

# Distributional Effect of the ETS in current phase

## Supply Side:

- ~100% cost pass-through
- > limited impact on capital owners

## Government Side:

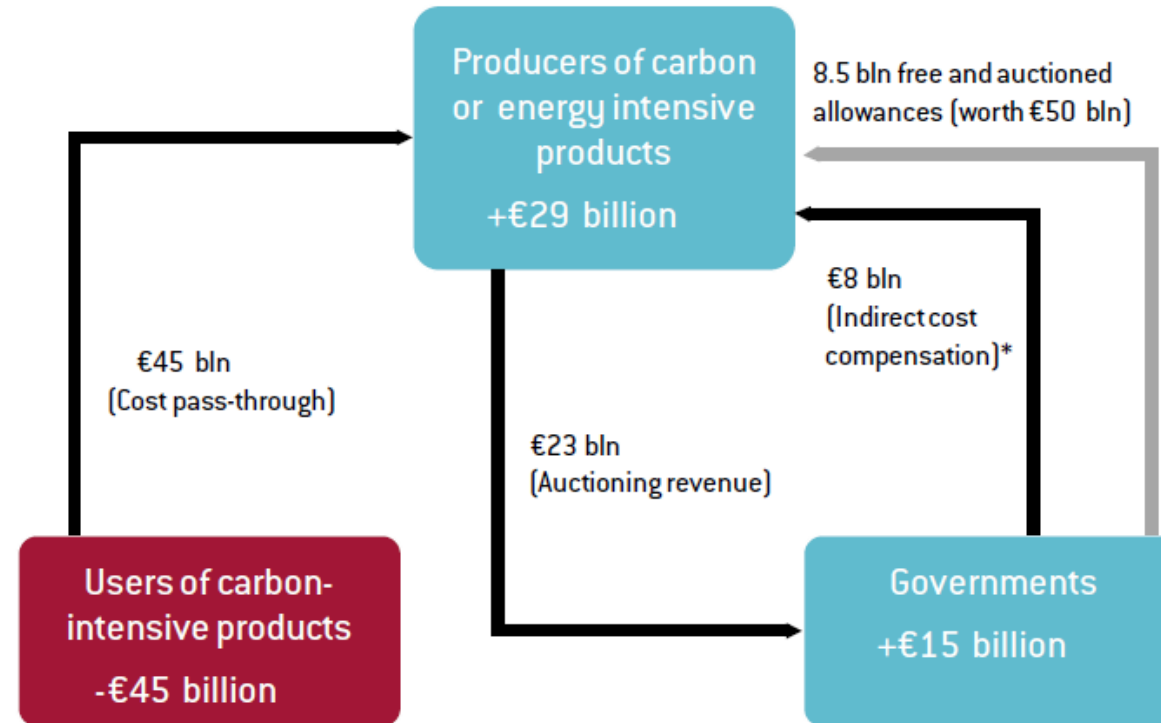
- free allowances
  - indirect cost compensation
- > making capital owners better off

## Expenditure Side:

- Typically products that have a higher share in low-income households expenditures get more expensive

-> making low-income households worse off

Figure 21: A simplified picture of the monetary flows in the EU ETS (2013-17)



Source: Bruegel based on European Environment Agency data, available at: <https://www.eea.europa.eu/data-and-maps/dashboards/emissions-trading-viewer-1>. \*Note: The indirect cost compensation is directed towards electricity-intensive firms. 'Firms' include all stationary installations in the EU ETS (ie in both the EU and the EEA) in phase 3.

To be released soon:

