



# Socioeconomic impacts of the European Green Deal and Just Transition measures

05 July, 2022

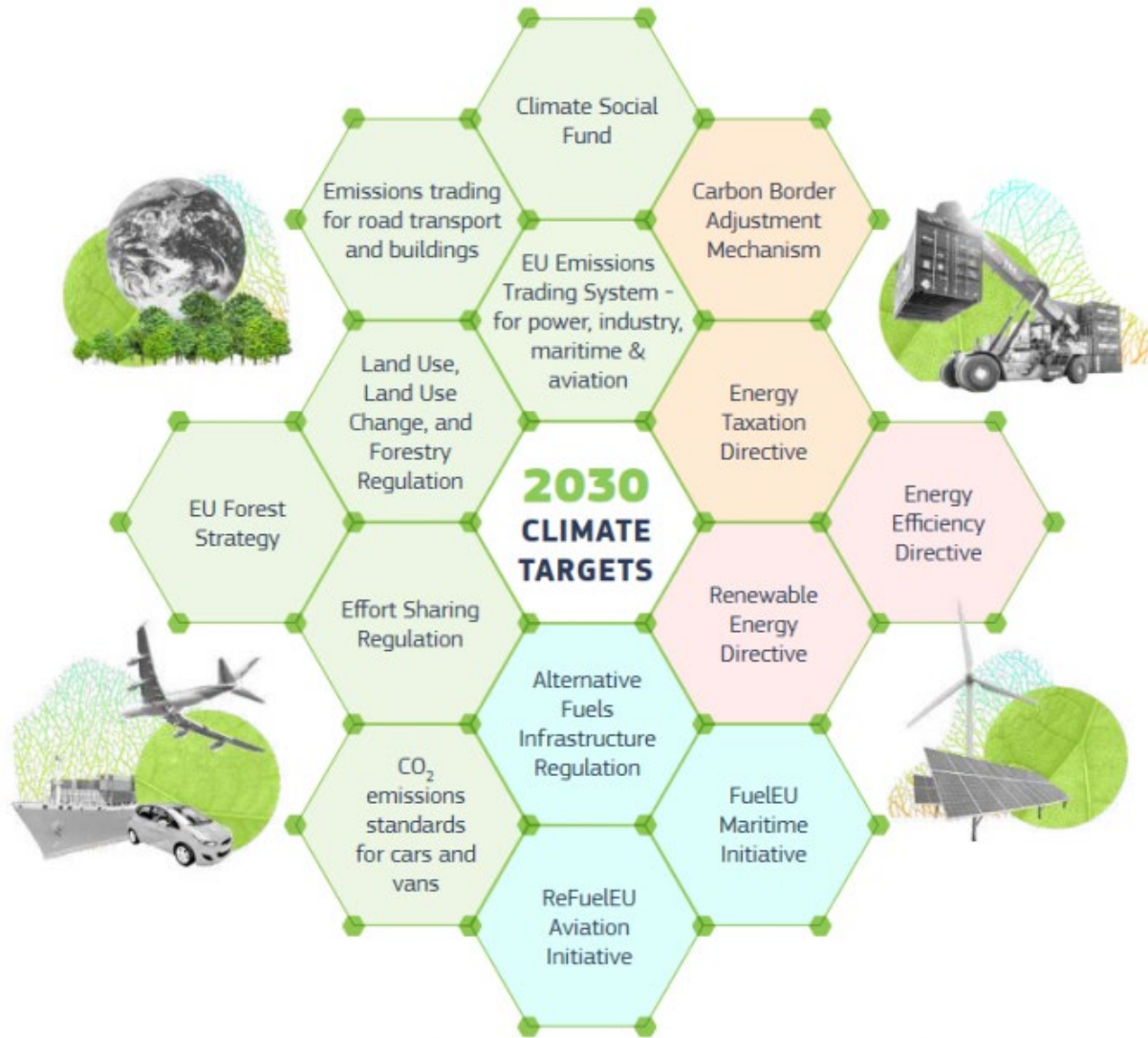
Xaquín García-Muros, BC3

# PMI Technical Workshop on Just Transition & Carbon Pricing

# The European Green Deal



# FIT for 55 Package

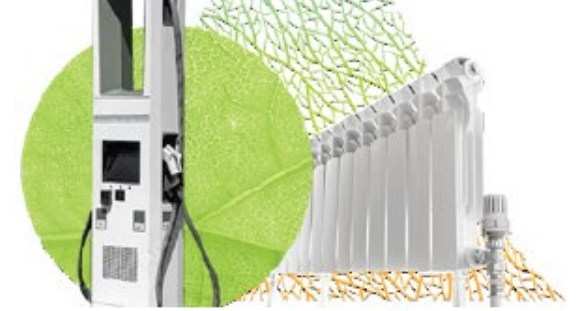


- 8 revisions of existing regulation and 5 new proposals
- One of the key concerns is its distributional implications for households, especially :
  - Nuevo Régimen de comercio de derechos (ETS2).
  - Directiva sobre fiscalidad de la energía (ETD).
- Therefore, the package includes the Social Climate Fund (SCF) to address social impacts.

# New Energy Taxation Directive , Extension of ETS on Transport And Building and Social Climate Fund



**ETD:** The EU's Energy Taxation Directive sets out rules and minimum excise duty rates for the taxation of energy products and electricity used as motor fuel and heating fuel



**ETS2:** Extend the emissions trading scheme (ETS) for transport and buildings, seeking to reduce emissions from private transport and energy consumption in housing.

**SCF:** New Social Climate Fund will provide funding to Member States to support vulnerable European citizens. Mobilise €72.2 billion for the period 2025-2032



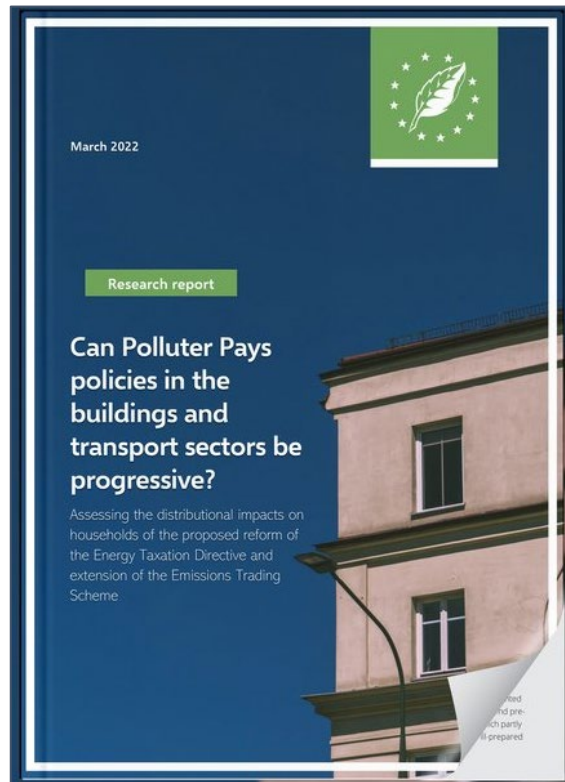


# Think2030 network analysis



IEEP and BC3 led study on distributional impacts  
of ETD and ETS2

## IEEP Results Summary



<https://ieep.eu/publications/can-polluter-pays-policies-be-progressive>

## BC3 Modelling Paper



<https://otea.info/recursos>



## Method:

- Household Budget Surveys from 2015 for all MS of the UE-27 (200.000 households)
- Direct/overnight impact, no reaction

## Key assumptions:

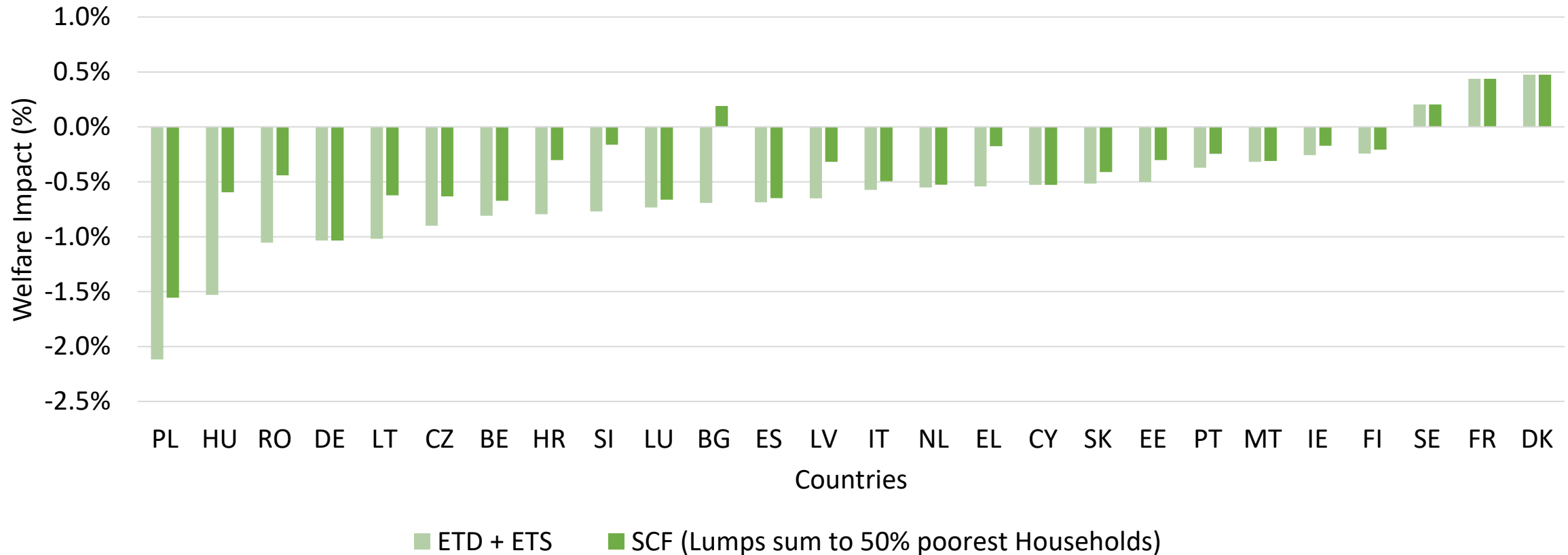
- ETS2: price of €45/tonne of CO<sub>2</sub>.
- SCF: only 25% of revenues are distributed lump-sum to households

## Results:

- Each MS
- EU-27 by income deciles
- EU-27 by other sociodemographic categories
- Spain by rural/urban area

# Distributional impacts of ETD + ETS2 +SCF

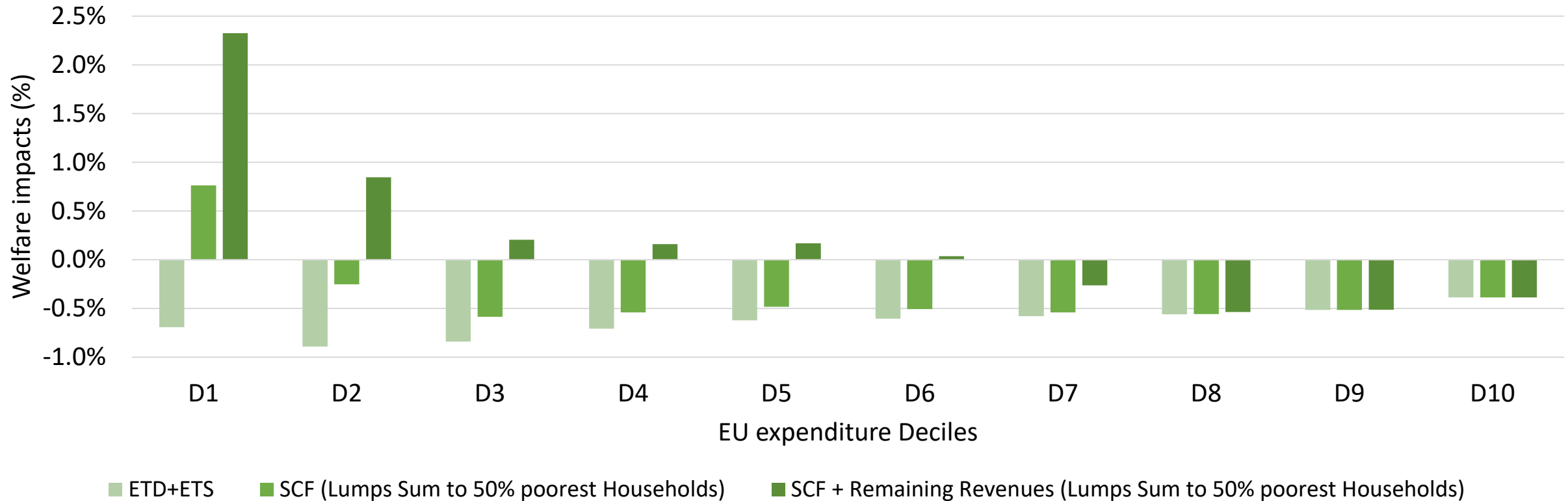
Welfare impact on average household in each MS



- The impact are mostly negative in most MSs (apart from those with existing national carbon taxes – Se, Fr and Dk – where electricity cuts from the ETD help).
- Differences between MS might justify transfers between MS.
- The SCF can alleviate some of the negative aspects in the most affected countries.

# Distributional impacts of ETD + ETS2 +SCF

Welfare impact on households EU-wide by income decile

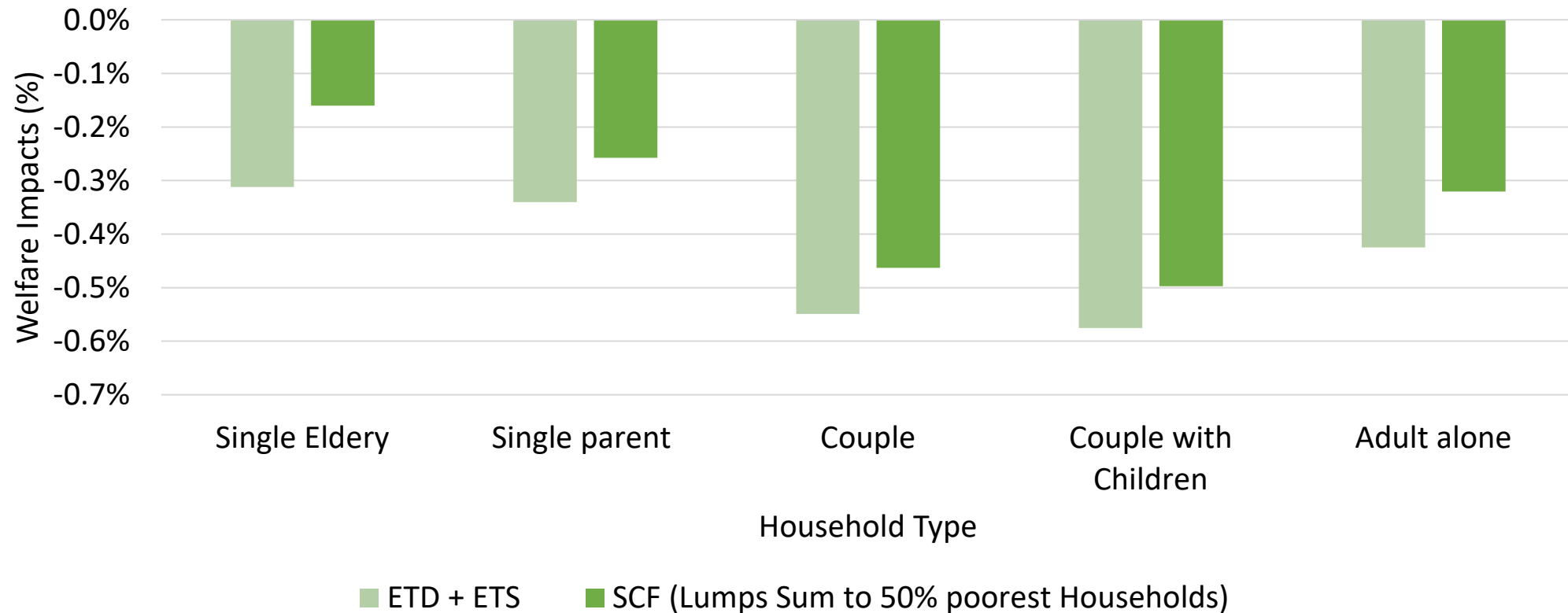


- ETD and ETS2 with compensations from SCF generate net benefits for the 10% poorest households.
- It is need to use funds beyond the 25% earmarked to reduce regressivity and the impacts on the middle income households.



# Distributional impacts of ETD + ETS2 +SCF

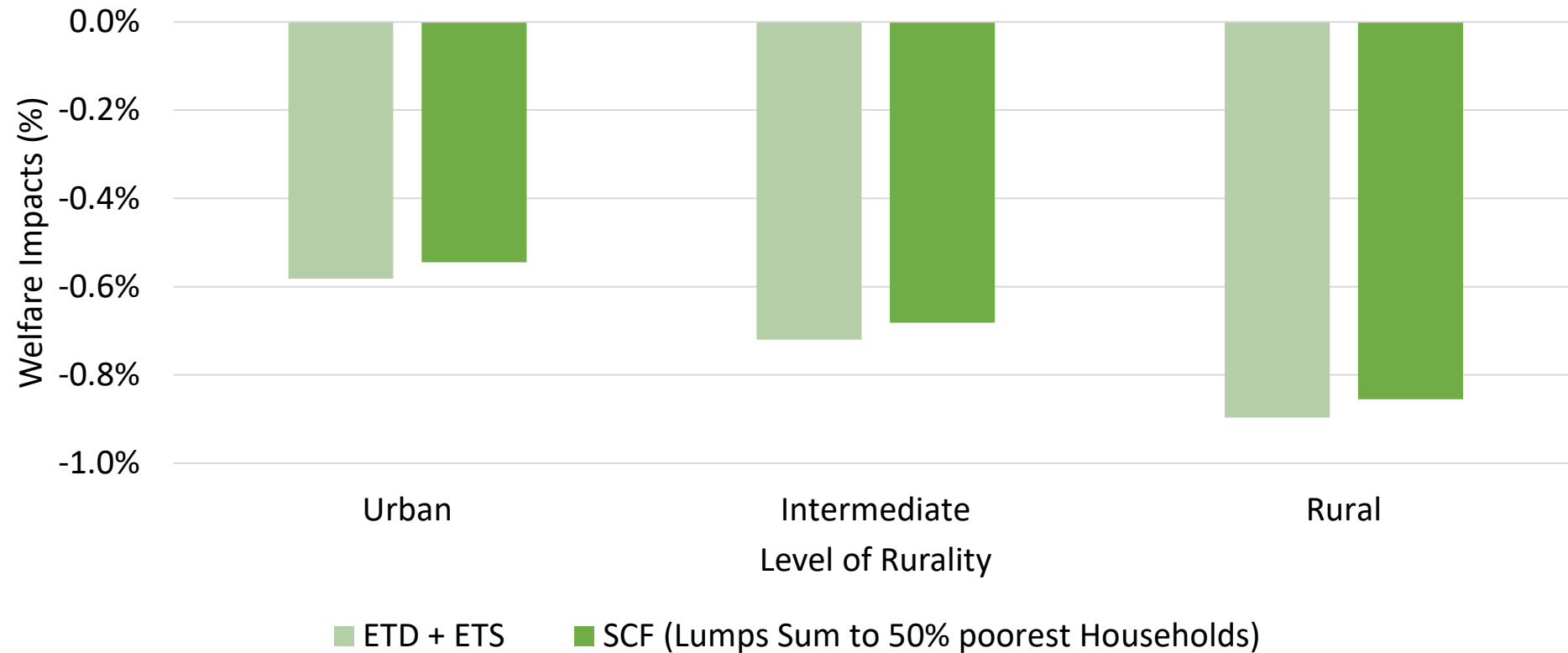
Welfare impact on EU-wide household types



- Impacts can be assessed horizontally by many factors, such as household types.
- Household types: single parent and single elderly households – women are over-represented in both – are least impacted across EU.

# Distributional impacts of ETD + ETS2 +SCF

Welfare impact on Spain by Level of Rurality



- In Spain (as in many other MS), rural households have the most negative impact, as they are more dependent on private transportation.



## Some conclusions

1. The **combined impact of ETD reform + ETS2** may have some **regressivity effect** and **hit more CEE MSs**
2. However, **the SCF can make the package clearly progressive** and transfer money from Western member states to Central and Eastern European member states.
3. For small net recipients/net contributors to SCF, **SCF revenues alone are not enough to compensate the poorest households.**
4. **It is need to use funds beyond the 25% earmarked to reduce regressivity** and the impacts on the middle income households.
5. The compensation mechanisms will also have **to take into account the different socioeconomic characteristics** and not only the income levels of households.

# THANKS FOR YOUR ATTENTION

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**bc<sup>3</sup>**

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