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Ministry of Finance
Tax and Customs Department
Sweden

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By Email: **fi.remissvar@regeringskansliet.se**
RE: **Fi2024/01009 – Consultation on the memorandum Reduced Aviation Tax**

Dear Sir/Madam,

I refer to the Swedish Government's sensible and pragmatic proposal to halve the Swedish Aviation Tax effective from 1 January 2025. I outline feedback from Ryanair below.

1. Aviation Tax is damaging Sweden's Competitiveness and Recovery

The Swedish aviation market remains among the worst recovered aviation markets across Europe, operating at less than 79% of pre-Covid levels. Similar poorly recovered European markets include Germany and France, who like Sweden, share a common theme of excessive access costs driven by spiralling aviation taxes, security fees and airport charges.

This Summer, Ryanair will operate its biggest ever schedule in Sweden, offering more than 3 million seats and 77 direct connections (+60% vs. pre-Covid). This substantial growth is underpinned by 6 Ryanair based aircraft (incl. 1 next-gen aircraft) across Ryanair's 2 Swedish bases in Stockholm-Arlanda and Gothenburg. This US$600m investment in Sweden has created over 180 well paid direct jobs, in addition to generating thousands of indirect jobs thanks to the economic spin-offs that low-cost connectivity brings.

Given the enormous employment opportunities and economic dividends generated at national and regional levels by aviation, airports and governments are competing fiercely to attract traffic volumes and connectivity. Recent examples include the Friuli Venezia Giulia region in Italy, whose regional president recently took the sensible decision to scrap the regressive national aviation tax, following which, Ryanair immediately responded by opening a new 1 aircraft base in Trieste. Similarly, the President of Calabria has quickly recognised the correlation between lower access costs and increased connectivity and has tabled an equivalent amendment in the Italian Senate for his region to try increase traffic at Calabria's three airports. Given the practical approach of Italy toward aviation it is unsurprising that they have grown 15% beyond pre-Covid levels – whilst Sweden and Germany have contracted by c. -20%.

Since the Aviation Tax will only continue to undermine Sweden's competitiveness by increasing access costs (incl. Aviation Tax, ATC, Security, and other fees) relative to other European countries, it is critical that this Government not only seeks to reduce it, but ultimately works to abolish it – otherwise Swedish citizens will be plagued by high fares and limited connectivity from the periphery of Europe. This capacity will instead be diverted to more competitive countries, as evidenced by Ryanair's decision to cancel all of its Swedish domestic flights from March 2024 due to soaring access costs in Sweden.

2. Aviation Tax is not Environmental

The Aviation Tax was introduced with the stated aim of reducing aviation's climate impact. <u>However, this tax has not and will not have any effect on global emissions</u>. There are already measures in place at EU level to deal with the emissions from aviation. Flights within the EEA are covered by the EU Emissions Trading System (ETS) – meaning Sweden is seeking to double tax flights. Furthermore, the ETS regulations are tightening, placing a greater cost burden on airlines as ETS credits reduce. Any ETS credits 'saved' by discouraging flights to/from Sweden will simply be reallocated elsewhere across the EU's pool of emissions allowances. This duplication in cost burden puts Sweden at a significant disadvantage without reducing emissions.

Even if Sweden wanted additional environmental measures at a national level, the Aviation Tax is poorly constructed and cannot be considered an environmental measure. For European flights, the tax rate is not related to the climate impact of the flight. In other words, a passenger on a next-generation aircraft – which uses -20% less fuel, with high-density seating and Sustainable Aviation Fuel (SAF) – is charged the same as a passenger on a 30-year-old aircraft with low density business class seating and no SAF. The tax therefore does not consider the climate impact of intra-European flights and consequently provides no incentive for airlines to reduce emissions.

In fact, the Aviation Tax prevents airlines from investing in reducing emissions. The aviation industry is actively decarbonising through new aircraft and technological improvements, improved operational measures and the use of SAF – all of which require investment. The Aviation Tax increases airline's costs, reducing their investment in new aircraft, retrofits and SAF. The Aviation Tax is therefore counterproductive to its own goals.

3. **Recommendation**

Ryanair welcomes the proposal to reduce the Aviation Tax. However, this is a half-measure and falls short of fully addressing the consequences of the Aviation Tax. As outlined above, the tax is counterproductive to the goal of reducing emissions from aviation and simply undermines Swedish competitiveness and connectivity. The proposal acknowledges the Aviation Tax hurts both competitiveness and connectivity, but unfortunately falls short of suggesting a full removal of the tax, opting instead to partially reduce it.

Ryanair calls for a full abolition of the Aviation Tax from 1 January 2025.

Yours sincerely,

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Ryanair

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