Economic Conditions and Public Support for Fair Climate Policies in Europe

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1. Executive Summary

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This report analyzes how economic conditions - specifically inflation, income inequality, and unemployment - shape public support for fair climate policies across Europe. Using EIB Climate Survey data (2019–2024) and Eurostat macroeconomic indicators, we analyzed attitudes toward climate taxation, fairness, and willingness to pay for policies benefiting lower-income groups. Key findings reveal that economic pressures influence the type of policies citizens support: most Europeans believe that businesses and industries most responsible for emissions should bear the costs of climate adaptation, with support for the polluter-pays principle particularly strong among those concerned about rising living costs, especially in Northern and Western Europe. Individual perceptions guide support for personal-protection measures, whereas macroeconomic conditions shape opinions on corporate or structural reforms. Support is stronger in Northern and Western Europe, among urban residents, and higher-educated groups. The analysis highlights that Europeans continue to endorse climate action when policies are socially just and financially sustainable. Effective communication and fairness-oriented design are essential for acceptance and implementation.

2. Introduction

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Across Europe, citizens overwhelmingly recognise the urgency of climate change. Nevertheless, whether they support specific climate policies depends largely on how fairly the associated costs are shared. Since 2019, the European Investment Bank (EIB) Climate Survey has revealed this tension, showing that economic pressures, such as inflation, unemployment, and inequality influence perceptions of climate policy fairness.

In recent years, Europe has faced overlapping crises, from the pandemic to the energy shock and the inflation surge, reshaping citizens' priorities. Rising living costs and growing income disparities have thus intensified debates about who should bear the cost of the green transition. These economic dynamics do not necessarily weaken environmental concern, but rather transform it: citizens might continue to demand climate action, yet insist that it be designed in a socially just and economically sustainable way. Building on these foundations, this report looks at how Europeans balance environmental ambition with support for climate policies that embed principles of social fairness in times of economic uncertainty.

This report tests several hypotheses linking macroeconomic context and social attitudes. First, higher inflation is expected to reduce willingness to pay additional climate taxes while

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increasing sensitivity to cost-of-living concerns. Second, greater income inequality is likely to increase support for redistributive burden-sharing schemes. Third, higher unemployment may shift preferences toward policies that place a larger share of responsibility on wealthier individuals and polluting industries. Fourth, adverse economic conditions are expected to heighten public focus on issues like purchasing power and inequality. Finally, the report assumes that support for equitable climate action depends jointly on economic hardship and inequality: while inflation and unemployment can erode overall willingness to contribute financially, inequality tends to amplify demands for justice and fairness in climate policy.

Ultimately, this report seeks to determine whether Europeans turn away from climate ambition under economic pressure, or whether they continue to support it, provided that the transition is perceived as fair, inclusive, and aligned with principles of social equity.

3. Literature / Data Review

Global Consensus on Climate Action: At the global level, there is broad consensus on the urgency of climate change. A 2024 survey across 125 countries found that 69% of respondents were willing to devote 1% of their income to climate action, and 89% demanded stronger political engagement, with support strongest in the most climate-vulnerable countries (Andre et al., 2024). Social attitudes toward climate policies vary by socio-demographic factors, including income, education, age, and urban/rural residence. The economic context, particularly inflation and cost-of-living pressures, also shapes perceptions. In a 28-country survey, the IMF (Dabla-Norris et al., 2023) highlighted that perceptions of fairness, including equitable contributions across countries, are a key driver of public support.

Socio-Demographic Determinants: Education is a strong predictor of climate policy support, with more educated individuals showing greater acceptance and understanding (Dechezleprêtre et al., 2022). Higher-income individuals are generally more favorable to climate measures, though support rises among lower-income groups when policies are progressive, such as redistributive carbon taxes (Ipsos, 2022; Dechezleprêtre et al., 2022). Women tend to be more environmentally concerned than men (Dabla-Norris et al., 2023), and younger generations display heightened sensitivity to climate urgency and intergenerational justice (Poortinga et al., 2023), though older populations also support energy-saving measures. Urban residents are typically more supportive of energy transition policies, whereas rural residents often perceive them as unfair or disconnected from their reality (Tallent, 2025).

Economic Context and Fairness Perceptions: Economic conditions influence climate support primarily through purchasing power. Inflation can heighten sensitivity to inequality and fairness, as low-income and rural households are most affected, exemplified by the Yellow Vests protests in France (MacEwen, 2019). Wealthier households tend to maintain support, while lower-income households may prioritize short-term needs. Despite fears that high inflation (2021–2023) would reduce climate support, surveys show stable or increasing approval; for example, UK support for carbon neutrality rose in 2022 despite record inflation (CAST, 2022).

European Context and Regional Disparities: Support for climate policies in Europe remains high: 85% of citizens consider climate change a serious problem, 38% feel personally exposed to environmental risks, and 77% believe climate damage costs will exceed the cost of the transition (European Commission, 2025). Nevertheless, significant regional and social

disparities exist: Western and Northern Europeans generally show stronger support than Eastern Europeans, and within countries, lower-income households are more concerned about rising energy costs (Arndt et al., 2023).

Towards a Socially Just Climate Transition: Overall, while socio-economic and demographic factors influence perceptions of fairness and burden-sharing, Europeans broadly support climate action. Political success depends on designing policies that combine environmental effectiveness with social equity, ensuring the ecological transition is perceived as fair and economically sustainable.

4. Methodology

4.1 Use of models

The study uses a combination of linear probability, multinomial logistic, and country-level correlation models to analyze how individual and macroeconomic conditions shape fairness-oriented climate attitudes. The linear probability model (LPM) offers intuitive interpretation of marginal effects for binary fairness preferences, while multinomial logistic regression appropriately models categorical burden-sharing choices. At the aggregate level, descriptive and correlational analyses are employed given the short time span of available data (2019–2024). This multi-level strategy captures both micro-level perceptions and macroeconomic context, emphasizing interpretability and cross-country comparability. While the models are associative rather than causal, robust standard errors and large sample sizes ensure statistical reliability. The approach prioritizes policy-relevant insights and transparent communication over formal identification.

4.2 Choice of variables

In the report, different variables were used depending on the specific question analyzed, based on their theoretical relevance. For instance, while inequality and unemployment primarily capture individuals' economic capacity to contribute to climate policy, inflation directly influences their perceived affordability of new taxes. Because inflation makes energy and consumer goods more expensive, it immediately affects attitudes toward carbon taxation, amplifying fairness and burden concerns. Therefore, inflation was retained as a contextual predictor in the tax-agreement model.

4.3 Macro-level analysis: Economic context and climate attitudes

To link aggregate attitudes with macroeconomic conditions, we compute country-year averages of key survey variables and merge them with Eurostat indicators of inflation, inequality (Gini coefficient), and unemployment (2019–2024).

Dependent (attitude) indicators include:

- *Q1* of each year: naming cost of living, inequality, or unemployment as top concerns
- *Q15* of 2020: agreeing that climate policies must address income gaps
- *Q18* of 2024: distribution of preferred cost-bearers for adaptation
- *Q20* of 2023: mean willingness to pay extra taxes benefiting lower-income groups

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- *Q21* of 2023: support for redistributive climate taxes

The analysis proceeds in three steps:

1. Descriptive visualisation (scatterplots with fitted trends) to examine patterns.
2. Bivariate correlations (Pearson's *r*) between macro indicators and attitude measures.
3. Robustness checks across years and question formats.

5. Findings and Analysis

5.1 Link between prioritizing economic and climate issues with support for fair climate policies

Statistics show that approximately 71% of respondents across the 2020 sample agreed that climate policies should integrate fairness considerations (*Fairness_Q15* = 1). Among those who listed "lack of purchasing power" or "unemployment" among their top three national challenges, the share supporting fairness was slightly higher, ranging from 75% to 78%. Among respondents prioritizing "climate change", support for fairness exceeded 80%. Table 1 summarizes the results of the linear probability model estimated using the binary indicators derived from Q1. The coefficients are interpreted as marginal effects in percentage points.

Variable	Coefficient	Significance	Interpretation
Top3_Cost	+0.0498	$p < 0.001$	Prioritizing the *cost of living* increases by 4.98 percentage points the probability to support fairness-oriented climate policies
Top3_Unemp	+0.0527	$p < 0.001$	Prioritizing *unemployment* increases by 5.27 percentage points the probability to support fairness-oriented climate policies
Top3_Climate	+0.0801	$p < 0.001$	Prioritizing *climate change* increases by 8.01 percentage points the probability to support fairness-oriented climate policies
Constant	0.714	–	The baseline probability of supporting fairness among those citing none of the three issues is 71.4%

Table 1. Effect of issue salience (Q1) on fairness preferences (Q15)
(EIB Climate Survey 2020)

All three variables are statistically significant at the 0.001 level, suggesting robust associations between perceived national challenges and fairness attitudes. Substantively, the results indicate that individuals concerned with economic insecurity (cost of living or unemployment) and those concerned with environmental risks (climate change) are all more supportive of socially equitable climate action. Interestingly, the large effect size (+8 points) is observed among respondents who selected climate change as a top concern, implying that climate awareness and fairness sensitivity are closely intertwined. However, the positive coefficients

on both *Top3_Cost* and *Top3_Unemp* suggest that economic anxieties do not reduce fairness support, contrary to the hypothesis that cost-of-living pressures might crowd out solidarity. Instead, economic and climate concerns appear to reinforce each other in shaping pro-fairness attitudes.

5.2 Drivers of Climate Tax Agreement

The regression analysis from Table 2 (of Appendix) shows that personal financial anxiety, captured by respondents' focus on cost-of-living concerns (Q1r1), is a stronger and more consistent predictor of support for climate-related taxation than inflation. For the Progressive Carbon Tax, which compensates low-income households, Q1r1 significantly predicts agreement levels ($\beta = 0.096$ and $\beta = 0.209$), suggesting that those under financial pressure tend to favor redistributive climate measures. Inflation, by contrast, has minimal explanatory power. The Carbon Wealth Tax presents an exception: inflation is mildly significant ($p = 0.0127$) among those who "strongly agree," hinting that macroeconomic perceptions slightly influence support for elite-targeted taxation. In Fossil Fuel Reform, which eliminates fossil fuel subsidies, Q1r1 predicts both agreement and disagreement, revealing polarization among financially strained individuals. Some support reform for its long-term benefits, while others oppose it due to short-term costs. Overall, personal economic vulnerability outweighs inflation in shaping climate policy attitudes. Thus, the findings reveal that personal financial insecurity (micro-level anxiety) better explains variations in climate tax attitudes than aggregate inflation data. Citizens appear to evaluate climate policies primarily through a self-referential economic lens, aligning support with how directly those measures intersect with their own cost-of-living pressures.

5.3 Drivers of Willingness to Pay for Climate Policies benefiting Lower Income Individuals

WTP and Inflation

Countries that experienced higher inflation in 2023 tended to report somewhat lower willingness to pay extra taxes for climate redistribution, although this pattern is moderate in strength and only marginally statistically significant ($p \approx 0.07$) (see Fig. 1 in Appendix).

WTP with GINI index and Unemployment rate

In order to understand the effects of inequality on willingness to pay (WTP) for climate policies, separate regressions were carried out. Firstly, the individual data from the survey was aggregated on a per country basis so as to calculate the mean WTP per country. Then regressions were carried out both with the Gini Index of 2023 and with the total unemployment rate of the same year. The p-value of the Gini regression was 0.74 and the R^2 was 0.0045. No statistically significant relationship was then found between WTP and Gini (see Fig. 2 in Appendix). The p-value of the unemployment regression was 0.935 and the R^2 0.00027. Again, not statistically significant (see Fig. 3 in Appendix). What was found was that, at the aggregate level, both the level of inequality and unemployment did not impact the WTP of the different countries. The low R^2 suggests that the independent variables do not explain the dependent variable: the variation might be again mostly driven by factors outside the scope of the analysis. Separate multiple regressions were then carried out for each income group (1-11) with both Gini and Unemployment. It was found that for only income group 6 both gini (p-value 0.044, R^2 0.351) and unemployment (p-value 0.0138, R^2 0.351) have statistical significance. This means that higher inequality correlates with a lower WTP for this income

group and high unemployment with slightly higher WTP. Middle income people (group 6) may, then, tend to be more in favor of taxation benefiting lower income people in more equal societies (see Fig. 4 in Appendix).

5.4 Cost-of-Living Salience and Gini as drivers for Climate Adaptation Preferences

Effect of Cost-of-Living Salience on Climate Adaptation Burden Sharing Preferences at the EU level

In the 2024 sample, approximately 36% of respondents believed that businesses and industries that contribute most to climate change should bear the cost of climate change adaptation, around 30% chose everyone equally through taxes, and about 14% selected wealthier individuals through higher taxes. Among respondents who identified climate change and increased cost of living as their top national challenges, about 40% believed that businesses and industries that contribute most to climate change should bear the responsibility. Table 2 summarizes the results of the multinomial logistic regressions model estimated using the binary indicators derived from Q1, based on the pooled dataset covering all European countries rather than country-specific samples.

Variable	Coefficient	Significance	Interpretation
Everyone equally through taxes	-0.125	$p < 0.001$	Prioritizing the cost of living are 12.5 percentage points more likely to believe that everyone should equally bear the cost through taxes.
Wealthier individuals through higher taxes	+0.013	$p < 0.001$	Prioritizing the cost of living are 1.3 percentage points less likely to believe that wealthier individuals should pay higher taxes
Businesses and industries that contribute most to climate change	-0.305	$p < 0.001$	Prioritizing the cost of living are 30.5 percentage points more likely to assign responsibility to businesses and industries that contribute most to climate change, suggesting stronger support for the polluter-pays principle among this group.
Insurance companies	+0.441	$p < 0.001$	Prioritizing the cost of living are 44.1 percentage points less likely to believe that insurance companies should bear the cost.
Other	+0.202	$p < 0.001$	Prioritizing the cost of living are 20.2 percentage points less likely to select other unspecified options.

Table 2. Effect of cost of living salience (Q1) on burden sharing preferences (Q18)
(EIB Climate Survey 2024)

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Effect of Cost-of-Living Salience on Climate Adaptation Burden Sharing Preferences at the Country level

Table 1 (Appendix) reports multinomial logistic regressions showing clear cross-national variation in how cost-of-living salience shapes views on who should bear carbon taxes. In Northern and Western Europe, particularly Germany, the Netherlands, Austria, Finland, and Ireland—respondents less concerned with living costs are significantly more likely to select "insurance companies" as responsible, with large positive coefficients (e.g., Germany β = 1.02**, Austria β = 1.78***). In contrast, in France, Spain, Denmark, and Sweden, cost-of-living priorities show no significant effect. In Portugal, Croatia, and Hungary, negative coefficients (e.g., Portugal β = -1.28***) suggest that low cost-of-living concern corresponds with less support for alternative burden-sharing options. Overall, cost-of-living salience has a strong positive influence in Northern and Western Europe but is weaker or negative in Southern and Eastern regions.
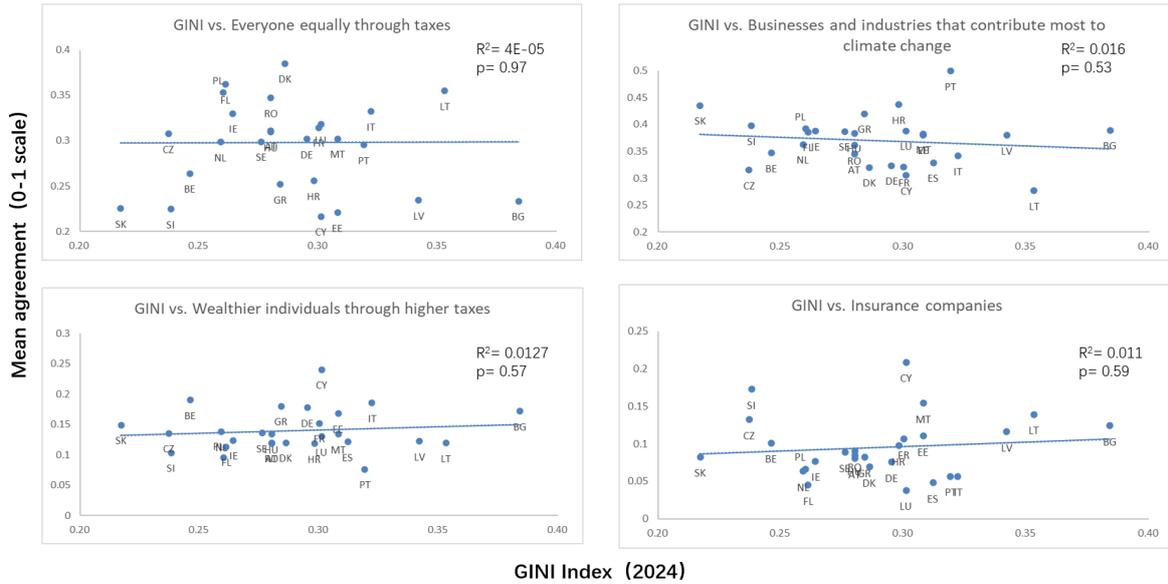
Role of Income as a Control Variable

Income is a key dividing factor across EU countries. Negative and significant coefficients for the "wealthier individuals through higher taxes" option show that lower-income respondents favor progressive taxation, supporting greater contributions from the wealthy or major emitters. Higher-income groups tend to oppose these redistributive measures, preferring neutral burden-sharing ("everyone equally"). Exceptions occur in the Netherlands, where richer respondents support equal taxation, and in Greece, Cyprus, and Luxembourg, where income is positively linked to alternative preferences.

Link between GINI index and Climate Adaptation Burden Sharing Preferences at the Country level

This figure presents the results of linear probability regressions examining the relationship between income inequality (Gini Index, 2024) and public preferences for who should bear the burden of climate change adaptation (Q18) across EU countries. Countries with higher income inequality, support for assigning responsibility to businesses and industries that contribute most to climate change tends to be slightly lower. In contrast, support for wealth-based and insurance-based burden-sharing options increases marginally with inequality. Overall, these findings suggest that while inequality does not exert a strong influence on burden-sharing attitudes, it may subtly shift preferences away from corporate responsibility toward wealth- and insurance-based approaches.

Average Response on Who Should Bear the Burden of Climate Change vs. GINI（2024）

6. Conclusions and Recommendations

This study analyzed how economic pressures and social divides shape public attitudes toward fair climate burden sharing across Europe. Combining microdata from the EIB Climate Survey (2019–2024) with macroeconomic indicators of inflation, inequality, and unemployment, our analysis reveals that economic hardship does not necessarily erode climate solidarity. Our results highlight a crucial insight: perceived fairness matters as much if not more than fiscal capacity. Citizens' judgments of justice, transparency, and burden distribution shape support for climate policy very strongly alongside macroeconomic indicators. The success of green fiscal reforms will therefore depend a lot on how governments communicate, target, and compensate for the associated costs.

Policy recommendations

Embed fairness mechanisms in all climate fiscal instruments. Policies such as progressive carbon taxes, targeted rebates, earmarking and social climate funds can build support among financially constrained groups. Redistribution must be visible and well-communicated to counter perceptions of inequity.

Prioritise transparent communication and framing. Clear explanations of how revenues are used, who benefits, and why fairness is integral to the transition can mitigate resistance linked to cost-of-living fears. Messaging should emphasise co-benefits such as job creation, energy independence, and protection of purchasing power.

Tailor climate communication to national economic contexts. In high-inflation environments, public trust can be strengthened by emphasising corporate accountability and

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temporary compensatory measures, whereas in more stable economies, messaging can focus on long-term efficiency and innovation.

Integrate social monitoring into climate policy evaluation. Tracking public perceptions of fairness, cost distribution, and trust should become a standard component of policy design. Combining macroeconomic indicators with survey data can help governments anticipate social risks early.

Strengthen European coordination for a just transition. Because attitudes toward fairness differ across regions, EU-level frameworks should be complemented by country-specific redistributive mechanisms reflecting local inequalities and fiscal capacities.

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Appendix

Figure 1.
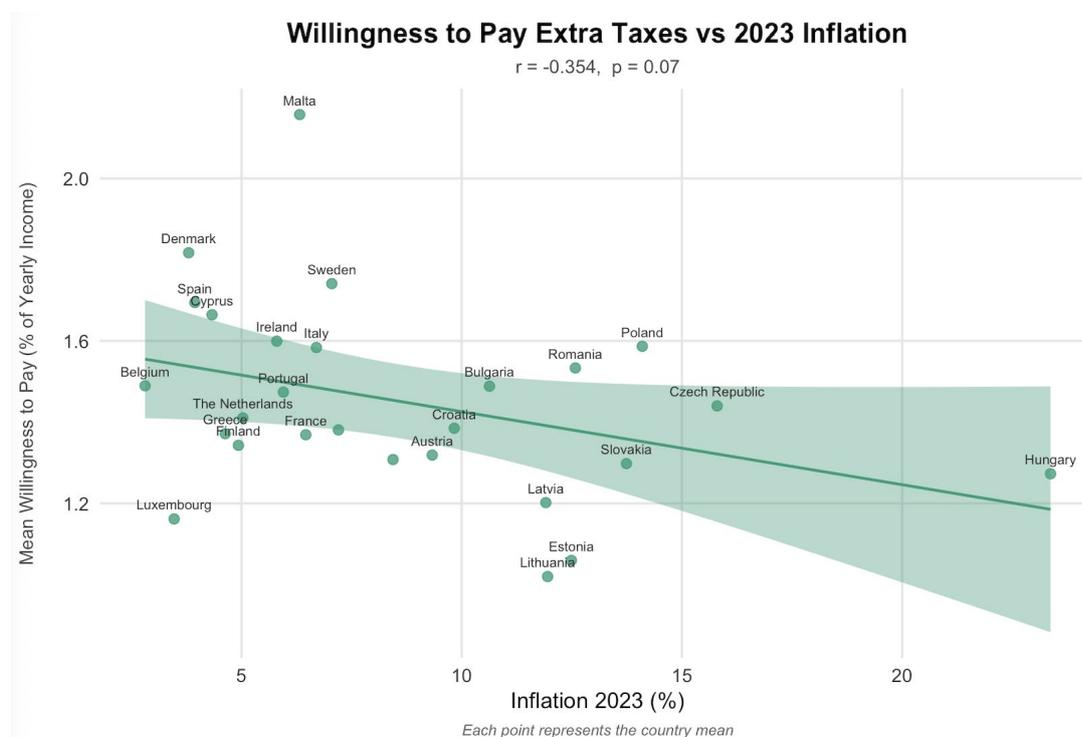

Each point represents the country mean

Table 1: Multinomial Logit Results of Burden Sharing Preferences

Countries	Independent variables / Control variables	Everyone equally through taxes	Wealthier individuals through higher taxes	Businesses and industries that contribute most to climate change	Insurance companies	Others
Germany	Income	.014	-.007	-.024	-.028	-.056
	Increased cost of living	178	.018	.081	1.020**	.393
France	Income	-.010	-.091**	-.033	-.038	-.184***
	Increased cost of living	-.415	-.112	-.367	-.091	-.088
Spain	Income	-.003	-.119**	-.046	-.062	-.097

	Increased cost of living	-.155	.380	-.314	.315	.176
Italy	Income	.022	-.002	.036	-.015	-.011
	Increased cost of living	.175	.227	-.204	.633	.087
Netherlands	Income	.083**	-.035	.031	-.089**	-.035
	Increased cost of living	.091	.127	-.086	1.047***	.490
Denmark	Income	-.030	-.111**	-.044	-.076	-.013
	Increased cost of living	-.337	-.534	-.413	.158	.014
Sweden	Income	.037	-.026	.000	-.004	.067
	Increased cost of living	.178	.053	.074	.401	.533
Finland	Income	-.003	-.080*	-.056	-.095	-.076
	Increased cost of living	-.012	-.365	-.137	.705*	.226
Belgium	Income	-.046	-.093**	-.086**	-.155***	-.168**
	Increased cost of living	.044	-.083	-.165	.378	.886*
Czech Republic	Income	.008	-.023	-.013	-.125***	-.068
	Increased cost of living	.363	.413	-.156	.393	.182
Ireland	Income	.068	.039	.036	.039	-.031
	Increased cost of living	-.137	-.140	-.297	.896**	.261
Poland	Income	.007	-.102**	-.050	-.115**	-.101
	Increased cost of living	.139	.183	-.110	.460	.386
Portugal	Income	-.178***	-.270***	-.169**	-.236***	-.227***
	Increased cost of living	-1.28***	-.549	-.863**	-.060	-.916*
Austria	Income	-.070**	-.099**	-.114**	-.197***	-.134**
	Increased cost of living	.410*	.354	.340	1.783***	1.228***
Greece	Income	.124**	.063	.105**	.013	.171**
	Increased cost of living	-.254	.010	-.277	1.114***	.572
Hungary	Income	.028	.029	.043	.046	.011
	Increased cost of living	-.829**	-1.192***	-1.320***	-.889**	-.300
Bulgaria	Income	-.085	.000	-.039	.048	-.229*
	Increased cost of living	-.293	.035	-.358	.470	.535
Romania	Income	.020	-.020	-.006	.055	.103
	Increased cost of living	-.611*	.023	-.438	.565	-.495
Slovakia	Income	.080	.004	.092*	.000	.074
	Increased cost of living	-.160	-.298	-.488	-.047	-.160

Estonia	Income	-.067	-.067	-.074	-.058	.057
	Increased cost of living	.231	.297	-.130	.775*	1.068*
Latvia	Income	-.057	-.100*	-.048	-.140***	-.038
	Increased cost of living	.233	.855**	.109	.634	.111
Lithuania	Income	-.054	-.125**	-.062	-.149***	.099
	Increased cost of living	.281	.432	.109	.740*	.642
Slovenia	Income	.044	.005	.026	-.070	.001
	Increased cost of living	.116	.216	.093	.450	.724
Croatia	Income	.019	.041	-.003	-.005	-.014
	Increased cost of living	-1.009***	-.678*	-1.292***	-.516	-.097
Cyprus	Income	.227	.442***	.445***	.404***	.306
	Increased cost of living	1.919*	2.163*	1.551	2.151*	1.630
Malta	Income	-.421**	-.276	-.278	-.184	.046
	Increased cost of living	-.122	.086	-.666	-.118	-.662
Luxembourg	Income	.134***	.009	.073	-.013	.187**
	Increased cost of living	-.660*	-1.431***	-1.215**	-.828	-.158

Table 2: Statistically Significant Predictors of Support for Climate-Related Taxes

Policy Question	Response	Predictor	β (Slope)	p-value	Interpretation
Q21r1: Progressive Tax	Agree	Q1r1 (Cost of Living Concern)	0.209	0.0258	Individuals who rank cost of living as a top concern are significantly more likely to agree with progressive climate taxation.
Q21r2: Carbon Wealth Tax	Strongly Agree	Inflation	-0.0008	0.0127	Higher inflation slightly decreases strong support for taxing wealthy emitters, suggesting that economic stress makes people more cautious about endorsing new taxes, even when aimed at fairness.

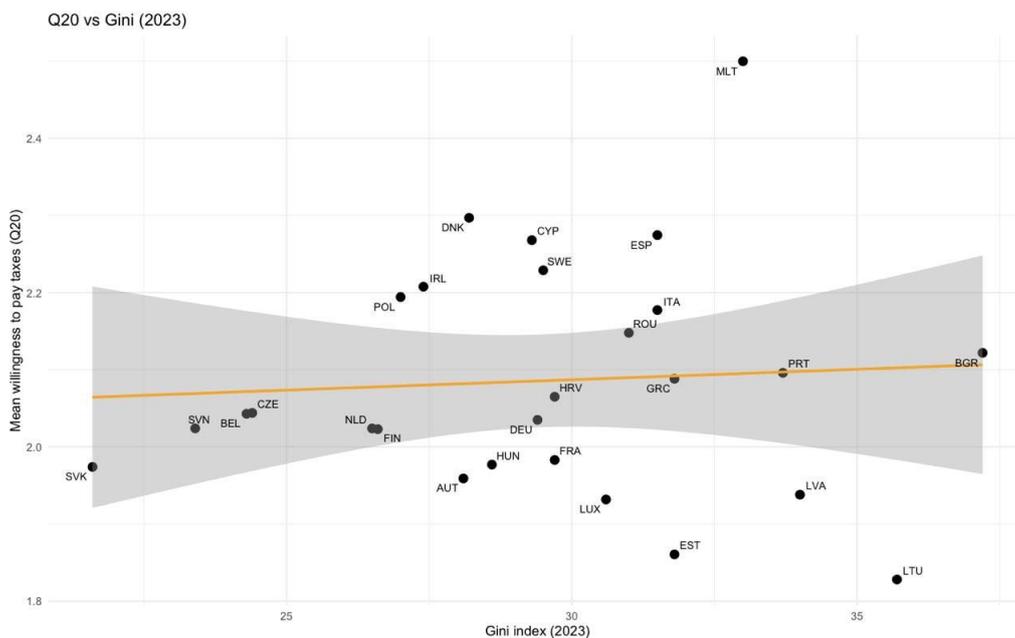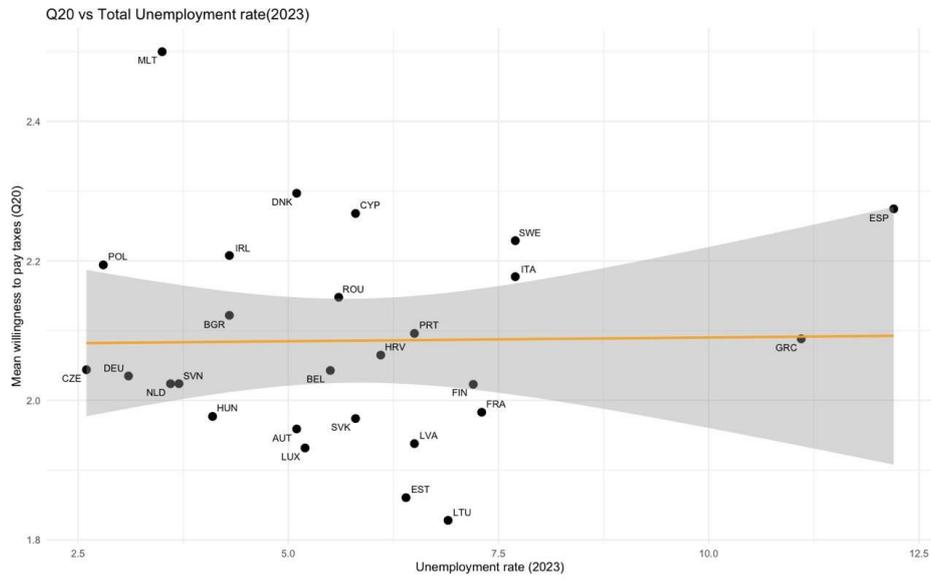| Q21r3: Fossil Fuel Reform	Strongly Agree	Inflation	-0.0005	0.0321	Higher inflation reduces strong support for fossil fuel reform, indicating that when prices rise, citizens may resist structural measures that could further increase costs.
	Agree	Q1r1 (Cost of Living Concern)	0.215	0.0123	Personal financial anxiety significantly predicts support for fossil fuel reform when framed as a fair or protective transition.
	Disagree	Q1r1 (Cost of Living Concern)	-0.251	0.0235	Those facing higher cost-of-living stress are less likely to disagree with reforms framed as fair, suggesting that fairness language can offset affordability concerns.

Figure 2.

Q20 vs Gini (2023)
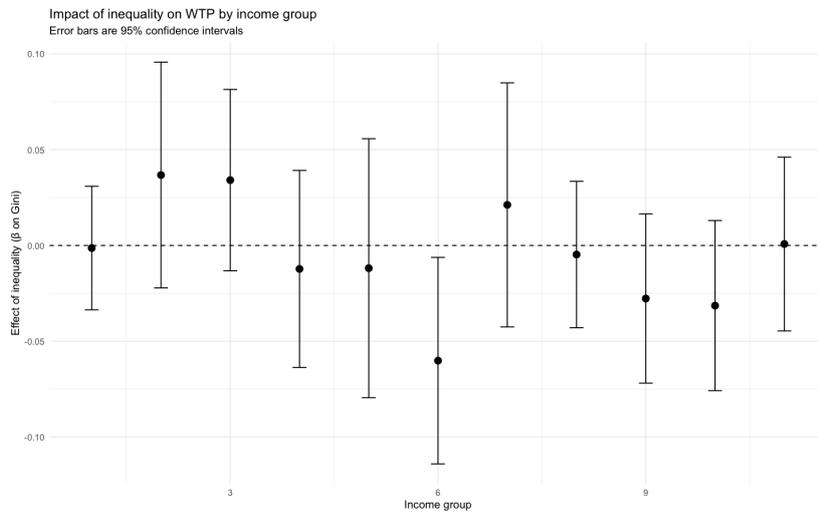
Figure 3.

Q20 vs Total Unemployment rate(2023)

Figure 4.

Impact of inequality on WTP by income group
Error bars are 95% confidence intervals

Figure 5.

Proportion of 'Strongly Agree' (Option 4) vs. Inflation (EU Countries)

Simple Linear Regression: Proportion of 'Strongly Agree' on Climate Taxes ~ Average Inflation 2023.