

The Importance of CO2 Pricing in the EU

The atmospheric CO2 concentration continues to rise, leading to a global increase in temperature and visible catastrophic extreme events. In 2023, a median global temperature increase of 1.45°C was measured compared to pre-industrial levels, already reaching the lower threshold of the Paris Climate Agreement. The range of 1.5°C to 2.0°C is considered the limit beyond which irreversible damages (tipping points) cannot be avoided.

It is therefore urgent to drastically reduce CO2 emissions. Increasingly, a rising pricing of CO2 emissions is seen as an effective means to incentivize the transition to less CO2-intensive production processes. Globally, Europe is significantly advanced in planning and implementing CO2 pricing. Major emitters such as India, Russia, the Gulf states, many US states, and Australia have not yet adopted this instrument, and in most other countries, the CO2 price is less than 1/10 compared to Europe, including China, where limited regions charge 1% of the European average price. Leading countries in CO2 pricing include Sweden, Switzerland, and the Netherlands. In these countries, high taxation is accepted due to social compensation for the poorer population. At the same time, it is observed that the goal of CO2 reduction tends to be greater the higher the CO2 taxation, without impacting GDP (Fig.1).

CO2 pricing is implemented through two methods: direct taxation of all products that generate CO2 during production or through the sale/auction of a limited number of CO2 certificates to CO2 emitters. To incentivize CO2 reduction, pricing must increase over time in both cases. Tradable CO2 certificates become increasingly expensive due to scarcity until reaching zero (by 2050). However, auctioning and setting a cap will only start in Germany from 2026. Scientifically grounded calculations have shown that with a CO2 price of €200-300/t CO2 in 2030, the gasoline price would increase by 70 cents/liter, and with a CO2 price of €400/t CO2 in 2040, it would increase by 94 cents/liter. However, these data are not very reliable as political conditions may change significantly.

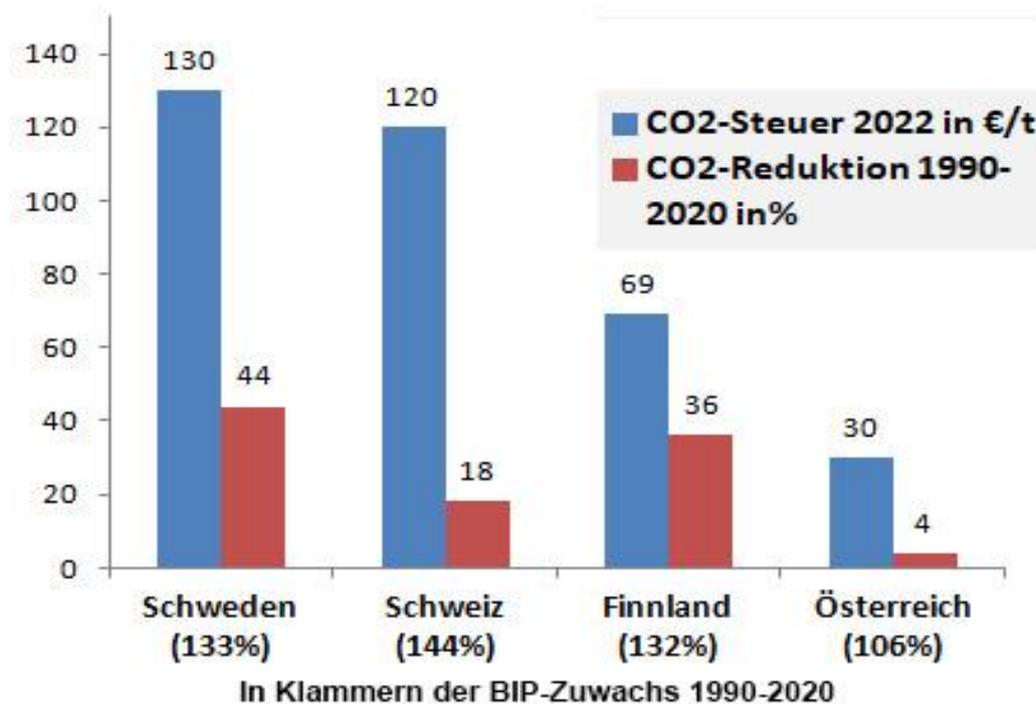
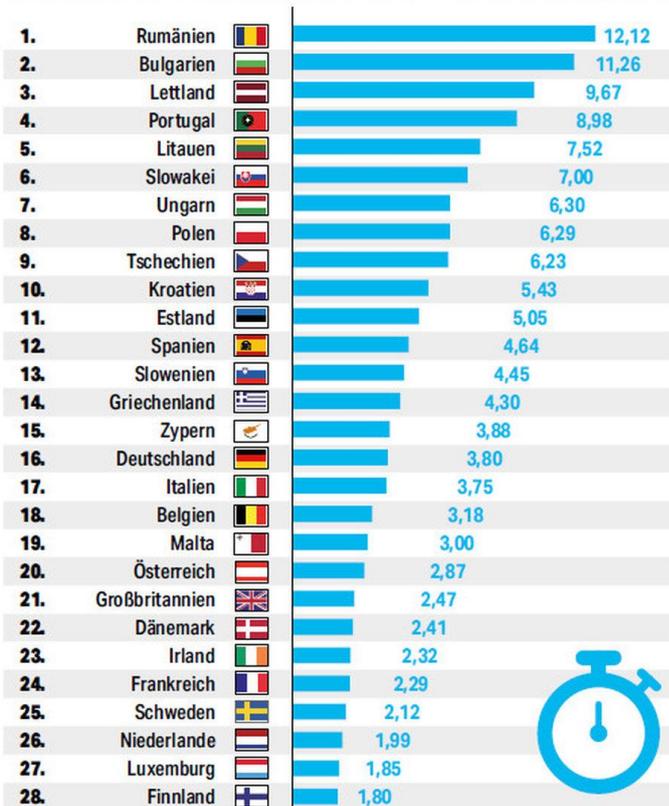


Figure 1: CO2 Pricing on CO2 Emissions

CO2 taxation disproportionately affects lower-income groups (e.g., through high heating costs with fossil fuels), even though they have a lower CO2 footprint (e.g., due to less mobility). Additionally, populations in poorer countries are most severely impacted on a country-specific basis. Here, energy is mainly generated from coal and gas power plants, necessitating the purchase of increasingly expensive CO2 certificates. Fig. 2 illustrates the burden on the population in individual EU countries. Without social upheaval, CO2 taxation is only possible through the return of CO2 funds to the population. This includes the planned "climate money." According to the UBA, climate money is currently set at €130 per person, increasing to €250 from 2027. This corresponds to the revenue generated from certificate trading (2023: €18.4 billion). However, the disbursement of climate money has been put on hold due to resistance from the FDP. In addition to climate money, social compensation can be achieved through tax cuts for low incomes, subsidizing the expansion of renewable energies, or financing public transportation (PT).

Strompreisranking mal anders

So viele Stunden muss man arbeiten, um 200 Kilowattstunden zu bezahlen.



Quelle: Eurostat, eigene Berechnungen

taz grafik: infotext-berlin.de

Fig. 2: Proportion of Electricity Costs to Population Earnings

In addition to national emissions trading, there is also a European emissions trading scheme under Directive EU-ETS 1 (covering energy and industrial facilities). From 2027, Directive EU-ETS 2 for buildings and land transport will come into effect, replacing national emissions trading. Here too, social compensation is provided for: until mid-2025, each member state can submit national climate social plans with specific measures to the EU Commission to receive additional funds from certificate trading. This allows even poorer countries with relatively low CO2 emissions to benefit from CO2 certificates.

What would be a leftist position on this?

Pricing CO2 emissions is an important but insufficient tool for necessary CO2 reduction. The UBA estimates the environmental damage of 1 ton of CO2 at €200-800. This does not yet include the consequential costs of surpassing tipping points. Even the highest planned CO2 pricing in the future is far from this. Additionally, there are still free CO2 certificates (e.g., for aviation until 2027). This means for us:

- CO2 certificates and CO2 tax must cover all sectors.
- CO2 certificates must become significantly more expensive.
- Environmentally harmful subsidies (2018: €65.4 billion in Germany) must be abolished and replaced with other CO2-reducing regulations. Subsidies from company cars, commuter allowances, diesel fuel, and kerosene exceed the revenues from CO2 pricing. In 2018, they accounted for 47% of all environmentally harmful subsidies.
- Public transportation must be massively expanded to drastically reduce individual traffic.
- Revenues from CO2 certificates must be invested in climate adaptation measures in a socially responsible manner. This includes climate money, which should not be distributed indiscriminately but must primarily benefit low-income individuals.
- In the long term, energy supply and public

What does the AfD say about this?

The AfD wants to reverse the energy transition. It regards climate protection as a "wrong path" and rejects the Paris Climate Agreement. Thus, it rejects all measures to reduce CO2 emissions:

- Suspension of certificate trading
- Keeping coal and gas power plants operational and immediately ending the coal phase-out
- Repairing Nordstream 1 and 2 and building additional LNG terminals
- No restrictions on individual mobility
- Rejection of further expansion of wind power and rejection of the promotion of wind energy and photovoltaics

There is no discussion about increased burden on the poorer population, let alone about social compensation. All of the AfD's demands lead to a significant increase in CO2 and, in alliance with other far-right parties, to a catastrophic temperature increase towards 4°C. Doing nothing is definitely the most expensive option, not just financially.