Citizens' Climate Europe

Who we are

Citizens' Climate Europe (CCEU) is the European branch of Citizens' Climate Lobby (CCL), a global, non-partisan organisation that advocates for Climate Income, a policy also known as Carbon Fee and Dividend. CCL is composed almost entirely of volunteer citizen lobbyists. CCL was founded in 2007 in the US and has a governing board with renowned economists and scientists. Ultimately, this led to the introduction of the Energy Innovation and Carbon Dividend Act bill to the US House of Representatives where it has bipartisan support. In Europe, CCEU engages EU-level bodies as well as national governments via national CCL chapters in 15 European countries. CCL has civil society status at the G7, the G20, the UNFCCC, the World Bank, and is also a founding strategic partner of the Carbon Pricing Leadership Coalition, which brings together leaders from government, industry and civil society to investigate and promote carbon pricing.

Figure 1: CCL chapters as of 2021

Our climate solution: simple, fair and effective

The policy we advocate for has three pillars which support each other: a steadily rising price on carbon emissions; recycling of revenues to citizens; and a border carbon adjustment. The policy has the capacity to achieve the goals of the Paris agreement and most of the ambitious IPCC 1.5 °C target.

1: Putting an upstream economy-wide price on carbon

The fossil fuel industry and users of fossil fuels currently receive a large implicit subsidy: the right to emit greenhouse gases into the atmosphere without paying for the consequences current and future generations have to bear. This gift slows down the energy transition and results in an unfair competition with climate-friendly technologies. Instead, a fair market economy needs to abide by the 'polluter pays' principle. Therefore, the first pillar of our policy is a steadily rising fee on all fossil fuels effectively pricing GHG (CO_2-equivalent) emissions.

The predictability and certainty of this carbon fee, in line with the OECD's FASTER principles for successful carbon pricing, will stimulate investment in low-carbon technologies and drive domestic decarbonisation. Studies show that a significant price on carbon emissions will help green steel or hydrogen achieve their commercial breakthrough. Businesses will thus be able to anticipate and invest appropriately to ensure long-term competitiveness and to attract financial investment in the areas where innovation offers future returns. This aligns climate policy with business interests towards carbon-free products and infrastructure. To ensure efficiency and credibility and to minimize administrative burden, the carbon price needs to be applied "upstream" (i.e., at the point of resource extraction or import). Its effect will be felt and acted upon throughout the entire economy.

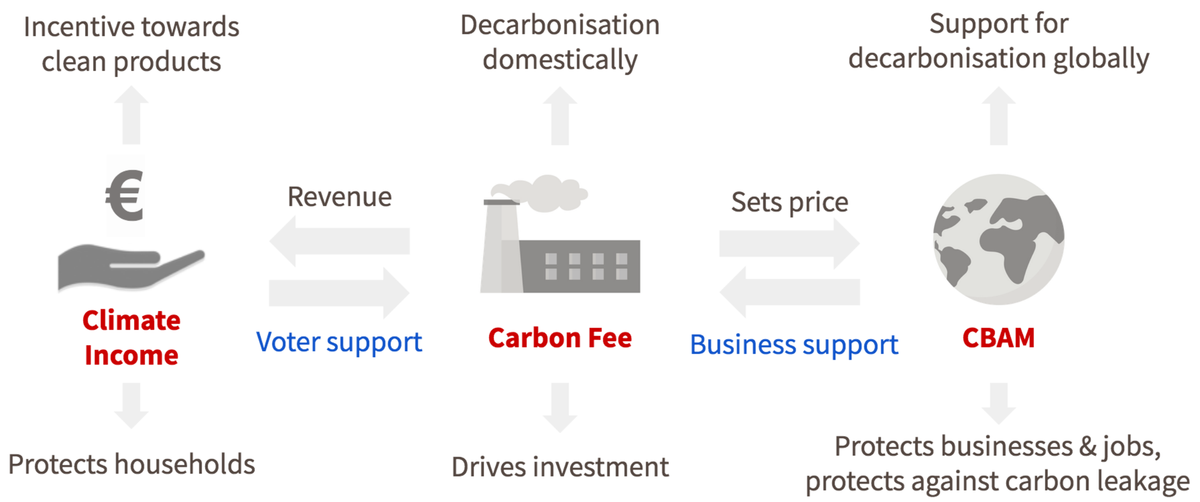
The carbon fee will thereby provide a simple understandable incentive to make climate-friendly choices for all actors in the economy, including small- and medium-sized enterprises and households.

2: Recycling revenues to households

A steadily rising carbon fee raises the costs of some products and services throughout the supply chain towards the end customer. In order to keep the economy in balance and to ensure clients can meet the additional costs that inevitably have to be passed on, the policy uses a revenue-neutral approach: The pollution fees are returned equally to households in the form of a monthly cheque, to ensure citizens can afford the additional costs.

Studies show most households come out ahead under this policy. It is perceived to be fair by the public and has proven to be politically popular in Canada with parties supporting the policy being re-elected in 2019. This support enables the fee to rise across all sectors, increasing both the price and coverage in line with the long-held view of the IMF and World Bank on this matter.

This solution is endorsed by many climate scientists and economists. In January 2019, an open letter was published in the Wall Street Journal, signed by over 3500 economists, among them 28 Nobel Prize Laureates and 4 Former Chairs of the Federal Reserve proposing this policy.



3: Levelling the playing field through a border carbon adjustment (or CBAM)

As the domestic price on emissions rises, the risk will increase that firms seek to import more of their carbon-intensive goods and materials from abroad or even relocate their production abroad, causing what is known as carbon leakage. Instead of reducing overall emissions, we would cause CO_2 emissions to increase in other countries. A carbon border adjustment mechanism (CBAM) would impose a tariff on products imported from countries without equivalent carbon pricing. The revenue can be used to provide export rebates creating a level playing field in foreign markets. The carbon fee outlined above can be used for setting the CBAM price.

Border Carbon Adjustments are compatible with WTO rules under the environmental considerations as used in the Montreal Protocol related to ozone layer depletion. This mechanism will protect against leakage and provide more cost-effective support of EU jobs and industrial facilities than free allowances. It is expected that tariffs would apply only to Energy Intensive Trade Exposed (EITE) goods and enable the phase out of free allowances and the associated problems like windfall profits.

Finally, the CBAM is a strong lever for increasing global climate ambition. Other countries are expected to rather introduce a carbon fee, with the revenue accruing to themselves, than pay an import tax to Europe. This contributes to the emergence of internationally agreed pricing, and ultimately global decarbonisation.