

*Ariadne @ Brussels, 10 December 2024*

## CLIMATE POLICY WHEN “THE HIT GETS REAL” - IS “LEAVING NO ONE BEHIND” AN ASPIRATION TO UPHOLD?

Simon Feindt (PIK) & Michael Pahle (PIK),  
drawing on joint work with Laura Iozzelli (EUI), Antonia Schwarz (PIK) & Linus Westheuser (HU Berlin) and contributions by Nikolas Messerschmidt (IER) & Ulrich Fahl (IER)



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# AGENDA

- › Welcome and aim of the workshop (5 min)
- › Input by **Ariadne researchers** (Simon Feindt & Michael Pahle): Can the transition be financed in a way to ensure “no one is left behind”, or do we need a different aspiration? (15 min)
- › Interventions by **Anna Stürgkh** (Member of European Parliament, RENEW EUROPE) & **Mihnea Cătuți** (Head of research, EPG):
  - › Views from an EU perspective → Anna Stürgkh (10 min)
  - › Views from a national level (CCE) perspective → Mihnea Catuti (10 min)
- › Open discussion under **Chatham House rules** (55 min)
- › Concluding remarks (5 min)

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## BACKGROUND AND AIM

Does fostering public support require a **new paradigm** of policy distributional analysis and design? If yes, what are the broader political, economic and societal (sociological) **enabling conditions** to consider ?

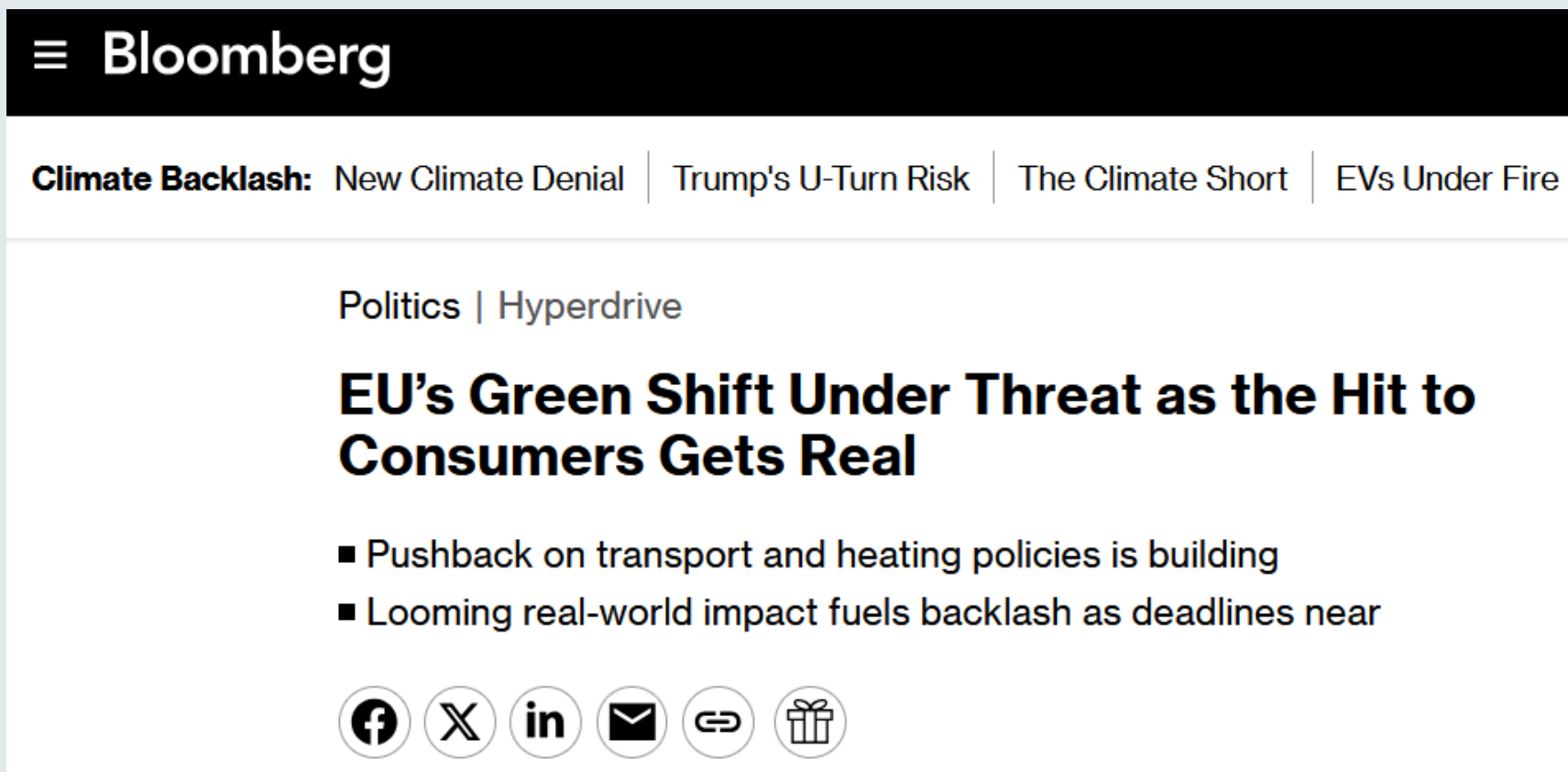
Previous session:  
Improving existing policies  
within the current paradigm  
(Green Deal)  
→ “**inside** the box”

This session:  
Revisiting existing  
policy **paradigm**  
(Green Deal)  
→ “**outside** the box”

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**Bloomberg**

**Climate Backlash:** New Climate Denial | Trump's U-Turn Risk | The Climate Short | EVs Under Fire

Politics | Hyperdrive

## EU's Green Shift Under Threat as the Hit to Consumers Gets Real

- Pushback on transport and heating policies is building
- Looming real-world impact fuels backlash as deadlines near

Source: [Bloomberg](#)

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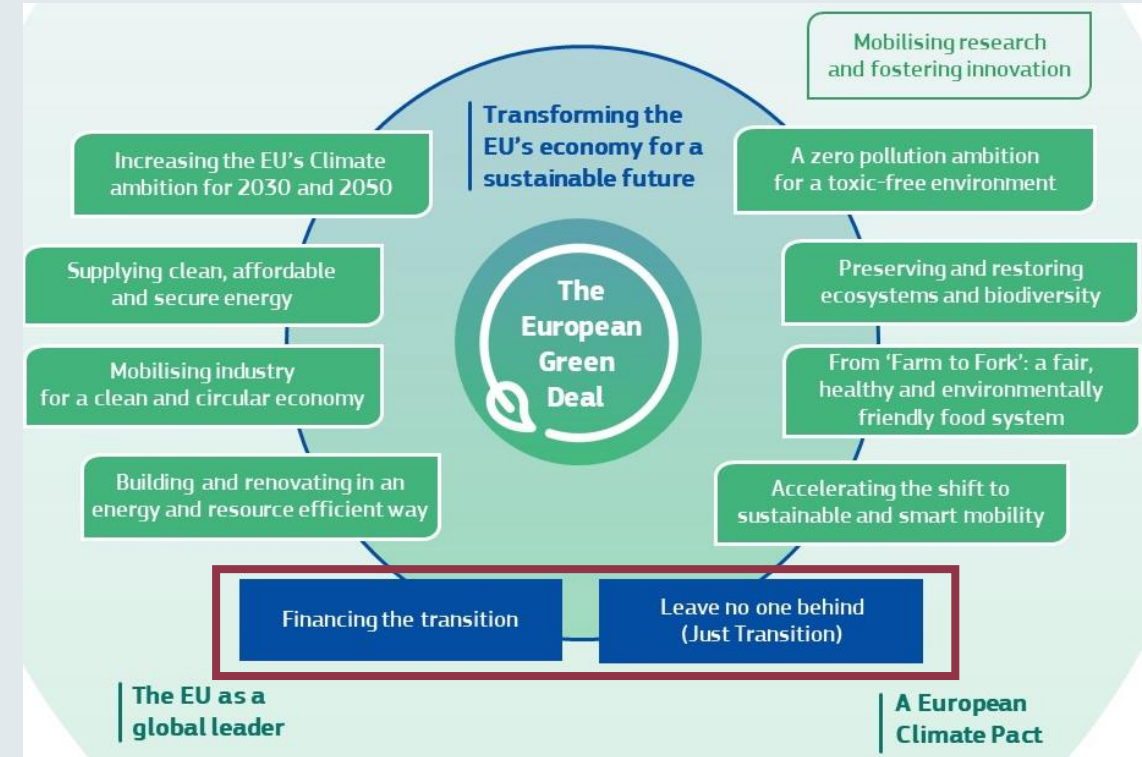
# FINANCING AND “LEAVING NO ONE BEHIND” ARE FOUNDATION OF GREEN DEAL

- › Policy paradigm: set of core ideas and aspirations central to policy making (Hall 1993)
- › Core enabling assumptions underlying the Green Deal paradigm:

› Economic dimension: financing the transition, low clean energy prices, ...

› Political dimension: political consensus among moderate parties, international cooperation, ...

› Social dimension: Just transition/Leaving no one behind



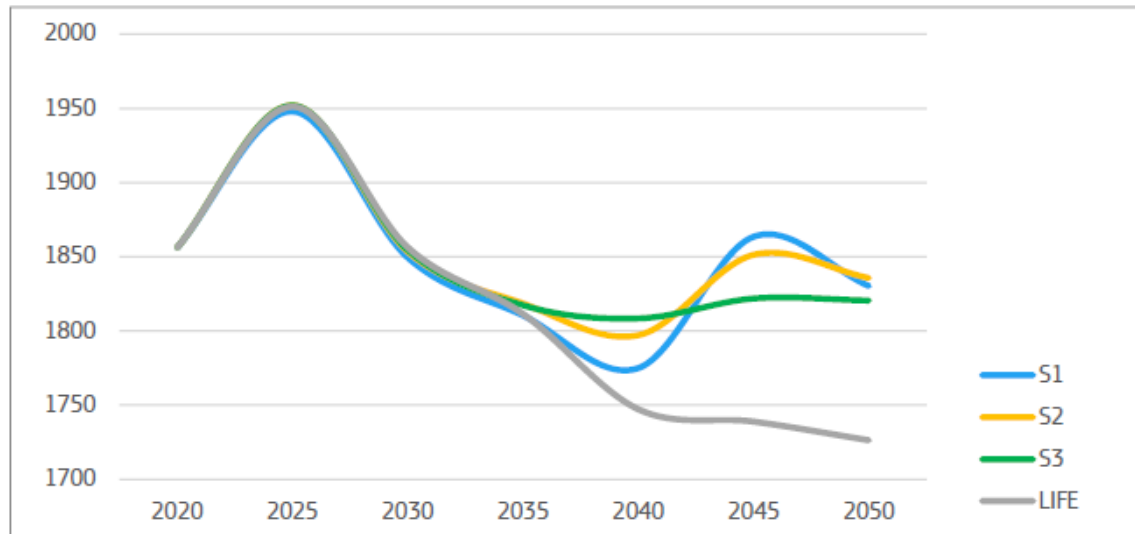
Source: [European Commission](#)

← Can transition be financed such that no one is left behind? Focus on energy costs.

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# EC 2040 TARGET IMPACT ASSESSMENT SUGGESTS IMPACT ON LOW-INCOME HOUSEHOLDS CAN BE DEALT WITH

Figure 115: Annual fuel purchasing expenses in buildings per low-income household



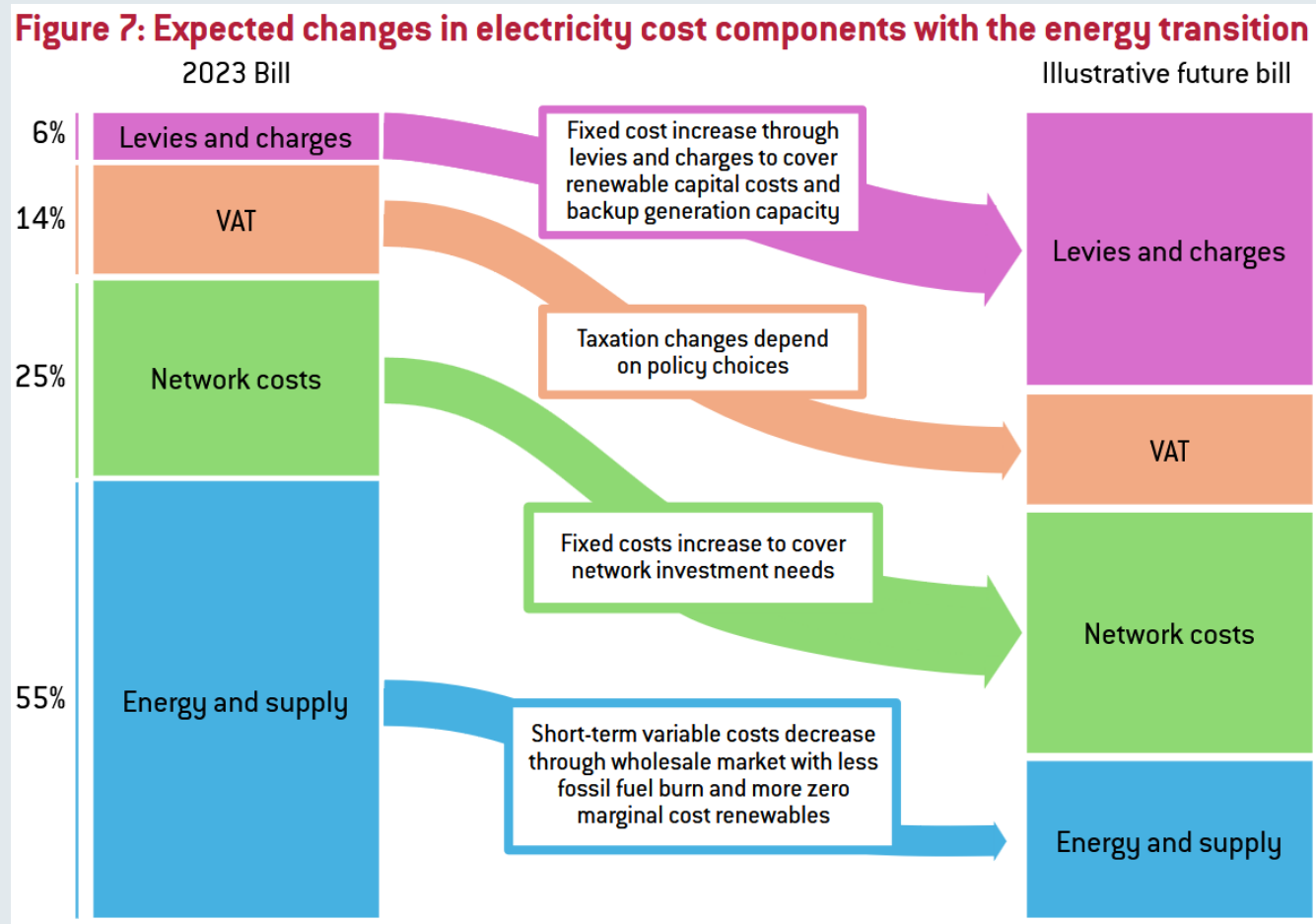
## 2.4.2. Electricity prices

**Low-income households are particularly vulnerable to electricity price increases. The Commission proposal to reform the electricity market [...] aims at strengthening consumer protection, particularly for the most vulnerable households.**

Source: [EC IA for 2040 target](#)

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# NON-ENERGY COST COMPONENTS OF ELECTRICITY PRICE BECOMING MORE IMPORTANT



Source: Bruegel (Heussaff 2024)

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# MAJOR TRADE-OFF: CLEAN ENERGY COSTS ↔ SOCIAL IMPACTS

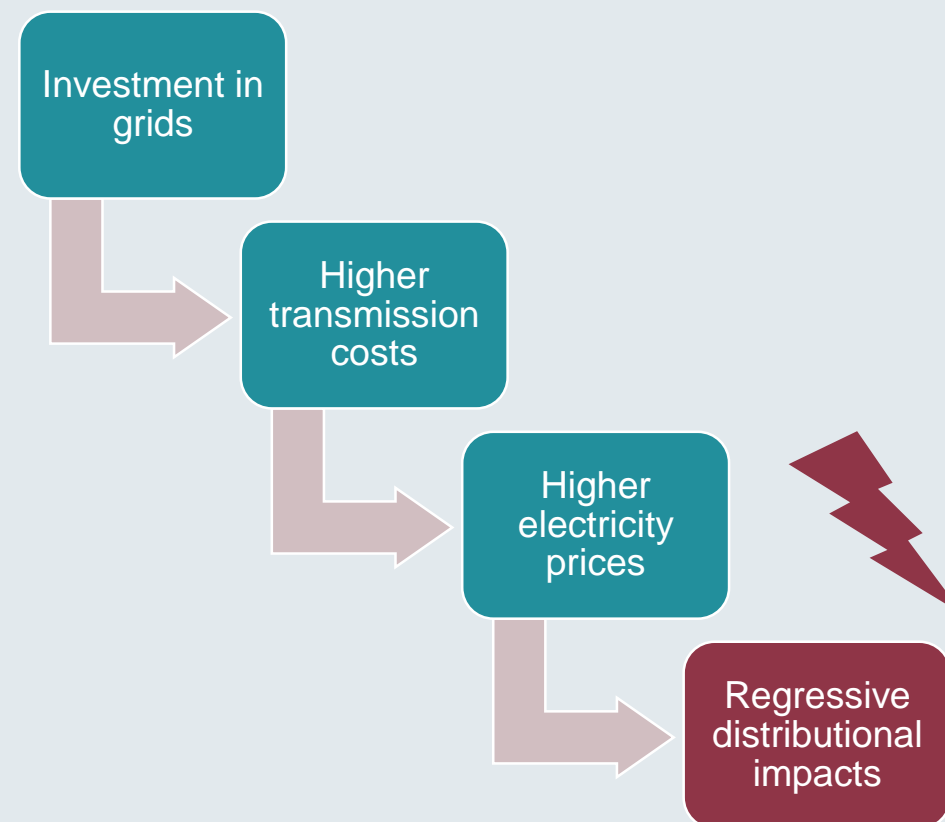
## Mission letter to Commissioner for Energy and Housing

*Your task: complete a robust Energy Union*

- **Bring down energy prices for households and companies**
- **Produce more clean energy**
- **Upgrade grid infrastructure**
- **Develop resilient, interconnected, and secure energy system**

*The Commission: necessary investments of ~ **€584 billion** for electricity grids this decade alone.*

(Q&A on EU Action Plan for Grids)



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# CAN ENERGY COSTS BE APPORTIONED IN A WAY THAT IS SOCIALLY FAIR?

- “**Thorny problem** of energy-system-cost allocation between industrial consumers, businesses, households, and taxpayers” (Heussaff 2024)
- Can be addressed through policy choices:
  - Reform of the **EU Energy Taxation Directive**
  - Changes at **national level**, e.g. to tax gas more than electricity or reduce VAT
- For example, **Germany** now finances RE support through the general budget, and may also reduce network charges using ETS revenues
- But how much **fiscal space** for measures like this?



## **Relief for electricity consumers**

Electricity consumers will no longer have to pay the EEG levy from [...] 1 July 2022. [...] Electricity suppliers are required to pass on this reduction in full to end consumers.

Source: [German Federal Government 2022](#)

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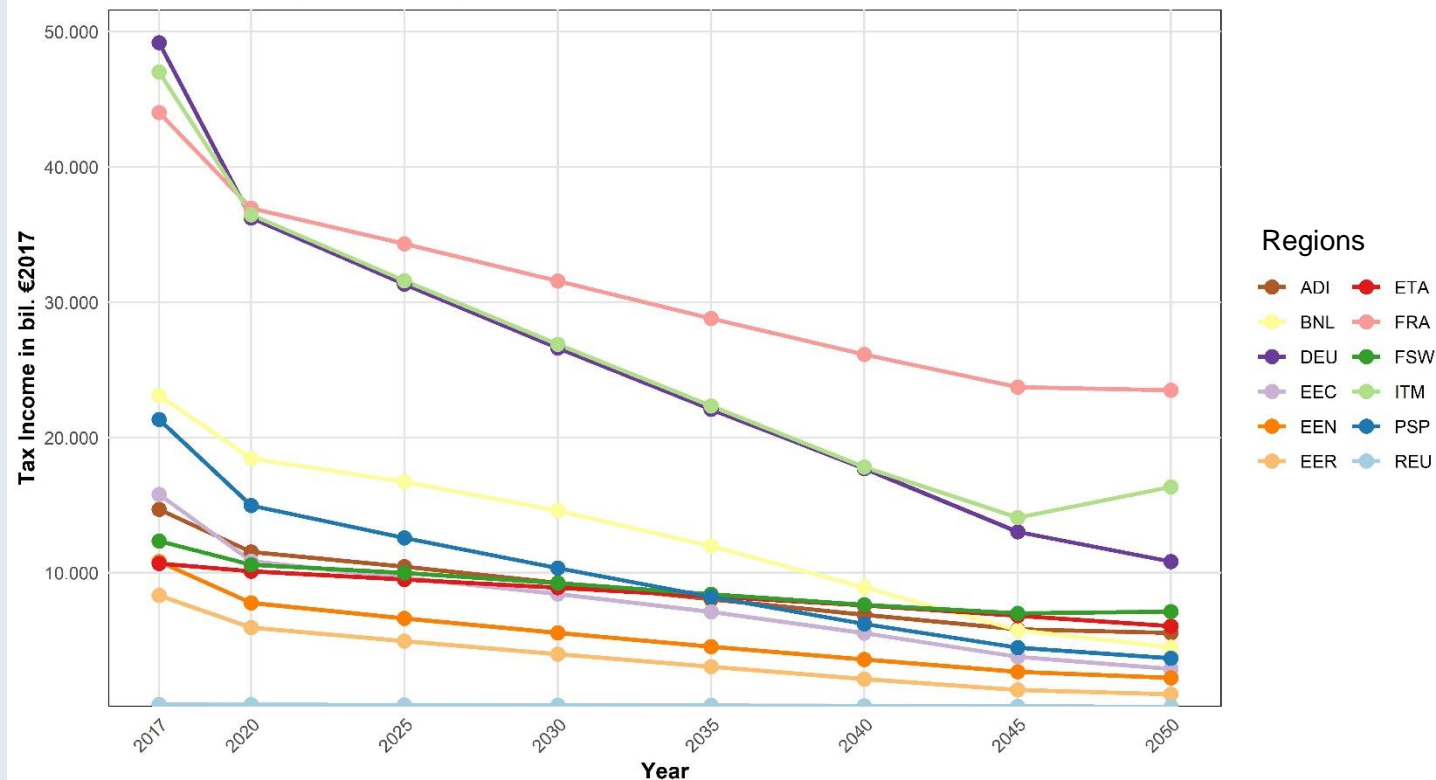
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# ALSO FISCAL NEEDS, E.G. DO GOVERNMENTS WANT TO GIVE UP ON ENERGY TAXES?

- Calculation by IER CGE model NEWAGE
- With fixed tax rate: **tax income** in EU countries expected to **decline** over the next 25 years
- Pronounced country-level differences: Strong decline in Germany, less in France
- ➔ further pressure on fiscal needs

## Tax Income from energy taxation for European Countries (including electricity)

Under the assumption of a steady taxation basis from 2017 onwards



Grouping	Countries
ADI	Austria, Denmark, Ireland
BNL	Belgium, Netherlands, Luxembourg
DEU	Germany
EEC	Bulgaria, Czech Republic, Poland
EEN	Croatia, Estonia, Hungary, Romania, Slovakia, Slovenia
EER	Cyprus, Greece, Latvia, Lithuania
ETA	United Kingdom, Switzerland, Norway, Rest of European Free Trade Association
FRA	France
FSW	Finland, Sweden
ITM	Italy, Malta
PSP	Portugal, Spain
REU	Albania, Serbia, Belarus, Ukraine, Rest of Eastern Europe, Rest of Europe

Own calculations, IER

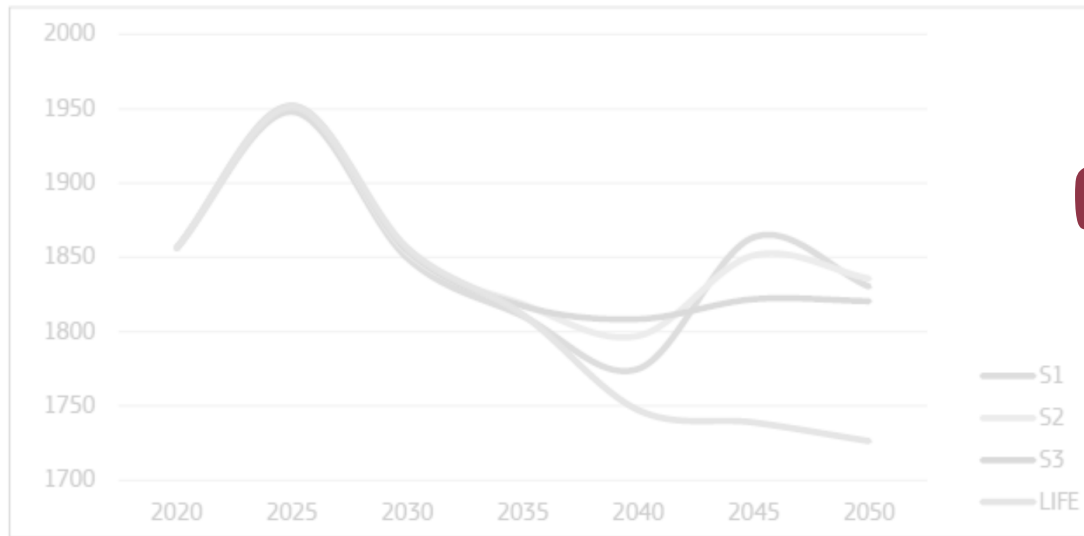
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# CAN WE REALLY EXPECT THESE SCENARIOS (“EXPECTATIONS”) TO MATERIALIZE?

Figure 115: Annual fuel purchasing expenses in buildings per low-income household



## 2.4.2. Electricity prices

Low-income households are particularly vulnerable to electricity price increases. The Commission proposal to reform the electricity market [...] aims at strengthening consumer protection, particularly for the most vulnerable households.

Or was it just a “hype” ...

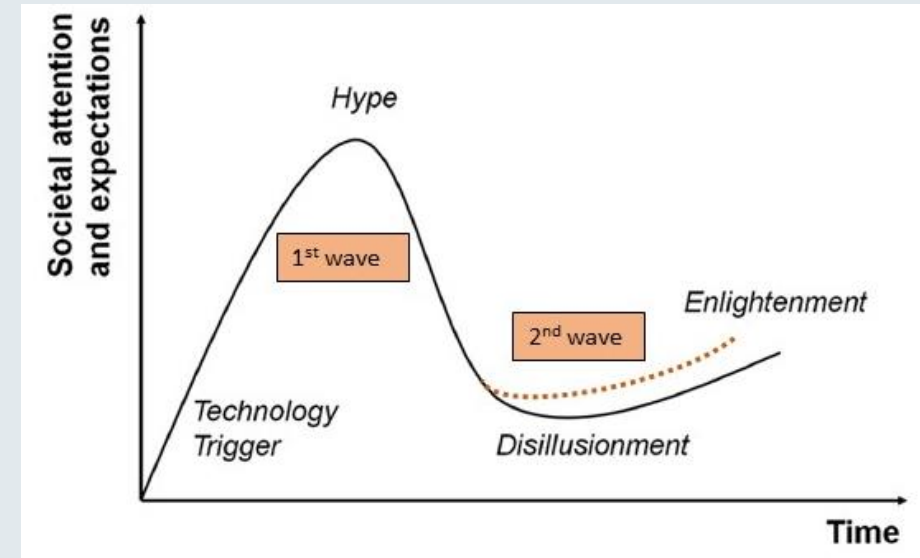
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# ARE WE NOW ENTERING A PHASE OF “DISILLUSIONMENT” REGARDING GREEN DEAL FOUNDATIONS?

- › Shifts in attention and expectations along economic, societal, and political frame  
→ from “hype” to “disillusionment”
- › How to come up out of the valley of attention and expectation? Will the phase of enlightenment follow naturally?
- › Adjust the aspiration of “leaving no one behind”, or hold it up?



**The transition cycle based on the Gartner hype cycle.**  
Based on Feindt et al, in preparation, modified [from Kriechbaum et al, 2021.](#)

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## SIMILAR QUESTIONS ABOUT 1.5°C GOAL

- › “Political strategy” arguments for upholding and changing the paradigm
- › **In favor** of upholding:
  - › It is the “right” thing to do
  - › It is motivating/mobilizing supporters
- › **Against** upholding:
  - › Risk of looking for “wrong” solutions
  - › Increasing discrepancy between goal and reality threatens to undermine credibility

Green | Climate Politics

### **The 1.5C Climate Goal Is Dead. Why Is COP29 Still Talking About It?**

Politicians and green advocates want to keep the focus on limiting global warming to 1.5C, even though scientists say the planet is already on track to soon breach the target.



By [Zahra Hirji](#) and [John Ainger](#)

November 18, 2024 at 3:00 AM GMT+1

Source: [Bloomberg](#)

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# IS “LEAVING NO ONE BEHIND” AN ASPIRATION FOR JUST TRANSITION TO UPHOLD...

- › ... and just modify instruments / use new instruments?
- › Or: Do we need a new aspiration that puts more emphasis on acceptability and “honesty” that there will be losers, and that more effort is needed?
  - › *Leaving some behind*
  - › *Leaving those behind who are not willing to change*
  - › *Try to get everyone on board / **Try** to leave no one behind*
  - › *Get everyone on board*
  - › *Everyone needs to make an effort*

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## QUESTIONS AND INTERVENTIONS

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