

Labandeira et al. (2022b): Distributional impact of carbon taxation in Mexico

Research question: Which is the impact on Spanish household of recent tax reduction/subsidies introduced to fight against price increases after Ukraine's war? Are tax rebates better than focused subsidies for revenue cost or redistribution?

Why is this important? Because all EU countries are introducing these kind of measures to fight huge price increases of energy products.

Key results: Current policies introduced to fight sharp increases in energy prices are costly both in economic terms (revenue loss) and environmental terms (increases in emissions).

Key policy relevant messages/conclusions: In the future, the compensatory measures needed to favor the transition to a low-carbon economy should be decoupled from energy consumption to favor the transition and only target households below an economic capacity threshold to limit revenue costs and ensure adequate redistributive impacts. In any case, it is imperative that the design and implementation of compensatory measures be preceded by a rigorous analysis that identifies the impacts of the policies to be compensated and rigorously quantifies the winners and losers of the different mitigation alternatives.

Lessons learnt/open points/challenges/gaps/next steps: We need to learn from different policy measures introduced in different EU countries to estimate their causal impact and shed light on the best (or better) alternatives.

Paper info:

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