



Rt Hon Jacinda Ardern
Prime Minister
Private Bag 18888
Parliament Buildings
Wellington 6160

21 May 2021

Dear Prime Minister,

Thank you for your response to my recent letter regarding the merits of introducing a climate-related departure tax. I was heartened to hear just how seriously your Government is taking climate change as well as the set of concrete measures it has implemented to date.

Two of the points made in your letter resonated with me.

The first was your acknowledgment that New Zealand's tourism sector will need to undergo significant structural change to address issues like international aviation emissions. I agree entirely. I would only say that such change will not take place by accident. In the case of aviation emissions, it will require a conscious effort on the part of governments to break the path dependency that has been created around fossil fuelled jet turbines.

The second was your reference to the Minister of Tourism's proposition that the costs and negative impacts associated with tourism be mitigated or priced into the visitor experience. Again, I completely agree. Pricing the emissions associated with getting to and from New Zealand would ensure that we all incorporate the environment into decisions about where to travel, and that airlines do the same when deciding which technologies to invest in.

The key question is *how* such a price should be implemented. I acknowledge that the Government's thinking on this is ongoing and that there are a range of options being explored but I was concerned to read that the Minister of Tourism is considering changes to the International Visitor Levy as a way of tackling the international aviation emissions problem.

My proposal for a departure tax was made after an exhaustive survey of the mechanisms which could credibly address the problem. The International Visitor Levy was not among them for at least two reasons.

The first relates to the levy's coverage. In its current guise, the IVL applies to less than half of the individuals who were flying to and from New Zealand prior to Covid. Even if Australians and Pacific Islanders were included in an expanded IVL, that would still leave exempt the 3 million or so flights that New Zealanders took overseas in 2019. The optics of such an approach would be terrible. We would be effectively demanding that international visitors contribute to the problem but exempting our own citizens when they cause precisely the same environmental damage travelling abroad.

The second relates to the mitigation incentives (or lack thereof) created by the levy. Because the IVL is set a constant level (\$35 at present), it does nothing to reward passengers who seek to reduce their emissions, whether by flying in economy class, or choosing destinations closer to home. This problem is perhaps best exemplified by the fact that individuals who travel to New Zealand multiple times during the course of their travel authority (typically two years) are only required to pay the levy once. There is no compelling reason why frequent international travellers should not be levied each time they travel. The environmental impact of their activities is directly related to the frequency of their travel.

I acknowledge that a departure tax as I conceived it is not the ideal policy instrument. There is no question that a tax on jet fuel would be the simplest, first best solution since it accounts for distance travelled and fuel economy. Unfortunately, that sort of approach is very likely precluded by existing international law. What I have proposed – a departure tax levied on three broad, distance-related bands and payable by all passengers leaving our shores – is, I believe, the next best solution.

New Zealand would not be alone in introducing such a tax. Departure taxes exist in a number of countries (including the United Kingdom, France and Germany), and are increasingly being motivated by climate concerns. Practical implementation in the New Zealand context would not be difficult – the already existing Border Clearance Levy offers a ready-made template for how a departure tax might operate.

Introducing new charges is never easy but they will be an important element of any climate policy package that is serious about making a difference. Encouragingly, there seems to be a growing acceptance that reducing our emissions won't be a costless exercise.

In my view it would be a mistake to seek to use the IVL to address international aviation emissions. It would be well-nigh impossible to explain why kiwis who choose to fly internationally should avoid paying their share.

For that reason, I am writing to urge you to direct officials to examine a departure tax option alongside any work they are undertaking on possible change to the IVL. This will enable your Government to come to a fully informed decision about how to best tackle the emissions that result from flying to and from New Zealand.

Yours sincerely,

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a vertical line and a small horizontal stroke at the top.

Rt Hon Simon Upton
Parliamentary Commissioner for the Environment

CC:
Hon James Shaw, Minister of Climate Change
Hon Stuart Nash, Minister of Tourism