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Abstract

European policymakers face a persistent dilemma: how to sustain economic performance while accelerating the green transition. This paper shows that the perceived trade-off between economic growth and environmental protection is overstated. Drawing on new survey evidence from over 19,000 EU citizens, it demonstrates that a majority view economic growth as necessary for environmental protection and social stability, in contrast to the more sceptical stance among policy experts. This perception gap shapes the political feasibility of climate policies. Public support does not hinge on ideology but on how policies are designed, how their benefits are communicated, and how their costs are distributed, especially for vulnerable groups. At the same time, recent evidence indicates that well-designed environmental policies can reduce emissions without systematically undermining economic competitiveness, while their effects are amplified through social dynamics that lower the effective cost of transition. For European policymakers, the implication is clear: successful climate strategies must align economic and environmental objectives, target the large group of conditional supporters through credible and fair policy design, and combine domestic instruments with measures that address competitiveness concerns along global value chains. The challenge is therefore not to choose between growth and decarbonisation, but to design policies that make them mutually reinforcing and politically viable.

Keywords: environmental policy, global value chains, policy mix, political feasibility, public preferences

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Europe's dilemma: economic growth, political feasibility vs. the low-carbon transition

Europe's climate strategy is increasingly shaped by a difficult policy dilemma: how to accelerate decarbonisation without undermining economic performance, including growth and international competitiveness. Governments face mounting pressure from multiple directions. On the one hand, the urgency of reducing emissions is growing, reinforced by tighter climate targets and international commitments (Savin et al., 2025). On the other hand, firms operate in a global economy where production can shift across borders, raising concerns about industrial relocation, carbon leakage, and loss of market share. At the same time, policymakers must maintain public support for climate action in a context of rising cost of living and political fragmentation.

This tension is often framed as a trade-off. Stronger environmental policies are assumed to impose economic costs, weaken economic performance, and risk public backlash, reflecting a long-standing debate on a trade-off between economic growth and environmental protection (Jakob & Edenhofer, 2014). As a result, policymakers are frequently forced into defensive strategies: delaying ambitious measures, diluting policy design, or compensating for anticipated resistance. The implicit assumption is that economic performance, political feasibility, and climate ambition cannot be achieved simultaneously.

This paper argues that this assumption is misleading. The central constraint on Europe's low-carbon transition is not an unavoidable conflict between economic growth and environmental goals, but a combination of misaligned perceptions and suboptimal policy design. New evidence shows that a majority of European citizens do not see economic growth and environmental protection as conflicting objectives. At the same time, support for climate policies depends less on ideology than on how policies are designed, how policymakers communicate them, and how costs and benefits are distributed. These findings suggest that political feasibility is not fixed, but can be shaped.

Building on recent empirical work, including a large-scale survey of EU citizens across 13 countries, as well as research on climate policy preferences and global value chains, in this paper I examine how Europe can align economic and environmental objectives. I show that well-designed policies can reduce emissions without systematically undermining competitiveness, that their impact on emissions can be amplified through social dynamics, and that international instruments can address remaining risks. The key implication for policymakers is clear: the challenge is not to choose between economic performance and climate ambition, but to design policies that make them mutually reinforcing and politically viable.

This paper contributes to this debate in three ways. It (i) shows that most European citizens do not perceive a fundamental conflict between economic growth and environmental protection, (ii) identifies political feasibility as a central constraint on climate action, and (iii) synthesises recent evidence on how policy design, social dynamics, and international coordination can help reconcile decarbonisation with economic performance.

What citizens actually think about growth and climate policy

Contrary to the dominant narrative in policy debates, most Europeans do not perceive a fundamental conflict between economic growth and environmental protection. Evidence from a large-scale survey of more than 19,000 citizens across 13 EU countries shows that nearly 60% of respondents hold pro-growth views, considering economic growth necessary for environmental protection, public services, and economic stability (Savin et al., 2026). These views are not marginal or confined to specific countries, but represent the majority position across the European Union, with variation in intensity but not in direction. This finding challenges a key assumption underlying many climate policy discussions. While academic and policy debates have increasingly explored so-called post-growth perspectives, these views are not widely shared among the public. Post-growth is an umbrella term that includes both degrowth and agrowth perspectives. Degrowth advocates call for a deliberate reduction in economic activity and material consumption to remain within planetary boundaries, while agrowth proposes deprioritising GDP growth as a policy objective and focusing instead on wellbeing and sustainability outcomes. Both approaches challenge the idea that continued economic expansion is necessary or desirable to achieve environmental goals. Surveys of climate policy experts reveal a markedly different picture, with a large majority expressing scepticism toward the role of economic growth in achieving sustainability goals (King et al., 2023). The result is a clear perception gap between experts and citizens regarding the relationship between growth and environmental protection.

Part of this discrepancy stems from how public preferences are typically measured. Many surveys frame the issue as a binary choice between economic growth and environmental protection, forcing respondents to prioritise one over the other. This design tends to exaggerate the perceived trade-off. When individuals are instead asked whether growth is necessary to achieve environmental and social objectives, a more nuanced picture emerges, in which growth is often seen as an enabler rather than an obstacle to sustainability (Savin et al., 2026). This suggests that public preferences are not inherently contradictory but depend on how the problem is framed.

Figure 1 illustrates this distribution of views across countries and population groups, highlighting both the prevalence of pro-growth positions and the relatively small share of explicitly growth-sceptical respondents. Importantly, growth scepticism shows little systematic relationship with support for climate policies, indicating that rejecting growth is not a prerequisite for supporting environmental action.



Fig. 1. Growth positions of EU citizens compared to climate policy researchers.

(a) stylistic comparison of the distributions of respondents to expert and citizen surveys. Coloured boxes represent the interquartile ranges, and black lines represent the median survey responses of each cluster.

(b) Distributions of growth positions for EU citizens (Savin et al. 2026) and for EU climate policy researchers (King et al. 2023). Labels of growth positions correspond to those with the same colours in Panel A.

(c) Distribution of EU citizen views by country. Source: Savin et al. (2026).

For policymakers, the implications are immediate. Framing climate policy as requiring a choice between economic performance and environmental protection risks misaligning policy narratives with public beliefs. Strategies that implicitly rely on post-growth arguments may therefore face unnecessary resistance. A more effective approach is to design and communicate policies that explicitly link economic and environmental objectives, recognising that most citizens already perceive them as compatible.

The real constraint: political feasibility, not economics alone

Even when effective policies exist, their implementation depends on political feasibility. In Europe, the main constraint on climate policy is not only economic cost or technological readiness, but whether policies can secure and sustain majority support. Recent political developments—from the *gilets jaunes* protests against fuel taxes in France in 2018–2019 to farmer protests against nitrogen reduction policies in the Netherlands (2019–2023) and agricultural and environmental regulations in Germany (2023–2024)—highlight how quickly climate ambition can stall when public support is insufficient.

A useful way to understand this constraint is to move beyond a simple division between supporters and opponents of climate policy. Evidence from a large-scale survey across 13 EU countries shows that the population is better described as consisting of three groups: consistent supporters, consistent opponents, and a large middle group whose preferences are not fixed (Smith et al., 2026). This middle group is not indifferent, but conditional. Their support depends on how policies are designed and how their impacts are perceived.

The “Conditional Middle” represents roughly one third of the population (around 33%) and plays a decisive role in determining whether policies obtain majority support. Unlike committed supporters or opponents, individuals in this group respond strongly to specific policy characteristics. In particular, they are sensitive to the balance between perceived benefits and costs, the visibility of these effects, and how policies distribute burdens across society. Policies that impose clear and immediate costs on households tend to receive low support, whereas policies that provide visible benefits or shared investments—such as public infrastructure or subsidies—are significantly more acceptable (Smith et al., 2026).

Figure 2 illustrates the importance of this group for policy outcomes. At current levels of support, only 4 out of 15 climate policies achieve majority approval. If conditional respondents shift to support, the number of policies exceeding the 50% threshold increases to 10 out of 15 (Smith et al., 2026). This includes measures such as investments in rail infrastructure, subsidies for home insulation, and taxes on fossil fuel profits. The implication is that relatively small changes in perceptions can have large effects on aggregate policy support.

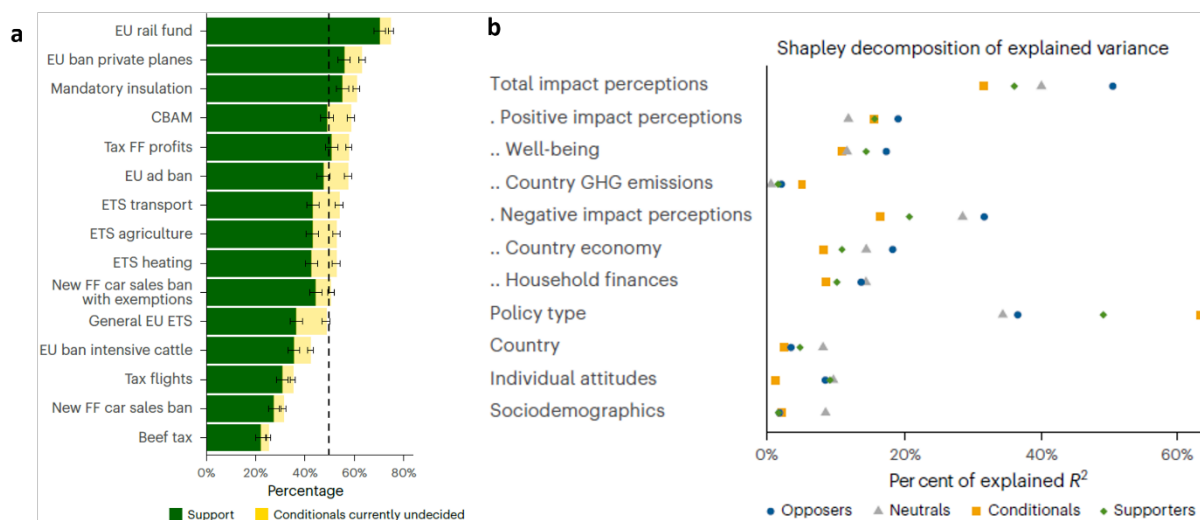


Fig. 2 Potential impact from shifting the conditional middle and ways to persuade them.

(a) The average proportion of respondents across countries who support each of the 15 policies (in green) plus the proportion of respondents belonging to the conditional middle who responded 'neutral' to each policy (in yellow). The error bars represent 95% confidence intervals.

(b) Relative importance of individual characteristics in the climate policy preferences using Shapley decomposition. Source: Smith et al. (2026).

This finding has direct consequences for policy design. Support for climate policy is not primarily determined by fixed ideological positions or socio-demographic characteristics, but by how policies are perceived in terms of their consequences (see plot b in Figure 2 showing that about 90% of the explainable differences in support within the Conditional Middle are linked to how a policy is framed and to how its costs and benefits are perceived). Making benefits more visible, reducing or compensating costs—especially for vulnerable households—and clearly communicating distributional effects can substantially increase support. Conversely, policies that are perceived as unfair or costly, even if economically efficient, are likely to face resistance.

For policymakers, the key insight is that political feasibility is not an exogenous constraint. It can be actively shaped through policy design, communication, and sequencing. Targeting the Conditional Middle—rather than focusing only on committed supporters or opponents—offers the most effective path to building durable majorities for ambitious climate policies.

While public perceptions and political feasibility shape the implementation of climate policy, an additional concern often raised by policymakers is whether ambitious policies may harm economic competitiveness. The next section examines whether this concern is supported by empirical evidence.

Can Europe decarbonise without losing competitiveness?

Concerns about competitiveness remain central to climate policy in Europe. Policymakers face the risk that stricter environmental regulation may increase production costs, weaken export performance, and shift economic activity to regions with less stringent policies. In open economies, this raises the possibility of carbon leakage, where emissions are displaced rather than reduced globally. These risks are often used to justify delaying or weakening climate policies.

Recent empirical evidence, however, paints a more nuanced picture. Analysis of sector-level data across 40 economies covering about 80% of global output and greenhouse gas emissions over the period 1996–2020 shows that environmental policies do not systematically undermine competitiveness (Abdelazim et al., 2026). Market-based instruments, such as carbon pricing, and technology-support policies are associated with significant reductions in emission intensity while having limited or mixed effects on trade performance. In some cases, these policies are linked to improved competitiveness in low-carbon sectors, consistent with the idea that regulation can stimulate innovation and efficiency.

The effects of environmental policy depend critically on the type of instrument. Market-based policies primarily operate through cost adjustments and reallocation across sectors and countries, reducing emissions without necessarily strengthening domestic value creation. In contrast, technology-support policies—such as subsidies for low-carbon innovation—tend to foster upgrading within domestic industries and increase value added. Non-market-based instruments, by comparison, are more likely to generate unintended effects, including rebound dynamics that weaken their environmental impact (Abdelazim et al., 2026). This heterogeneity implies that the relationship between decarbonisation and competitiveness is not fixed, but shaped by policy design.

At the same time, risks associated with global value chains cannot be ignored. Production is increasingly fragmented across borders, and differences in policy stringency can alter trade patterns. Evidence shows that while environmental regulation reduces direct (production-based) emissions, it may lead to increases in emissions embodied in imports, indicating carbon leakage along supply chains (Abdelazim et al., 2026). This highlights the limits of purely domestic climate policies in a globally integrated economy.

Addressing these risks requires policy coordination beyond national borders. Instruments such as carbon border adjustment mechanisms (CBAM) are designed to align carbon costs between domestic and foreign producers, reducing incentives for relocation and preserving competitiveness. Recent modelling work shows that such mechanisms can limit carbon leakage and stabilise production structures by internalising emissions along global value chains (Grugni et al., 2026). By linking climate policy with trade policy, these instruments can form the basis of “climate clubs”, in which countries coordinate carbon pricing and apply common border adjustments, thereby reconciling environmental ambition with economic openness (Núñez-Yebra et al., 2024).

For European policymakers, the key implication is that competitiveness concerns do not preclude ambitious climate action, but they do require targeted policy responses. The trade-off between decarbonisation and competitiveness is conditional, not inevitable. Well-designed policy mixes that combine carbon pricing, support for clean innovation, and measures addressing international spillovers can reduce emissions while maintaining economic performance.

Why the Low-carbon transition may be less costly than it appears

Climate policy is often evaluated under the assumption that its effects operate primarily through prices and regulations. In this view, reducing emissions requires sufficiently strong policy instruments—such as carbon taxes or markets—to directly change individual and firm behaviour. This perspective tends to imply relatively high economic and political costs, as stronger policies are expected to impose heavier burdens on households and firms.

However, this standard approach overlooks an important mechanism: social interactions. Individuals do not make decisions in isolation. Their consumption choices, technology adoption, and attitudes toward low-carbon behaviours are influenced by peers, social norms, and observed behaviour in their networks (Konc and Savin, 2019). Accounting for these interactions fundamentally changes how the impact and cost of climate policy should be assessed.

Research on the “social multiplier” shows that policy effects can be amplified through peer influence (Konc et al., 2021). When a policy induces some individuals to shift toward low-carbon consumption, this change affects others through imitation and social learning, generating additional behavioural adjustments beyond the direct effect of the policy. As a result, a given emissions reduction target can be met with a lower policy stringency. Quantitatively, these effects can be substantial: under realistic assumptions, social interactions increase the effectiveness of carbon pricing by around 30%, allowing for a reduction in the required tax level of up to 38% (Konc et al., 2021).

These dynamics extend beyond short-term behavioural adjustments. Over time, repeated social interactions can lead to broader changes in preferences and lifestyles, a process captured by the “cultural multiplier” (Torren-Peraire et al., 2025). Rather than influencing isolated decisions, individuals adjust their overall consumption patterns by observing the behaviour of others across multiple domains, such as mobility, energy use, and diet. This creates reinforcing feedback loops that accelerate the diffusion of low-carbon lifestyles and further increase the effectiveness of policy interventions.

For policymakers, these findings have two important implications. First, the economic cost of achieving a given level of emissions reduction may be lower than standard models suggest, because policies trigger indirect effects that amplify their impact. Second, policies that are visible and socially salient—such as support for low-carbon technologies, public investments, or information measures—can enhance these multiplier effects by making behavioural change more observable and easier to imitate.

The broader implication is that accounting for social norms and behavioural dynamics can improve both the effectiveness and cost-efficiency of climate policy.

From individual instruments to policy packages that work

In practice, climate policies are implemented through combinations of measures—carbon pricing, subsidies, regulations, and information tools—whose effectiveness depends not only on their individual effects but also on their interaction.

This matters because policy instruments do not operate independently. Their combined impact can be stronger, weaker, or qualitatively different from the sum of their individual effects. Evidence shows that interactions between instruments can generate both positive and negative synergies, depending on how they are designed and combined (van den Bergh et al., 2021). For example, carbon pricing can be complemented by innovation support and information measures that enhance its effectiveness, while poorly coordinated instruments may overlap or even offset each other, increasing costs without generating additional emission reductions. Designing effective climate policy therefore requires coherent policy packages that balance emission reductions, economic efficiency, equity, and political feasibility. Policies that do not perform well on all these dimensions are unlikely to succeed in practice.

The interaction between policy design and political feasibility is particularly important. As shown in previous sections, support depends on how costs and benefits are distributed and perceived. Policy mixes offer additional degrees of freedom to address these concerns. For instance, revenues from carbon pricing can be used to compensate vulnerable households or finance visible public investments, increasing acceptability without weakening environmental effectiveness (Mestre-Andre et al., 2021).

A central design challenge is to ensure that domestic climate policy remains effective in a globalised economy. When production is embedded in international value chains, purely domestic instruments risk displacing emissions rather than reducing them. This makes it essential to embed climate policy within a broader economic strategy that includes trade-related instruments—such as border adjustments or coordinated carbon pricing—so that environmental ambition does not translate into production relocation (see Section 4).

For policymakers, the implication is that the success of the low-carbon transition depends less on individual instruments than on how they are combined. Well-designed policy packages can simultaneously reduce emissions, preserve competitiveness, and strengthen public support.

What European policymakers should do

The evidence presented in this paper points to a clear conclusion: the main barrier to Europe's low-carbon transition is not an inherent conflict with economic growth, but how policies are designed, coordinated, and communicated. This shifts the focus from choosing the “right” instrument to making strategic decisions about how to implement and combine policies in practice.

First, policymakers should align policy narratives with public perceptions. Most European citizens do not see economic growth and environmental protection as conflicting objectives. Framing climate policy as requiring a sacrifice of economic performance risks creating resistance where none is structurally necessary. A more effective approach is to emphasise how decarbonisation supports economic stability, innovation, and public goods. For example, communication around climate measures can emphasise tangible economic benefits such as lower energy bills through home insulation, reduced dependence on imported fossil fuels, or new employment opportunities in clean industries. Framing policies around these co-benefits is likely to resonate more strongly with public preferences than narratives centred on economic sacrifice.

Second, policy design should explicitly target the Conditional Middle. Around one third of the population does not hold fixed positions on climate policy but responds to how policies are structured. Making benefits visible, reducing and compensating costs—especially for vulnerable households—and clearly communicating distributional effects can shift support for a wide range of policies above majority thresholds. Small changes in perception can translate into large changes in political feasibility. In practice, this may involve recycling carbon-pricing revenues through targeted rebates, linking environmental taxes to visible investments in public transport, or providing transitional support for households facing higher energy costs.

Third, competitiveness concerns should be addressed through targeted instruments rather than used as a general argument against climate ambition. Evidence shows that well-designed policies can reduce emissions without systematically harming trade performance. Where risks arise, particularly in emission-intensive and trade-exposed sectors, they can be mitigated through a combination of innovation support, transitional measures, and trade-

related instruments such as carbon border adjustments. For example, support for low-carbon steel and cement production can be paired with carbon border adjustments to reduce relocation risks while maintaining incentives for decarbonisation.

Fourth, policymakers should actively leverage social dynamics. Climate policies do not operate only through prices and regulations but also through social interactions that amplify behavioural change. Designing policies that are visible, salient, and easy to adopt—such as support for clean technologies or public investments—can accelerate diffusion and reduce the level of intervention required to achieve emissions targets. Examples include programmes supporting installation of heat pumps and rooftop solar panels, or purchase of electric vehicles, where visible adoption by neighbours can encourage wider uptake.

Fifth, policy coherence should be treated as a priority. Climate policy is implemented through packages of interacting instruments. Poorly coordinated measures can increase costs and reduce effectiveness, while well-designed combinations can simultaneously improve environmental outcomes, economic efficiency, and public acceptance. This requires coordination across policy domains, including climate, industrial, fiscal, and trade policy. For example, combining support for renewable energy deployment with investments in electricity grids and storage infrastructure can remove bottlenecks that would limit the effectiveness of either policy on its own (Herrmann and Savin, 2017).

Taken together, these points suggest the need for a shift in how climate policy is approached. The question is not whether Europe can afford an ambitious low-carbon transition, but whether it can design policies that align economic incentives, public support, and environmental objectives. Getting this alignment right is the key to making climate ambition both credible and durable.

Conclusion: from trade-off to alignment

The debate on climate policy in Europe is often framed as a trade-off between economic growth and environmental sustainability. This paper shows that this framing is misleading. The main constraint is not an inherent incompatibility between economic and environmental objectives, but a gap between how policies are designed and how they are perceived.

Most European citizens already view economic growth as compatible with environmental protection. At the same time, support for climate policies depends critically on their design, their distributional consequences, and the visibility of their benefits. Evidence further shows that well-designed policies can reduce emissions without systematically undermining competitiveness, especially when complemented by instruments that address global value chains and leverage social dynamics.

This shifts the policy challenge. Failure is unlikely to come from excessive ambition, but from misaligned policy design—policies that are economically sound but politically fragile, or politically acceptable but environmentally ineffective. In a context of rising geopolitical and economic pressures, such misalignment would risk both slowing the transition and eroding public trust.

Europe's ability to lead the low-carbon transition will therefore depend on its capacity to align three dimensions: economic performance, political feasibility, and environmental effectiveness. This is not a question of choosing between competing objectives, but of designing policies that make them mutually reinforcing.

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