



The End of Smoking?

How Europe Can Save Millions of Lives
while Boosting Economic Growth

Abstract



For the first time in history, Europe can phase out smoking completely—not through bans and restrictions, but by accelerating the transition to smoke-free alternatives. This paper argues that instead of continuing an ineffective war on tobacco, Europe should embrace a harm reduction strategy that encourages smokers to switch to less harmful smoke-free alternatives. By leveraging innovation and shifting consumer behaviour, Europe can end smoking without causing an economic catastrophe or pushing people toward black markets or foreign competitors. The success of Sweden’s snus model proves that when safer alternatives are encouraged, smoking rates plummet. This paper explores how a technology-driven shift can save millions of lives, improve public health, and even create new economic opportunities—turning what was once a public health crisis into a success story of innovation and harm reduction.



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Preface



The discourse on **tobacco regulation** has often been clouded by emotion and ideology—an approach that only harms smokers, many of whom are more addicts than lifestyle enthusiasts. On one side are the prohibitionists, pushing for an outright ban on tobacco and extreme stigmatization of smokers. On the other, libertarians and the industry argue about free choice and individual rights. With this paper, to be followed by an extended technical report, EPIC aims to contribute to this complex and often controversial topic.

Neither extreme helps address the real tension between two unavoidable truths about smoking: First, tobacco use and nicotine addiction will not simply vanish, no matter how stringent the regulations become. Second, smoking is not just a matter of free choice—not only because it is an addiction, but also because it carries public health costs. It is not purely a question of personal freedom; it is also a matter of public concern. If politics is indeed the art of the possible, then tobacco regulation should focus on mitigating the harm caused by smoking.

Today, in view of the development of alternative nicotine delivery methods, we have a real opportunity to end the devastating health consequences of smoking. For the first time in Europe's long history with tobacco, it is conceivable to phase out cigarettes and accelerate the transition to less harmful alternatives—potentially saving millions of lives. This can be achieved while taking advantage of the economic value of an industry that, data in hand, holds a very substantial economic role.

However, saving millions of lives requires pragmatic public policies that take into consideration the latest technological advancements and incentivize harm reduction. By adopting an approach that encourages the transition to safer nicotine alternatives, Europe can prevent the market from being flooded with illicit and unregulated products, particularly from China, where quality control and safety standards are often questionable. Without a balanced regulatory framework that supports accessibility for harm-reduction products, restrictive policies risk driving consumers toward black-market alternatives, undermining both public health and economic stability.

The idea is simple. If people continue using nicotine regardless of how stringent the regulation is, it would be better if they receive nicotine through less harmful delivery methods—such as heated tobacco and nicotine pouches—instead of cigarettes and other combustible products. Public policy should actively facilitate this transition by making these safer alternatives more accessible to smokers, for example, by imposing higher taxes on cigarettes compared to less harmful products. This is a bold yet feasible proposal for eradicating smoking prevalence in Europe.

Key Takeaways



- The European Union is facing a period of heavy geopolitical and economic instability. The excessive regulation of the recent past has decreased the competitiveness of the Union, which has lost its edge vis-à-vis international competition.
- The European objective of creating a safer and healthier Europe is something that should be commended. However, the current prohibitionist policymaking is delivering poor results.
- By shifting away from prohibitionist policies and supporting the development of safer alternatives, the EU can reduce the health burden of smoking while fostering an industry that generates jobs, investment, and technological improvement. Incentivizing transitions to safer alternatives and ensuring fair competition would not only protect public health but also solidify Europe's position as a leader in high-value manufacturing and research. Instead of conceding the industry to foreign competitors and illicit markets, the EU has the chance to harness innovation, ensuring economic growth aligns with health objectives.
- The Draghi Report recommends reinforcing competitive advantages in strong sectors, supporting industries that generate trade surpluses, attract investment, and sustain high-value jobs.
- The Economic Footprint of the tobacco industry in the EU is extremely relevant: It contributes 223.7 billion Euros annually to the GDP of the EU-27, or 1.3% of the total EU GDP.
- If it were a country, it would be the 17th-largest economy in the EU, between Greece and Hungary.
- The total tobacco tax revenue per year stands at 112.9 billion Euros. This equals 55.4% of the total EU defense spending. Taxes from tobacco are almost equal to the entirety of waste management (56.9 billion Euros), fire protection services (37.8 billion Euros), and prison costs (24.6 billion Euros) combined.[1]
- The industry employs, directly and indirectly, over 2.1 million people, for 60.7 billion Euros in wages. Replacing tobacco-related jobs would require the beverage manufacturing sector to grow nearly 600%, or the financial sector to expand by 68%.
- Illegal products account for 8.3% of total cigarette consumption in the EU. Currently, 11.6 billion Euros are lost to the illicit cigarette market every year. This amount could increase state-funded healthcare R&D in all EU member states by 52.5%. Apart from illicit, non-domestic legal cigarettes also reduce national tax revenue. They are legally bought abroad and consumed at home. Although buying them abroad is legal, member states lose tax revenue because taxes should be paid in the country where the product is consumed (final consumption). These non-domestic legal cigarettes account for another 25.0 billion cigarettes, or 5.9% of total cigarette consumption.[2]

[1] Eurostat (2025). [Detailed list of taxes and social contributions according to national classification](#)

[2] KPMG (2024). [Illicit cigarette consumption in Europe](#)

Key Takeaways



- Currently, there is no reliable data on the non-combustible (NC) illicit market size. Illicit imports from China could be worth more than 10 billion Euros. This is not only an issue for competition in the industry but has dramatic results on the EU's health outcomes.
- The European Commission is now in the process of reviewing the Tobacco Product Directive (TPD) and the Tobacco Taxation Directive (2011/64/EU).
- For both directives, data analysis suggests that extreme interventions would lead to heavy economic losses in the EU. The decisions taken need to be reasoned deeply, both in terms of health outcomes and economic outcomes.
 - Failing to do so would create losses from both economic and health outcomes points of view
 - When moving forward with the review of those directives, harm reduction principles should be applied, creating a proper differentiation between different products and incentivizing the private sector's investment in alternatives (via regulation and fiscal forward guidance) able to deliver better health outcomes to society – such as nicotine pouches, vapes, heated tobacco, and future products.
- Failing to act pragmatically will not only erode the Union's fiscal and industrial strength but also hand over market dominance to global competitors like China— worsening the health outcomes of the Union.

Introduction

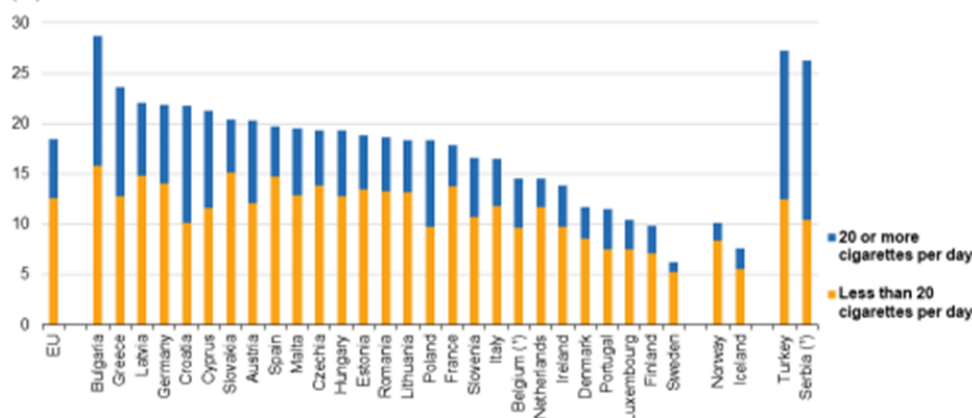


The Paradox of Tobacco's Prevalence: A Story of Regulatory Failure and the Opportunity to End Smoking

Few industries have faced as relentless a crusade as tobacco. For what relates to traditional (combusted) tobacco products, there is a very good reason for it. The scientific consensus is unequivocal: decades of research have laid bare the devastating health consequences of smoking, linking it to lung cancer, heart disease, and countless other ailments. Public policy has responded with equal force: advertising bans have stripped brands of their glamour, sky-high taxation has made cigarettes a luxury rather than a habit, smoke-free zones have pushed it out of public life, and graphic health warnings now scream from every pack.

Yet, despite all this, **people still smoke**. Millions across Europe still light it up, fully aware of the risks. They do so not out of ignorance, but often out of habit, pleasure, or defiance. Some find solace in a cigarette break, others inherit the ritual from family and culture, while some simply rebel against the very restrictions meant to protect them. The more policies tighten, the more resilient the demand remains, proving that regulation alone cannot erase centuries of human attachment to tobacco.

Share of daily smokers of cigarettes among persons aged 15 and over, by level of consumption, 2019 (%)



Note: ranked on the share of all daily smokers.
(*) Low reliability.
Source: Eurostat (online data code: h1h_ehis_sk3e)

eurostat

This paradox—where an industry survives and even adapts in the face of overwhelming opposition—underscores the complexity of the topic. Tobacco, it seems clear, is not just a business. It is a deeply entrenched human behavior. It is resistant to eradication, forcing policymakers, businesses, and consumers into a continuous dance of restriction, adaptation, and persistence.



Logic would suggest that looking at reality, public policy would evolve—shifting from prohibitionist instincts to pragmatic harm reduction approaches. Other harmful substances, from alcohol to sugar, passing by narcotics, have seen such a shift. Rather than outright eradication, policies in these areas have increasingly focused on mitigation: safer consumption, regulated alternatives, and public health campaigns that emphasize healthier choices over outright bans.

Yet, tobacco remains the exception. Instead of adjusting to the unavoidable reality that nicotine addiction persists, policies continue to tighten, year after year, as if the next restriction will finally tip the scales. The demand, however, does not disappear—it adapts, resists, and, if pushed too far, simply moves underground. Even a total ban would not erase the desire for tobacco; it would (and it has) only create a thriving black market, as history has shown time after time with every other prohibited substance.

The assumption that regulation alone can extinguish consumption ignores a fundamental truth: people will continue to seek what they crave, regardless of the obstacles placed before them. The battle against tobacco has never been just a matter of health. At its core, it is a confrontation between ideological policy and human nature. A confrontation that has extremely negative effects on both the health status and the economy of the European Union.

This is not only a failure of policy. It is also a reflection of something deeper. Like it or not, people have a fundamental, inescapable, demand. People smoke not because they are uninformed or deceived, but because tobacco fulfills needs—social, psychological, or addictive. As much as we might dislike it, regulation cannot simply erase people’s needs and requests.

This paradox, where tobacco demand endures despite relentless regulatory pressure, underscores a broader challenge for European policymakers: how can the EU reconcile public health objectives with economic growth? This question is true for all industries, not only for tobacco. Yet, for ideological reasons, the Union refuses to acknowledge it. It prefers to hide behind a simplistic position and abandon people to their destiny.

Tobacco is not only a health issue; it is also an economic force that cannot be ignored; it is woven into the fabric of European history and industry. The sector’s contribution to employment, trade, and tax revenues remains extremely significant to this day, creating a delicate balancing act between regulation and economic growth.



Yet, rather than accepting this reality and pivoting towards harm reduction, policymakers remain locked in an outdated war of attrition that has proven unable to produce relevant results, and that is only able to further impoverish our beloved continent.

Other industries, from alcohol to sugar to illicit drugs, have seen the tide shift towards strategies that mitigate harm rather than chase the impossible dream of eradication. Doing so, they have been allowed to continue contributing, freely, to European economic growth. Tobacco, however, remains the exception. Despite this, the contribution to the EU's GDP is objectively enormous, standing at 215 billion Euros, or 6.5% larger than the telecommunications sector (€130.3 billion), and the textile industry (€71.5 billion in 2022) combined.

The market has innovated, offering less harmful alternatives, but these too face suffocating restrictions—banned, dismissed, ideologically attacked, or taxed into oblivion. Contrary to incentivizing a transformation towards better products – as it is the norm in all industries and should be the fundamental aim of every industrial policy – the European Union persists on a purely value-signaling approach, without looking at data and reality.

Tobacco has not been vanishing; it has been undergoing adaptation. Provided this transformation progresses appropriately by innovating and producing healthier products, it should not pose a significant issue. As a matter of fact, this transformation should be welcomed, incentivized, and nudged.

The real question is whether public policy will finally acknowledge reality—embracing innovation, reducing harm, and treating smokers as individuals to be supported rather than consumers who deserve punishment. Or, rather, will we continue looking at it ideologically, achieving sub-par results on the health front, while simultaneously jeopardizing an engine of economic growth and conceding European competitors such as China the right to flood the EU markets with dangerous products?

The following paper delves into this intricate dynamic, exploring the unintended consequences of prohibitionist approaches, the potential for pragmatic harm reduction strategies to offer a more balanced path forward, and the too often-forgotten contribution of the tobacco industry to the economy of the EU. As Europe grapples with a complicated economic and geopolitical outlook, understanding the interplay between demand and regulation is crucial to crafting policies that are both economically sound and public health-oriented.



Embracing innovation and harm reduction in tobacco policy presents a unique opportunity for Europe to turn a regulatory deadlock into economic and public health progress. By shifting away from prohibitionist policies and supporting the development of safer alternatives, the EU can reduce the health burden of smoking while fostering an industry that generates jobs, investment, and technological advancements.

The market has already evolved, with reduced-risk products offering a path to mitigate harm, yet these innovations remain stifled by outdated regulations. A pragmatic approach—encouraging scientific advancements, incentivizing transitions to safer alternatives, and ensuring fair competition—would not only protect public health but also solidify Europe’s position as a leader in high-value manufacturing and research. Instead of conceding the industry to foreign competitors and illicit markets, the EU has the chance to harness innovation, ensuring economic growth aligns with health objectives.

The Persistent Economic Footprint of Tobacco in Europe



A Resource for Growth, Trade, and Innovation

For centuries, tobacco has been woven into the fabric of European history. Introduced to the continent in the 16th century, it quickly became more than just a commodity—it was a symbol of status, a driver of trade, and eventually, a cornerstone of powerful industries. From the gilded halls of European courts, where aristocrats puffed on imported cigars, to the bustling markets of industrial towns where rolling tobacco fuelled new economies, its presence was undeniable.

Entire communities thrived around its cultivation, processing, and sale. In some regions, tobacco farming shaped landscapes, while in others, cigarette factories became major employers, offering stable jobs for generations. Governments, too, found in tobacco a lucrative ally—its taxation filled state coffers, financing wars, welfare programs, and grand national projects.

Yet, tobacco's journey is not just one of prosperity; it is also one of conflict. Public health battles, shifting consumer behaviors, and regulatory changes have continuously reshaped tobacco's role in European society. Today, it stands at a crossroads—an industry increasingly scrutinized and regulated, transforming and innovating, while substantially contributing to the economy of the EU. In 2023, the traditional tobacco and new nicotine products industry contributed €215.0 billion to the EU-27 GDP.^[3] If it were a country, it would be the 17th largest economy in the EU, between Greece and Hungary.

The industry ultimately **supports over 1.6 million EU-27 jobs that pay €43.5 billion in wages**. The number of workers employed in the tobacco industry is about the size of the current population of Budapest. For every direct tobacco manufacturing job, another 23 are supported across the EU-27: eight in the supply chains, eleven in wholesale, distribution and retail, and four in the broader economies of the member states.



[3] Throughout this report, economic footprint indicators are based on a model developed by EPIC staff based on data from [S&P Global Market Intelligence](#) and [Eurobarometer data](#)

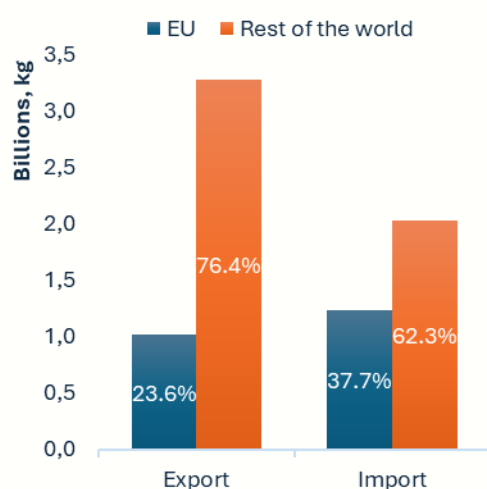


Tobacco is also one of the sectors where the EU has a positive trade balance and exerts a dominant global influence. In 2023, The EU accounted for **39.2% of global tobacco exports and 43.7% of imports** by value.

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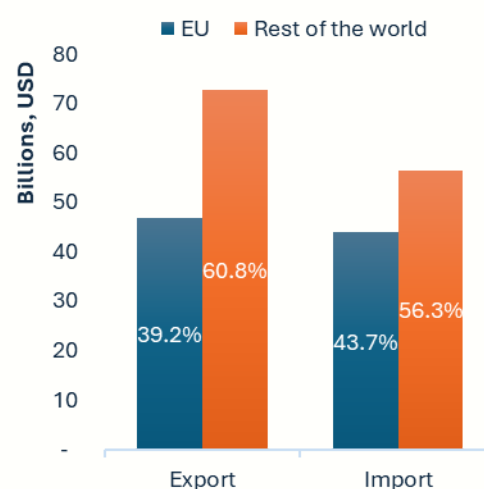
The EU's share in global tobacco volume is lower, at 23.6% for exports and 37.7% for imports. The higher value share shows that EU exports are priced above the global average. This suggests that EU tobacco products are valued higher in the global market and indicates the EU's competitive strength in tobacco products. This also helps the EU capture more value in the global tobacco supply chain, creating genuine wealth in the EU ecosystem.

Figure 1. EU-27 and Global Tobacco Trade: Exports and Imports in 2023 (billion kg)



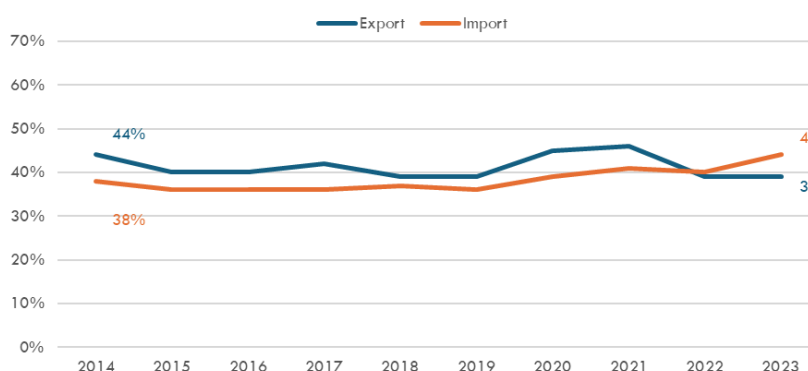
Source: UN Comtrade

Figure 2. EU-27 and Global Tobacco Trade: Exports and Imports in 2023 (billion USD)



Source: UN Comtrade

Figure 3. The share of EU-27 in global tobacco exports and imports value, in 2014-2023



Source: UN Comtrade



After decades of maintaining a strong export position, the region became a net importer in 2022, reflecting rising competition. The EU faces mounting economic and policy challenges with global trade tensions escalating and China's role in nicotine alternatives expanding. The expansion of illicit markets, driven by prohibiting regulations, has further eroded fiscal revenues.

Currently, there is no reliable data on the vape's illicit market size. According to UN trade statistics, China exported a value of only \$11.08 billion in e-cigarettes in 2023 but the Electronic Cigarette Industry Committee of the China Electronics Chamber of Commerce reports \$27.82 billion worth of e-cigarette exports. Assuming that at least 15-20% are destined for the EU the discrepancy in import value stands at least €2.45 billion. As the market value can be up to five times the import value (depending on a country's tax regime), the illicit imports from China could be worth more than €10 billion. Licit e-cigarette sales in Europe typically range from 40% (Germany and the UK) to 65% (Italy) in the Member states, according to country surveys.

A sound regulation with market incentives will be critical to sustaining competitiveness and achieving long-term public health goals. Given the EU's broader economic challenges and seeing the large contribution of the sector to the Member States' treasuries, preserving the EU's leadership in the field is vital. Failure to adapt risks further weakening its industrial base and long-term trade position.

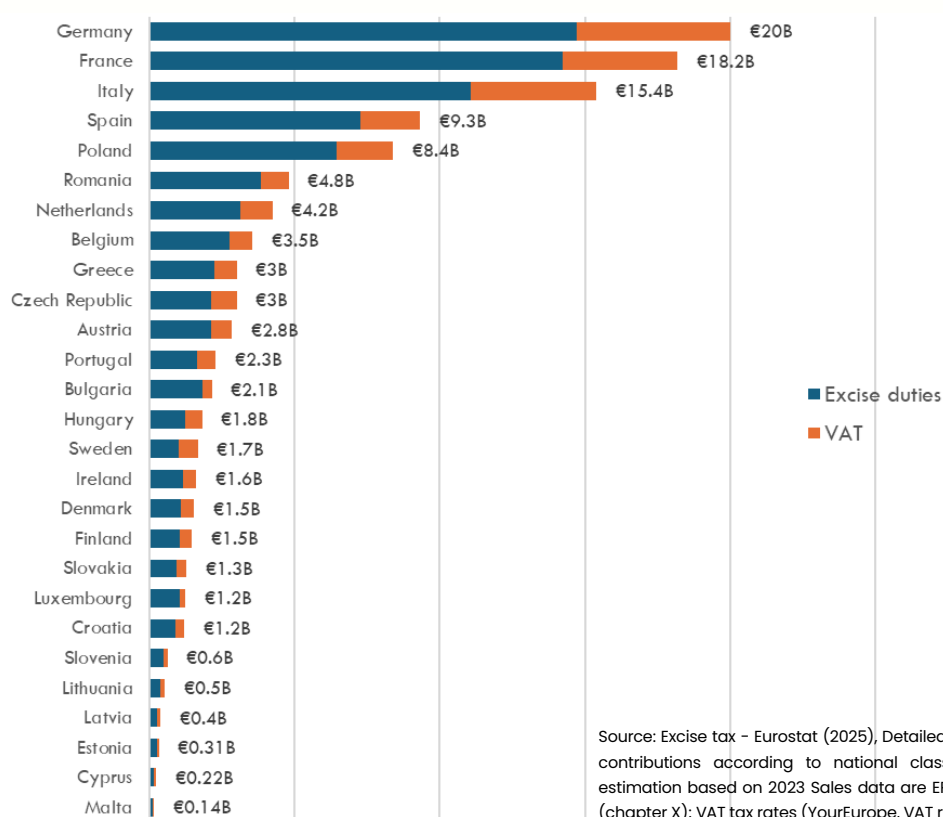
The Draghi Report recommends reinforcing competitive advantages in strong sectors, supporting industries that generate trade surpluses, attract investment, and sustain high-value jobs. It advocates keeping trade barriers low, especially for digital goods and services with the U.S., to maintain access to critical technologies like AI models and processors. Pragmatic trade measures should align with productivity goals and focus on sectors where the EU already has a competitive edge.

One such sector is tobacco, where the EU maintains a strong position. The EU is a leading producer of high-quality raw tobacco, with countries like Italy, Poland, Greece, and Spain contributing significantly to global supply. Tobacco exports not only generate substantial trade surpluses but also support rural economies and employment across Europe. Maintaining this advantage requires a balanced regulatory environment that supports innovation in new nicotine products, aligns with global market trends, and avoids unnecessary trade barriers. By leveraging its strength in the tobacco industry, the EU can bolster its trade position, attract investment, and contribute to broader economic stability and growth.



Furthermore, the tobacco industry is also a critical source of tax revenue for EU governments, contributing €111.1 billion through excise duties and VAT in 2023. That is approximately **1.3% of the total revenue of all 27 EU governments**. Tobacco excise duties alone generated **€83.3 billion**, more than double the EU's gross domestic expenditure on R&D (€41 billion) and nearly equivalent to the combined defense spending of 24 EU Member States, excluding France, Germany, and Italy. VAT on tobacco sales added another €27.8 billion to national budgets.[4]

Figure 4. Tobacco VAT and excise tax revenue by country in 2023



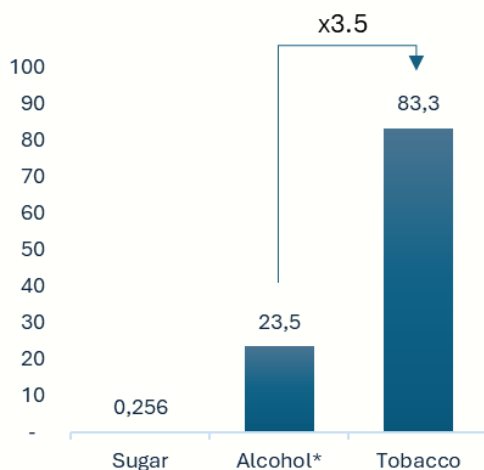
Source: Excise tax - Eurostat (2025), Detailed list of taxes and social contributions according to national classification; VAT - Own estimation based on 2023 Sales data are EPIC stuff own estimates (chapter X); VAT tax rates (YourEurope, VAT rules and rates)

Compared to other sectors, tobacco excise taxes are substantial. In 2022, tobacco excise taxes were 3.5 times higher than alcohol taxes (€23.6 billion) and significantly more than taxes on sugar and sugar-sweetened beverages (€256 million). However, the growth rate of tobacco tax revenues has slowed, dropping from 4.3% annually (1999–2010) to 1.4% (2010–2024), mainly due to declining sales.

[4] Eurostat (2024). [Detailed list of taxes and social contributions according to national classification](#)

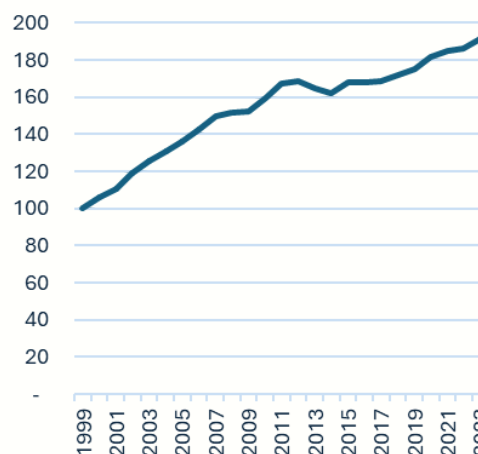


Figure 5. Total excise tax revenue from sugar, alcohol, and tobacco products in the EU in 2023



Source: Alcohol - European commission (2023), Excise duty tables; Sugar and tobacco - Eurostat (2025), Detailed list of taxes and social contributions according to national classification; *Note: Alcohol excise tax revenue is based on 2022 data.

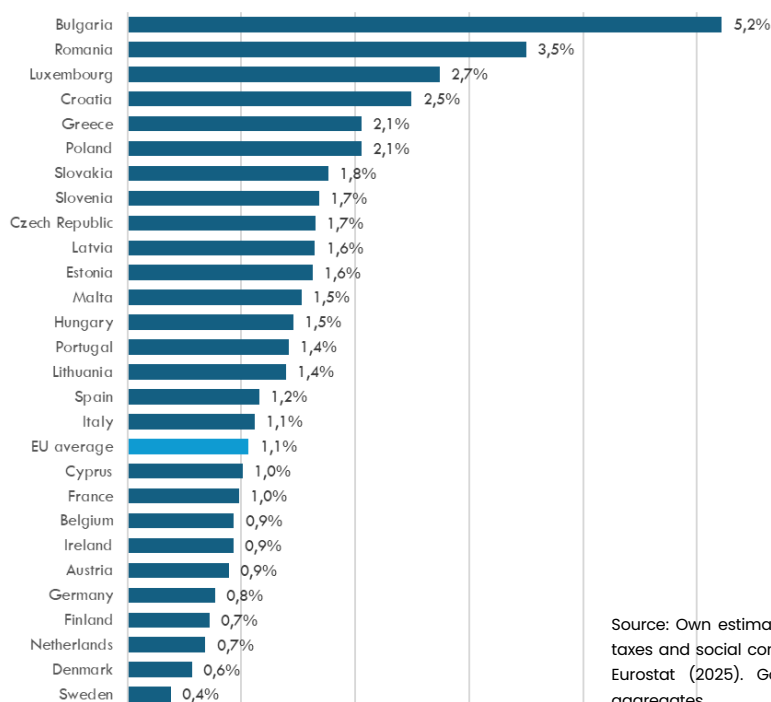
Figure 6. Total excise tax revenue from tobacco products in the EU (1999–2023, index 1999=100)



Source: Eurostat (2025), Detailed list of taxes and social contributions according to national classification;

Total **tobacco taxes contributed 1.4% of total EU government revenues in 2023**, with Bulgaria (over 6.2%), Romania (4.5%), and Luxembourg (3.3%) leading the way. Even the economic giants of the EU, Germany, and France, are heavily reliant on tobacco taxes - respectively for 1.1% and 1.3% of their total government revenues. A drop in tobacco tax-related income would pressure public finances, necessarily leading to increasing taxes elsewhere or cuts to public services.

Figure 7. Share of excise tax paid by tobacco industry in general government revenue



Source: Own estimation based on Eurostat (2025). Detailed list of taxes and social contributions according to national classification; Eurostat (2025). Government revenue, expenditure and main aggregates

Alternative Tobacco Products and Smoking Decline

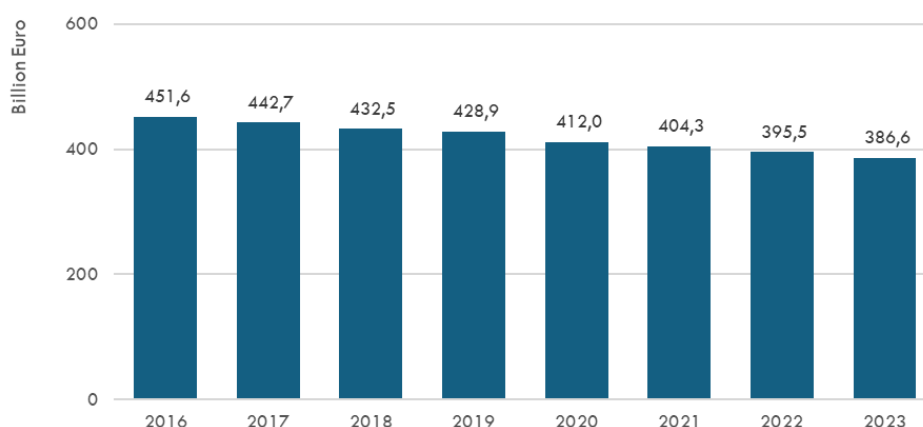


How Innovation Really Works

Looking at this industry without ideological lenses, the long history and the economic relevance of tobacco in Europe highlight a sector that powers economies and remains a formidable engine of growth, even as it faces its greatest period of transformation.

The market and the industry are transforming, with declines in traditional tobacco consumption being offset by the growth of innovative nicotine products. Cigarette sales, which **accounted for over 74% of traditional tobacco product sales in 2023**, have been declining for years. Between 2016 and 2023, annual sales dropped from 451.6 billion to 396.4 billion sticks, a total decline of 14%.

Figure 8. Annual cigarette sales in the EU-27



Source: Statista

According to Eurobarometer data, cigarette prevalence fell from 19.4% in 2020 to 18.3% in 2023, while fine-cut tobacco use declined from 5.8% to 5.2%. Meanwhile, the share of heated tobacco and e-cigarette users rose from 3.5% to 4.8%, indicating a shift toward alternative nicotine products. These trends highlight the demand-driven nature of the tobacco market, with technological advancements meeting the requests of consumers.[5]

The ideological nature of prohibitionist policies shows all its limits when considering that safer alternatives to traditional cigarettes already exist. Faced with relentless restrictions, the industry has been forced to innovate, developing new nicotine delivery technologies that were unimaginable just a decade ago. Heated tobacco, for example, reduces exposure to harmful chemicals compared to combustible cigarettes. Nicotine pouches completely eliminate the issue of aerosol.

[5] Eurobarometer (2024). [Attitudes of Europeans towards tobacco and related products](#)



No one is stating that these new products result in zero harm. However, they are undeniably much less harmful. With the right policy framework, aimed at incentivizing innovation, they will further improve over the years.

Practically speaking, alternative nicotine products, such as heated tobacco, e-cigarettes, and nicotine pouches, present a promising avenue for reducing smoking prevalence. By offering smokers a less harmful option, these products can support public health objectives without the unintended consequences of strict prohibitionist policies. If smokers switch to these alternatives, their exposure to harmful chemicals will significantly decrease. As the market for new nicotine products grows and technology continues to improve, these alternatives can play a crucial role in accelerating the decline in traditional cigarette use, contributing to overall harm reduction and healthier outcomes for the European population.

Eurobarometer data shows that countries with larger declines in smoking prevalence tend to have higher rates of alternative product use. For example, Greece, Czechia, and Romania report notable declines in smoking prevalence (6%, 7%, and 2%, respectively) and have some of the highest prevalence rates for heated tobacco (4%, 3%, and 3%, respectively). Czechia's 7% reduction in smoking prevalence, for example, shows the effectiveness of its harm-reduction approach outlined in the 'National Strategy to Prevent and Reduce the Harm Associated with Addictive Behavior 2019-2027.'^[6]

Sweden offers a clear example of harm reduction, where snus, a smokeless tobacco product banned in the rest of the EU, has decisively contributed to achieving Europe's lowest smoking rate. Daily smoking declined from 11.4% in 2011 to 5.4% in 2024. Total smoking prevalence, including occasional smokers, fell from 23.9% in 2010 to 10.9% in 2024.^[7]

Sweden's approach differs from other EU countries due to its exemption from the EU-wide ban on snus, an oral tobacco product less harmful than cigarettes, as users have lower levels of harmful tobacco-related biomarkers, such as tobacco-specific nitrosamines. Tax policy reinforced this shift by making snus a more affordable alternative. The excise duty on smoking tobacco is 2,241 SEK per kilo, more than four times higher than the 526 SEK per kilo imposed on snus.

Sweden has benefited from this transition, as the decline in cigarette consumption has led to reduced harm. The incidence of new lung cancer cases has fallen rapidly, particularly among men, who are the primary group shifting from smoking to snus.

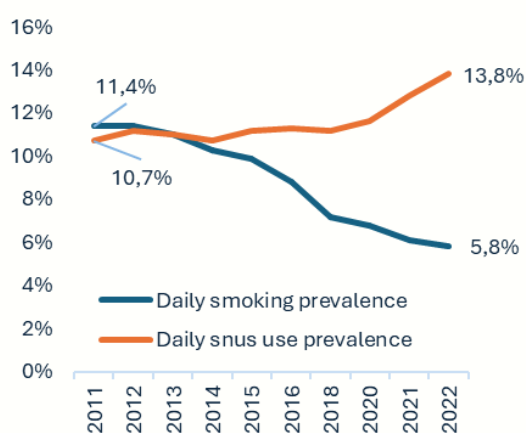
[6] Eurobarometer (2024). [Attitudes of Europeans towards tobacco and related products](#)

[7] Government of Sweden (2024). [National Public Health Survey](#)



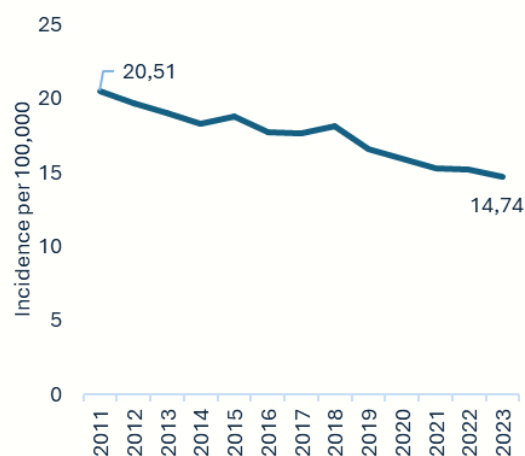
Between 2011 and 2023, lung cancer incidence among men dropped from 20.5 to 14.7 cases per 100,000, reflecting the impact of reduced smoking rates. Sweden also reports the lowest rates of smoking-related diseases in the EU, including tobacco-related cancers and cardiovascular conditions.

Figure 9. Daily smoking and snus use prevalence in Sweden (among people aged 16–84)



Source: Government of Sweden (2022). National public health survey

Figure 10. Lung cancer incidence per 100,000 in Sweden among men



Source: Swedish National Board Of Health And Welfare, Statistical Database

Sweden used snus to reduce smoking, while the European Commission banned it, preventing other member states from doing the same. This has slowed the European progress toward the 2040 Smoke-Free Goal, that is, reducing smoking to 5% in the European Union. The EU cannot afford to repeat this mistake by restricting alternative nicotine products. If new products, such as nicotine pouches, face similar rules, or worse, outright bans, the EU risks failing to meet its public health goals, driving more consumers to illicit markets, increasing health risks, losing tax revenue, and jeopardizing its economy.

We cannot have policy frameworks continue to operate on assumptions from the previous century, treating all tobacco products as equally dangerous and refusing to acknowledge the potential of harm reduction. While public health strategies for alcohol, sugar, and even hard drugs have evolved to recognize and integrate safer alternatives, tobacco policy remains frozen in time, unwilling to distinguish between old and new risks.



The transition from traditional cigarettes to alternative nicotine products represents the most effective and pragmatic path toward reducing smoking prevalence in Europe. As seen in Sweden and other countries with progressive harm-reduction strategies, allowing and encouraging safer alternatives leads to tangible public health benefits without the unintended consequences of prohibitionist policies.

The EU stands at a critical juncture: by embracing innovation, it can accelerate the decline of combustible tobacco while maintaining economic stability, safeguarding tax revenues, and preventing a surge in illicit and low-quality products flooding the market.

The opportunity is clear—policymakers must move beyond outdated frameworks and recognize that the real path to ending smoking lies in enabling consumers to switch to regulated, harm-reducing alternatives rather than clinging to ideological bans that have repeatedly failed.

A Pragmatic Path to the End of Smoking



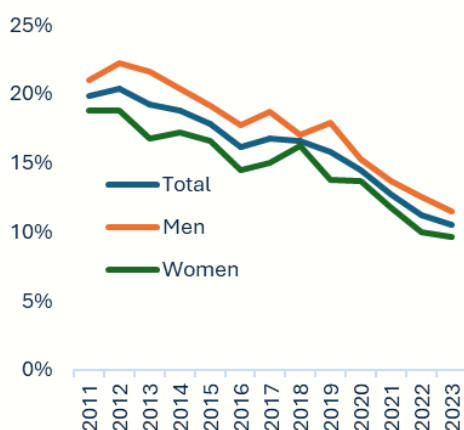
Innovation, Harm Reduction, and Economic Growth

A pragmatic approach to tobacco regulation embraces harm reduction as a core principle, prioritizing public health while leveraging economic opportunities. Unlike rigid prohibitionist policies, which have failed to eliminate smoking, this model recognizes that not all nicotine products pose the same level of risk. By aligning regulatory stringency with product harm, policymakers can incentivize smokers who cannot or will not quit to transition to safer alternatives, significantly reducing smoking-related diseases while fostering innovation in new nicotine delivery systems.

This shift requires moving away from a simplistic **"quit or die"** approach and adopting a continuum of risk strategy. Under this model, higher-risk products like combustible cigarettes face strict taxation and advertising bans, while lower-risk alternatives—such as e-cigarettes, heated tobacco, and nicotine pouches—are subject to proportionate regulations that encourage substitution.

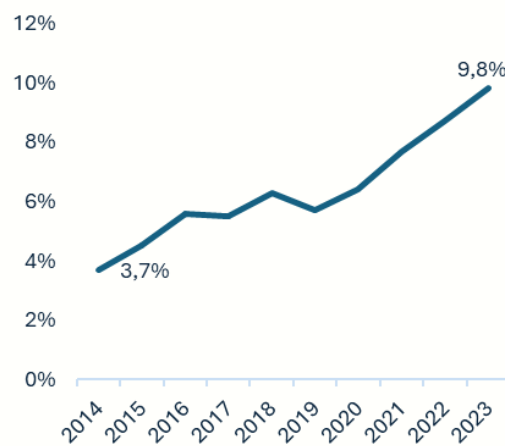
Countries like the UK, Japan, and Sweden demonstrate the success of this approach: the UK's "Swap to Stop" program has integrated e-cigarettes into cessation efforts, Japan's differentiated taxation on heated tobacco has driven cigarette sales down, and Sweden's long-standing harm reduction strategy with snus has led to the lowest smoking rates in Europe. These cases show that when safer alternatives are made accessible, smoking prevalence declines—without resorting to ineffective blanket bans.

Figure 11. Smoking prevalence in the UK (among people aged 16 or above)



Source: UK Office of National Statistics (2024). E-cigarette use in Great Britain

Figure 12. E-cigarette prevalence in the UK*

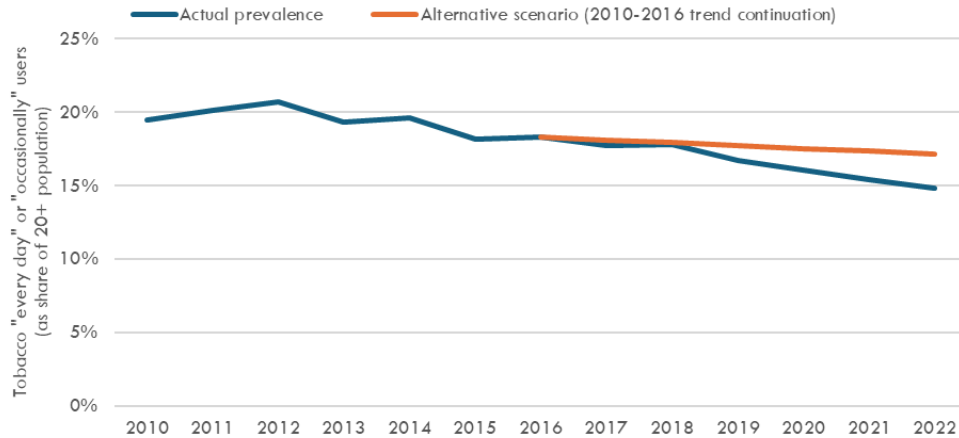


Source: UK Office of National Statistics (2024). Adult smoking habits in the UK : 2023

* Before 2020: Current use; From 2020: Daily and occasional use



Figure 13. Tobacco prevalence in Japan, 2010–2022



Source: own estimations based on National Health and Nutrition Survey Japan, 2022

For the EU, this strategy carries both health and economic benefits. As a leading producer of tobacco and new nicotine products, Europe has an opportunity to strengthen its global competitive edge while supporting rural employment and trade surpluses. By fostering innovation in harm reduction and maintaining a balanced regulatory framework, the EU can achieve its public health goals while preventing economic contraction and the rise of illicit markets. A pragmatic, evidence-based approach to tobacco regulation ensures that public health progress does not come at the cost of economic stagnation, but rather drives both forward in tandem.

Conclusion



A Pivotal Choice for the EU: End Smoking and Grow, or Squander away Billions for Nothing

Tobacco's place in Europe is as entrenched as it is contested. Centuries of economic significance, cultural attachment, and consumer persistence have proven that no amount of regulation will erase its presence. Yet, public policy continues to pursue an increasingly restrictive approach, treating smoking as a problem that can be eradicated rather than managed. This report has sought to highlight the significance of tobacco as an economic and trade asset, but also the contradictions at the heart of the policies governing it.

Governments exploit tobacco's inelastic demand to generate revenue while simultaneously rejecting harm reduction strategies that could mitigate the health risks for millions of people. Instead of adapting to technological progress, policymakers cling to outdated frameworks, restricting alternatives that can offer a safer path for those who continue using nicotine. This disconnect between regulation, reality, and innovation raises pressing questions about the future: will policy remain rigid and punitive, or will it evolve to acknowledge that tobacco use, like other lifestyle risks, requires a more balanced, pragmatic approach?

As Europe moves forward, the conversation must shift from prohibitionist instincts to harm-reduction strategies that align with both public health goals and economic realities. Consumers' habits will continue to evolve, and so will the industry. The question is whether policymakers will evolve with them—or remain locked in a battle they cannot truly win.

The EU is currently revising two pivotal directives—the Tobacco Products Directive (TPD) and the Tobacco Tax Directive (TTD)—which will significantly influence both public health and economic landscapes across member states. The TPD objective is to regulate the manufacturing, presentation, and sale of tobacco and related products, with the forthcoming iteration expected to address emerging products such as nicotine pouches, e-cigarettes, and heated tobacco products. Key considerations include setting standards for nicotine content, flavor restrictions, and advertising limitations to ensure these alternatives are effectively integrated into harm reduction strategies while safeguarding public health.

Concurrently, the **TTD seeks to harmonize taxation policies on tobacco** products to prevent market distortions and discourage consumption. The revision is anticipated to include new tobacco products under its scope, as they are currently absent at the EU Directive level. Countries, however, have already adopted precise legislation regulating these new products.

This modernization, it is said, aims to ensure fair competition and address health concerns associated with **both traditional and novel tobacco products**. However, delays in the legislative process have raised concerns among health organizations, emphasizing the need for timely action to meet public health objectives.

The outcomes of these revisions are critical, especially given the EU's current economic uncertainties. Striking a balance between stringent health measures and economic stability is essential to avoid unintended consequences, such as the proliferation of illicit markets or economic downturns in regions reliant on tobacco-related revenues.

For both Directives data analysis suggests that extreme interventions would lead to heavy economic losses. The decisions taken in this directive need to be reasoned deeply, both in terms of health outcomes and economic outcomes. The risk of creating more economic damage to the already-battered European scenario is relevant, given the difficulties faced at the international level.

When a more stable international situation is achieved, the EU can choose to expand its ideological, prohibitionist approach—one that will simultaneously push smokers away from safer alternatives and damage the Union's economy. This path would lead to significant **economic fallout**, including the loss of **€215 billion in GDP and over 1.6 million jobs**, and a surge in illicit trade that will undoubtedly finance organized crime. Additionally, tightening restrictions and increased taxation on emerging nicotine products will erode the 111.1 Billion euros currently generated by the tobacco industry each year, putting further pressure on public finances. In turn, this will lead to cuts to essential services or higher taxes elsewhere.

Therefore, the EU must adopt a pragmatic approach that integrates harm reduction principles, supports innovation in safer nicotine alternatives, and maintains economic resilience while achieving public health goals. By aligning regulations with product risk, policymakers can encourage smokers to transition to safer nicotine alternatives, improving public health and enhancing the lives of millions.



This approach not only reduces public spending on healthcare but also preserves and potentially increases tax revenues by supporting a sector that contributes significantly to the EU's trade surplus. Pragmatic regulation would provide clear, investment-friendly signals to the industry, fostering innovation toward better alternatives, further decreasing damage in society, and maintaining Europe's competitive advantage in the global market.

Europe stands at a turning point. The decisions made on tobacco regulation will determine whether the EU leads the world in harm reduction and economic innovation or falls once again behind, losing both public health gains and economic advantages to competitors. A balanced, pragmatic approach—one that recognizes the role of alternative nicotine products in reducing smoking-related harm while maintaining a competitive industry—can save millions of lives and strengthen Europe's economic resilience.

THE CHOICE IS CLEAR:

Either persist with an outdated prohibitionist stance that has repeatedly failed or embrace harm reduction as the key to achieving both healthier populations and a stronger economy. By fostering innovation, proportionate regulation, and a risk-based approach to taxation, the EU can simultaneously reduce smoking-related diseases, secure tax revenues, and prevent the illicit market from undermining public health. Failing to act pragmatically will not only erode the Union's fiscal and industrial strength but also hand over market dominance to global competitors like China—without delivering any meaningful health benefits. Now is the time for Europe to lead with science, strategy, and common sense, ensuring a future where smoking is no longer a public health crisis but a problem of the past.

Contact



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