

The End of Smoking? Innovation, Harm Reduction, and the Latvian Challenge

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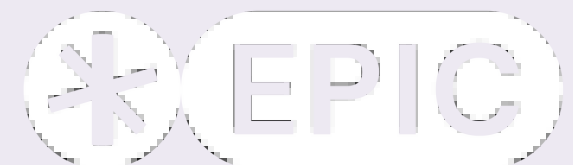


Europe can end smoking

EU revising Tobacco Products Directive (TPD) &
Tobacco Excise Directive (TED)

These reviews will shape tobacco policy for the
next decade

EPIC message: End smoking through safer
alternatives, not bans or heavy taxes





Economic Impact

Tobacco & nicotine sector = €215–223B
GDP, 2.1M jobs, €111B in taxes.

Over-regulation → shift to illicit market, job
& revenue loss.

EPIC forecast: –€243B wages & –€454B
tax over 30 years if unchanged.

ECONOMIC IMPACT OF TOBACCO IN EUROPE

CONTRIBUTION TO GDP



10.9%

higher than telecommunications sector
(€30.3 billion) and textile industry (€71.5
billion) combined

€224
BILLION TO GDP
(1.3% OF EU GDP)

Contribution equivalent to 4.7 days of Europe GDP. By April, the industry already contributed more to GDP than the mining sector does in a year (€67.6 billion).

TAXES

Total revenue: €112.9 billion

- Excise duties: €83.3 billion
- VAT on tobacco: €29.6 billion

Without these taxes, the plastic levy would need to rise from €0.80 to €12.6 per kg.



Tobacco tax revenues cover:

- Waste management (€56.9 billion), fire protection services (€37.8 billion), and prison costs (€24.6 billion) combined
- 55.4% of total defense spending

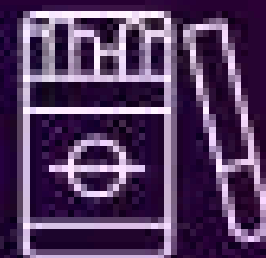
Funds 5.3 days of total government spending

EMPLOYMENT



1.1%

of total employment
in the EU



2,124,309

jobs in the tobacco
value chain

The tobacco value chain generates 2,124,309 jobs, representing 1.1% of total employment in the EU.

The tobacco industry employs as many people as the entire population of Vienna (2.1 million).

€60.7
BILLION
ANNUAL

Average salary
among direct
workers:
€41,000/year

The tobacco
industry's average gross salary in the
industry is 5% higher than the European
average salary



Labor productivity among
direct workers (excluding
the value chain): 95.3

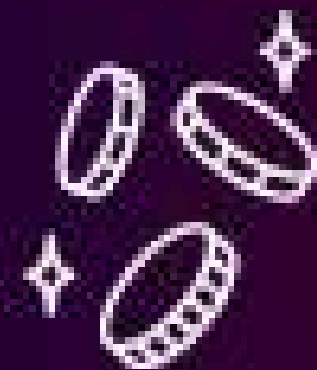


Labor productivity among
direct workers compared
with national average: 1.9

SALES



€333.4
billion in annual
sales



€620,000
in the value chain for
every €1 million in
direct sales

Tobacco and its value chain in the EU
generate €333.4 billion in annual
sales. Every million euros in direct
sales generates an additional
€620,000 in value chain activity.

ILLICIT TRADE

35.2 billion illicit cigarettes per year (8.3% of the total)

Vape illicit imports from China could be worth more than 10 billion Euros

Tax loss: €11.6 billion/year

This amount could help EU governments to increase their spending on healthcare research by 52.5%

INTERNATIONAL

Tobacco exports: €23.7 billion/Year

Tobacco exports exceed sugar exports by 28% (€18.5 billion)

3 times higher than that of clocks, watches, and their parts (€8.9 billion)

RETAIL

684,600 shops selling tobacco products in total

Employing 541,000 people and 7.1 billion in wages in the tobacco retail sector



European Policy
Innovation Council

Latvia's Situation

- Planned +15% annual excise rise (2026–2028).
- Flavour ban & low nicotine caps = legal market collapse.
- Illegal trade expanding; smokers lose safer options.
- Latvia can lead by using risk-based taxation & regulation.



Contribution to GDP

€711 Million

Contribution
to national GDP¹

1.8 %

Of national GDP¹

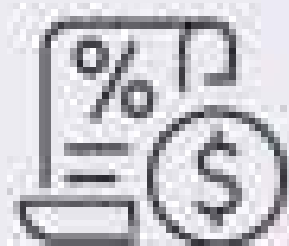
6.6 Days

Of national GDP
sustained by tobacco¹

* Tobacco contributes more to GDP than the combined telecommunications and insurance sectors (€702 million).

* In 3 months, tobacco contributes more to GDP than the combined chemical products manufacturing and basic metals manufacturing sectors do in a year (€157 million).

¹Tobacco and its value chain



Taxes

€379 Million

Tobacco total tax
revenue (Excise and VAT)

2.3 %

Of government
revenue

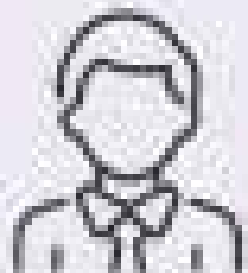
€267 Million

Excise tax revenue

€112 Million

VAT

- * Tobacco tax revenue funds more than 8 days of government spending.
- * Tobacco tax revenue amounts to 32% of the government's defense spending (€1.2 billion).
- * Tobacco tax revenue exceeds the combined government spending on judicial system and unemployment benefits (€360 million).



Employment

1.7 %

Of the national
employment¹

14,200

Jobs in the tobacco
value chain

€50,000

Value added
per employee¹

* Tobacco-related employment nearly matches employment in the combined insurance and financial services sectors (14,600 jobs).

* The tobacco sector employs more people than the entire population of Kuldīga (13,300).

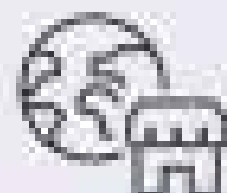


Wages

€206.5 Million

In wages¹

* The tobacco sector pays 21% more in total wages than the fabricated metal products manufacturing sector (€171 million).



Retail and wholesale trade

5,800

Retail and wholesale stores selling tobacco

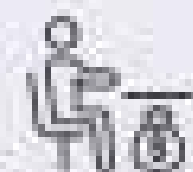
3,130

Full-time equivalent jobs in retail and wholesale supported by tobacco

2.5 %

Of retail and wholesale employment supported by tobacco

* Employment in retail and wholesale supported by tobacco exceeds employment in the entire dairy products manufacturing sector (3,080 jobs).



Illicit trade

18.0 %

Illicit cigarettes in total consumption

+

1.1 %

Non-domestic legal cigarettes in total consumption

=

1 in 5

Cigarettes is not taxed domestically

€67 Million

In tax revenue lost from illicit cigarettes

+

€4 Million

In tax revenue lost from non-domestic legal cigarettes

=

€71 Million

In tax total revenue lost from untaxed cigarettes

63 %

Illicit e-cigarettes in total consumption



The amount lost from untaxed cigarettes nearly matches the combined public spending on housing and broadcasting and publishing services (€71 million).

2024 data

A Pragmatic Way Forward



Apply harm reduction in national & EU rules.



Differentiate taxes by product risk.



Support SMEs & innovation in regulated nicotine sector.



Keep fiscal stability + public health progress.



Follow Sweden's successful model.



Why Harm Reduction Works



01 Not all nicotine products have equal risk.

02 Heated tobacco & pouches far safer than cigarettes.

03 Sweden, Japan, UK: proof that harm reduction lowers smoking rates.

04 Need harm-adjusted taxation linking risk, health, and fiscal goals.



Closing Messages

Choice for Europe & Latvia: prohibition vs innovation.



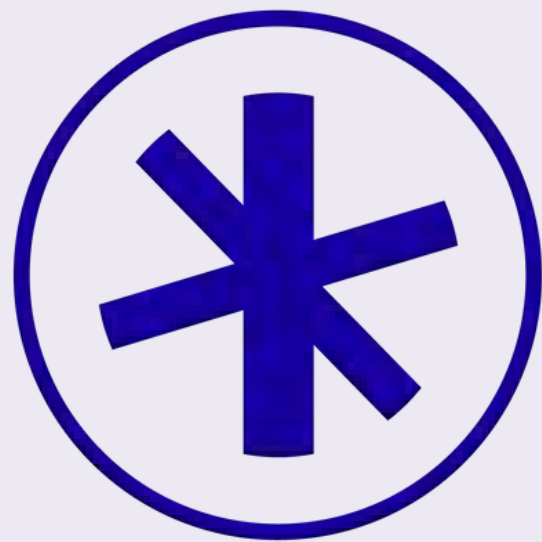
Smart regulation saves lives, protects jobs, and curbs illicit markets.



“The end of smoking is possible — if Europe replaces ideology with innovation.”



Thank you



European Policy
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