

MCC Press Release

Revenue distribution increases public acceptance of carbon pricing

An MCC-led study analyses survey findings: climate-friendly investments are appreciated, uniform lump sum transfers need some further explanation.

Berlin, 09/09/2024. Carbon pricing makes products more expensive according to their climate impact, and thus promotes climate-friendly alternatives – but it is easier to implement politically if it is socially flanked. Surveys show that acceptance increases as soon as some form of revenue redistribution is included in the policy package. This has now been analysed in a meta-study on the current state of scientific knowledge, differentiated by form of redistribution and by world region. It was led by the Berlin-based climate research institute MCC (Mercator Research Institute on Global Commons and Climate Change) and published in the journal *npj Climate Action*.

The study connects to two earlier MCC meta-studies which found that carbon pricing demonstrably [decreases emissions](#), and that in many places – especially the Global South – it [reduces social inequality](#), even without revenue redistribution. “We cannot rely on historical experience when it comes to acceptance,” explains [Farah Mohammadzadeh Valencia](#), PhD student in the MCC working group Climate and Development, and lead author of the study. “There are very few case studies for a robust comparison of acceptance with and without redistribution. That’s why, in this comprehensive research literature review, we study what people say about various hypothetical pricing and redistribution policies. These responses are naturally subjective, influenced by the level of information people have.”

Using a comprehensive literature search, supported by machine learning methods, the research team identified around 3,500 potentially useful articles and then painstakingly whittled these down to 35 truly relevant studies. They analysed a total of 70 surveys on the acceptance of carbon pricing, with around 113,000 respondents across 26 countries. Using this unique dataset, the research team then determined so-called effect sizes, specifically evaluating how strong the effect on acceptance is when the form of redistribution is varied, comparing a specific form of redistribution with a “still undetermined” use of the revenue.

These statistically calculated effect sizes show that policymakers have considerable room for manoeuvre: there is consistently greater approval for carbon pricing with redistribution than without. There are regional differences and, above all, considerable differences depending on the specific implementation. Based on the available surveys analysed in this study, the idea that the revenue should be channelled into climate-friendly investments – such as aid for better public transport, or subsidies for climate-friendly household appliances

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– are most appreciated. Targeted cash transfers to households in need also perform very well. In contrast, many people are still relatively sceptical about uniform per-capita transfers for all.

“When it comes to uniform lump sum transfers, there is still some need for political communication,” concludes [Jan Steckel](#), working group leader at MCC and a co-author of the study. “Apparently, many people are not yet convinced that carbon pricing in itself can help the climate, so at least the revenue use should clearly be beneficial. Politicians really need to drive home the benefits of per-capita reimbursement: people can influence their carbon costs, the transfer is on their accounts, for sure – so if people change their behaviour and pollute less, they can be financially better off. The policy has social benefits: if everyone gets the same absolute amount of cash, but the rich – with their larger emission footprint – pay more for their carbon usage, on average poorer people are better off than richer people.”

The methodology, which was developed specifically for the acceptance analysis, is publicly available. The research team emphasises that it can serve as a framework for future updates as more reliable surveys – especially in the Global South – and increasingly case studies become available. The more carbon pricing with revenue redistribution becomes established as a core instrument of climate policy, the better understood public opinion on the subject will be.

Reference of the cited article:

Mohammadzadeh Valencia, F., Mohren, C., Ramakrishnan, A., Merchert, M., Minx, J., Steckel, J., 2024, Public support for carbon pricing policies and revenue recycling options: a systematic review and meta-analysis of the survey literature, *npj Climate Action*

<https://rdcu.be/dTePb>

About MCC

MCC explores and provides solution-oriented policy portfolios for climate mitigation, for governing the global commons in general, and for enhancing the many aspects of human wellbeing. Our six working groups are active in fields like economic growth and development, resources and international trade, cities and infrastructure, governance, and scientific policy advice. Co-founded by the Mercator Foundation and the Potsdam Institute for Climate Impact Research. | www.mcc-berlin.net/en | https://twitter.com/MCC_Berlin

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