £230–300 million in revenue, represents a significant opportunity for ensuring sustainable development objectives are supported through a progressive approach to taxation.

Scotland’s Economic Strategy sets that the Scottish Government will ‘protect and enhance our natural capital, our brand and reputation as a country of outstanding natural beauty, our commitment to low-carbon and the opportunities our resources and assets provide for our economy and future generations’.

A fair approach to taxing aviation:

The Scottish Government should work towards ensuring aviation is subject to a fair tax framework which reflects its social and environmental impacts.

The consultation refers to ADT as a ‘burden’ on aviation, and describes it as ‘one of the highest taxes of its kind in the world’. We consider this to be misleading, given the UK aviation industry is widely understood to be significantly under-taxed compared to other sectors. It does not pay fuel duty or VAT, which together are estimated to be worth at least £10 billion per year¹⁴. ADT as it currently stands only compensates for a small proportion of this gap (approximately £3 billion at UK level), therefore cuts to ADT in Scotland would further increase this already considerable tax exemption.

Cuts to ADT have been proposed as a means of increasing international connectivity and gaining socioeconomic benefits. However, the Scottish Government has stated that it will not publish its economic impact assessment on the ADT reduction plan until autumn 2017, so it is not possible to quantify what these benefits are expected to be, and the likelihood that they will be accrued. The Scottish Government has commissioned ‘a range of impact assessments’ relating to ADT reduction, but it is not clear what these assessments cover, and whether they will address social impacts and the differential impacts of the tax cut.

Even though ADT is currently several times higher than equivalent taxes in neighbouring countries, there has been strong growth in UK aviation. This suggests that ADT is not a critical barrier to international connectivity.

Air Departure Tax (ADT) – Environmental Report

1. What are your views on the evidence set out in the Environmental Report that has been used to inform the assessment process? (Please give details of additional relevant sources).

¹⁴ <http://www.aef.org.uk/downloads/HiddenCost.pdf>

Other than the Transport Scotland work on the impact on emissions of a reduction in ADT, it is not clear what the evidence base is for the SEA, so it is not possible to comment on it. It is not clear whether the Transport Scotland figures take into account the multiplier effect of emissions from aviation at altitude: transparency about this is crucial to understanding the climate impacts of the proposed tax cut.

2. What are your views on the predicted environmental effects as set out in the Environmental Report?

We welcome the recognition that climate change is a primary pressure on biodiversity, and on water and soil. We would suggest that it has a similar impact on human health and air quality: exacerbating existing problems.

3. Are there any other environmental effects that have not been considered?

The SEA states that it ‘has not been possible to consider’ the impacts on modal shift of a reduction in air departure tax. Modelling conducted by Virgin Trains suggests that a third of the Edinburgh-London rail market could be lost if ADT were removed, which could damage rail growth and future investment, including development of high speed rail. Rail investments that encourage modal shift are sorely needed, including better high speed routes. A 2012 study¹⁵ showed that maximising carbon benefits of high speed rail depends on modal shift from air to rail.

4. Do you agree with the conclusions and recommendations set out in the Environmental Report?

The ER suggests that there will be emissions increases in the short term, but that it is ‘more challenging to predict the implications of any increase in greenhouse gas emissions and the significance of these in the medium to long-term’. As it is currently written, the ER implies that greenhouse gas emissions will increase in the short term only. To rectify this, and to address the uncertainty in the modelling, likely emissions for subsequent years should be given as a range, with an indication of the confidence of the estimates.

An increase in greenhouse gas emissions as a result of a reduction in ADT, no matter how ‘marginal’ and ‘easily offset’¹⁶, it is still an increase, and it has a symbolic importance. Using a tax reduction to deliberately increase aviation gives the impression that the Scottish Government is not serious about tackling climate change.

5. Please provide any other comments you have on the Environmental Report.

We are surprised that the SEA didn’t consider a third reasonable alternative, of no ADT. This would have been in line with what was proposed in the scoping report, and with the stated end goal in the programme for government of abolishing ADT when resources allow. The ADT Bill does not contain any provision to automatically carry over the current tax rates, so until the Ministers set tax rates by order, the default will be no tax being applied.

¹⁵ <http://www.cpre.org.uk/resources/transport/rail/item/3081-the-carbon-impacts-of-high-speed-2>

¹⁶ Draft Climate Change Plan, page 66, <http://www.gov.scot/Resource/0051/00513102.pdf>