

Continuing to exempt aviation and marine fuels from taxes is undermining the uptake of rail and sustainable fuels

Brussels, 18th October 2024

**Dear Permanent Representative of the Hungarian Permanent Representation to the EU,
Dear European Finance and Economic Affairs Ministers,
Dear Commissioner Designate for Climate, Net Zero and Clean Growth,**

As representatives of civil society, parts of the rail sector and sustainable aviation fuels industry, we are calling your attention to developments on the Energy Taxation Directive (ETD), where worrying negotiations could lead to a continuation of a tax exemption for fossil jet fuel and marine fuels until 2049, a year before the continent is supposed to reach climate neutrality.

Not only is that contrary to the spirit of the European Commission's initial proposal to revise the ETD phasing out fossil fuel subsidies under its Fit For 55 package, it also contravenes international commitments from COP28, where EU countries [called](#) for "inefficient" fossil fuel subsidies to be phased out by 2030 as well as [scientific advice](#) from the European Scientific Advisory Board on Climate Change to "sharply decrease the use of fossil fuels".

- **Unfair competition with sustainable alternatives:** this unfair tax exemption will continue to hinder the deployment and scale up of sustainable aviation and marine technologies value chains here in Europe as well as sustainable alternatives like rail, as they both continue to struggle to compete with tax-free fossil fueled aviation.

As defined in its Sustainable and Smart Mobility Strategy, the EU is committed to make travel under 500 km carbon neutral by 2030 and doubling high-speed rail traffic across Europe by 2030. By continuing the exemption of jet fuel from taxation, the aviation sector can offer artificially low prices on routes that are (or can be) served by rail, making it nearly impossible for rail to compete fairly and preventing a shift to this greener mode of transport. Indeed, Greenpeace found that on average rail travel is twice as expensive as flying in Europe which constitutes one of the major barriers stopping passengers from shifting from air to rail in Europe. The price gap between air and rail must be closed by simultaneously reducing rail tickets prices and having aviation pay for its emissions¹.

The EU's Sustainable and Smart Mobility Strategy also commits to internalising external costs through pricing carbon as well as boosting the uptake of rail, zero-emission airplanes and renewable & low-carbon fuels. The deployment of Sustainable Aviation Fuels (SAF) will require significant investments and ramp up in order to meet the decarbonisation needs of the sector by 2050. The longer fossil fuel remains the cheaper options for the industry, the less investors will focus on financing the scale up of more expensive, yet cleaner, technologies and therefore the longer economies of scale will be able to bring down initial costs. Without a strong signal to the market that fossil jet fuel no longer has a future to power aviation, SAF producers will struggle to

¹ Greenpeace (2023) *Ticket prices of planes vs trains - A Europe-wide analysis*. Accessed: [link](#)

compete with low jet fuel prices. Zero emission aircraft manufacturers also have an interest in ensuring that market conditions are favorable to the use of sustainable energy sources like hydrogen in the long term, which again will struggle to scale up if the use of fossil fuel is still encouraged through tax exemptions.

- **Raising revenues for the EU's sustainable transition:** failing to tax jet fuel on all departing flights from Europe represented a tax gap of €10.7 billion for EU-27 governments in 2022². Each year European governments lose out on billions of revenue which could be reinvested into the transition to sustainable alternatives as for the digitalisation and interoperability of the rail sector (e.g. the deployment of the ERTMS technology) and the decarbonisation of the aviation sector itself. For ERTMS, it was estimated that €80 billion will be needed to cover the entirety of the TEN-T network³. It is also estimated that between 500-800 SAF facilities will be needed globally by 2050⁴, which, assuming €1.8 billion per facility, would result in around €36 billion capital expenditure annually between 2025 and 2050.
- **Correcting a social injustice:** it is becoming socially untenable for citizens to pay high taxes on essentials like heating their homes, traveling by train or fueling their cars, while flights taken by businessmen to New York or tourists to Dubai remain untaxed. Maintaining tax exemptions for certain sectors, while others bear the burden of contributing to climate efforts, contradicts the EU's Green Deal objective of ensuring a socially fair transition and undermines the fight against climate change.
- **Encouraging energy efficiency:** increasing the cost of using jet fuel would not only encourage the aviation sector to use efficient flight paths, but also more efficient aircraft technologies to reduce fuel consumption. Such a loophole in the EU energy taxation framework will be a missed opportunity to enhance the EU's energy autonomy. According to the International Energy Agency trains are on average at least 12 times more energy efficient per passenger than planes⁵.

It is in the interest of the EU's homegrown sustainable industries, the development of rail services, the decarbonisation of the aviation and marine sectors, and EU citizens, that we therefore urge you to ensure that marine and aviation fuels are finally taxed.

Many thanks for your consideration,

Transport & Environment, ALLRAIL, Association of European Railway Rolling Stock Lessors (AERRL), Back on Track, BLOOM, Bond Beter Leefmilieu, Carbon Market Watch, Eco-Union, EDL, European Energy, H2V, Nature & Milieu, Nordic Electrofuel, Norsk e-fuel, Opportunity Green, Sciaena, Seas At Risk, SkyNRG, trainline, VCÖ, Zero

² T&E aviation tax gap (2023), [Aviation tax gap | Transport & Environment](#)

³ The European Court of Auditors (2017)

⁴ SkyNRG SAF Market outlook (2024), Summary

⁵ IEA energy efficiency (2020). [Energy efficiency 2020 | International Energy Agency](#)



Back-on-Track.eu

European network to promote cross-border night trains



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