Citizens' Climate Europe
The case for Climate Dividends

- Benefits
- Expert Opinions
- Fairness & Unfairness!
- Ambition & more benefits
- Crucial success factors
- Misconceptions and criticisms

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Benefits

- Simple, low cost and fast/easy to implement
- Reaches all those in poverty
- Capable of supporting high prices
- Uniquely visible compensation method
- Addresses price volatility AND ambition (higher prices)
- Reduces argument from the EU ETS2 resistant MS

Experts' Opinions

- Largest economic statement in History:
- Governments: Switzerland, Canada, Austria, …
- Canada's Ecofiscal Commission
- The usual suspects: WB, IMF, OECD, CPLC, …
- Scottish Climate Citizens Assembly - 77% support

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Economists' Statement on Carbon Dividends

Global climate change is a serious problem calling for immediate national action. Guided by sound economic principles, we are united in the following policy recommendations.

I. A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future.

II. A carbon tax should increase every year until emissions reductions goals are met and be revenue neutral to avoid debates over the size of government. A consistently rising carbon price will encourage technological innovation and large-scale infrastructure development. It will also accelerate the diffusion of carbon-efficient goods and services.

III. A sufficiently robust and gradually rising carbon tax will replace the need for various carbon regulations that are less efficient. Substituting a price signal for cumbersome regulations will promote economic growth and provide the regulatory certainty companies need for long- term investment in clean-energy alternatives.

IV. To prevent carbon leakage and to protect U.S. competitiveness, a border carbon adjustment system should be established. This system would enhance the competitiveness of American firms that are more energy-efficient than their global competitors. It would also create an incentive for other nations to adopt similar carbon pricing.

V. To maximize the fairness and political viability of a rising carbon tax, all the revenue should be returned directly to U.S. citizens through equal lump-sum rebates. The majority of American families, including the most vulnerable, will benefit financially by receiving more in "carbon dividends" than they pay in increased energy prices.

Fairness

- Applies €qual financial rights to a common good
- Socially - reward good behaviour, penalise bad (all actors)
  - “We’re all in this together”   “we all have to change”
  - Cost of living - affects everyone
  - Protects the poorest most
- Visible - citizens see and can understand

Unfairness!

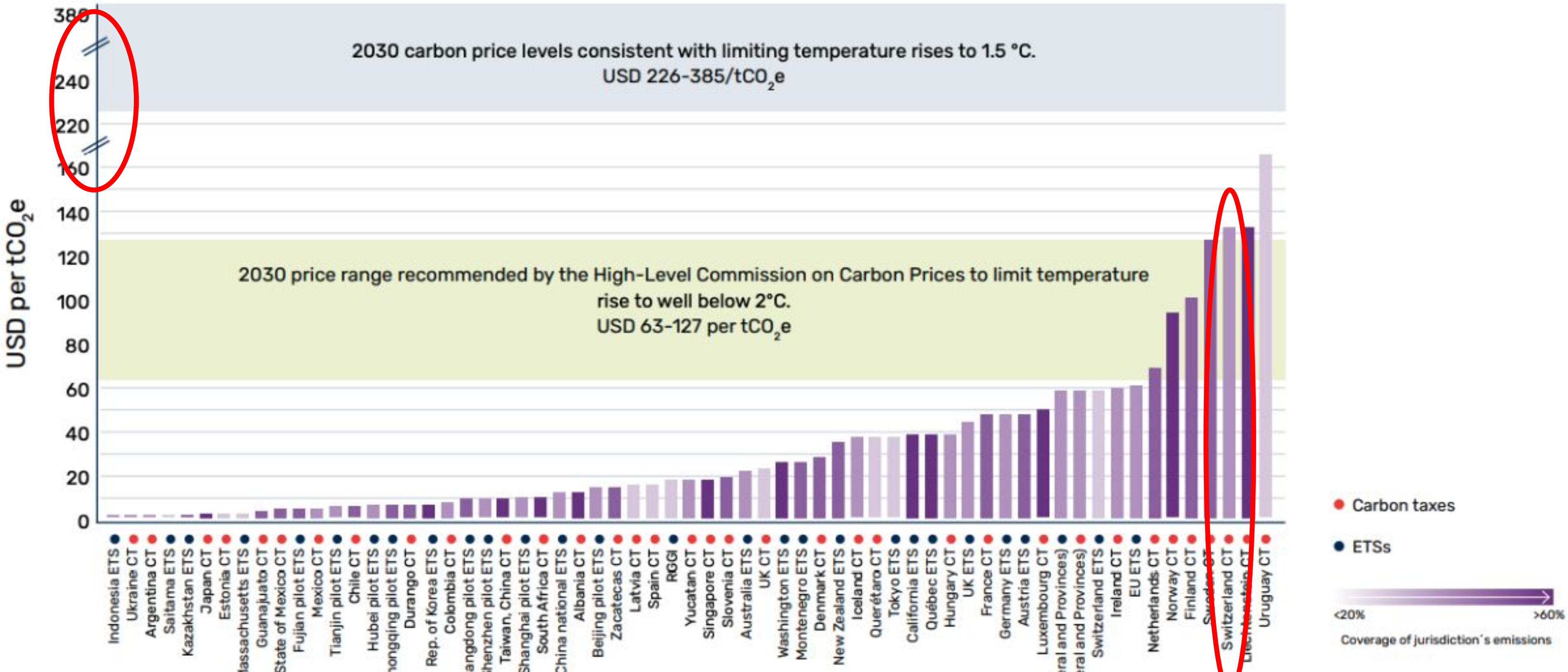
ETS2 without compensation is:

- Regressive - squeeze the poor and middle incomes
- even more inequality
- Risk of social backlash, populism, yellow vests, anti-green

With other kinds of compensation:

- Complex, expensive and less effective poverty programs
- Reduced transparency - funding and decisions

Ambition - World Bank 2024 status report



vs

What's enough ? 67, 75, 90%

- Switzerland

50% revenue lost vote

- British Columbia

65% people lost votes

Extra Benefits - of higher predictable pricing

- Reduced emissions (industry certainty, price difference)
- Improved progress on national regulations and objectives NECPs, ESR, RED, EED, health, energy independence,
- Swamp Fossil Fuels Subsidies (faster & easier than ending)
- Further addresses cost of living and inequality
- Raises international ambition

Crucial success factors: OECD Faster principles scorecard

67%+ Public Rebate   Steadily rising price   Clear design ALL*

Fiscal encouragement ALL*   Decisions devolved

Maximum coverage   €100, €200, €300

	ETS1	ETS2	France	Austria	Switzerland	Canada	Nordics	EU in 2034	MS option
Fair	~		~	✓	✓	✓	✓	~	✓
Aligned	~		✓	✓	✓	~		~	✓
Stable & Predictable	~	~	✓	✓	~	✓	~	~	✓
Transparent	~	~	~	✓	~	✓		✓	✓
Efficient & Effective	✗	✓	✓	✓	✓	~	✓	✓	✓
Reliability & Integrity	✗	~	~	~	~	~	~	✓	✓

Regional Differentiation

Pros:

- Urban / rural fairness may be important politically
- Both Canada and Austria made some accommodation

Cons:

- Higher effort and complexity
- Rare but disproportionately visible based unfairness (Austria call centre data)

Common climate dividend misconceptions

- **Direct income support to vulnerable** (max. 37.5% of national SCF funds)
  - **temporary** support that decreases over time until structural measures become effective
  - Legal requirements: social grading or dividend with proven positive environmental impact (Busch & Harder, 2024)

- The "*proven environmental impact*" is not in the SCF regulation
- "*financial support in order to address social aspects*" is not limited to the SCF but for all revenue from auctioning of ETS allowances.
- The "*proven environmental impact*" is not a requirement of the dividend, but a **property** of the "*climate dividend schemes*" mentioned in the ETS legislation

Review - *Arguments against direct income transfers*

Or any other policy, ever.

The entire population, UBI supporters, poverty NGOs, womens groups, climate groups, economists …

❯ Conflict … direct income transfers on support

❯ Stickiness might be limited because benefits are widely dispersed … dedicated organized interest …

True of all revenue use.

Maintaining consumer spending capacity frees up private finance for households AND industry

❯ C… redistribut… …bility

AND the pie could be bigger.

❯ Hard trade off with support for investment if public finance for … (unless cond…

Remains to be seen, the rich decarbonising is a good start, you can tax higher income then.

Thought by whom? There is no silver bullet. Effective climate policy is hard work. Giving money to special interests is easy.

❯ Over time less … higher-income hous…

→ Less of a silver bullet to foster support than widely thought?