

PRESS RELEASE

The cost of carbon-free buildings and transport: the EU's plans and Poland's challenges

Work on the European Green Deal is accelerating. The main tool to achieve the new targets for reducing greenhouse gas emissions (GHG) in the EU will be the *Fit for 55* package. Among its key elements is support for reducing CO₂ emissions from buildings and transport. For Poland, this debate will be uncomfortable because over the course of three decades, not only has pollution not decreased but it has increased considerably in transport. This results in terrible air quality in Poland. Catching up, which is necessary for both climate reasons and the modernisation of outdated infrastructure and improvement of air quality, will be a challenge. The introduction of emission charges is intended to help. In its latest study, Forum Energii proposes measures to internalise the external costs of emissions in a way that is smooth, gradual, and socially acceptable.



Based on the EU target of a 55% reduction of GHG emissions adopted in December 2020, Poland should reduce its emissions by 44-51% by 2030. In the new EU financial perspective, Poland will have around EUR 30 billion to support the achievement of these targets. However, changes are needed in Polish regulations on buildings and transport, otherwise this target will be out of reach.

“Given the large backlog in heating and transport policies, it will be relatively easy for Poland to achieve large emission reductions. The climate protection target fits with the government’s priorities for improving air quality. However, it requires determination and a fair distribution of costs in society. Taking into account the cost of emissions in heat and transport is the first step to ensuring that we start making the right investment decisions. Every year, we pay with our health for polluted air. The changes must be implemented gradually and measures must be proposed to support the less well-off in our society. The mechanism also must be fair at the EU level because not every country will have the same costs for these changes nor the same starting point. The new regulations may enter into force from 2026, so there is time to prepare for them,” Dr Joanna Maćkowiak-Pandera, president of Forum Energii, said.

Who pays for climate change?

In the analysis titled *The cost of carbon-free buildings and transport. A proposal for a socially just energy transition mechanism in the EU*, Forum Energii distils the main challenges related to the need to reduce emissions in Poland. Among them are the high external costs of emissions, including air pollution and climate change, which are not borne by the emitter but instead are transferred to society as a whole, regardless of who uses what solutions and how much they pay for them.

The fight for a clean environment is becoming increasingly important. Experience to date leaves no doubt that the most effective method of mobilising consumers to invest in low-emission technologies, and producers to offer them, is price incentives. This means that in order to level the playing field and increase the attractiveness of clean technologies in the construction and transport sectors, it is necessary to make energy production more expensive. This approach is already used in other sectors, such as wastewater, emissions in industry and electricity, and waste production.

What options does Forum Energii offer?

Our proposal is to introduce a mechanism to price the cost of emissions in buildings and transport in such a way that it does not result in widening social inequalities.

That gives us two options for introducing the pricing of CO₂ emissions for buildings and transport:

- **A market system with a price corridor, the so-called CATM (Climate Allowance Trading Mechanism)**
- **A CO₂ levy**, introduced by Member States individually according to EU rules.

In our report, we indicate how these mechanisms should be structured:

- The system should operate outside the ETS.
- 100% of the funds generated by the system should be used for well thought-out redistribution to households. Measures should include energy efficiency, limiting the increase in heating costs, support for the development of public transport, and development of electromobility.
- The price levels for transport and buildings should be different because the cost of reducing a tonne of CO₂ emissions in each sector is different.
- It is crucial that the price of CO₂ rises gradually to avoid a sharp jump in heating and transport costs for end users and to increase predictability in the system.
- It is necessary to undertake systemic, regulatory changes related to the protection of the energy and transport poor. Poland has so far failed to apply solutions that deal effectively with this problem. It must start with correct definitions and income thresholds, followed immediately by the development of objectives and the implementation of effective solutions.

“We cannot escape the cost of emissions from buildings and transport if we want to improve air quality and reduce our impact on the climate and the environment. However, we should opt for a solution that, while encouraging transformation, does not deprive countries with a specific development character, such as Poland, of opportunities. A well-constructed redistribution mechanism will greatly increase the chances of achieving the EU’s intermediate target by 2030,” Dr Sonia Buchholtz, co-author of the analysis, said.

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