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ARE POLICIES PROMOTING THE TRANSITION TO LOW-CARBON VEHICLES ASSOCIATED WITH DISTRIBUTIONAL INJUSTICE?

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Extended Abstract

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Abstract Summary

Are policies that encourage the transition to a low-carbon economy associated with distributional injustice? Governments often use differentiated vehicle taxes to encourage the shift toward lower-emission cars. As car markets are characterized by manufacturers' market power, such policies can generate distributional injustices, namely, unjust distribution of welfare across consumers, producers, and the environment. We examine whether such a policy delivered a just transition to low-carbon vehicles by comparing equilibrium under policy vs. a nopolicy counterfactual. We find evidence of distributional injustices under the policy: (1) manufacturers captured substantial benefits by increasing markups on low-carbon vehicles, (2) despite public financing, affordability of low-carbon vehicles did not improve as planned, and consumer surplus declined, and (3) emissions decreased only marginally. We suggest reinstating a uniform vehicle tax, paired with sales requirements for low-carbon vehicles imposed on manufacturers. This combination would likely curb manufacturers' appropriation of consumer surplus and support a just transition.

Presenting Author Biography

Ofir D. Rubin is a Professor of Energy and Environmental Economics in the Department of Public Policy and Management at Ben-Gurion University of the Negev and a member of the Goldman Sonnenfeldt School of Sustainability and Climate Change. He holds a PhD in Economics from Iowa State University. His research centers on economic modeling of energy markets, natural resource management, and the economic and environmental aspects of renewable energy and energy policy, with a particular focus on market performance, firms' strategic behavior, regulatory policy, and consumer responses to energy and environmental policies.