BEUC The European Consumer Organisation

The Consumer Voice in Europe

#GreenDeal 4Consumers

CLIMATE ACTION AS AN OPPORTUNITY FOR ALL – HOW THE GREEN TRANSITION SHOULD AND CAN BENEFIT CONSUMERS' DAILY LIVES

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1. Introduction

Fighting the climate crisis and protecting our environment requires profound changes to the way we live. At the beginning of its current mandate, the European Commission took stock of the scale of the crisis and the urgent need for action. Its European Green Deal for the first time recognises the cross-sectoral nature of the climate challenge and puts forward a vision that streams climate and environmental action into all policy fields.

In the months following the unveiling of this ambitious plan, the European Commission has published several sectoral strategies translating the Green Deal's objectives into more concrete actions. This includes the Housing Renovation Wave, the Circular Economy Action Plan, the Sustainable and Smart Mobility Strategy, the Chemicals Strategy for Sustainability, and the Farm to Fork Strategy.

As the EU now moves from words (strategies and roadmaps) to deeds (concrete legislation) an increasing number of voices has started to 'warn' policymakers that more ambitious climate and environmental policies will lead to social turmoil and hardship. These days, it is not rare to hear people and organisations from very different backgrounds (be it political leaders, industry groups, or citizens) suggesting that the French '*gilets jaunes*' movement is about to expand across the continent, should the European Commission stick to its plans.

Consumer groups would underline that – while certainly challenging – climate policy can bring environmental, economic and social value to the daily lives of people across society. Whether this value materialises fundamentally depends on whether policy is well-designed. That is, whether the EU regulates energy, mobility, food, consumer products, and finance in ways that allow people to make changes in their consumer lives that are currently not possible, or only to a limited degree.

As the regulatory debates continue, we must first address one important factor: not acting or not acting sufficiently on climate also comes with a cost and could bring social hardship.

2. The costs of inaction on climate change

The fundamental flaw of equating climate policy with hardship is that it wrongly assumes that the defence of the status quo, or the promotion of small steps not in line with the scale of the climate crisis, is the best way to preserve people's well-being and economic interest. This ignores that climate and environmental harm already affects consumers, and among them poorer households disproportionately.

For instance, several studies have shown that households in poverty are the most exposed to air pollution caused by traffic[1]. Recent research by Oxfam finds that the poorest half of the world's population is only responsible for 10% of global CO2 emissions despite being the most threatened by the effects of climate change. And numerous reports warn that the effects of climate change will hit the poorest the hardest: according to the World Bank, extreme weather events such as flooding or drought could force 100 million people into poverty by 2030[2]. By disrupting agriculture, these more frequent extreme weather events would also likely lead to food prices going up due to falling harvest yields. And as the recent 'megafires' around the Mediterranean and the floods in Belgium, Netherlands and Germany

1 https://www.unep.org/news-and-stories/story/air-pollution-hurts-poorest-most
2 https://www.huffpost.com/entry/world-bank-climate-change-poverty_n_563f712ce4b0b24aee4aa2f8

show, these extreme weather events cause huge costs and losses to consumers and the society at large. In Wallonia alone, the July 2021 flood will cost more than 3 billion euros[3].

EIOPA, the European Insurance Agency raises concerns about the "insurance gap" linked to climate change: every year, there is an increasing number of climate related losses which are not covered by insurances which concretely means "more hardship for those people not covered by insurances"[4]. With the increasing number of extreme weather event, this insurance gap might well become a major problem for consumers.

As the examples of the floods and megafires of summer 2021 in Europe show, the consequences of the climate crisis are already noticeable. While until a few years ago it was assumed that the consequences of the climate crisis would mostly affect future generations, it is now increasingly clear that the dynamic is accelerating. And the latest Intergovernmental Panel on Climate Change (IPCC) report is adamant: scientists warn that every day that passes makes it increasingly difficult to avoid the temperature increase above 2 degrees in the upcoming decades and that "*for 1.5°C of global warming, there will be increasing heat waves, longer warm seasons and shorter cold seasons. At 2°C of global warming, heat extremes would more often reach critical tolerance thresholds for agriculture and health*". What's more, scientists are increasingly concerned that the climate crisis could eventually reach 'tipping points' leading to "widespread and possibly irrevocable disaster"[5].

Faced with the severity of the situation, defending the status quo or promoting only timid climate and environmental action will not be sufficient. Steering clear of bold policies for fear of immediate social turmoil does not serve the interests of people, even when only considering the short-term perspective. In the long run, as shown above, this is even worse: the financial consequences of non-action would be astounding.

As consumer groups, **we clearly see the climate and environmental transition not only as an urgent necessity to prevent disaster from happening but also as an opportunity to increase consumer well-being.** We are convinced that a well-designed shift – to more sustainable energy, housing, mobility, food, services and products – will improve consumers' health, safety and well-being, bring broader environmental benefits, and provide economic value to people.

The prerequisite for this is that we bring systemic changes creating the right infrastructure for consumers to be able to move to more sustainable lifestyles. It primarily means that political action needs to begin with establishing clear rules for businesses to shift their activity towards sustainable modes. Only when the right offer will be there, consumers will be able to consume more sustainably. Environmental and climate policies should therefore **aim at making sustainable alternatives and lifestyles i) available, ii) affordable, iii) attractive, iv) convenient**.

When designing climate and environmental policies, decisionmakers should take into account the needs of lower-income people. They should also pay special attention to the large group of people who might not be the ones most in need but whose lifestyles and behaviour will be very much impacted by the green transition. It can be said that this part of the population often feels that, although they would like to switch to more sustainable lifestyles, they do not have the means to properly engage and are also not covered by

[3] https://www.lalibre.be/economie/conjoncture/2021/08/24/le-cout-des-inondations-pour-la-wallonie-au-dela-de-3-milliards-deuros-selon-willy-borsus-MVTOGKZPQRHQVJU6J7OUOUVFJY/

[4] https://www.eiopa.europa.eu/content/pilot-dashboard-insurance-protection-gap-natural-catastrophes_en?source=search

[5] https://www.theguardian.com/environment/2021/jun/23/climate-change-dangerous-thresholds-un-report

some of the financial support mechanisms provided to lower-income groups. At the end of the day, whether the transition will be 'just' or not will heavily depend on our societies' capacity to provide large parts of the population with the means to live more sustainably.

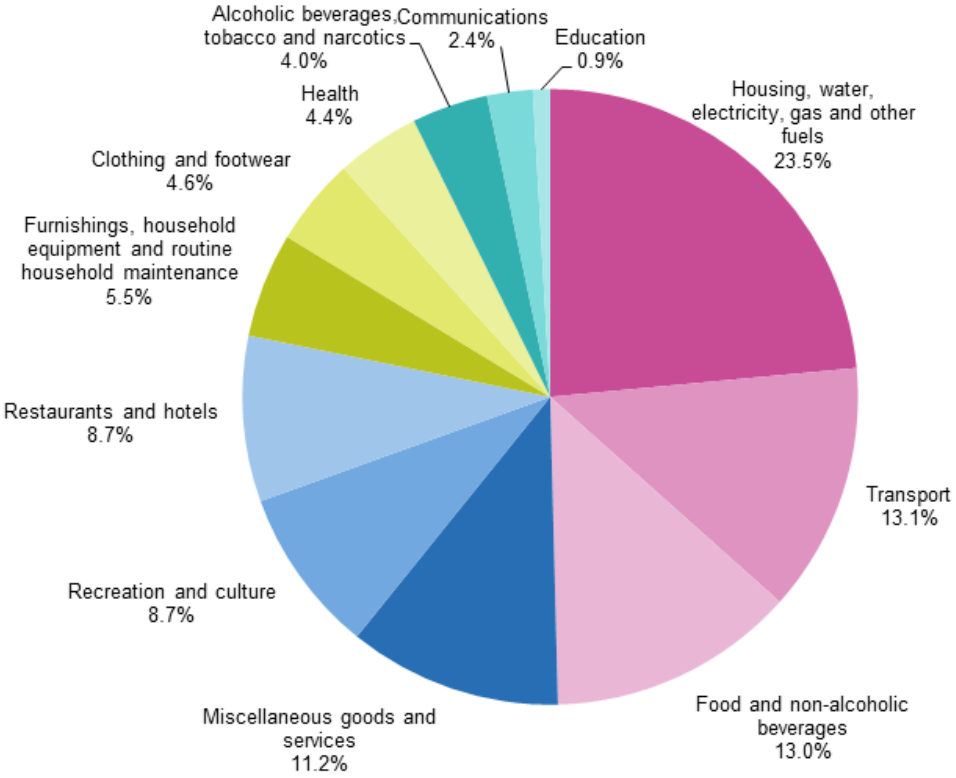
In the next sections, we first link consumers' main areas of expenditure to their related carbon/environmental footprint to show where priority action is needed. In a second section, we outline the desirable outcomes of policy action for a series of sectors and provide policy recommendations as to how to achieve the shift for everyone.

3. Linking consumers' financial and carbon budgets

In this section, **we highlight what consumers' main areas of expenditures are, and link them to their carbon footprint**, i.e., the impact they have on climate change. This allows us to get a clear picture of which environmental/climate policies could benefit consumers' lifestyles and budgets the most. This in turn can help determine how upcoming sectoral policies and regulations can achieve environmental goals while bringing financial and other benefits to consumers.

According to Eurostat 2019 figures, European households' main areas of expenditure are 1) housing and energy use, 2) mobility, 3) food. Together, these three items – which represent people's basic needs – make up for close to half of their annual expenditure. Other important areas of expenditure are goods and services, household equipment, and clothing.

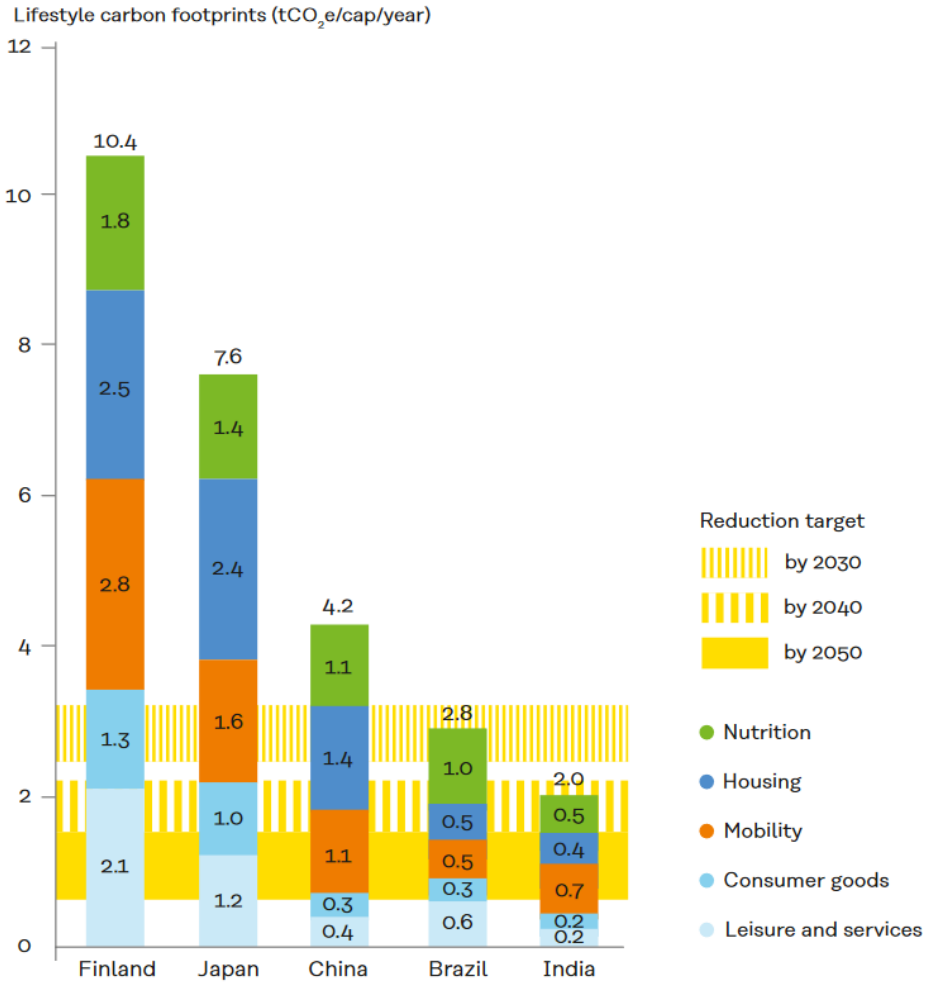
Household expenditure by consumption purpose - COICOP, EU-27, 2019, share of total



If we look at the respective carbon footprints of these activities, it is also clear that the biggest household spending areas are also the most carbon intensive. According to SITRA[6] (see graph below), the annual consumption of food, housing and mobility of an average Finnish person represents more than two thirds of their carbon footprint. When adding consumption of "consumer goods" (home appliances, furniture, clothes etc.), more than 80% of an individual's carbon footprint is covered.

We must also consider environmental impacts of these activities beyond climate change: for instance, the production of the food we eat can be responsible for biodiversity loss, driving a petrol or diesel car causes exhaust emissions which are harmful to public health. Although there are differences between EU countries, the Finnish average can provide a good example of where the efforts need to be made in industrialised countries, while more insights are needed throughout the EU to take regional differences in the carbon budgets into account.

6 https://media.sitra.fi/2019/06/03110115/1-5-degree-lifestyles.pdf



The graph also highlights in yellow how much households need to reduce their emissions to be in line with the 2030 and 2050 climate objectives. The scale of the challenge, as are priority reduction areas, is clearly visible.

Housing and energy, mobility, food and consumer products and services are all areas at the centre of upcoming Green Deal measures. Housing, energy, and mobility will be tackled by the 'Fit for 55' package, consumer products through the Circular Economy Action Plan and Sustainable Product Initiative, and access to sustainable food through the Farm to Fork strategy.

4. How environmental and climate policies can promote consumers' well-being

In this chapter, we first outline what the key framework conditions are for the green transition to happen. We then highlight how consumers could benefit from well-designed climate policy measures in a number of sectors. We insist not only on the potential financial gains of a well-managed transition but also on benefits in terms of health, quality of life and well-being.

a. Establishing the right framework conditions for the green transition

To accelerate the transition to a more sustainable and climate neutral society, policymakers need to address some deeply rooted market failures which are common to each sector and that are obstacles to the transition.

Setting and implementing a fair polluter-pays principle

One of the biggest market failures is the fact that price signals poorly reflect the impact of our activities on the environment. As a result, sustainable choices are often more expensive than the less environment-friendly options. If not corrected, this will strengthen the feeling that the transition to a more sustainable society will be a luxury limited to the 'happy few' while the biggest share of the population remains stuck in unsustainable lifestyles. Taxation policies can help correct this by making sustainable activities more financially attractive than unsustainable options.

However, policymakers should deal very cautiously with these tools as changes in taxation can affect lower-income households disproportionately. Another risk of ill-designed taxation policies is to see most affluent households 'buying their way out' of their environmental responsibility while most consumers will have to change their habits. To avoid this, taxation policies should i) only come as a complement to sector-specific policies and regulations which change the framework conditions of consumption, ii) foresee strong compensation/redistribution systems which make sure that consumers are offered the means to change. In the case of carbon pricing measures for instance, we argue that carbon taxes/prices should be fully reimbursed to consumers in the form of lump sum payments or through financial support to switch to alternatives (increased funding for renovation works, improved public transport for instance).

Making trustworthy information the rule

Another important hurdle in the transition to a more sustainable society is the lack of information or abundance of misleading information about the green nature of products and services. We argue that better information, although it is a no brainer, is far from being enough to switch to more sustainable consumption habits.

However, with rising awareness about the climate crisis and the growing consumer appetite for more sustainable products and lifestyles, we also see an increasing number of companies trying to market their products and services as green, climate-friendly, carbon neutral etc., often without bringing any solid evidence backing their claim. This is a major issue as it impedes consumers to make truly green consumption choices and erodes the trust in the market. To fight against this trend, one of our recommendations is that all green claims should be pre-approved before they can be used on products. This should contribute to cleaning up the market and will help truly reliable labels, which need further promotion, steering consumer choice towards sustainable products.

Providing public authorities with enough resources

To spearhead the transition and drive the immense policy changes needed, public authorities must be sufficiently equipped. This is necessary not only for the development of new rules and regulations, but also and maybe more importantly for their enforcement. Fighting greenwashing or making sure that products produced in Europe – or shipped to Europe from other parts of the world - comply with our sustainability rules will only work if enforcement and market surveillance authorities are given the means to accomplish their mission. Failing to do so would mean that all the ambitious objectives and policies put in place will only be paper tigers and not lead to tangible changes for people.

Working with consumer organisations

Finally, the transition to a more sustainable society is clearly not a task for public authorities alone. Reaching climate neutrality and stopping the degradation of our environment and biodiversity will require the full mobilisation of all societal forces. Consumer groups have a key role to play and already support people in the transition. For instance, through the CLEAR 2.0 and CLEAR-X projects, several of our members have organised collective purchases of sustainable products such as solar panels to bring costs down for consumers[7]. In the transition to a more sustainable mobility system, some of our members provide consumers with active tips as to how to reduce the fuel consumption of their cars (for instance through the MILE21 project) or to, through very practical advices, reduce their energy bills at home[8] or choose the most energy-efficient household appliances[9].

b. Reducing housing emissions while cutting people's energy bills

What a well-managed transition of the energy sector can bring:

If managed properly, the switch to renewables, combined with energy-efficiency measures and housing insulation will contribute to our climate goals while improving consumers' well-being and reducing their energy bills. This is especially true for consumers who struggle to pay these bills and pay a heavy price tag every year to inefficiently heat and cool their homes.

As the ongoing increase of energy prices shows, this is far from being a concern for people on lower incomes alone. The rise of energy prices affects everyone and the transition to a renewable-based energy system, coupled with strong energy efficiency efforts, is the best way to shield all consumers against the volatility of fossil fuel prices.

Among the different energy efficiency measures, the retrofit of housing stock is probably the one which can bring the most significant benefits in terms of reduction of greenhouse gases emissions, energy bills and people's quality of life. In a report from 2015, Eurofound wrote that the "*annual total cost to the economies of the EU of leaving people living in inadequate housing is* ***nearly €194 billion.*** *The removal of housing inadequacies across the EU, or at least improving them to an acceptable level,* ***would cost about €295 billion***"[10]. This means that an ambitious housing retrofit strategy could pay itself back in less than two years.

A well-managed housing renovation strategy would see households offered adequate support, both financially and in practical terms, to undertake their renovation projects. As a result, the retrofit of the EU's housing stock, which for the moment lags far behind what is needed to achieve climate objectives, would be greatly accelerated and consumers could enjoy much more liveable housing and pay less for their energy bills. Specific measures should be put in place to ensure that consumers who cannot afford the costs of retrofits, or tenants, who are dependent on their landlords' willingness to renovate their houses, are not left behind in this 'renovation wave'.

Energy efficiency measures can also help decrease the consumption of household appliances. When we look at **consumption goods**, EU Ecodesign and Energy Labelling measures already allow consumers to benefit from energy saving measures which require

[7] https://www.beuc.eu/publications/beuc-x-2020-008_clear.0_factsheet_0.pdf
[8] https://www.stepenergy.eu/
[9] https://www.belt-project.eu/
[10] http://publications.europa.eu/resource/cellar/5187e545-78ab-11e6-b076-01aa75ed71a1.0001.02/DOC_1

relatively low investments.[11] The EU Energy Label can help consumers opt for the most energy-efficient fridges, TV screens, washing machines, dishwashers, and lamps on the market[12]. Thanks to Ecodesign measures, it has been estimated that a family of three can save on average €332 each year (annualised total cost of ownership) without doing anything additional themselves. If they purchase best in class appliances, those in the higher class of the energy label, they can increase their savings up to €454 a year[13].

Finally, a well-managed switch to an energy system mostly based on renewables would see consumers play a much more active role in the energy market. Costs for solar PV have already fallen by 82% between 2010 and 2019, due to a significant price decline for solar modules.[14] Combined with attractive feed-in tariffs, support schemes for initial investments, and good conditions for self-consumption, rooftop solar will become economically attractive for consumers.[15]

How do we make this happen?

For housing retrofit, one of the main challenges lies in the significant upfront investment. To overcome this financial hurdle, a **considerable increase of public funding dedicated to housing retrofit** is needed. However, public funding alone will not be enough, and we should fully mobilise the financial sector through innovative financial instruments such as on-bill schemes, linked with an obligation of results for the renovation project, which enable households to afford the investment of better insulation. Monetary and financial frameworks should be reviewed to stimulate retail banks into making green mortgages and green loans available, safe, and affordable for consumers.

Another hurdle is that consumers often face a very complex decision process. Here, the idea of 'one-stop shops' comes into play. These are local hubs – both in physical and digital format – that would help people find A-Z information on how to renovate their house[16]. This includes help with finding the right accredited installers, the most relevant financing approach, or how to navigate administrative processes.

For consumption goods, EU product policy must extend the success of Ecodesign energy efficiency improvements to new product categories, such as heating and cooling appliances or solar panels.

Finally, to enable consumers to play an active role in the energy markets, we need to **fully implement the rules agreed at EU level in the 'Clean Energy Package'**. This includes those on demand-side flexibility, which can help consumers making significant savings in their electricity bills, and measures enabling consumers to generate their own electricity.

Strong support measures for low-income households are needed to **avoid locking them into expensive fossil heating and high energy consumption**.

Member States should dedicate a minimum share of their energy efficiency measures, including the ones related to Energy Efficiency Obligation Schemes, to help energy poor consumers renovate their homes and/or get more energy-efficient heating/cooling appliances.

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11 https://www.beuc.eu/publications/beuc-x-2016-108-benefits_of_ecodesign_for_eu_households.pdf
12 https://www.beuc.eu/publications/beuc-x-2017-120_new_energy_label-back_to_the_a-g_scale.pdf
13 https://www.beuc.eu/publications/beuc-x-2016-108-benefits_of_ecodesign_for_eu_households.pdf
14 IRENA, Renewable Power Generation Costs in 2019 - Key findings, p. 1.
15 Stiftung Warentest: https://www.test.de/Photovoltaik-Rechner-1391893-0/; https://www.consumentenbond.nl/zonnepanelen/terugverdientijd-zonnepanelen
16 BEUC, How to make one-stop shops consumer-friendly, May 2021.

Consumers should be protected against increased energy bills. Adequate measures should be taken to avoid disconnections, and regulated energy prices must be set for vulnerable and energy poor consumers. Revenues from higher carbon pricing mechanisms, such as the extended EU Emissions Trading System for buildings, should be fully reimbursed to consumers, either in the form of lump sum payments or through stronger support mechanisms in terms of housing renovation for instance.

For more details on our policy recommendations, please consult our dedicated page on energy.

c. Cleaner and diversified mobility systems that cut costs

What a well-managed transition of the mobility sector can bring:

The transition to a more sustainable mobility system is a great opportunity to bring significant savings for consumers and to considerably improve their quality of life.

Consumers could save significant amount of money if they were offered the means to shift from cars to public transport and active modes of transport, such as walking and cycling. For instance, it is estimated that the EU could save up to €2.8 billion per year on fuel bills if 30% of all trips would be done by bike instead of car[17]. Therefore, **the first objective of mobility policies should be to accelerate the modal shift from cars to more sustainable modes of transport**.

For people who depend on a car for their daily mobility needs and for whom the switch to public or active modes of transport is not foreseeable in the near future, **a move to battery electric vehicles could greatly reduce mobility costs**. While electric cars are, for the moment, more expensive upon purchase than the equivalent diesel and petrol vehicles, this picture changes when taking a 'total cost of ownership' perspective (meaning the purchase price and running costs spread over a number of years).

According to a recent BEUC study, the benefit of driving electric is even larger for middle and lower-income groups, who mostly buy second- or third-hand cars. For these consumers, running costs represent a much bigger proportion of the total cost of their vehicles compared to first owners. Electric cars have an obvious benefit here as they require much less maintenance than internal combustion engines. The accelerated switch to electric cars, combined with the transition to a renewables-based electricity system therefore not only helps reaching climate goals, it is also a socially just regulatory measure.

For instance, a German consumer driving high mileage every year (around 25,000 km) could save up to one third of their total mobility cost by choosing a premium electric car over an equivalent petrol model.
The benefits are also clear for people who cannot afford, or do not want, to buy premium vehicles. Our Lithuanian member ALCO showed in the same study that a consumer living in Vilnius buying a much more affordable second-end electric vehicle, and driving it on average 12,000 km per year, could save up to €5,000 over five years compared to an equivalent petrol or diesel car.

Decarbonising transport can bring broader benefits beyond the economic aspect. The uptake of electric cars will for instance greatly improve air quality, especially in cities where air pollution is responsible for tens of thousands of premature deaths every year. Switching to more active modes of transport, such as walking and cycling, benefits both physical

[17] https://ecf.com/sites/ecf.com/files/FINAL%20THE%20EU%20CYCLING%20ECONOMY_low%20res.pdf

and mental health. The reduction of the share of public space dedicated to cars and motorised modes of transport can also improve the livability of a city and support local shops and businesses[18].

How do we make this happen?

A series of measures is needed. The EU and Member States need to **invest in the development of rail, public transport networks, and walking and cycling infrastructure**. Policymakers should make rail and public transport more convenient to use, for instance by **increasing the frequency of service, strengthening passenger rights, investing in infrastructure and improving ticketing options**.

The EU also needs to **accelerate the uptake of electric cars through much more ambitious cars CO2 targets**. This will contribute to creating a mass market for electric cars and thus, through economies of scale, to reduce the price of these vehicles and making them more competitive vis-à-vis their petrol or diesel equivalents. A more rapid roll-out of electric cars will also mean that more consumers, who in their majority buy used vehicles, will have quicker access to these vehicles. In the transition phase, before EVs become price competitive at the moment of purchase, Member States should support consumers through for instance tax cuts or incentives.

Taxation policy can help consumers switch to more sustainable and convenient mobility options. In France and in Italy for instance, purchase incentives for electric cars also apply to second-hand vehicles, thus making them available to a larger public. They can be coupled with a conversion premium by which a person gets rid of an old petrol and diesel car and obtains some financial support in exchange. Such support can also be extended to public and active modes of transport, for instance in the form of mobility premiums for workers using public transport or commuting by bike.

For more details on our policy recommendations, please consult our dedicated page on mobility and our vision paper on the switch to sustainable mobility.

d. Sustainable, healthy diets as the easy option for consumers

What a well-managed transition of the food system can bring

If managed properly, the transition to a sustainable food system will bring environmental and social benefits, while improving consumers' health and well-being.

Moving towards sustainable farming practices, including less and better livestock production and reduced pesticide and fertiliser use, will contribute to lowering air, soil, and water pollution as well as greenhouse gas (GHG) emissions from agriculture while reversing biodiversity loss. Cuts to antimicrobial use in farmed animals will help preserve the effectiveness of antibiotics to treat people.

In a well-managed food system transition, consumers will have easier access to sustainable food thanks to improved availability, affordability, convenience, and information/labelling. Consumers will be encouraged and supported in wasting less food – thereby saving money and resources. The transition to a sustainable food system will also promote healthier food habits. By cutting back on red and processed meat, sugars, salt, and fats while eating more fruit and vegetables, pulses, and wholegrains, consumers will not only reduce the environmental footprint of their diets, but they will also improve their health status.

18 https://ec.europa.eu/environment/integration/research/newsalert/pdf/car_free_cities_healthier_citizens_476na1_en.pdf

Indeed, unhealthy diets are risk factors for many diseases – from diabetes to stroke through several types of cancers – and put great strain on healthcare systems.

While the shift to sustainable farming practices may result in lower agricultural yields and increased production costs in the EU[19] – and hence potentially higher food prices – the cost of inaction is expected to be far greater.[20] A well-managed transition to a sustainable food system will therefore need to ensure a fair distribution of the transition costs in society, to lessen the impact of any price increases on consumers' food expenditure, and to guarantee that sustainable, healthy diets are affordable to all. Special attention will be needed to consumers most at risk of food poverty.

Lastly, action will be required to avoid that EU GHG emissions and other externalities from agriculture are 'leaked' to the rest of the world. A well-managed transition will need to promote sustainable food and farming on the global scale. It will ensure that the benefits of domestic efforts are not offset by EU pollution leakage while levelling the playing field for EU producers.

How do we make this happen?

A survey conducted by BEUC and several of our members found that consumers face hurdles in eating more sustainably. The shift to a more sustainable food system cannot rely solely on individual choices by consumers and requires systemic changes.

On the production side, the EU **must create incentives (taxes and subsidies) to favour changes in production systems** and to **compensate for the higher production costs** of more environmentally friendly agricultural practices. Common Agricultural Policy (CAP) funds **must be repurposed to finance measures with genuine environmental and climate benefits**. The 'polluter pays' principle must apply more effectively to agricultural activities through stricter conditionality rules.[21,22]

The EU trade policy must ensure that trading partners wanting to export food and agricultural products into the EU **abide by the same rules as those that apply to EU producers, where relevant**. It must guarantee that trade will not limit the ability of the EU to become more sustainable (e.g. by introducing new production requirements) and better inform consumers (e.g. in the area of nutrition, food origin or sustainability).

Food prices must reflect environmental and social (including health-related) costs associated with food production and consumption. Most EU consumers (81%) agree that food prices should reflect the 'true' costs for society.[23] Policy approaches must therefore seek to transfer costs from sustainable, healthy choices to the unsustainable, unhealthy ones[24] while making sure that all consumers can afford a healthy and sustainable diet.

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[19] European Commission Joint Research Centre. Modelling environmental and climate ambition in the agricultural sector with the CAPRI model. August 2021.

[20] According to the recommendations of the German Commission on the Future of Agriculture, the projected annual economic cost of a radical transformation of agriculture would be far less than the environmental and health costs involved in continuing with the status quo unchanged.

[21] EU Court of Auditors. Special report 16/2021: *Common Agricultural Policy and climate: Half of EU climate spending but farm emissions are not decreasing*.

[22] Guyomard *et al*. Research for the AGRI Committee – The Green Deal and the CAP: policy implications to adapt farming practices and to preserve the EU's natural resources. Nov 2020.

[23] Special Eurobarometer 505. Making our food fit for the future – Citizens' expectations. Annex, October 2020.

[24] European Commission, Directorate-General for Research and Innovation, Group of Chief Scientific Advisors. Towards a
Sustainable Food System. Moving from food as a commodity to food as more of a common good. March 2020.

On the demand side, authorities **must raise awareness among consumers about the 'true' costs of food**. It would facilitate understanding and acceptability of potential fiscal measures on food for sustainability purposes. Crucially, **measures to reduce food waste combined with the promotion of dietary readjustments** can help mitigate the potential price increases that may result from more sustainable farming practices[25]. The Fédération romande des consommateurs (FRC) found that shifting to a diet that is both in line with nutrition recommendations and more sustainable would save consumers money compared to the cost of the average Swiss diet.[26] In France, the Agency for Ecological Transition (ADEME) has shown that eating more sustainably does not have to cost more, provided one also changes their food habits.[27] This echoes the experience in the sustainable food public procurement area, where municipal budgets have been maintained through menu changes (and/or recipe modifications) reducing the amount of meat provided and increasing plant-rich foods, cooking more from scratch, and through the reduction of food waste.[28]

To support the shift to healthy, plant-rich diets, the EU **must stop funding promotional campaigns for meat, dairy, and alcoholic beverages**. This would free up resources that could be used to promote the consumption of fruit and vegetables, wholegrains, pulses, and other foods Europeans should eat more of. More broadly, a mix of policies (incl. regulatory, fiscal, information, communication, and education measures) is needed to promote food environments that make the healthy, sustainable food choice the easy one (including available, attractive, and most affordable) for consumers.

Today, access to nutritious food remains a problem for parts of the EU population, with an estimated 49 million Europeans (11.3% of EU-27) unable to afford a quality meal every second day.[29] While eating a sustainable diet may not necessarily cost more, it requires time, food knowledge and cooking skills, as well as motivation – which households in need are more prone to lack from struggling to make ends meet.[30] Lower-income consumers are also more at risk of living in areas where physical access to healthy, sustainable food is a challenge (so-called 'food deserts'). **A mix of policy interventions covering public procurement (e.g. free healthy school meals), urban planning (to ensure equitable access to healthy food outlets), fiscal and social policies, and nutrition education is therefore needed to ensure that the transition to sustainable food systems is a just one**.

For further information, please refer to our more detailed papers and recommendations here.

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25 Guyomard *et al*. Research for the AGRI Committee – The Green Deal and the CAP: policy implications to adapt farming practices and to preserve the EU's natural resources. Nov 2020. According to the authors, consuming smaller quantities of higher-price product categories (meat-based products, alcoholic beverages, prepared meals) and larger quantities of lower-price product categories (fruit and vegetables, legumes) may be a way to lessen the impacts of higher prices on food expenditure.

26 Fédération Romande des Consommateurs, 'Manger durable est à la portée de tous', 2017

27 ADEME. *Manger mieux, gaspiller moins*. September 2019. For the same price as the standard food shopping basket, consumers could lower their food-related CO_2 footprint and buy more organic and sustainably sourced products if they would also cut down on fish, meat, sugary drinks and processed products, buy more fruit and vegetables, legumes and wholegrains, and waste less food.

28 Sustainable public procurement of food: a goal within reach. Paper written in the framework of the EU Food Policy Coalition (EU FPC) Public Procurement Task Force. May 2021.

29 Eurostat (last updated 01/07/2021). Inability to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day by level of activity limitation, sex and age.

30 Op-Ed. O. De Schutter. L'alimentation "low cost" coûte très cher! In *La Libre*. Published on 23 November 2017.

e. Buying efficient, durable products which are easily repairable

What a well-managed transition for consumer goods can bring:

Too many consumer products tend to be not durable and repairable, inefficient, and of low quality. They are often used for a limited amount of time and disposed of too quickly, resulting in excessive waste and loss of critical resources. The environmental and social costs of producing, consuming, and disposing of non-durable products are not factored in their price, but are ultimately borne by the most fragile members of our society, future generations, and the environment.

While consumers might save money at the moment of purchase when buying less durable products, these short term benefits quickly disappear if the product needs to be replaced more quickly than a longer-lasting alternative. According to a vzbv study, German households could save up to €3,67 billion per year if only 4 widely used consumer products (TVs, notebooks, washing machines and smartphones) lasted longer.

Over the years, **Ecodesign and Energy Labelling measures have successfully made certain consumer products more sustainable and efficient**, while steering consumers towards more sustainable choices. In 2016, we estimated that consumers could save up to €454 every year if they were to choose the most energy efficient products on the market, i.e., those in the Energy Label's top class.

A well-managed transition for consumer goods would mean that **more sustainable and durable products become the norm for consumers**. This way, they would no longer be the niche option among less efficient products but the default choice, maximizing environmental and economic benefits. Consumers should also have easier access to good quality second-hand items and be incentivised to lease products for occasional needs instead of buying new ones.

Finally, **consumers must be provided with much better information about the sustainability of products**. Thanks to strong and well-developed sustainability labels, such as the EU Ecolabel, consumers could easily pick best in class products in terms of their environmental performance. Repair and broader sustainability indexes can help consumers select those products which are easier to maintain and have a lesser impact on the environment[31].

How do we make this happen?

Sustainable consumption starts with sustainable production. The first aim should be to design products that are more sustainable throughout their full lifecycle, with the objective of eliminating waste and creating products with materials that are safe and that can be reused easily. Consumers must be able to assume that minimum social and ecological criteria are met by all companies during production.

To do this, **the EU should revise its Ecodesign Directive and expand its scope to address horizontal sustainability aspects**, such as durability, repairability and hazardous substances restrictions, across product groups. **Such a revised Directive should apply to more product categories, beyond energy-related appliances**.

The EU should also aim at improving consumer information about the sustainability of their products through the **promotion and further development of reliable labels, such as the EU Ecolabel**. Companies using green claims to promote their products must be

[31] In a recent paper on the durability and repairability of products, we provide more information about how new information requirements could help consumers identifying the most repairable products.

required to substantiate their claims so that consumers are protected against greenwashing.

Through an **EU due diligence legislation**, companies placing products on the EU market would be made responsible for any social or environmental harm arising from their corporate activities, or those of their suppliers. By requiring companies to identify, prevent and mitigate the negative effects of their activities throughout their supply chain, consumers would have much stronger guarantees that the products they buy have been produced meeting minimum social and environmental criteria.

As for electric cars, the temporary higher purchase cost of more sustainable products can be compensated throughout their lifetime since they will also be more durable and more easily repairable. However, as for food products or cars, authorities should help consumers who cannot always afford this higher upfront cost. Tax instruments may be helpful here, for instance **setting a lower VAT rate on second-hand products or on repair services.**

For further information, please refer to our more detailed recommendations here and here.

f. Greener finance for long-term investments underpinning climate action and social cohesion

What a well-managed transition in financial services can bring:

A well-managed transition of financial services would mean that banks and financial institutions play a much more active role in helping people switching to more sustainable products and lifestyles. For instance, consumers have a growing interest in improving the energy-efficiency of their homes and/or purchasing electric vehicles. However, the high costs associated with such investments and the ability to get financing at attractive conditions are a barrier to adopting such sustainable practices. A well-managed transition would **spur the uptake of energy-efficient loans** at attractive conditions for consumers. However, green loans, as other financing, must be allocated responsibly and be a more attractive option for consumers compared to regular loans. Otherwise, the instrument risks remaining a marketing ploy rather than a transition tool.[32]

Consumers are increasingly interested in taking out sustainable investment products, and often assume that these contribute towards reducing the harms associated with climate change.[33] While it is important to enable consumers to make more sustainable choices, it must be clear that transforming the economy into a more sustainable system remains – firmly – a task for political decision-making. An approach to sustainable finance in which consumers shoulder the full responsibilities and costs of climate action can never be sustainable. Instead, the aspects of transition which are financial in nature must be predominantly done by industry and public bodies, for example by regulating the maximum leverage of harmful investments or by allocating public spending in a more sustainable way. Consumer finance may support such action but can never replace it.

According to a study by our member vzbv, a majority of consumers (53%) are interested to invest their money in a sustainably way[34]. Personal divestment from harmful activities is a valid choice that needs to be enabled for consumers. However, this is different from

[32] https://www.beuc.eu/publications/beuc-x-2019-019_review_of_the_consumer_credit_directive.pdf

[33] 2Degrees Investing, 'A large majority of retail clients want to invest sustainably', https://2degrees-investing.org/wp-content/uploads/2020/03/A-Large-Majority-of-Retail-Clients-Want-to-Invest-Sustainably.pdf.

[34] https://www.vzbv.de/sites/default/files/downloads/2021/02/11/nachhaltige_geldanlage_ergebnis_praesentation_aktualisiert_sem_09.02.pdf

assuming that consumer's savings, investments, and pensions can shift Europe's financial system into a more climate-friendly direction. That said, it is possible for consumer finance to have a degree of impact, primarily through organised shareholder activism and awareness effects. The mechanism that seems to be most commonly associated with impact, a shift in aggregate capital allocation, can only be achieved when combined with industry regulation and sustainable public spending rules.

A well-managed transition would provide consumers with better information about the sustainability of their investment products. It would also protect them against the harms of greenwashing, which are currently still rife in the financial services sector. For instance, a study by our member vzbv shows that the vast majority of environmental, social and corporate governance (ESG) investment products offered to consumers currently have a negligible impact in terms of improving sustainability.[35] A well-managed transition would ensure that financial advisers are required to give independent financial advice[36] and assess the sustainability preferences of their clients when they seek investment advice. As a result, consumers could more easily choose investment products with robust environmental requirements and that match their ethical preferences.

- **How do we make this happen?**

As said before, consumers unfortunately often still struggle with the upfront installation costs associated with renewable technologies or renovations. However, competitive green loans that offer attractive financing conditions to consumers are currently scarce across the EU, or not actively promoted by banks.[37] To accelerate the green transition, the EU should promote the up-take of green loans, including by requiring banks to **offer a range of standardised green loans at favourable conditions in their product catalogues but also that these green loans are given only to consumers who can afford and will benefit from them**. In addition, the EU should introduce a **stricter interest rate cap for green loans under the review of the Consumer Credit Directive**, modelled on similar rules[38] by the Central Bank of Portugal, which allow Portuguese consumers to benefit from more affordable credit conditions when loans are used for the purpose of making energy-efficient investments.

The European Commission should also urgently **reconsider its proposed rules for the EU taxonomy**. New EU taxonomy rules proposed by the European Commission in April[39] propose to label certain types of economic activities, such as destructive forestry practices and highly emitting types of biomass energy, as sustainable investments. The Commission is also considering expanding the role of gas in this taxonomy and to label it as a 'green' investment.

These new rules are not based on climate and environmental science, with scientists alarmed about the potential inclusion of fossil fuels in the EU's green taxonomy proposals.[40] The inclusion of fossil gas, forestry, and bio-energy in future EU taxonomy rules would also actively undermine one of its key ambitions: to protect consumers against harmful

[35] vzbv, 'Greenwashing-Risiko bei nachhaltigen Geldanlagen', https://www.vzbv.de/pressemitteilungen/greenwashing-risiko-bei-nachhaltigen-geldanlagen.

[36] BEUC, 'Public consultation on an EU Retail Investment Strategy', https://www.beuc.eu/publications/beuc-x-2021-073_public_consultation_on_a_retail_investment_strategy_for_europe.pdf.

[37] Altroconsumo, 'Green mortgages and loans: most banks do not offer them', https://www.altroconsumo.it/organizzazione/media-e-press/comunicati/2020/inchiesta-mutui-e-prestiti-green.

[38] Central Bank of Portugal, 'Interest rates in consumer credit', https://clientebancario.bportugal.pt/en/interest-rates-consumer-credit.

[39] European Commission, 'Sustainable Finance Package', https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en.

[40] WWF, ' Open Letter – Gas Attack in Taxonomy', https://wwfeu.awsassets.panda.org/downloads/225_scientists_financials_cso_open_letter__gas_attack_in_eu_taxonomy__march21_cl_1_1_1.pdf

greenwashing practices.[41] BEUC fears that the inclusion of such harmful activities would completely undermine the credibility of the EU taxonomy label as a trustworthy classification system that consumers should be able to rely on when taking investment decisions. Furthermore, investment products which promise an ESG impact, should be required to clearly explain and demonstrate through their reporting, how this impact is achieved.

As the climate crisis intensifies, and governments take action to limit the harmful practices associated with carbon-intensive industries, it is vital that people get more clarity about whether their pension funds or life insurance policies finance harmful economic activities that could become stranded. The EU should therefore urgently adopt a **harmful taxonomy of unsustainable economic activities**, making it easier for consumers to reduce their exposure to investments that harm the climate and the environment.

Just as for green transition, a lack of definitions and a standardised classification system is an obstacle to steering capital towards socially sustainable activities. To properly respond to the challenges associated with climate change, **a social taxonomy of economic activities that have a positive impact on social cohesion and inclusion** should be implemented by the European Commission. The adoption of a social taxonomy is crucial to ensure a **just transition**, and the transition to a net-zero economy will only be possible if accompanied by socially inclusive measures.

Lower-income consumers stand to benefit from a greener, more sustainable and social financial system. The adoption of a social taxonomy could contribute towards a more inclusive society, including promoting decent employment opportunities and living wages for low-income groups under the same conditions, outlined above, in which the green taxonomy can contribute to environmental objectives. A well-designed social taxonomy should promote more adequate living standards, better access to social housing, health care and education, that would significantly help lower-income households and ensure a just transition.

Efforts to make consumer credit more affordable for consumers (including by introducing a stricter interest rate cap for green loans) would significantly benefit lower-income households, who often struggle with the high costs associated with loans. These households may nevertheless struggle with the high-up front costs associated with renovations or purchasing energy-efficient goods, and targeted measures should be promoted by the European Commission under the EU Renovation Wave to ensure these households have access to financial assistance and subsidies.[42]

For further information, please refer to our dedicated webpage on financial services.

[41] BEUC, 'Letter on the Delegated Acts under the EU Taxonomy', https://www.beuc.eu/publications/beuc-x-2021-057_joint_letter_to_meps_on_eu_taxonomy_delegated_act.pdf.

[42] BEUC, 'How to make green and health housing affordable for all consumers', https://www.beuc.eu/publications/beuc-x-2021-019_how_to_make_green_and_healthy_housing_affordable_for_all_consumers.pdf.

5. Conclusion

We are confident the transition to a more sustainable and more resilient economy, although challenging, will benefit consumers in the long run, both economically and in terms of their quality of life.

One important aspect to consider is that this economic assessment of the costs of the transition for consumers need to be looked at as a whole, and not in silos. This means that the price increase of some activities might well be compensated by savings in other areas. For instance, we saw in the food section that findings are mixed regarding the potential cost increases of eating more sustainably. However, even if the transition to more sustainable food system would imply somewhat higher prices for consumers, this cost increase might well be (over)compensated by the clear savings that can be made in the fields of mobility and energy.

For instance, BEUC's recent 'total cost of ownership' study showed that a German pensioner switching to a second-hand electric car could save up to €300 per year compared to a petrol or diesel car. These savings could very well be reinvested in more fruitful expenses such as buying (less but) higher quality meat or more sustainably sourced vegetables. Of course, this depends on whether the upfront investment for the cleaner alternative is competitive with the less sustainable one (for instance buying an electric car rather than a diesel one, or a heat pump rather than a new gas boiler). But there is growing evidence that this will be the case and public authorities can help accelerating this trend through fiscal incentives.

Beyond the economic equation, the transition to a more climate and environment-friendly society brings opportunity. Moving to more sustainable mobility, food, and energy systems will improve consumers' well-being and health.

Finally, while the debate often focuses on the costs of ambitious climate and environmental policies, we have highlighted in the first section the likely high costs of inaction, not only globally, but also in Europe.

It is therefore crucial that climate action – as challenging and all-encompassing as it may be – is seen as an opportunity. The green transition provides a window to do things differently and redesign the way we go about our daily lives for the better, in order to bring environmental, economic and social value to people across society. As the European Green Deal progresses, the BEUC network of consumer groups will continue to formulate recommendations for how EU regulation can bring this value.

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