

Preferences for climate change policies: the role of co-benefits

Jens Abildtrup, Jette Bredahl Jacobsen, Suzanne Elizabeth Vedel, Udo Mantau, Robert Mavsar, Davide Pettenella, Irina Prokofieva, Florian Schubert, Anne Stenger, Elsa Varela, et al.

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- Prokofieva, Irina⁸ 11
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- Varela, Elsa⁸ 14
- Vidale, E. 7 15
- Thorsen, Bo Jellesmark^{2,3} 16

17 18

19 **Affiliations**

- 20 ¹ Université de Lorraine, Université de Strasbourg, AgroParisTech, CNRS, INRAE, BETA, 54000 Nancy, France 21
- ² Department of Food and Resource Economics, University of Copenhagen, Rolighedsvej 23, 1958 Frb C, Denmark. 22
- 23 24 ³ Centre for Macroecology, Evolution and Climate, University of Copenhagen, Rolighedsvej 23, 1958 Frb C,
- 25 Denmark.

26

- 27 ⁴ Department of Analytics, The Technical and Environmental administration, City of Copenhagen, Njalsgade 13, 28 DK-2300, Denmark.
- 30 ⁵ INFRO-Informationssysteme für Rohstoffe, An der Lachte 13, 29223 Celle, Germany.

31 33

29

32 ⁶ European Forest Institute, Yliopistokatu 6, 80100 Joensuu, Finland

34 ⁷ Department of Land, Environment, Agriculture and Forestry, University of Padova, Vale Università 16, 35020 35 Legnaro PD, Italy

36

37 ⁸ Forest Science and Technology Centre of Catalonia, Ctra. St. Llorenç de Morunys km 2, 25280 Solsona (Lleida), 38

39

40 ⁹ INTEND Geoinformatik GmbH, Johanna-Waescher-Straße 5, 34212 Kassel

- 42 ¹⁰ Université de Strasbourg, Université de Lorraine, AgroParisTech, CNRS, INRAE, BETA, 67000, Strasbourg
- 43 France
- † Corresponding author 44

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Preferences for climate change policies: the role of co-benefit

50 **Abstract:**

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- Policies mitigating climate change provide a global public good but are also likely to imply local co-benefits where implemented.
- 52 This may affect citizens' preferences for what policy to implement as well as where to implement it. This aspect remains
- 53 understudied despite its relevance for international climate negotiations, national policies, and the development of voluntary
- 54 carbon credit markets. The results of a discrete choice experiment show that citizens in five countries (Denmark, France,
- 55 Germany, Italy and Spain) have quite similar mean willingness to pay for carbon emission reductions and agree on the ranking of
- 56 policies targeting different sectors. Specifically, policies targeting renewable energy use, are preferred over policies targeting
- 57 industrial energy efficiency or carbon sequestration and biomass production in forests. Applying follow-up questions shows that
- 58 concerns over co-benefits, notably air pollution, is linked to preferences for implementation in the home country. In the absence
- of co-benefits, citizens are indifferent or prefer policies implemented in other countries.

Key policy insights

- Citizens in five European countries share preferences for climate change mitigation policies, though significant intra-national heterogeneity in preferences exist
- Policies targeting increased use of renewables are preferred over policies targeting improved energy efficiency in the industry.
 - Citizens express preferences for policies implemented in their own country. This is
 associated with their perception of co-benefits. In particular, consideration of reduced air
 pollution as a side effect of investing in renewable energy and in energy efficiency in the
 industry are important determinants of preferences for national implementation of
 policies.
 - Preferences for national co-benefits may both enhance policy acceptance and reduce willingness to support policies implemented in other countries. The latter aspect may reduce cost-effectiveness across countries but ease effort-sharing negotiations.
- Keywords: Carbon emissions, co-benefits, willingness to pay, choice experiment, cross-country study, policy
 acceptability

1. Introduction

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Reaching international agreements on climate change mitigation remains high on the agenda of 76 governments and intergovernmental institutions (Vasconcelos, Santos, and Pacheco 2013). As 77 greenhouse gases distribute globally in the atmosphere, reducing emissions is a global public 78 good as no exclusion or rivalry is possible with regard to the climate benefits from carbon 79 emission reductions. Therefore, the international policy debate has focused on instruments that 80 could promote cost-effective policies and reduce emissions at the lowest marginal costs across 81 82 countries (Hepburn and Stern 2008; Kriegler et al. 2014, Stiglitz 2019). While a global agreement on carbon emission reductions in Paris 2015 (COP21) was reached, 83 international agreements on concrete actions have lagged behind (Wagner and Zeckhauser 2012; 84 85 Vasconcelos et al. 2013), and explanations for this include the sheer complexity of multiparty negotiations (Wagner and Zeckhauser 2012; Smead et al. 2014). The pursuit of cost-86 effectiveness in some cases clashes with views on justice (or distributional and historical 87 fairness) (Grubb 1995; Gardiner 2004; Adger et al. 2009; Wei et al. 2012; Anderson and 88 Bernauer 2016; Ščasný et al. 2017; Jagers et al. 2021). People in different countries often differ 89 in their perceptions of climate change and in their support for mitigation policies (Leiserowitz 90 2006; Reiner et al. 2006; Adger et al. 2009; Ščasný et al. 2017; Kàcha, Vintr, and Brick 2022). 91 They also differ in their trust in the ability of (foreign) governments and institutions to undertake 92 93 effective mitigation actions (Akter, Bennett, and Ward 2012), or their perception of burdensharing design (Carlsson et al. 2013; Ščasný et al. 2017). Finally, while mitigation is a global 94 public good, any specific mitigation policy is likely to have side effects in the form of co-95 benefits or collateral damages that are often predominantly local, for example changes in local 96 air pollution, visual disamenities, traffic risk, etc. (Pearce 2000; IPPC 2001 chapter 8; Bollen, 97 Jamet, and Corfee-Morlot 2009; West et al. 2013; Sovacool et al. 2020). The not-in-my-98

backyard (NIMBY) effect is also a well-known example of local disamenities, well-studied within renewable energy (Batel, 2020). However, much less emphasis has been given to cobenefits. Yet, both mayaffect public policy preferences (Pittel and Ruebbelke 2008; Svenningsen and Thorsen 2020), and thereby policy choices at a larger scale.

If we look at current policies, public perceptions play a large role. The European Union's Council recently decided Fit-for-55 plan of reducing emissions by 55% in 2030 relative to 2005, and details are currently being negotiated and adopted¹. It is interesting in this perspective as the plan contains both a common goal and national aggregate targets (yet to be distributed) but also sector-specific targets. It is a part of the Green Deal, which contains multiple objectives, not only emission reductions. For example a just transition, climate adaptation, and ambitions of increased welfare. If we look at instruments, we see both a cross-national instrument: a quota trading scheme for certain sectors, but also areas where national regulation is by large decided independently from the common EU policies. In addition, we see fast-growing voluntary carbon credit markets (Kreibich and Hermwille 2021). This complexity of goals and instruments can be interpreted as a result of political reality, and therefore, it is of relevance to investigate the general public's perception, as they are ultimately the ones choosing the politicians.

How much the public is willing to pay for carbon emission reductions has been investigated in the economic literature on climate change (Alló and Loureiro 2014; Drews and van den Bergh 2015) and an overview of studies can be found in Alberini et al. (2018). Studies have predominantly focused on carbon emission reductions from a single policy measure targeting specific sectors, e.g. addressing transport choices (Brouwer, Brander, Van Beukering 2008;

 $^{^1\} EU's\ fit-for-55\ plan:\ https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/$

Achtnicht 2012), energy choices (Ek 2005; Longo, Markandya, Petrucci 2008; Solomon and Johnson 2009; Scarpa and Willis 2010; Akter and Bennett 2011; Adaman et al. 2011; Hanemann, Labandeira, and Loureiro 2011; O'Keeffe 2014; energy efficiency (Longo, Hoyos, and Markandya 2012), household reduction measures (Faure et al. 2022), or more loosely defined policies (Carlsson et al. 2012; Ščasný et al. 2017). Thus, policies targeting alternative sectors are rarely evaluated against each other. This is unfortunate as different sectors may face different opportunity costs of emissions, and different policies are likely to come with different cobenefits, costs and potentially negative externalities. The willingness to pay (WTP) for cobenefits and other ancillary effects of mitigation measures and carbon offset programs has been investigated (MacKerron et al. 2009; Kotchen, Boyle, and Leiserowitz 2013; Rodriguez-Entrena, Espinosa-Goded, and Barreiro-Hurle 2014; Torres et al. 2015; Baranzini, Borzykowski, and Carattini 2018), but not across different policies and countries. Furthermore, few studies have elicited comparable WTP for carbon reductions across different countries (Carlsson et al. 2012; Ščasný et al. 2017; Faure et al. 2022). Some studies have reported that citizens think mitigation policies should be implemented in their own country rather than in other countries (Carlsson et al. 2012; Buntaine and Prather 2018; Svenningsen and Thorsen 2020), while other studies (Diederich and Goeschl 2017; Baranzini, Borzykowski, and Carattini 2018) have found no significant preferences for mitigation locally (European) over mitigation in developing countries. However, to the best of our knowledge, the perceived role of co-benefits for the preferences for an action to be undertaken in peoples' home country relative to alternative countries has not been analyzed in detail before. Anderson and Bernauer (2016) suggest for future research, based on a study analyzing factors determining preferences for carbon offsetting in the US, that '...it would be interesting to examine how various types of co-benefits influence preferences for domestic

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versus international offsetting. Examples of such co-benefits are green technology innovation, local air quality improvement, and biodiversity protection'. Torres et al. (2015) find a decreasing WTP for forest carbon services with the distance to the site of implementation but only considering mitigation projects within Mexico.

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This paper applies a discrete choice preferences elicitation technique (Train 2003) to estimate the WTP for various carbon emission reduction policies. As in Ščasný et al. (2017) and Faure et al. (2022), the estimated WTP is used as an indicator of the policy acceptance. Therefore, the focus is not to estimate the size of the marginal WTP for carbon emission reductions per se, but to test the following three hypotheses: The first null hypothesis is that the WTP for carbon reduction policies does not vary between policies. Three policies (types of measures) are considered: investment in energy-saving production technologies in the industry, investment in renewable energy and investment in forest management and wood use to increase CO₂-sequestration. These three groups do not cover all potential mitigation options, but represent important options (Kriegler et al. 2014) that differ substantially in how mitigation takes place, i.e. energy efficiency, energy production and carbon sequestration, respectively. We have no a priori expectations about the relative preferences for the three policies. The second null hypothesis is that the WTP for implementing measures in the home country is identical to implementing it in other countries (Carlsson et al. 2012; Buntaine and Prather 2018). In other words, respondents will not give up cost-effectiveness to ensure local implementation even if they are reminded that the impact is independent of the location of the mitigation measures. The empirical literature does not show a clear tendency regarding the impact of location, e.g. Diederich and Goeschl (2017) did not find a positive preference for local reductions in emissions. The third null

hypothesis is that the WTP for local implementation of a measure does not depend significantly on the respondents' perception of co-benefits associated with the measure. However, according to other findings in the literature the a priori expectation is, that local implementation matters for some measures. If the co-benefits are perceived to be positive and considered important, the WTP is higher and if considered negative and important the WTP is lower (Torres et al. 2015, Longo, Hoyos, and Markandya 2012). Considering side effects of forest measures on recreation possibilities and biodiversity (the use value of local nature protection) protection are expected to strengthen the preferences for local implementation (Elbakidze and McCarl 2007; Glenk and Colombo 2011; Torres et al. 2015; Bakhtiari et al. 2018). Similarly, we expect a positive impact on preferences for local implementation of renewable energy and industry efficiency measures if the respondents consider reduction of air pollution a positive side effect (Nemet, Holloway, and Meier 2010; West et al. 2014). On the other hand, we would expect that the WTP is lower for these reduction measures if the respondents consider negative local employment effects resulting from these measures (Krupnick, Burtraw, and Markandya 2000; O'Keeffe 2014; Bernauer and Gampher 2015). If any of these assumptions holds, we must reject the null hypothesis. However, again the existing empirical evidence is not clear. For example, Baranzini, Borzykowski, and Carattini (2018) find, in an experiment with students in Geneva, no significant positive effect on preferences for local implementation with an information treatment emphasizing local cobenefit².

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These hypotheses are tested among representative samples of the citizens of five European countries (Denmark, France, Germany, Italy and Spain). The following section presents the data

² The fact that Baranzini, Borzykowski, and Carattini (2018) did not find an effect of an information treatment emphasizing local co-benefits, is not the same as rejecting that respondents consider co-benefits.

collection and econometric analysis. Section 3 presents the results followed by a discussion, concluding remarks and perspectives.

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Material and Methods

Survey design and data collection

A first version of the questionnaire was developed in English in co-operation between national teams of researchers. This allowed a common and careful deliberation of each component of the questionnaire and ensured a rigid translation process. Following this, the questionnaire was translated into the five languages of the five countries participating in the survey and was tested on the local populations. Based on results and feedback from these pilot tests, the English language common questionnaire was revised and translated again. The final questionnaire (see supplementary material) had the following structure: First, a part with general questions on knowledge and attitudes towards climate change was presented, followed by the introduction of a choice experiment (see e.g. Mariel et al. 2021) which was used to elicit the preferences for carbon reduction policies among citizens of the five European countries. After the choice experiment, followed a section, which gathered information on the respondents' attitude towards and consideration of co-benefits. Respondents were given a careful introduction to the different policy aspects included in the choice experiment. They were informed that the EU member states have already committed themselves to carbon emission reductions and that they were now to consider the choice among policies relevant to achieve this goal. They were also informed that while their responses were entirely anonymous, the results of the survey would eventually be communicated to policy

makers and could influence future policy developments. This to ensure consequentiality (Mariel

et al. 2021). Respondents were then asked to consider that, should further policies be implemented along the lines suggested from the results of the experiment, the financing of these policies would come from the member states and their citizens. More precisely, the costs of the policies would be financed by an additional tax levied on all European households' electricity bill3, and in each alternative they were asked to consider the stated specific costs to their household. Respondents were also reminded that the proposed policies do not solve the problem of CO₂ in the atmosphere entirely, but are only some policy initiatives among others, which will contribute to the reduction of the total CO₂ emissions by the EU countries. Thereby we stressed the marginal aspect. They were also informed about the global public good nature of carbon emission reductions, including that CO₂ emissions distribute in the atmosphere, and therefore it does not matter for the climate where emissions are reduced. To provide an intuition about the scale of the CO₂ emission reductions, this information was presented in terms of annual emissions from the corresponding number of average European households. Next, the different aspects (attributes) of the policies were explained, including the levels these could take. In the choice sets the attribute levels were described with text and icons (see Figure 1 for an example). The policy alternatives would target effects in one of three sectors: Either increased energy efficiency in the industry or investing more in renewable energy technology, or changes in forest management to increase carbon sequestration and use of wood. The policy alternatives were briefly explained in general terms without reference to potential co-benefits (Figure 2). As our purpose was to assess the preferences for different main sectors where reductions could take place, the descriptions did not detail the specific potential technologies, but

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³ The electricity bill as payment vehicle is also used in Aldy, Kotchen, and Leiserowitz (2012) to reveal WTP for climate mitigation policies. As no common EU level taxation scheme exists, this was considered the most coherent payment vehicle across countries - even though energy also comes from other sources than electricity. The payment vehicle was also accepted as realistic among participants in the focus groups.

were kept in generic terms. For example, the measure "forest management and wood use" may reflect reduced harvest to increase carbon stock, changes in tree species to increase sequestration, or a change in wood use, either to increase sequestration of carbon in wood products or to increase substitution of fossil fuel-based products. The policy would be implemented in only one of the five countries, and which one was shown in a separate line. The policy differed also in the amount of carbon emission reductions it produced and finally also in the cost to the household.

	Policy 1	Policy 2	Policy 3	No policy
Sector targeted	Forest management and use of wood	Industry	Renewable energy	None of them
Country where measure is implemented	Denmark	Spain	France	-
Annual reduction of CO ₂ in million of tonnes (Mt)	4 Mt CO ₂ (1 million households' emission)	10 Mt CO ₂ (2.5 million households' emission)	8 Mt CO ₂ (2 million households' emission)	0
Extra annual cost of energy for your household for the next 5 years	€ 8	€ 2	€ 60	€ 0
TICK here →	V	V	V	V

Figure 1. A presentation of a choice set. Each respondent was asked to indicate their preferred policy among three different policies and a 'No policy' alternative. Note the cost to the household being explicitly stated and tied to each alternative. Attribute levels vary between alternatives and choice sets. Each respondent answered eight such choice sets.



Industry

This includes investments in energy-saving production technologies to improve the effectiveness of raw material consumption, and to improve transport modes and logistic systems to decrease fuel consumptions.



Renewable energy

This includes investments in renewable energy technology, for example, establishing windmill parks, solar energy projects and the enhanced use of biomass-based energy.



Forest management and the use of wood

Trees and other plants bind CO₂ when they grow. Therefore, we can reduce CO₂ in the atmosphere by e.g. increasing forest stock or by changes in wood use.

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Figure 2. The information given to the respondents about the reduction strategies in the questionnaire

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The design of the choice experiment involved four different attributes each with three to 10 different levels, all explained to the respondents. These are outlined in Table 1. In each choice task the respondent had the option to pick either of three alternative policies or no additional policy, a status quo option. A d-efficient design was generated using the software Ngene for a multinomial logit model with zero priors for main effects.

Table 1 Attributes and attribute levels used to describe the policy alternatives, see the questionnaire extract above for details of the presentation to respondents.

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Attribute	Policy attribute levels	Status quo (no policy)
Sector targeted	-Forest management and use of wood	No measure
	-Industry	
	-Renewable energy	
Country where measure is implemented	-Denmark	-
•	-Germany	
	-France	
	-Italy	
	-Spain	
Annual CO ₂ reduction, million tonnes (Mt)	4, 6, 8, 10, 12	0
Extra annual cost of energy for your household for the next 5 years		€0 (status quo)

^a In Denmark these units were converted into DKK (€1=7.5 DKK) and rounded to the levels 3, 7, 15, 30, 60, 100, 200, 500, 1000

The survey data were collected through an online survey platform using samples of the population in Denmark, France, Germany, Italy, and Spain, where representativeness was targeted with regard to gender and age. A sample size of around 400 was targeted and achieved in all countries, cf. Table 2 below. The survey was carried out using the SurveyXact software and distributed by local polling agencies in the different countries during April 2013. The sample is representative with regards to gender. There are some national deviations on other sociodemographics, e.g. in Denmark, Germany, and Spain the samples are slightly underrepresented with regard to young people (< 25 years old) and relatively overrepresented with older people (>65 years old). In France and Italy samples are relatively underrepresented with respondents in the oldest age class. While Table 2 reveal the representativeness with respect to sociodemographic characteristics we are not able to evaluate to which degree, the respondents are representative with respect to knowledge and preferences for climate mitigation policies. However, we have no reason to believe that the probability of membership of the panels of the polling agencies is dependent on their attitude to climate mitigation policies. Furthermore, when respondents were invited to answer the questionnaire they were not told that the questionnaire

was about climate policy and therefore it is less likely that respondents self-selected into the questionnaire.

Table 2 Age and gender distribution in the samples compared to the distributions in each country (2013) for the age range 18-70 targeted in survey (%)

	Age class	Denmark	Germany	France	Italy	Spain	Average
Population	18-24	13.2	11.5	12.8	10.4	10.2	11.6
Sample	18-24	5.0	2.4	11.9	10.0	8.4	7.5
Population	25-34	17.0	17.8	18.6	17.0	20.1	18.1
Sample	25-34	8.8	18.9	27.0	24.1	23.5	20.4
Population	35-44	19.9	19.0	20.2	22.6	24.2	21.2
Sample	35-44	13.8	18.4	22.7	29.1	21.0	21.0
Population	45-54	21.0	24.2	20.6	22.3	21.2	21.9
Sample	45-54	23.0	22.9	19.7	22.6	11.3	19.9
Population	55-64	18.2	18.9	19.2	18.2	16.2	18.1
Sample	55-64	32.3	22.9	14.6	13.0	19.7	20.5
Population	65-70	10.7	8.5	8.6	9.4	8.1	9.1
Sample	65-70	17.3	14.6	4.0	1.3	16.2	10.7
Population	Female	50.4	50.8	51.5	51.6	50.7	51.0
Sample	Female	49.8	49.6	50.9	50.6	49.8	50.1

Source Eurostat appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_pjan&lang=fr Table : Population on 1 January by age and sex Code : demo_pjan

A total of 2208 completed questionnaires were gathered (DK: 402, D: 429, F: 419, I: 470, E: 488). 78 observations were excluded, because respondents had reported an age outside the targeted interval of 18-70 years. Respondents who had chosen the answer "no policy" in all choice sets where asked a follow-up question. If they replied "I do not want to pay more in taxes and I think the government should finance it from currently collected taxes" or "I think the large polluters (industries) should pay as they are polluting the most" they were excluded as their answers indicate that they did not make a deliberate trade-off between the choice alternatives. This was the case for only 30 respondents distributed over all countries.

Measures of co-benefit concern

The survey design was prepared for an analysis of the importance of co-benefits, which was formulated to the respondents as 'side effects' in their local language as 'co-benefits' was considered technical jargon. Specifically, respondents were asked follow-up questions after the choice experiment about to what degree they considered a set of different side effects, when making the policy choices they just made. Respondents rated the consideration they assigned to each type of co-benefit on a four-point Likert scale with the intervals "Not at all", "Hardly", "A little" to "A lot". The side effects considered was an outcome of statements from respondents during the pre-testing phase of the questionnaire. Thus, it reflects effects that respondents expect — not necessarily the actual effects. As our aim was to investigate co-benefits, we emphasized positive such. There are obviously other externalities, depending on which specific technology is considered within each sector. Our aim with the co-benefit concerns was to investigate their correlation to the prior stated WTP. Thus, to avoid too lengthy a survey, we opted for a single statement for each co-benefit (rather than e.g. formulate opposing statements with both a positive and a negative effect).

Econometric models and analyses

The choice experiment relies on Lancaster's consumption theory (Lancaster 1966), stating that the utility of a good, in the present case an alternative policy, is derived from the attributes of that alternative good. Further, this is combined with random utility theory (McFadden 1974, Train 2003), where it is assumed that each individual choose the alternative among a set of alternatives that maximize expected utility.

Specifying the utility function in preference-space, the respondents are indexed by n, their chosen policy by i, the household cost of the policy alternative by p_i and the attributes of the alternative are all included in the vector x_i . Thus, the utility, U, of choosing a particular alternative may be described as:

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$$U_{ni} = asc + \alpha p_i + \beta' x_{ni} + \varepsilon_{ni}$$
 (1)

Here, α , and β are parameters to be estimated and ε_{ni} is the unobserved component of utility.

asc = 1 if the "Policy 1", "Policy 2" or "Policy 3" are chosen; otherwise zero. ε_{ni} is assumed

to be a stochastic, *iid* extreme value distributed error term.

To enable an easy comparison across country specific models in the analyses, equation (1) is

reformulated to obtain a representation of the respondents' preferences in so-called willingness

to pay (WTP) space (Train and Weeks 2005):

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$$U_{ni} = \alpha(\overline{asc} + p_i + c'x_{ni}) + \varepsilon_{ni}$$
(2)

Here $c = {}^{\beta}/_{\alpha}$ and $\overline{asc} = {}^{asc_i}/_{\alpha}$ where c' is a vector of marginal WTP estimates, each related

to an attribute of the policy alternative in question. Notice that this implies that the WTP is

estimated directly thereby avoiding the problem of unstable marginal WTP estimates based on

ratios of parameters estimated in preference-space models (Thiene and Scarpa 2009).

To account for heterogeneity in preferences and hence WTP for the different aspects of policies

across the respondents in each country, for each country specific data set a mixed logit

specification was applied. This is a flexible and computationally practical econometric model,

which in principle may be used to approximate any discrete choice model derived from random

utility maximization (Train 2003; Train and Weeks 2005). It allows for heterogeneity across respondents by specifying random variation in the coefficients c of equation (2). The distributions of the random coefficients are defined as $f(c|\omega)$ where ω denotes a matrix of parameters of these distributions. This allows writing the unconditional choice probability of a sequence of the T choices $y_n = \{i_{1n}, i_{2n}, ..., i_{Tn}\}$ made by respondent n as:

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$$P(y_n) = \int \prod_{t=0}^{T} \frac{e^{\alpha(\overline{asc} + p_i + c'x_{ni})}}{\sum_{i} e^{\alpha(\overline{asc} + p_j + c'x_{nj})}} f(\boldsymbol{c}|\boldsymbol{\omega}) d(\boldsymbol{c})$$
(3)

Continuous distributions for the WTP of the policy attributes are assumed normal.

The test of the third hypothesis that co-benefit concerns are of no concern for local implementation of reduction measures is undertaken by including the replies to the question on co-benefit concern in the econometric model (Longo, Hoyos, and Markandya 2012). More specifically interaction terms, z_{kn} , between the various co-benefit concerns and the dummies representing the different policy sectors (renewable energy, industry, and forest management) are created and included in (2):

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$$U_{ni} = \alpha(\overline{asc} + p_i + c'x_{ni} + \gamma_1 z_{1n} h_{ni} + \dots + \gamma_6 z_{6n} h_{ni}) + \varepsilon_{ni}$$

where z_{kn} takes on a value of one if the respondent n has replied "a lot" or "a little" for combination, k, of side effect concern and policy measure as defined in table 3; otherwise zero. h_{ni} takes the value of one if the policy measure is implemented in the country where the respondent is living; otherwise 0.

(4)

Table 3 Definition of the interaction terms z_{kn} by side effect concern question and policy measure.

	Forest management and use of wood	Industry	Renewable energy
Side effect concern "A little" or "A lot"			
Forest management's impact on biodiversity	$z_{In}=1$		
Forest management's impact on recreational opportunities That reducing CO ₂ -emissions from industry will give cleaner air	$z_{2n}=1$		
locally		$z_{3n}=1$	
That reducing CO ₂ -emissions by increased use of renewable energy			
will give cleaner air locally			$z_{4n}=1$
That implementing reduction measures may have a negative impact			
on local employment		$z_{5n}=1$	$z_{6n}=1$

Results

The main effects across countries

The main results for the choice model are shown in Table 4. Note that the country where the policies are implemented and the different policies enter as 0-1 dummy variables in each of the estimations. Therefore, one country variable and one policy variable are omitted for the estimation to be feasible. In each country's regression, the home country is omitted and the forest management policy is omitted. These are confounded with the constant of the regression; the ASC. Thus, the estimated parameters show if people on average prefer implementation in other countries more or less than in their own country, and if they on average prefer a policy targeting energy efficiency in the industry or investments in renewable energy more or less than policies targeting forest management and use of wood. For each attribute the rows show the estimated mean WTP in the countries populations and the standard deviation (SD) of the WTP distribution.

	Respondents in:									
Policy		Denmark	F	rance	Germany		Italy		Sp	ain
CO ₂ (Mt/year)	WTP	6.78 (1.11)	7.22	(0.80)	6.93	(0.88)	8.29	(1.26)	11.6	(1.49)
CO ₂ (With year)	S.D.	15.67 (1.47)	9.5.2	(0.87)	11.73	(1.00)	15.8	(1.66)	20.3	(1.83)
Target industry	WTP	-7.08 (5.59)	-20.36	(4.65)	-11.00	(4.97)	2.94	(7.88)	-14.42	(8.45)
	S.D.	54.02 (7.30)	38.33	(6.29)	47.41	(6.67)	87.22	(11.03	94.98	(10.95)
Target renewable energy	WTP	28.54 (4.91)	21.80	(3.75)	33.62	(4.50)	66.20	(8.04)	48.19	(7.42)
	S.D.	55.01 (6.20)	39.00	(5.30)	49.32	(5.31)	82.88	(9.97)	85.91	(9.60)
Implementation in Denmark	WTP		-42.87	(6.41)	-65.14	(8.30)	-52.82	(12.17	-89.82	(12.61)
	S.D.		52.21	(7.63)	48.33	(8.18)	108.88	(15.22	113.19	(14.01)
Implementation in France	WTP	-29.08 (4.89)			-44.59	(5.40)	-22.85	(8.11)	-52.66	(7.86)
	S.D.	1.32 (12.99			1.31	(9.35)	4.24	(18.20	1.01	(13.67)
Implementation in Germany	WTP	-26.87 (6.59)	-15.04	(5.26)			-5.36	(8.83)	-55.61	(9.61)
	S.D.	0.46 (11.15	31.53	(10.82)			13.41	(30.53	3.73	(23.07)
Implementation in Italy	WTP	-44.84 (6.27)	-42.84	(5.52)	-71.86	(7.72)			-94.04	(10.96)
	S.D.	12.16 (21.13	1.98	(13.06)	8.23	(40.68)			1.92	(17.23)
Implementation in Spain	WTP	-22.56 (5.07)	-23.43	(4.21)	-50.54	(5.82)	-9.41	(8.34)		
	S.D.	26.60 (10.66	0.46	(11.18)	1.04	(11.21)	0.90	(45.06		
Technical constant (ASC)	WTP	86.0 (9.92)	106.8	(9.88)	114.90	(10.59)	204	(21.2)	182.2	(18.23)
Number of respondents		391 (1955)		422 (2110)	38	4 (1920)	462	(2310)	44	1 (2205)
Log Likelihood		-2027.6		-2062.5		-1895.8		-2375.5		-2225.3
McFadden pseudo R ²		0.252		0.295		0.288		0.258		0.272

It is noted that in several cases there is considerable heterogeneity in the preferences among respondents in the different countries. This is indicated by the significant standard deviations of the preference distributions; cf. equation (3). While the respondents in different countries have a very similar mean WTP for carbon reductions there is considerable heterogeneity in the population with respect to this attribute in all the countries. The opposite is the case for e.g. the "Implementation in Italy" attribute, where the estimated standard deviations of the parameters are not significant in any of the four countries. The overall model fit as indicated by the McFadden pseudo R² between 0.252 and 0.295 across the models.

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A first finding is the large similarity across countries in the mean marginal value per Mt for reduced CO₂ emissions. It is almost identical for households from Denmark, Germany and France but higher for Italy, and in particular higher for Spain. However, the difference in WTP is only statistically significant between Spain and Denmark, Germany and France, applying a twosided t-test and a 5% level of significance. The first hypothesis, that the WTP is the same for all three groups of policies is rejected. Households in all countries on average significantly prefer policies targeting investment in renewable energy use to policies targeting either of the other sectors. Policies targeting energy efficiency in the industrial sector are not preferred over policies targeting the forest sector; for France and Germany, they are even preferred less. It should be noted here that these results do not compare specific forest management or wood use measures with specific measures in the renewable energy or industry sectors, but only how the population overall consider measures in these sectors. Households in most countries on average agree that policy implementation in their home country is preferable to implementation elsewhere, and thereby we reject the second hypothesis that WTP for reduction abroad is the same as for reductions in the home country. Only Italy is marginally indifferent to implementation in Germany, Spain or at home. Implementation in Italy or Denmark is the least preferred by other countries. Another finding of interest is evident from the regression constant. The constant can be interpreted as the willingness to support any mitigating actions above the status quo (irrespective of place, sector and impact), plus a correction for the confounded baseline variables for a policy targeting forest management in the respondent's home country. The citizens of the

Mediterranean countries, Spain and Italy, have a significantly higher tendency to support any alternatives to the status quo, compared to the three other countries and the citizens in France have a significant higher tendency to support measures than in Denmark (5% level).

Accounting for co-benefit concerns

Co-benefits were, generally, considered important (Table 5). Especially, the impacts on air quality were considered important. On average over the five countries, 80% of the respondents did consider the positive impact of increased use of renewable energy on the local air quality "a lot" or "a little", while only 20% did "not at all" or "hardly" consider these co-benefits in their choice of policy. Similarly, 77% of the respondents did consider the impact of reducing industry emission on local air quality "a lot" or "a little". The impacts of policy measures on employment were, on average considered the least important.

Table 5. Share of respondents replying "a lot" or "a little" on the question "To what extent did you take the following side effects into account when choosing between the policies above?" The alternative answers were "hardly" and "not at all".

	Denmark	Germany	France	Italy	Spain	Average
Forest management's impact on biodiversity	0.54	0.58	0.76	0.75	0.78	0.68
Forest management's impact on recreational opportunities That reducing CO2-emissions from industry will give	0.54	0.63	0.65	0.87	0.69	0.67
cleaner air locally	0.62	0.70	0.75	0.89	0.89	0.77
That reducing CO2-emissions by increased use of renewable energy will give cleaner air locally	0.68	0.70	0.78	0.91	0.91	0.80
That implementing reduction measures may have a negative impact on local employment	0.44	0.32	0.44	0.59	0.56	0.47
Average	0.56	0.59	0.68	0.80	0.77	0.68

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A model for the preferences elicited in the choice sets, was estimated taking into account this source of preference heterogeneity using interaction terms between the home country variable, and the variable for associated policy-specific co-benefit concern cf. equation (4) and Table 3. The results are reported in Table 6.

Table 6 Households' annual willingness to pay for policy attributes in Euros (PPP EU27) per household the next five years taking into account concerns about co-benefits. The base reference category is a policy targeting "forest management and wood use" for respondents not considering recreation and biodiversity co-benefits. Bold figures are significantly different from zero at the 5% level and italics on a 10% level. S.D. is the estimated standard deviation of the estimated WTP. Standard errors are in parentheses.

Policy attribute			Denmark		France	(Sermany		Italy	S	pain	
CO ₂ (Mt/year)	Row	WTP	6.85	(1.10)	6.29	(0.72)	6.97	(0.89)		(1.26)		(1.42)
		S.D.	15.4	(1.46)	8.63	(0.79)	11.6	(1.02)	15.8	(1.66)	19.0	(1.69)
The base reference category "Forest management and wood use" implemented in	(0)											
home country <u>and not concerned about biodiversity</u> and recreation co-benefits. "Forest management and wood use" with biodiversity concern <u>and</u> implementation	(1)	WTP										
in home country $(z_{ln}=1, h=1)$ vs reference (0)	(1)	WIP	2.52	(7.95)	13.05	(5.90)	11.53	(7.00)	-12 16	(15.50)	11.15	(9.73)
"Forest management and wood use" with recreation concern and implementation	(2)	WTP	2.32	(1.73)	13.03	(3.70)	11.55	(7.07)	-12.10	(13.50)	11.13	(7.73)
in home country $(z_{2n}=1, h=1)$ vs reference (0)	(2)	*** 11	30.27	(8.08)	5.98	(5.99)	18.60	(7.01)	42.97	(16.09)	-4.92	(9.23)
"Industry" not implemented in home country and/or without concerns for air	(3)	WTP	-1.47	(5.98)	-14.15	(4.67)	-8.86	(5.49)		(8.67)	-24.34	. ,
pollution and employment effect vs reference (0)	` /			` ,		` /		, ,		` ,		` /
		S.D.	54.28	(7.27)	35.38	(5.66)	44.98	(6.81)	88.70	(10.96)	91.67	(10.27)
"Industry" with air pollution concern <u>and</u> implementation in home country $(z_{3n}=1,$	(4)	WTP										
h=1) vs reference (3)			22.73	(8.54)	9.96	(4.22)	24.77	(5.09)	16.52	(9.95)	26.09	(10.42)
" Industry " with employment concern <u>and</u> implementation in home country ($z_{5n}=1$,	(5)	WTP										
h=1) vs reference (3)	(6)	TT (TED	-3.42	(9.95)	-1.90	(4.64)	2.60	(5.67)		(8.17)	-12.77	` ,
"Renewable energy" not implemented in home country and/or without concerns for air pollution and employment effect vs reference (0)	(6)	WTP	31.46	(5.54)	30.17	(3.95)	37.50	(5.21)	60.67	(8.18)	32.84	(8.25)
		S.D.	53.62	(6.15)	36.71	(4.81)	46.27	(5.35)	86.08	(10.25)	82.83	(9.04)
"Renewable energy" air pollution concern <u>and</u> implementation in home country	(7)	WTP										
$(z_{4n}=1, h=1)$ vs reference (6)	(0)	******	21.47	(5.72)	1.16	(4.50)	23.25	(6.41)	41.22	(13.47)	23.53	(9.55)
"Renewable energy" Employment concern and implementation in home country	(8)	WTP	4.02	(5.00)	0.40	(5.00)	0.22	(7.07)	0.71	(1.4.00)	5.40	(0,00)
$(z_{6n}=1, h=1)$ vs reference (6)			4.93	(5.98)	0.49	(5.02)	-0.32	(7.07)	2./1	(14.09)	-5.48	(9.99)
Implementation in Denmark relative to implementation in home country for	(9)	WTP			-12.32	(11.56)	13.41	(15.23)	60.13	(34.83)	-39.11	(25.94)
respondents not considering local co-benefits		S.D.			49.71	(6.77)	48.34	(8.16)	110.4	(15.58)	108.11	(12.95)
Implementation in France relative to implementation in home country for	(10	WTP	47.03	(13.71)			33.48	(14.43)		(34.46)		(24.65)
respondents not considering local co-benefits		S.D.	2.28	(14.68)			1.20	(8.97)		` /		(13.09)
Implementation in Germany relative to implementation in home country for	(11)	WTP	48.24	(14.35)	16.68	(11.11)				(34.99)		(25.11)
respondents not considering local co-benefits	(10)	S.D.	0.46	(11.15)	28.30	(10.30)		(1.4.00)		(27.04)		(23.05)
Implementation in Italy relative to implementation in home country for respondents	(12)	WTP	30.51	(13.79)	-9.25	(11.26)		(14.98)			-42.85	
not considering local co-benefits	(13)	S.D. WTP	9.29 54.70	(22.24) (14.04)	2.94 7.59	(14.41) (10.78)	17.78 28.40	` /		(34.87)	2.29	(16.75)
Implementation in Spain relative to implementation in home country for respondents not considering local co-benefits	(13)	S.D.	25.46	(10.67)	1.31	(10.78)	1.25	(14.67) (10.80)		(38.07)		
Technical constant (ASC)		WTP	6.10	(15.25)	67.21	(13.22)	35.02	(15.89)		` /	133.6	(28.28)
Number of respondents (choices)			391	(1955)	422	(2110)	384	(1920)	462	(2310)	441	(2205)
Loglikelihood				-1998.1		-2039.2		-1873.3		-2361.1		2216.8
McFadden pseudo R ²				0.263		0.303		0.296		0.263		0.275

The parameters for the main effects of sector and country variables are estimated as random and normally distributed in this model. The interaction variables between the 'co-benefit concern' measures and the relevant sector targeted and the presence of 'own country' in the alternatives chosen are not, the reason being that these variables themselves are explaining heterogeneity in choices made. As was the case in the model of Table 4, there is also considerable preference heterogeneity remaining in this more developed model. In particular, there is heterogeneity in the preferences related to the different policy sectors and the actual mitigation measure. In this model, preferences are generally more homogenous when it comes to the country of implementation, and mainly finding considerable heterogeneity for implementation in Denmark. The model extension increased the model fit somewhat, though not dramatically.

The third hypothesis, that the perception of co-benefit has no impact on WTP can be rejected. Accounting for concerns for local co-benefits eliminates or even reverses the preferences for country of implementation. Note that row (9) to (13) in Table 6 show that the marginal WTP of implementing a policy abroad is now relative to implementing at home for citizens not considering co-benefits⁴. Thus, preferences for implementation at home are driven by a substantial group of citizens concerned with co-benefits. When the reference is citizens not concerned with co-benefits Danes and Italians tend to favor implementation abroad, while German, French and Spanish residents are largely indifferent. It is also noted that the estimated average WTP in the population for the reduced carbon emissions are largely unaffected in size from this model extension. Similarly, after having controlled for local implementation for citizens considering co-benefits, the variables for the sectors still show that investments in

⁴ The change in reference category between Table 4 and Table 6 explain the differences in the WTP of the ASC.

renewable energy is systematically preferred over the alternatives, whereas citizens in three of the countries are indifferent between policies targeting the two other sectors. France and Spain have a small but significant preference for policies targeting forest management and use of wood over policies targeting energy efficiency in industry (row (3)). The small sensitivity of these variables to the model extension shows that the covariance between co-benefit concern variables and the remaining model is centered on the country of implementation variables. The coefficients on the interaction terms show that preference for reduced air pollution is the main reason to prefer implementation at home of the 'Renewable energy' policy and the 'Industry efficiency' policy. Furthermore, positive or negative impacts on employment rarely affects preferences, with Italians' concern with industry jobs being the only exception. For Italians, concern for employment effects influence unexpectedly positively the preferences for energy efficiency measures implemented locally. Finally, people in Denmark, Germany and Spain concerned with local recreation effects of a policy targeting forest management will pay a premium for implementing forest policies at home, for example to benefit from increased forest areas or similar. Concern for biodiversity effects of a forest sector targeted policy does not spill over to WTP except to a small extent in France.

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Discussion

The present study analyzed the acceptance of different emission reduction policies in Europe, applying a discrete choice experiment. While this approach allows us to estimate the determinants of the WTP for alternative polices, it was not the objective to provide an estimate of the social value of CO₂ emission reductions.

The study design allows evaluating how citizens in different countries view climate mitigation policies targeting different sectors and the tradeoffs they see herein, and this is largely new to the literature. The finding that the citizens across countries on average share a very similar idea about how the different policies rank relative to each other is of considerable policy interest as it sheds new light on the popular undercurrent reflected in the national and international policy agendas on renewable energies. In this way, the study contributes significantly to a literature where earlier studies have predominantly focused on carbon emission reductions from a single policy measure targeting specific sectors, e.g. addressing transport choices (Brouwer, Brander, and Van Beukering 2008; Achtnicht 2012), energy choices (Akter and Bennett 2011; Hanemann, Labandeira, and Loureiro 2011), or more loosely defined policies (Carlsson et al. 2012). An exception is Longo, Hoyos, and Markandya (2012) who also find that WTP for a policy promoting renewable energy is higher than for promoting energy efficiency⁵. The drawback of considering a larger number of alternative policy targets is that it is not possible to make respondents relate to more specific details of how each policy might be designed for the different sectors. Therefore, respondents may vary considerably in how they imagine and believe each policy to be designed. This variation will be embedded and captured in the preference heterogeneity found across all countries in the models used in this paper. One of the sectors in our study was defined rather loosely as "Forest management and wood use". One could argue that this could cover a wide range of different measures and strategies which may be mutually exclusive; reducing harvesting, increasing the carbon stock in the forest, harvesting more to stock carbon in wood products, or substituting fossil-intensive products. These different measures may have different co-benefits and the preference for this measure may therefore

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⁵ The policies considered had different scope, i.e. the WTP per ton of reduction were highest for a policy promoting energy efficiency.

depend on how the respondents perceived the measure. To investigate if lack of detailed information on the definition of the reduction measures may have influenced choices in the choice experiment we analyzed the answers to an open-ended question which in the questionnaire was given to respondents who said they never choose the sector "Forest management and wood use" in the five choice tasks. We asked them to explain why they have not been choosing this measure. Out of 319 answers, only 65 indicated that they have not chosen this measure due to lack of knowledge or not believing in the measure. Thus, this ambiguity does not seem to have caused concerns for most respondents. Nevertheless, to shed light on preferences for specific forest management and wood use options, we suggest that future studies should explore different forest measures, the importance of information provision and respondents' perceptions.

The same limitation of using a generic sector description applies to reduction measures targeting renewable energy sector, where different measures (e.g. windmills, solar panels, and biomass use) may have different co-benefit and the preferences will therefore depend on which measure considered by the respondent. For example, in our questionnaire it was assumed that the effect of measures in the renewable energy sector would have a positive effect on air pollution, However, this may not be the case if the renewable energy measure was burning biomass for energy. In this sense, our phrasing of the co-benefit follow-up questions could be criticized for being suggestive⁶. For all the co-benefits, we only included single statements of co-benefits to which people could state agree or disagree on a five point Lickert scale, not reversed formulations.

While this is indeed a limitation if the study was focused on analyzing these statements alone, it

⁶ A point raised by a reviewer

is of minor importance here, where our focus is on evaluating the correlation between the answer to this question and the WTP elicited in the prior choice experiment, which is unaffected by the formulations. Possible other side effects that respondent find relevant will be captured in the sector specific variable. One possible consideration is that the payment vehicle is linked to electricity consumption. It may seem less clear why reductions in industry or by carbon sequestration in forests, should affect the electricity bill. However, in reality they are linked to some extent as the grid costs are shared and paid for, not only depending on consumption. Likewise, carbon compensation mechanisms cause carbon sequestration to be included as well. Therefore, and because we did not find evidence for such concerns in focus groups, we do not see it likely that this drives the results. The majority of earlier studies of policies with positive local externalities have reported people to prefer policies implemented in their home country rather than abroad (Carlsson et al. 2012; Buntaine and Prather 2018) and to be concerned about local co-benefits (Longo, Hoyos, and Markandya 2012; Torres et al. 2015). The present results provide a much stronger basis for these findings as the topics are combined in one cross-country experiment. On average, people will prefer a policy implemented at home, and this preference has a significant size in the sense that people may be willing to trade their preferred choice of sector target for a policy that targets their second or even third choice of sector, but is implemented in their home country. This pattern appears particularly strong for Germany and Spain, but the preference for implementation at home is another general preference, which is shared across all five countries. Interestingly, there is much less heterogeneity on this part of the preference set. It is only for implementation in Denmark (which together with Italy are the on average least preferred two countries by the four

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other countries to have a policy implemented in) that there is significant heterogeneity in preferences. For all the other countries most heterogeneity estimates are not significant. Thus, these preferences are more stable and generally shared not only across, but also within, populations. Importantly, results show that preferences for implementation at home may reflect concerns over local co-benefits. When accounting for the shared commonalities in choices made by people who have expressed strong concerns for the potential co-benefits, the only parameters that change significantly are those related to the preferred country of implementation. Thus, when controlled for co-benefit concerns, respondents who did not consider co-benefits in their choices are much less likely to prefer implementation at home. In fact, we find that not only do a lot of the parameters on target countries become insignificant, but many in fact change sign and become significantly positive. This is true for all countries, but in particular for citizens in Denmark and Italy. This result has important implications for the choice of regulations for emission reductions. While international and inter-sectoral transferal quotas are normally preferred as they are considered cost-efficient, sector and national dependent ancillary effects may create externalities on the carbon reduction market. Therefore, it may be relevant to consider a tariff system when trading carbon credits between different sectors or countries (Lutter and Shogren 2002). Understanding the population's preferences for carbon mitigation measures and their location should also guide the development of business models for voluntary carbon credit markets (Anderson and Bernauer 2016). The results show that citizens of the Mediterranean countries have a higher WTP, than citizens in northern countries, which may indicate that WTP may also vary with local expected impacts. In Europe, the Mediterranean countries are among those expected to feel climate change impact the

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most, with higher temperatures and in particular potentially severe problems with draught periods (Giorgi and Lionello 2008a). Evidence from studies of resource owners and citizens suggest that personal experiences with climate anomalies and extremes is a key driver in both beliefs about and actions in relation to climate change (Owen et al. 2012), and studies have also found indications of a similar North-South gradient related to personal experience (Blennow and Persson 2009; Blennow et al. 2012). The citizens samples in the present sample are likely to vary considerably in the way they look upon all these different aspects and in their experiences and this will lead to preference heterogeneity. In the econometric model, this heterogeneity is captured explicitly and it is significant. Thus, while the mean estimates suggest that most are willing to contribute towards mitigation, the standard deviations also show that some are willing to contribute a lot more than the mean, whereas as others are not willing to contribute.

Nevertheless, the similarity of preferences and willingness to support policies suggests a strong popular basis for the joint European Union policies on climate change mitigation.

In this study, we have had emphasis on co-benefits and country of implementation, but other factors may matter for preferences for where to implement mitigation policies. Negative (local) externalities (e.g. NIMBY aspects) may be an issue, but probably more at a local scale than a national one. Given the results of preference for home country location for policy implementation, other issues important for the respondents have outweighed any concerns for local negative externalities in our results. Another possible reason could be a question of trust in institutions. If people have higher trust in their national governments than in other countries governments, it may drive the results. Finally, there may ethical considerations of burden sharing (see e.g. van den Berg et al, 2020) which may also affect the results. We leave it for future

studies to investigate the interplay between these factors. While choice experiments are a useful method for assessing the determinants of policy acceptability (Ščasný et al 2017; Faure et al. 2022), carrying out complementary studies, applying, for example, qualitative interviews, could improve the understanding of the underlying perceptions and knowledge for the choices made in the choice experiment.

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Concluding remarks and perspectives

This study has undertaken cross-country analysis of citizens' preferences for climate mitigation policies that vary in their degree of mitigation in the form of carbon emission reductions, in what sector they target, and in which of the countries included, the policies would be implemented. Such a study requires that it is credible that policy implementations in one country can potentially affect the income of citizens in other countries. The European Union represents a credible institutional framework for such a study. The EU has a joint budget to which all countries and hence tax paying citizens contribute, and it has a joint climate mitigation policy ambition and has already implemented significant, mandatory and judicially binding largescale policy instruments across and within countries, most notably the ETS. Thus, targeting citizens in the five European Union member states Denmark, France, Germany, Italy and Spain, the research questions set forth could be addressed. Overall there is considerable support and willingness to pay (WTP) for significant climate mitigation policies, though there is also considerable variation in the support and degree of willingness to pay – and more so within each country than between them. A substantial part of the WTP relates directly to the public good of carbon emission reductions, which in all countries and models remains a stable and dominant component of citizens average

WTP. The mean WTP per unit of carbon emission reductions are surprisingly similar across countries, though it tends to be higher in the Mediterranean countries. Three other elements, however, are also of importance to people and their support for climate mitigation policies: namely which sector is targeted by the policy and in which country of the five, the policy will be implemented. Again, the citizens in all countries share a similar pattern of preferences. First of all, in all countries, citizens on average prefer policies targeting investment in renewable energy over policies targeting either energy efficiency in the industry sector or forest management and the use of wood. Secondly, in all countries, citizens prefer policies implemented at home *ceteris paribus*, and this is a preference where homogeneity is strong within countries as well as between. Thirdly, it is shown that the citizens' concern for potential co-benefits, notably reductions in air pollution from measures targeting renewables energy or the industry sector, is the driver of preferences for implementation in the home country. Correcting for this, and in the absence of co-benefits or co-benefit concerns, people are indifferent to where a policy is implemented or may even prefer it elsewhere. These results are important and raise three immediate points of relevance for international and national policy debates. First, they suggest that it is likely easier to pursue and obtain public support for cost-effectiveness goals across borders, when the policy instrument selected has no co-benefits of concern to people. Secondly, national policies on the other hand, might benefit from taking into account the role of co-benefits in their design, making policies more robust (Bernauer and Gampher 2015). Articulation and quantification of co-benefit aspects of climate mitigation actions implemented domestically may increase popular support for policies. Together and thirdly, however, these policy implications could also spell trouble for international climate policy negotiations as the most cost-effective policies could potentially also come with

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significant co-benefits. In such cases, national governments might tend to focus these policies on
a national implementation, which may violate an overall cost-effective implementation.

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[excluded in review version]

6. References

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