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Article

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Davide Pace

Voters Like Climate Policies More Than You Think

KEY MESSAGES

- **Voters are willing to make sacrifices for climate change, and they endorse costly climate policies**
- **Voters support green investments even when the investments are funded via carbon taxes**
- **A carbon tax plus a Climate Premium is another promising policy. The Climate Premium is an upfront transfer to all households**
- **Both the public and experts are too pessimistic about voters' support for climate policies**
- **Effective communication of the climate policy details is key**

The heydays of climate policies, if they ever came, seem to be gone. Donald Trump pushed the US out of the Paris agreement. The new European Commission has reduced the emphasis on the European Green Deal. Last year, farmers upset by a subsidy cut on agricultural fuel spread manure on the streets and prevented a ferry carrying the German vice-chancellor from coming ashore. The German government quickly backpedaled on the cut.

And yet, despite protests and political backtracking, ambitious climate policies remain widely popular. Researchers at the Universities of Bonn and Frankfurt recently surveyed 130,000 people representative of 125 countries. They found that nearly nine in ten people want their governments to do more to fight climate change (Andre et al. 2024). In 119 of the countries surveyed, more than two-thirds of the population supported more government action. That includes 86 percent of Germans and French and 74 percent of Americans. Importantly, people are also prepared to make personal sacrifices for a better climate.

The same study reports that 69 percent of people are willing to give up 1 percent of their income to reach this aim –1 percent of global income is an amount consistent with the current estimates of the cost of climate mitigation.

Similar results come from another survey with 40,000 participants, roughly representative of

20 countries responsible of 72 percent of global emissions, by Stefanie Stantcheva from Harvard and co-authors (Dechezleprêtre et al. forthcoming). The survey finds that, in each country, more than three-quarters of the population thinks that climate change is an important problem, and more than 70 percent believe that their country should take measures against it. Climate change deniers are a tiny minority: even in the US, only 12 percent of the population believes global warming is not happening.

SUPPORT FOR CARBON PRICING

So, people want their government to take action, but what policies would they accept? Many studies focus on public support for carbon pricing policies. These policies include carbon taxes, which levy a fee for every ton of CO₂ emitted, and carbon cap-and-trade schemes, which impose a maximum emission amount in a country and let companies buy and sell emission allowances. Carbon pricing is economists' favorite because it forces the polluters to pay, encouraging consumers to choose greener products and producers to invest in cleaner technologies. Importantly, carbon pricing incentivizes green choices without the government having to decide which goods are more valuable or having to bet on one technology over another.

Voters support carbon pricing if the revenues it raises are used to fund green projects. Dechezleprêtre et al. (forthcoming) find that, across the rich world, 63 percent of voters favor carbon taxes if these are introduced to fund environmental infrastructures or to subsidize low-carbon technology. There is majority support for these policies in every high-income country but Denmark. In middle-income countries, the support is even higher. These results are confirmed by studies focusing on a single country, such as Germany (Woerner et al. 2024) or France (Douenne and Fabre 2020).

The support for a carbon price plus green investment is excellent news for policymakers who hope to upgrade the electricity grid or install a network of charging stations for electric vehicles (EVs). These infrastructures are often needed to unlock private ventures in green technologies. If there are no charging stations, the demand for EVs will be low, but low demand discourages private investments in charging stations. An upgraded grid is essential because renewable energy is often produced far from industrial centers. Electricity demand will also increase as



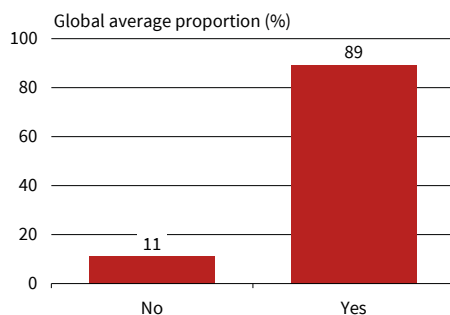
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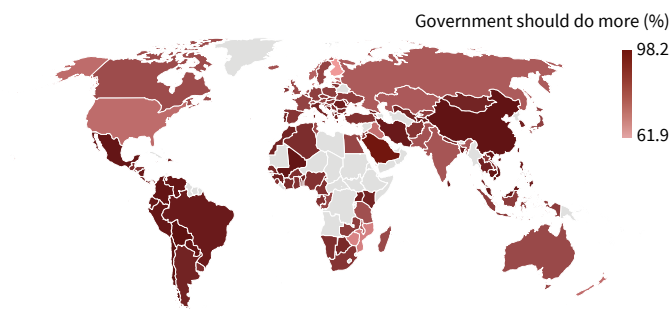
Figure 1

Global Support for Climate Change

A. Share of the Global Population That Would Like Its Government to Do More to Fight Climate Change



B. World Map Showing Support for More Government Action by Country

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heating, industrial production, and transportation electrify. Hence, carbon pricing can help the state to finance the infrastructures that underpin the energy transition.

CARBON PRICING PLUS CLIMATE PREMIUM

Another promising variant of carbon pricing is one that comes with a Climate Premium. The Climate Premium is a uniform transfer to all citizens that the government makes on the first day on which the carbon price is implemented. The government then recovers the cost of the transfer overtime via the carbon price's proceeds. The Climate Premium has been conceived to maximize voter support (Dominioni and Heine 2019). The amount transferred is known in advance, making the benefit to the recipient certain and salient. Making it an upfront payment should also reassure anyone sceptical that the government will actually pay out.

A recent study finds that a carbon price plus a Climate Premium achieves 73 percent support in a representative sample of 1,100 Germans and that the support for this policy is higher than for other types of carbon taxes, including one that uses the revenues to fund environmental projects (Woerner et al. 2024). There was majority support for the Climate Premium in every demographic group in the study. Even far-right voters and people who are not so concerned with climate change endorsed it. Moreover, of the six policies considered in the study, the Climate Premium was the one that the fewest people considered the worst. On the contrary, 34 percent of participants thought that not implementing any form of carbon pricing was the worst available option. A unique feature of Woerner et al. (2024) is that it is based on an experiment in which real money is at stake rather than a survey, a feature that makes people more likely to reveal their real policy preferences.

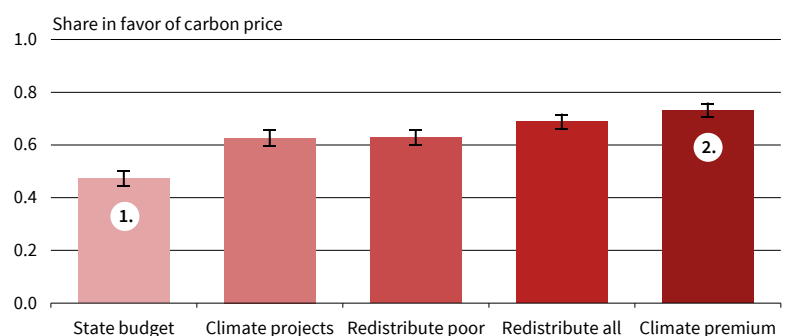
The Climate Premium also has other attractive properties. A concern with carbon taxes is that they disproportionately affect the poor. One way in which carbon taxes reduce emissions is by encouraging consumers to invest in more efficient technologies

like electric cars, home insulation, induction stoves, and heat pumps. However, low-income families often don't have the savings to make these investments, nor can they get loans (Berkouwer and Dean 2022). Therefore, these families will be hit disproportionately hard by the tax as they can do little to reduce their emissions: commutes in rural areas can only be made by car, meals need to be cooked, and some heating is needed in winter. By transferring money to households at the very moment the carbon tax is established, the Climate Premium helps everyone buy cleaner technologies.

However, a Climate Premium raises two concerns. The first relates to the sustainability of public finances. The Climate Premium involves giving money to households before collecting the carbon revenues, forcing the government to raise debt to fund the transfer. For example, a transfer of EUR 400 per person would cost the German government about EUR 33 billion, the French EUR 27 billion, and the Italian almost EUR 24 billion. These amounts might be challenging to raise if a country is highly indebted or if it is constrained by national and international laws that limit borrowing, like the German debt brake or the EU fiscal rules. Yet, a carbon price plus a Climate

Figure 2

Share of Participants Voting in Favor of the Carbon Price under the Five Different Ways of Using Carbon Revenues



1. Putting the carbon revenues in the general government budget minimizes support. 2. The Climate Premium maximizes public support.

Note: Data are presented as mean values. Error bars indicate 95% CI.

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Premium implemented under similar financial and institutional constraints could be very stable. Walking back on the carbon price would harm the country's credibility if the Climate Premium has already been paid out with the promise of recovering the expense via the carbon price. A walk-back would be particularly hard if the total cost of the premium is worth several years of carbon revenues. Hence, the Climate Premium could convince the market that the carbon price is there to stay and provide firms with the certainty they need to make green investments (Campiglio et al. 2024).

The other concern with the Climate Premium is linked to inflation. In 2024, inflation finally dropped in the EU, but there are fears that it could pick up again in the context of a trade war initiated by the US. The Climate Premium could further fuel inflation. With the Climate Premium in their pocket, consumers might rush to buy energy-efficient durables to reduce their energy use and pay a smaller carbon price. The heated demand would push up prices, with the unintended result of benefiting durable goods producers, who could charge more for the same products. Poor households would benefit little from the Climate Premium in this scenario. To avoid the inflation spike, the Climate Premium and related carbon pricing should be announced well in advance. In this way, the producers will be forced by market competition to increase their supply rather than inflating the prices.

WHY DOES IT LOOK LIKE NOBODY LIKES CLIMATE POLICIES?

If you are surprised to read that climate policies are popular, you are not alone. Several recent studies have shown that experts and the public are too pessimistic about support for such policies. For example, participants in Andre et al. (2024) predict that 43 percent of people are willing to give up 1 percent of their income to fight climate change, but the correct number is 69 percent. Likewise, participants in Woerner et al. (2024) predict 43 percent support for carbon pricing, when, in fact, 63 percent of votes are in favor. Academic economists are not much better in their predictions: they predict only 47 percent of ayes in Woerner et al. (2024).

This pessimism about support for carbon pricing is consequential. Another study by the Bonn and Frankfurt research team shows that people in the US underestimate the percentage of fellow Americans who take action to fight climate change. Correcting this misperception increases support for climate policies (Andre et al. forthcoming). Similarly, pessimism among economists, the champions of carbon pricing, can explain why economists struggle to convince politicians to implement their ideas.

Why are people so pessimistic? One reason is that there are some climate policies that voters strongly resist. For example, Dechezleprêtre et al. (forthcom-

ing) show that 52 percent of participants from high-income countries oppose earmarking carbon revenues to reduce public debt. Similarly, Woerner et al. (2024) find that a majority rejects carbon pricing if the carbon revenues are transferred to the German federal government. Moreover, most studies find that people oppose the so-called carbon tax and dividend, a scheme that first introduces the carbon price and then uses the carbon revenues to fund a uniform transfer to all citizens one year after the tax is introduced. Dechezleprêtre et al. (forthcoming) find no majority support for such a policy in any of the developed countries they survey. Similarly, Douenne and Fabre (2022) find that 70 percent of French voters oppose a carbon tax and dividend. An exception is Woerner et al. (2024), who find 68 percent support for such a policy in Germany. Moving beyond carbon pricing, people dislike taxes on fossil fuels and taxes on beef, bans on fossil fuel cars if no alternative is available, and a removal of subsidies for cattle farming (Dechezleprêtre et al. forthcoming).

Unfortunately, many of the climate policies proposed in recent years closely track the voters' blacklist. Macron's decision to increase fossil fuel prices and to put the proceedings in the government coffers sparked the Yellow Vest movement in France. The EU recently agreed to ban fossil fuel cars from 2035. In Germany, the botched attempt by the Scholz government to cut subsidies to agricultural fuels follows this trend. At the same time, uncontroversial policies, such as subsidies for green technologies and renewable energy, feature less in the news: little criticism of the policy means that there is not much to discuss. The salience in the public discourse of policies people reject might be behind the perception of a general opposition toward climate policies.

Poor communication is also to blame. Most Swiss don't know that their country uses the revenue from a carbon pricing scheme to subsidize their health insurance payments (Carattini 2022). Similarly, Canadians underestimate the carbon-tax-funded transfer they receive from the government. Unfortunately, correcting these misperceptions *ex post* doesn't help. When researchers told a group of Canadians the exact transfer size, their opposition to the carbon tax didn't buckle, possibly because they had already formed a strong opinion about it (Mildenberger et al. 2022).

To find a brilliant example of communication, we need to look to, of all places, Iran. Back in 2010, the government decided to drastically reduce the subsidies for fossil fuels, with half of the saved money earmarked to fund a monthly unconditional cash transfer for which every Iranian could apply. It was clear that gasoline prices would spike as soon as the policy was implemented. Afraid of a public backlash, the government created a new bank account for each applicant in which the cash transfer was deposited. Crucially, the first deposit happened about a month before the end of the subsidy and was widely publicized in the

media. Citizens were given a link to access the account and verify that the money was there. Yet, they could not withdraw the sums before the subsidy cut. The government made it clear that it would have taken back any amount deposited had it been forced to reverse its decision. In the end, the gasoline price increase was met with little opposition (Guillaume et al. 2011). In designing and implementing the policy, the Iranian government merged the features that make the Climate Premium popular with a communication strategy that ensured the population was aware of these features.

POLICY CONCLUSIONS

Ambitious climate policies should not be a taboo. Voters are aware of the dangers of climate change and demand their governments to live up to the challenge. However, policy details matter. Voters are happy to foot the bill for green investments and subsidies, and they support carbon pricing schemes that come with an upfront transfer like the Climate Premium. At the same time, they oppose other policies like bans on combustion engine cars, meat taxes, or carbon prices that finance the general government budget. More generally, people support climate policies that they see as being effective and not harming the poor (Dechezleprêtre et al. forthcoming).

As policy details determine public support, careful policy design and clear communication are key. Carbon pricing policies successfully reduce greenhouse gas emissions and can be implemented without hurting the poor. To bring home these messages, policymakers can leverage recent studies showing how the EU cap-and-trade system has cut emissions without hurting the economy (Colmer et al. 2024). They can also design climate policies so that the benefits for low-income households are easily visible. The Climate Premium helps achieve this goal, as certain upfront payments can be saliently advertised to voters. More generally, support for climate policies can be enhanced by showing people how many others, both at home and abroad, favor more aggressive actions. Designed well, green policies are good both for the climate and at the ballot box.

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