Position on EU Climate Target 2040

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 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. In Europe, CCEU engages EU-level bodies as well as national governments via national CCL chapters. CCEU is in the transparency register and is member of the expert group on ETS2 implementation.

Our position

The policy we advocate for has three pillars which support each other: a steadily rising price on all greenhouse gas emissions; recycling of revenues to citizens; and a carbon border adjustment mechanism. Viewed through this lens, we would like to emphasize the following:

1. Given the humanitarian and financial cost of climate change, the EU should aim for negative emissions by 2040.
2. We recognise that emission pricing is not the only instrument needed, but it should be the key instrument. In that light, we urge the EU to:
    a. View carbon capture removals through the lens of emission pricing, i.e., their use and role in driving down net emissions should be determined by the price in the ETS and ETS2.
    b. Accelerate the phase-out of free allowances past 2030 so that the market price reflects the real carbon price businesses have to pay.
3. The consultation emphasises vulnerable, low-, and middle-income households. While we fully agree that the challenges these groups will face need to have priority, we advocate for Climate Income. Recycling of revenues to all households will achieve this aim and in addition will have several co-benefits. Attached please find a summary of those co-benefits.

Benefits of **Climate Income**

Climate Income would return the majority of proceeds from emission pricing to each citizen and resident in member states following the concept of *shared ownership of the atmosphere*. It treats the limited capacity of the atmosphere to absorb emission as a universal property, whereby all citizens own a piece of the sky and should be compensated by those who pollute it.

In addition to this philosophical reasoning, real-life and practical arguments also show the virtue of this policy, also known as carbon dividend.

- **Climate Income makes emission pricing fair and equitable.** A cash transfer of emission pricing revenues to consumers and households will prevent social hardship that could arise from increasing prices for carbon-intensive goods and services. Because households with lower incomes tend to have smaller carbon footprints, a cash transfer of revenues means low- and middle-income households would receive a net benefit.

Illustrative emissions fee payments and revenues (£) by income quintile. Adapted from: Burke, J., Byrnes, R., & Fankhauser, S. (2019). Policy brief: Global lessons for the UK in carbon taxes.

The figure below shows how much households in different income groups would pay in emissions fees, how much they would earn in Climate Income, and the corresponding net gain or loss. **A £40/tCO2 emissions fee raises enough revenue to give each household an equal 'dividend' of about £1,000 per year, leaving the lowest three income quintiles (i.e., roughly half of all households) better off.**

- **Climate Income makes ambitious emission price levels politically feasible.** The fear of social disruptions due to increasing prices for carbon-intensive goods and services is one of the most common counter arguments against ambitious emission pricing schemes with steep price increases over time.

  Climate Income invalidates this argument because it allows prices to rise to the level necessary to achieve the Paris Goals without risking social disruptions. It gives the European Union and its Member States the chance to make emission pricing the centre piece of a broadly supported and effective climate policy.

  Moreover, since the measure can be implemented with low administrative costs, it can be considered as revenue-neutral and will thus not compete for resources with other climate policies already in place. In fact, the effectiveness of the measure will allow policy makers to install even more ambitious accompanying programs.

- **Climate Income rewards people who live low-emission lives.** Households who already live low-emission lives, by choice or circumstance, and those who are working to reduce emissions are rewarded. While the amount of Climate Income is fixed, the increased cost depends on one's personal footprint. Climate Income thus strengthens the financial incentive to take part in the environmental transition.
  In combination with emission pricing, Climate Income is a compelling economic driver of climate innovation. Instead of speculatively subsidising favoured technologies or fuel types, Climate Income allows recipients throughout the entire economy to spend the money where it makes the most sense: where emission-intensive goods and services can be replaced with more sustainable and - thanks to Climate Income - more affordable alternatives.
- **Climate Income provides people with the funds to choose low-carbon products and services.** It creates consumer interest for companies that either have reduced their emissions or see the market impact of such decisions. Climate Income creates consumer interest for well-managed companies working to reduce their emissions and prices. Beyond the direct competitive advantages for companies, such as reduced costs, there is also an incentive to offer consumers financial support or loans for significant investments like zero-emission heating systems.
- **Climate Income makes climate policy visible and authentic.** Emission pricing is an abstract concept for many. Climate Income makes the policy tangible, reminding people of the bold and joint effort to reduce emissions. The practical transparency is key to the public understanding necessary to achieve the end goal.
- **Climate Income creates political support for ambitious climate policy.** Various climate policies, including emission pricing, have been associated with sacrifice and hardship, making it difficult for any political party to gain and maintain the public support needed. Climate Income can help reverse this narrative by focusing on fairness, delivering a net benefit for many, enabling the purchase of greener products, and helping to create a sense of joint effort. Climate Income turns emission pricing into a popular, socially just, and broadly supported climate policy. This perspective allows policymakers to take the necessary, long-term, non-partisan actions.
- **Climate Income has existed in Canada since 2008.** Since its introduction in British Columbia in 2008, where it is known as *Carbon Fee & Dividend,* Climate Income's ambition has been continually raised and was eventually adopted at the federal level. The 2019 election showed overwhelming public support for the policy, with 67 % of votes going to politicians endorsing the measure.
  Over 3,000 economists, including 26 Nobel Laureates, 15 former Chairs of the Council of Economic Advisors, and 4 former US Federal Reserve Chairs have supported the policy, stating that an emissions fee is the "most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary" and that "**the majority of [...] families, including the most vulnerable, will benefit financially by receiving more in [Climate Income] than they pay in increased [...] prices.**"

Climate Income Calculator. To easily estimate the impact of this measure on the yearly budget of European citizens, we designed the Climate Income Calculator. It takes less than a minute to find out the effect on different specific household situations assuming a steadily rising price on emissions.