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Tobacco landscape and taxation in Romania

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Abstract

The report provides an in-depth analysis of Romania's tobacco industry, and assesses the economic and social implications of fiscal regulations on consumption, public health and budget revenues. It compares the potential effects of adopting the proposed EU Tobacco Directive with the continuation of the current taxation model based on the excise tax schedule outlined in Romania's Fiscal Code.

Keywords: Excise, Taxation, Tobacco, Smoking

JEL classification: H23, I12, I18, L66

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1. Executive Summary

This report provides a detailed analysis of Romania's tobacco market, focusing on production, consumption, taxation and public health. It evaluates the impact of current fiscal policies versus the proposed update to the EU Tobacco Taxation Directive (TTD), using simulation models to assess their implications on consumption, fiscal revenues and health outcomes.

Although Romania has steadily increased tobacco excises year after year, this has been insufficient to counteract the impact of rapid income growth and inflationary pressures. Between 2015 and 2023, the affordability of cigarettes increased by 30%, meaning that cigarettes have become cheaper in relative terms, with the share of GDP per capita required to purchase 100 packs declining from 4.03% in 2015 to 2.79% in 2023. This has eroded the effectiveness of tobacco control policies, with the result that smoking prevalence has rebounded to 2016 levels. Compounding this issue is the increasing penetration of heated tobacco product (HTPs) and electronic cigarettes (e-cigarettes), the affordability and targeted marketing of which have significantly boosted consumption. Between 2018 and 2020, Romania registered an increase of more than 70% in HTP sales, making it one of the 10 countries with an annual increase in HTP sales exceeding 10%. This trend is particularly worrying because these products are primarily consumed by teenagers and young people.

Cigarette production has remained relatively constant in the last three years (at 63 billion sticks), while HTPs have seen high growth, judging by export figures. HTP exports, which increased to 42.93 billion units in 2023 from 34.24 billion units in 2022, represent around 95% of total HTP production, meaning that around 2.5 billion HTP units are consumed domestically.

Besides increasing the excises, the measures Romania has taken to tackle growth in HTP and cigarette consumption include the introduction of an extended list of tobacco products on which excises are imposed. For example, 'liquid containing nicotine' and 'tobacco contained in heated tobacco products' were replaced by a more varied list in 2024.

In addition, for cigarettes, the ad valorem tax was gradually decreased, from 13% in 2022 to 10% in 2025. In parallel, to narrow the price gap between expensive and cheap cigarettes in order to make it harder for smokers to 'trade down' to cheaper brands, the country raised the rate of the specific excise duty. Nevertheless, these measures have proven insufficient to stop tobacco use and prevalence increasing.

To evaluate the fiscal and health implications of tobacco excise policy, this report utilises the Tobacco Excise Tax Simulation Model (TETSiM), a robust analytical tool developed to simulate the effects of excise tax changes on key variables, including cigarette consumption, government revenue, smoking prevalence and public health outcomes. The model compares two scenarios: the maintenance of the current Fiscal Code excise calendar, which stipulates incremental annual tax increases, and the progressive adoption of the proposed TTD. The updated directive will increase the minimum tax rates while introducing significant structural reform to excise tax calculations for EU member states based on

inflation and purchasing power parity (PPP), ensuring that tax increases maintain their effectiveness over time.

The baseline year for the analysis is 2023, chosen for the availability of detailed and comprehensive data on all major tobacco product categories, including manufactured cigarettes, fine-cut tobacco and HTPs.

Implementing the proposed TTD from 2024 would have generated an additional 7.26 billion Romanian lei (RON), or EUR 1.45 billion, in tax revenues over three years, compared to the excise policy based on the current Fiscal Code. These revenues would significantly enhance fiscal stability, particularly given the existing public deficit. By contrast, with its modest tax adjustments, the current excise calendar limits revenue growth while failing to effectively address affordability.

Health outcomes under the proposed TTD would be similarly transformative. The stricter excise regime would reduce national cigarette consumption from 26.2 billion sticks in 2023 to 22.85 billion by 2026, representing a 13% decline. Conversely, maintaining the current excise calendar would boost consumption to 26.99 billion sticks by 2026. Smoking prevalence would decline by 2 percentage points (pp) under the TTD, while the current policy would result in an increase of 0.3 pp. This reduction in consumption and prevalence under the proposed TTD is forecast to prevent 92,801 premature deaths by 2026. In contrast, keeping to the current schedule is projected to lead to an additional 13,207 premature deaths due to increased affordability and consumption.

The aim of this report is to serve as a robust scientific foundation to aid policy makers in designing evidence-based public policies. Based on its findings, the report recommends the following policy improvements:

- › Implement the provisions of the proposed TTD, even at the minimum requirements regarding the level of excise duties, to reduce both the level of consumption and the number of premature deaths while also increasing budget revenues.
- › Apply the same principle of taxation to HTPs as to manufactured cigarettes. As a first step, the excise base must be changed from the current quantity-based (kg) method to a per-unit system.
- › Create interactive digital platforms (e.g. apps and social media campaigns) to educate young people about the dangers of tobacco, HTPs and e-cigarettes. Collaborate with influencers and educators to produce relatable and engaging content that effectively counters tobacco industry marketing and promotes informed decision-making among young audiences.
- › Adopt stricter non-price measures (e.g. banning smoking around educational facilities) and enforce existing legislation more strictly, especially laws on indoor smoking and selling cigarettes to minors.

2. Introduction

International institutions, spearheaded by the World Health Organization (WHO), are raising urgent concerns regarding the dangers of tobacco use. Advances in scientific literature, particularly at the intersection of medical and economic studies, have increased awareness among national governments of the significant costs of tobacco consumption. Furthermore, comprehensive, multidisciplinary research underscores that tobacco consumption represents not only a critical public health concern but also puts most of the Sustainable Development Goals at risk because of its extensive harms.

The WHO emphasises the dangers of tobacco consumption, which causes more than 8 million deaths annually (IHME 2019). It is a key risk factor for the four major noncommunicable diseases (NCDs): cardiovascular diseases, cancer, diabetes and chronic respiratory diseases. Approximately 14% of all NCD-related deaths among adults aged 30 and over are attributable to tobacco (WHO Global Report 2012: 13). Beyond its devastating health effects, tobacco imposes immense economic costs, including healthcare expenditure and productivity losses, which amount to an estimated 2% of global GDP. Tobacco consumption also exerts a crowding-out effect on household resources, diverting spending from basic needs and productive investments (e.g. food, education and health care).

Romania's health objectives, as specified in its National Plan for Cancer Prevention and Control (MoH 2023), are closely aligned with broader European goals, particularly in the context of Europe's Beating Cancer Plan (EBCP; European Commission 2021). This comprehensive plan aims to reduce cancer incidence and mortality through a multifaceted approach that includes preventive measures, early detection and effective treatment. Key strategies within this plan involve promoting healthy lifestyles, enhancing cancer screening programmes, and ensuring access to quality care and innovative treatments. One of the key actions identified for prevention is creating a tobacco-free generation, with tobacco taxation and non-price policies recognised as the main tools to achieve this objective.

The Romanian government has also implemented comprehensive tobacco control policies (e.g. higher taxation, public smoking bans and smoking cessation programmes) in an effort to improve public health. However, these efforts face two major challenges. First, new tobacco products, particularly HTPs, have emerged as substitutes that bypass the indoor smoking ban in Romania. These products are very attractive to young people, increasing the risk of their remaining active smokers, even in adulthood. Second, despite consistent tax hikes, rising incomes and inflation have outpaced price increases, making both cigarettes and alternative tobacco products increasingly affordable. This affordability issue, detailed in the 2024 Cigarette Tax Scorecard (Drope et al. 2024),¹ is not unique to Romania, but part of a global phenomenon. The result has been a persistent increase in overall tobacco consumption, including traditional and alternative products. Notably, since 2018, e-cigarette usage has increased by 187% and HTP use has quadrupled.

¹ The Cigarette Tax Scorecard assesses countries' cigarette tax systems with respect to their consistency with the four established best practices for cigarette taxation on a five-point grading system. It evaluates cigarette price, changes in cigarette affordability, tax shares and tax structure (<https://tobacconomics.org/research/cigarette-tax-scorecard-3rd-edition/>).

Since 2018, research into tobacco consumption and taxation in the Balkan region has expanded, with studies showing that the smoking prevalence in the Western Balkans (37.6%) is significantly higher than the EU average (19.2%) (Vladisavljević et al. 2020). These studies consistently highlight that tobacco taxation is the most efficient way to curb consumption while also generating tax revenues and reducing healthcare costs (Zubović et al. 2023). Despite the clear evidence, the reliance on tobacco taxes, which constituted 3.8% of Romania's total budget revenues in 2021, complicates the adoption of stricter policies. The influence of the tobacco industry – which often highlights its contributions to foreign investments, job creation and tax payments (a narrative publicly supported by political figures) – exacerbate this challenge.

The first part of the report serves as an update to the landscape report on the Romanian tobacco market published in 2023 (Nerău et al. 2023). It highlights the most recent trends in the production and consumption of both traditional and new tobacco products as well as the regulatory changes of the past few years. The second part of the report extends the descriptive summary by modelling the fiscal and health effects of excise tax increases. The modelling compares two scenarios over the 2024-2026 period: (i) maintaining the current Fiscal Code, and (ii) the implementation of an increase in line with the proposed update to the EU Tobacco Taxation Directive (TTD). Under this proposal, the TTD would determine the minimum excise rates by taking into account purchasing power in EU member states and specifying a minimum rate for alternative products. The proposal doubles the baseline minimum rate, with a subsequent expected increase for Romania of around 54% for manufactured cigarettes, 75% for fine-cut tobacco, and 175% for HTPs. As the modelling results show, anticipating the increase and acting now would allow for a more gradual increase, help to save more lives, and increase tax revenues even earlier.

The report starts with a general overview of Romania, providing essential background information on the country and its economic outlook (Section 3). Section 4 describes the tobacco control policies, including non-price measures and the taxation system. Section 5 presents the supply side of the tobacco market, including raw tobacco producers, primary tobacco-processing units, and tobacco product manufacturers. Section 6 examines Romanian exports and imports of tobacco and tobacco products, while Section 7 discusses illicit trade and cross-border pressure. In Section 8, the report turns to the demand side and describes trends in smoking prevalence – linking this to changes in affordability – and the use of alternative products. Section 9 describes the model and its assumptions in addition to presenting the results. The report concludes by summarising the findings and providing policy recommendations.

3. General economic overview

Romania is located at the crossroads of Central and Southeastern Europe, with a population of 19.1 million. Bucharest, Romania's capital and largest city, contributes almost 25% of the national gross domestic product (GDP), is home to 20% of the national population, and has been the country's main destination for foreign direct investment (FDI) for more than a decade. Other cities (e.g. Cluj-Napoca, Timișoara and Oradea) also enjoy high living standards and robust commercial economies, attracting significant investment.

Romania has a mixed, high-income economy with a very high human development index and a skilled workforce, ranking 12th in the European Union (EU) by total nominal GDP and 7th when adjusted by PPP. However, when it comes to GDP per capita adjusted by PPP, Romania ranks 23rd in the EU.

Romania's economic growth, though comparatively slower in 2023 (at 2.1%), remains robust, supported by EU funds, low unemployment and rising wages. Inflation, although easing to 9.7% in 2023, continues to affect consumption patterns, while the construction and industrial sectors face challenges from high production costs.

Table 1 / Romania – General Information

Indicator	2021	2022	2023	EU rank
Population	19,201,662	19,042,455	19,054,548	6 
Population over 15 years old	16,174,719	15,953,432	15,967,975	7 
GDP (in EUR bn)	241,61	284,17	324,58	12 
GDP, per capita	EUR 12,630	EUR 14,920	EUR 17,030	26 
GDP, real growth (in %)	5.71%	4.11%	2.15%	6 
Inflation	4.1%	12.0%	9.7%	23 
Current account deficit (%GDP)	5.7%	7.1%	7.8%	
Fiscal balance (%GDP)	-7.1%	-6.4%	-6.5%	
Unemployment according to LFS (in %)	5.6%	5.6%	5.6%	14 
Average monthly net wage	EUR 716	EUR 757	EUR 925	26 
Employed population (thousand persons)	7,667.6	7,728.3	7,613.5	7 
Wage earners (end of year)	5,516,391	5,607,145	5,677,300	

Sources: Eurostat, National Institute of Statistics Tempo database (<http://statistici.insse.ro:8077/tempo-online/>), European Commission AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en)

4. Tobacco legal framework and taxation system

4.1. NON-PRICE POLICIES

The more complex legislation governs tobacco consumption, sales and advertising. The legal framework (which has been repeatedly amended) comes from Law No. 349/2002, which regulates smoking in public places. This law has been amended several times, including by Law No. 201/2016, which replaced the packaging and labelling provisions as well as regulating aspects related to additives, disclosures, distance sales, e-cigarettes and herbal smoking products. Law No. 457/2004 is the primary legislation governing tobacco advertising, promotion and sponsorship. Law No. 504/2002, the Audiovisual Law, is the primary legal act that regulates audiovisual broadcasts in Romania. It prohibits any form of audiovisual commercial communication related to tobacco products.

In October 2023, 10 proposals were submitted to the Romanian Parliament (i.e. to the Deputy Chamber or the Senate) targeting various aspects, of which the following are the most impactful:

1. The prohibition of smoking and the use of all categories of products containing tobacco, e-cigarettes, refill containers for e-cigarettes, electronic tobacco-heating devices and smokeless inhalation products made from tobacco substitutes for students in all educational establishments.
2. The prohibition of the sale through vending machines of all categories of products containing tobacco, e-cigarettes, refill containers for e-cigarettes, electronic tobacco-heating devices, smokeless inhalation products made from tobacco substitutes, and nicotine pouches for oral use.
3. The prohibition of the sale through easybox/locker-type devices of all categories of products containing tobacco, e-cigarettes, refill containers for e-cigarettes, electronic tobacco-heating devices, smokeless inhalation products made from tobacco substitutes, and nicotine pouches for oral use.
4. The delivery of all categories of products containing tobacco, e-cigarettes, refill containers for e-cigarettes, electronic tobacco-heating devices and smokeless inhalation products from tobacco substitutes, and nicotine pouches for oral use is now only permitted if the package bears a warning message (in all capital letters) about its contents: 'This package contains tobacco products and/or products containing nicotine. Verify the client's age.' (Official Gazette of Romania 2024).

Traceability of all tobacco products – On 20 May 2024, the tobacco traceability system was extended from cigarettes and rolling tobacco to other tobacco products (MoF 2024). The same traceability rules also apply to alternative tobacco products. The National Printing House developed a platform on which economic operators register to obtain a unique registration code that lets them track the product across the entire European market, from manufacturer to final point of sale.

The most important development in the legal framework for tobacco regulation has been the amendments introduced by Law No. 64 of 28 March 2024. This law (i) amends and completes the previous tobacco control laws with a more detailed definition of the alternative products (electronic devices for heating tobacco and smokeless inhalation products from tobacco substitutes, e-cigarettes, refill containers, nicotine pouches for oral use, smokeless inhalation products from tobacco substitutes);

(ii) regulates the marketing and introduction onto the market of alternative tobacco products (nicotine pouches for oral use); (iii) strengthens the ban on smoking (e.g. students are no longer permitted to smoke or consume any category of tobacco products, including traditional tobacco products and the new categories listed above, in educational facilities); (iv) regulates new tobacco products more strictly (banning them for sale through vending machines and to minors [under-18s]); and (v) regulates the sale by easybox (ban) and courier (special marking). Thus, this law represents a step forward in banning the sale to minors of e-cigarettes and heated tobacco products, which could legally be sold to minors before this law (see Morogai and Turcu 2024).

Despite the regulatory changes implemented by the government, improvements are also needed in the effective enforcement of regulations. Areas that could benefit from tighter control include young people's access to tobacco products, the content of online advertising, and compliance with the indoor smoking ban.

4.2. TOBACCO TAXATION SYSTEM IN ROMANIA

The taxation of tobacco products in Romania includes both ad valorem and specific taxes. As in all other EU countries, a mixed excise system is applied to cigarettes – consisting of both ad valorem and specific excise – with a minimum tax. All other tobacco products (i.e. cigars and cigarillos, fine-cut tobacco, other smoking tobacco and alternative products) have only specific excise applied. In Annex 1 of the Fiscal Code, a calendar of total excise duty is provided for each tobacco category; this is the minimum excise duty for cigarettes, while it is equal to the specific excise for other products. The excise duty rates are updated annually and take effect each year on 1 April (Official Gazette of Romania 2022).

For cigarettes, the specific excise duty expressed in RON/1,000 cigarettes is determined annually, based on the weighted average retail price (WAP),² the ad valorem excise duty and the total excise duty, the level of which is set out in the Fiscal Code. The specific excise is approved by order of the Ministry of Finance (MoF) and published in the Official Gazette of Romania, Part I, by 1 March.

The excise duty for cigarettes is calculated as the sum of the specific excise tax and the ad valorem component, which is determined based on the retail price. The excise duty due, based on the above formula, cannot be lower than the level of total excise duty set out in Annex 1 of the Fiscal Code. Table 2 includes a price breakdown for a relatively expensive and a relatively inexpensive pack of cigarettes. The values are for 2024, and the retail prices are based on information on the Ministry of Finance website (retail prices by assortment).

² The weighted average retail price (WAP) is calculated using the total value of all quantities of cigarettes put on the market, based on the retail price, including all taxes, divided by the total quantity of cigarettes put on the market. This WAP is established by 15 February of each year, based on data on the total quantities of cigarettes put on the market during the previous calendar year, and it is published on the website of the Ministry of Finance within 15 days of the date of determination.

Table 2 / Retail price structure, 2024

	Marlboro Red		'Goldfield' Gold Fine Flavour	
	RON	EUR	RON	EUR
Retail sale price (excl. taxes/net of tax)	10.6	2.12	2.8	0.57
Excise (specific)	10.61	2.13	10.61	2.13
Excise (ad valorem – 11%)	3.19	0.64	2.09	0.42
Total excise	13.80	2.76	13.14*	2.63*
Price (excluding VAT)	24.37	4.88	15.97	3.20
VAT (19%)	4.63	0.93	3.03	0.61
Retail Price (including all taxes)	29.00	5.81	19.00	3.81

Note: * The minimum excise applies, as the sum of the specific and ad valorem excise is below the minimum excise.

Source: authors' calculation based on MoF data

In the example in Table 2, the specific plus ad valorem excise for Goldfield Gold Fine Flavour (RON 12.7) is lower than the minimum excise of RON 13.14 per pack, meaning that the minimum excise applies.

Table 3 presents the evolution of total excise taxes by product category between 2017 and 2024. Besides the specific excise increases in accordance with the excise calendar or through emergency ordinance (as was the case in 2023), another fiscal change (Official Gazette of Romania 2022) progressively reduced the rate of the ad valorem tax for cigarettes as follows: 12% (1 April 2023-31 March 2024); 11% (1 April 2024-31 March 2025); and 10% from 1 April 2025. Since 2023, the minimum excise duty for cigarettes has been equal to the total excise duty specified in Annex 1 of the Fiscal Code, an increase on the previous threshold of 97% of the total excise duty.

Both the tax structure and the shift towards specific excises align with recommendations from economic research and international health organisations. Primorac et al. (2024) show that among EU Member states, both specific and ad valorem taxes are under-shifted. At the same time, the pass-through of specific taxes is realised to a lower degree, as companies decide to absorb part of the tax burden. Their conclusion is that, to stabilise government revenues by minimising down-trading to cheaper brands, it is more advisable to apply or increase the share of specific taxes. Additionally, the measure will be more useful to reduce the smoking prevalence, principally among price-sensitive groups.

In 2024, Romania extended the list of tobacco products on which excises are imposed in response to the diversification of tobacco products. The categories 'liquid containing nicotine' and 'tobacco contained in heated tobacco products' have been replaced by other categories: 'liquid with or without nicotine', 'products containing tobacco, for inhalation without burning', 'products for non-burning inhalation containing tobacco substitutes, with or without nicotine', and 'nicotine products, not containing tobacco, intended for oral consumption'. These products are covered by specific excises (see Table 3).

Table 3 / Evolution of tobacco product excise tax in Romania, 2017-2024 (EUR/unit)

Product	Unit	2017	2018	2019	2020	2021	2022	2023	2024
Cigarettes	1,000 sticks	95.52	96.5	102.05	104.34	114.63	120.68	126.55	131.66
Cigarettes (minimum excise)	1,000 sticks	92.65	93.61	98.99	101.21	111.19	117.06	126.55	131.66
Cigars and cigarillos	1,000 items	66.5	65.21	63.97	67.22	67.99	70.28	111.2	115.83
Fine-cut smoking tobacco	kg	84.16	85.74	87.91	96.52	102.51	111.28	111.2	115.83
Other smoking tobaccos	kg	84.16	85.74	87.91	96.52	102.51	111.28	119	119
Liquid containing nicotine	l	109.6	109.6	109.6	109.6	120.6	125	157.9	-*
Tobacco contained in HTPs	kg	84.2	82.6	81	79.5	86.1	89	119.47	-*
Liquid with or without nicotine	l	*	*	*	*	*	*	*	178
Products containing tobacco, for inhalation without burning	kg	*	*	*	*	*	*	*	219.42
Products for non-burning inhalation containing tobacco substitutes, with or without nicotine	kg	*	*	*	*	*	*	*	219.42
Nicotine products, not containing tobacco, intended for oral consumption	kg	*	*	*	*	*	*	*	23.1

Notes: Values in the table represent total excise due. For cigarettes, the value is composed of the ad valorem and the specific excise. Before 2023, the excise duty due could not be lower than 97% of the total excise duty level set in Annex 1 of the Fiscal Code. However, in 2023, this percentage was removed, making the total excise duty itself the minimum excise duty due. For other product categories, the value corresponds to the specific excise. *These categories were replaced in 2024 by the other four below them in the table.

Source: authors' calculation based on MoF data

5. Romanian tobacco supply chain key players

There are three segments throughout the tobacco supply chain in Romania: raw tobacco producers, primary raw tobacco-processing units, and tobacco products manufacturers (i.e. companies that produce tobacco products for domestic and foreign consumption). This was covered extensively in our previous study (Nerău et al. 2023). To maintain focus on the novel research aspects that this report introduces, we will only highlight here the developments that have occurred since our previous work.

5.1. RAW TOBACCO PRODUCERS

The first segment is made up of raw tobacco producers, which are not allowed to carry out processing activities or manufacture tobacco products, but only to grow and sell the raw product to the next link in the production chain.

In the EU, raw tobacco production has been steadily declining since 1991, when around 400,000 tonnes were grown in eight EU countries, falling to 140,000 tonnes in 2018. In the same year, EU tobacco crops covered 66,000 hectares (ha), or half the surface covered in 2001.

Raw tobacco is currently grown in 12 EU countries. The main producers are Italy, Spain, Poland, Greece, Croatia, France, Hungary and Bulgaria, which collectively account for 99% of EU tobacco production (European Commission n.d.). Cultivated areas are typically becoming smaller, mainly due to competing low-cost producers in other parts of the world. Production varies between 1 and 3 tonnes per ha, depending on the variety. Virginia air-cured tobaccos account for 71% of production; light-air-cured Burley tobacco for 16%; sun-cured or Oriental tobacco for 7%, and other varieties (i.e. dark-air-cured and fire-cured brown tobacco) for 6%. The EU accounts for less than 2% of the world's annual raw tobacco production.

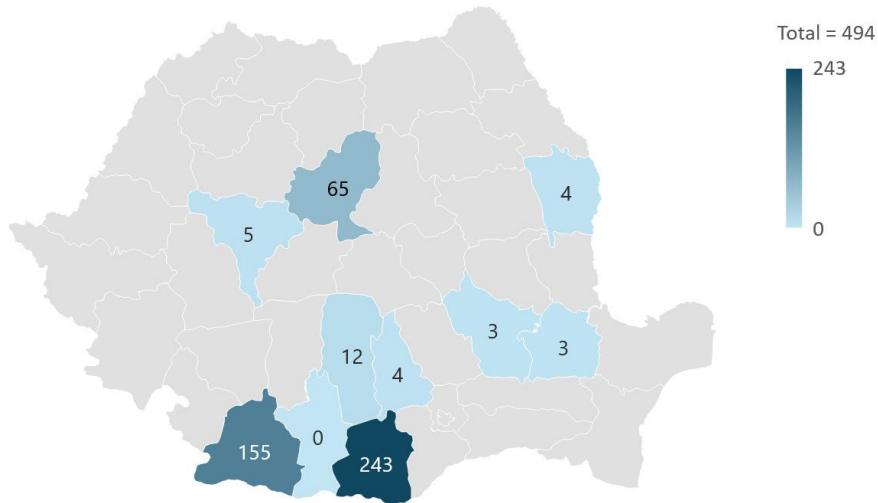
In Romania, raw tobacco production has decreased steadily and substantially over the years and, in 2023, it was a fraction of the figure before the fall of communism (494 tonnes in 2023 vs. 27,500 tonnes in 1989). As can be seen in Figure 1, tobacco farming is concentrated in two counties – Teleorman (243 tonnes) and Dolj (155 tonnes) – which together represent more than 80% of total production.

Romania applies a combined scheme of support for the growth of raw tobacco. According to the Ministry of Agriculture and Rural Development (MARD 2023), support for raw tobacco agriculture is composed of (i) direct payment schemes (i.e. a single payment scheme per area; a redistributive payment; a payment for agricultural practices that are beneficial for the climate and environment; a payment for young farmers; and a simplified scheme for small farmers); (ii) Transitional National Aids 1 (ANT1); (iii) Transitional National Aids 4 (ANT 4); and (iv) state aid for diesel used in agriculture. This scheme is adjusted yearly, by MARD orders.³ Raw tobacco can be processed by MARD-approved manufacturers, which are publicly announced by MARD. In May 2024, for raw tobacco, ANT 1 was EUR 11.77/ha (58.53 RON/ha), and

³ For information on the 2024 MARD order, see AgroTV (2024).

ANT 4 was EUR 2,625.67/ha (13,058.76 RON/ha) (Agrointel 2024). In 2023, MARD announced that the ceiling for Transitional National Aids for tobacco was EUR 1,648.135 (AgroInfo 2024).

Figure 1 / Tobacco farming in Romania, in tonnes, 2023



Source: authors' representation based on National Institute of Statistics (NIS) data (Agriculture section, vegetable agricultural production at the main crops, by forms of ownership, macro-regions, development regions and counties) (<http://statistici.insse.ro:8077/tempo-online/>)

Tobacco farming in Romania is declining, even though farmers receive the highest per-hectare subsidies and transitional national aid from the state. Taking all this aid into consideration, the data show that growing tobacco is less financially profitable than other types of crops. And, as discussed below, because Romania has a large cigarette and HTP manufacturing industry, it is a net importer of unprocessed tobacco.

5.2. PRIMARY RAW TOBACCO-PROCESSING UNITS

The second segment is composed of intermediaries, called primary raw tobacco-processing units, whose main activity is to prepare the tobacco for manufacturing. These companies must be authorised by MARD or by another EU member state. In 2024, two companies were primary tobacco-processing units authorised by MARD: a Romanian company and a Hungarian company. The Romanian primary raw tobacco-processing unit authorised by MARD was S.C. ROM – ITAL S.R.L, based in Teleorman county. The Hungarian one, authorised in another EU member state and registered with MARD, was Universal Leaf Tobacco (MARD 2023). Both units are authorised to process domestically produced raw tobacco as well as imported raw tobacco.

5.3. TOBACCO PRODUCT MANUFACTURERS

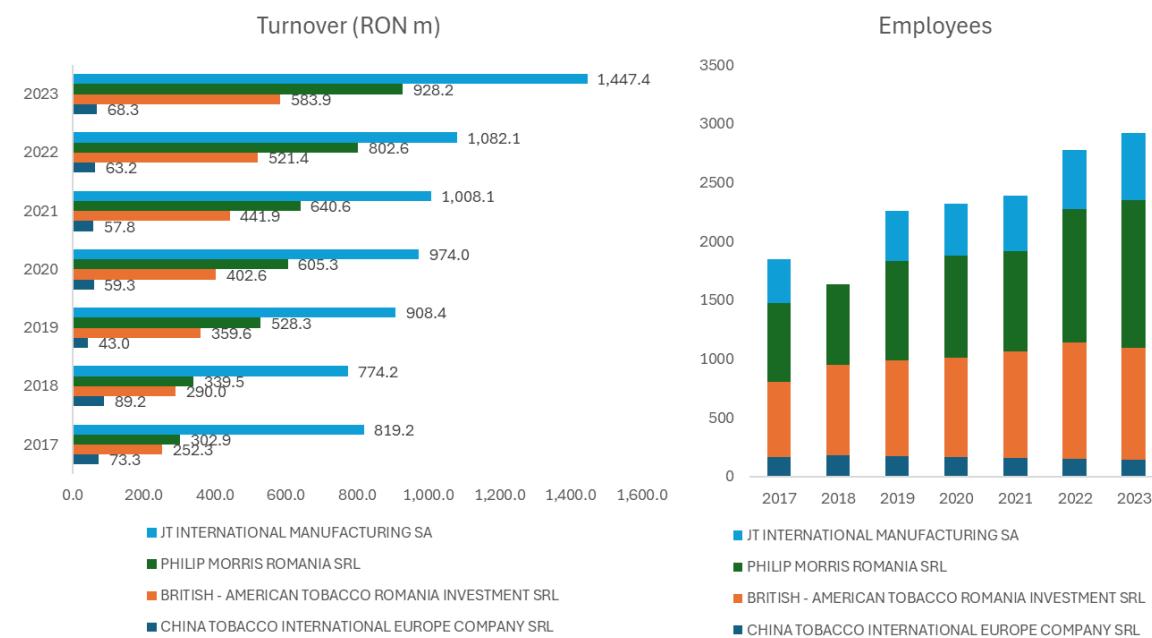
Cigarette production in Romania has undergone substantial changes, especially (and as was to be expected) due to the transition to a market economy following the fall of communism. During the communist period, the cigarette manufacturing industry operated under the Romanian Tobacco Monopoly, which was composed of six cigarette factories. The fall of communism and the breaking up of

the state monopoly was followed by privatisation. The first multinational tobacco companies to enter the market were R.J. Reynolds, which bought an old kinescope factory in Bucharest and transformed it into a tobacco factory, and British American Tobacco (BAT), which bought the existing state-owned tobacco-producing company (Romanian National Tobacco Company) and modernised it. Japan Tobacco International (JTI) entered the market in 1993, buying R.J. Reynolds' operations in Romania in the same year that Philip Morris International (PMI) established its first Romanian branch. By the early 2000s, all companies founded during the privatisation process had sold their factories to multinational companies and, by 2011, these factories had ceased operations (Szabó et al.2016).

Following privatisation, a considerable sum was invested in cigarette production. This, along with declining cigarette production across the EU (particularly in Germany), has made Romania the second-largest producer of cigarettes in the EU, after Poland (since 2021, according to Eurostat data on sold production). Collectively, Poland, Romania and Germany account for approximately 77% of the total cigarettes produced in the EU. Importantly, tobacco product manufacturers are not allowed to perform the primary processing of tobacco or to grow tobacco.

The tobacco product-manufacturing market in Romania is dominated by large global producers. The four largest tobacco manufacturers, by turnover, are JTI, PMI, BAT and China Tobacco International, which together generate more than 95% of total tobacco manufacturing turnover. In the last seven years for which data is available (2017-2023), both the turnover and number of employees of the manufacturing segment have increased (as shown in Figure 2), mainly due to the production of HTPs.

Figure 2 / Tobacco manufacturers in Romania

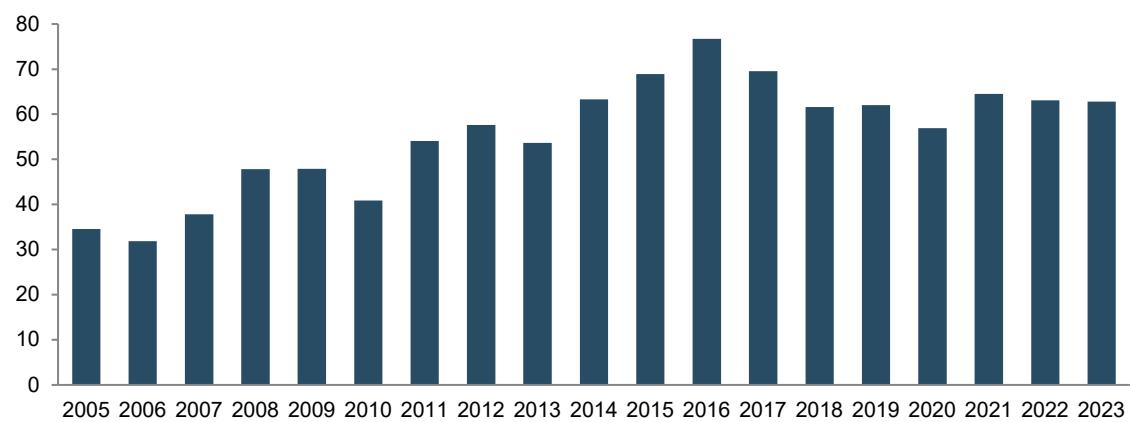


Source: authors' calculations based on MoF data

Despite the tobacco industry's narrative about investments and job creation, the reality is that tobacco production is heavily automated. This means that actual employment and job creation is negligible in the context of the overall national economy. Employment in the tobacco manufacturing industry represents just 0.056% of total employment in Romania (based on MoF and NIS data).

Cigarette production in Romania more than doubled between 2005 and 2016 – the year of peak production – from 34.5 billion to 76.7 billion sticks. Although there is no production data available for HTPs, the increase in exports (see Section 7.2) suggests that production must have increased substantially.

Figure 3 / Cigarette production in Romania, production in sticks bn



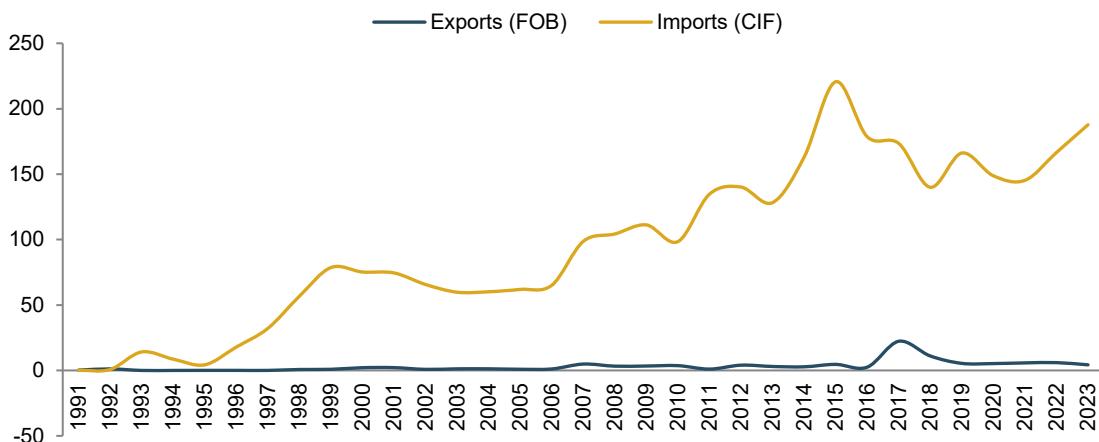
Source: [Eurostat – Sold production, exports and imports; online data code: ds-059358 \(<https://ec.europa.eu/eurostat/databrowser/view/ds-059358/legacyMultiFreq/table?lang=en>\).](https://ec.europa.eu/eurostat/databrowser/view/ds-059358/legacyMultiFreq/table?lang=en)

6. The Tobacco trade in Romania

6.1. TRADE OF RAW TOBACCO

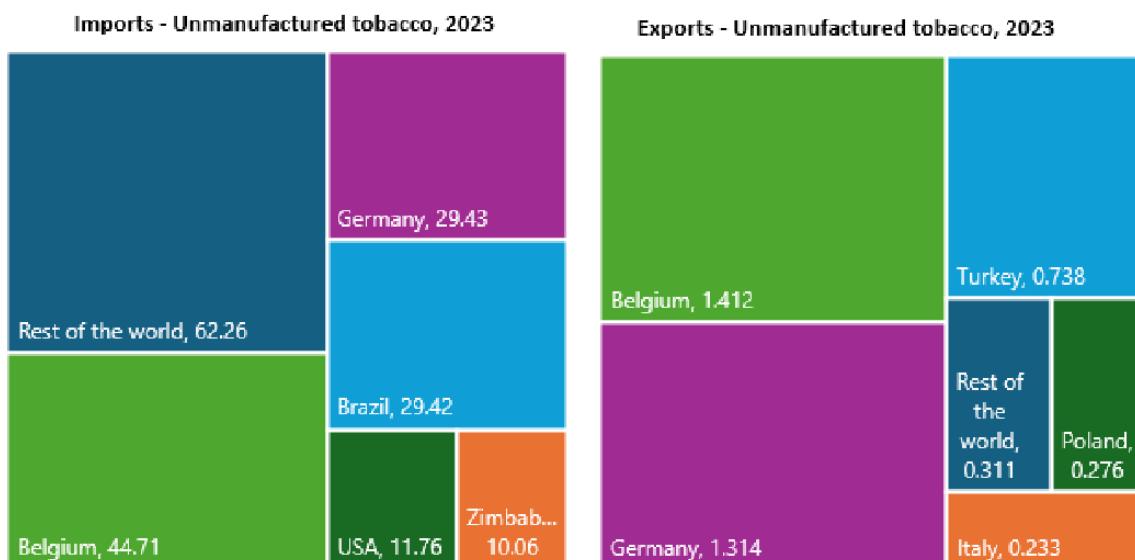
As we have previously indicated, tobacco farming in Romania has fallen even faster than the EU average, with the area dedicated to tobacco cultivation in 2023 representing only 4.7% of the area cultivated in 2000. Consequently, Romania relies mainly on imported raw tobacco (see Figure 4).

Figure 4 / Romania raw tobacco foreign trade (in EUR m)



Source: NIS

Figure 5 / Imports and Exports of unmanufactured tobacco (in EUR m)



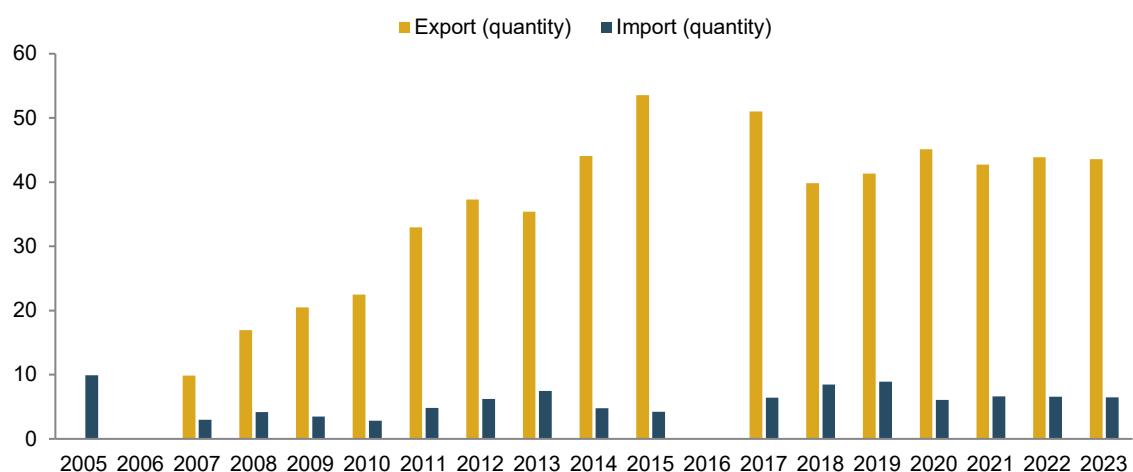
Source: UN Comtrade database

Figure 5 shows that the main trade partners from which Romania imports almost 75% of total raw tobacco are Belgium (23.8%), Germany (15.7%), Brazil (15.7%), the United States (6.3%), and Zimbabwe (5.4%) (the latter three being among the largest raw tobacco producers globally). However, Belgium and Germany are not significant raw tobacco producers, meaning that they are probably only the entry point of raw tobacco into the EU, whose origins are most likely outside the bloc. Romanian exports of raw tobacco are negligible, representing around EUR 4.3 million in 2023.

6.2. TRADE OF MANUFACTURED TOBACCO PRODUCTS

As Figure 3 shows, cigarette production in Romania rose between 2005 and 2016. Cigarette exports increased continuously, from non-existent in 2005 to 53.5 billion sticks in 2016, with almost 66% of total cigarette production destined for export (see Figure 6). Since then, exports have stabilised at an average level close to 70% of total production, or around 44-45 billion cigarette sticks.

Figure 6 / Cigarette trade balance in Romania, 2005-2023 (sticks bn)



Source: [Eurostat](https://ec.europa.eu/eurostat/databrowser/view/ds-059358/legacyMultiFreq/table?lang=en) – Sold production, exports and imports; online data code: ds-059358 (<https://ec.europa.eu/eurostat/databrowser/view/ds-059358/legacyMultiFreq/table?lang=en>).

By value, Romania's total manufactured cigarette exports amount to approximately EUR 667 million. Italy is by far its largest trade partner, with almost one third of total cigarette exports destined for the country, followed by Bulgaria and Spain. Cigarette imports play a relatively small role in Romania. Total imports stood at approximately EUR 103 million, representing around an estimated 1.6% of total domestic market sales⁴ in 2023 and 15% of the value of exports. Romania imports most of its cigarettes from Germany, Poland and Lithuania.

Figure 7 shows the growth in demand for tobacco and manufactured tobacco substitutes (HS⁵ product two-digit code 24) exported by Romania in 2022 in relation to the import growth of various partner countries

⁴ The total sales of tobacco cigarettes in 2023 were around RON 31 billion (EUR 6.27 billion) (Euromonitor International 2024).

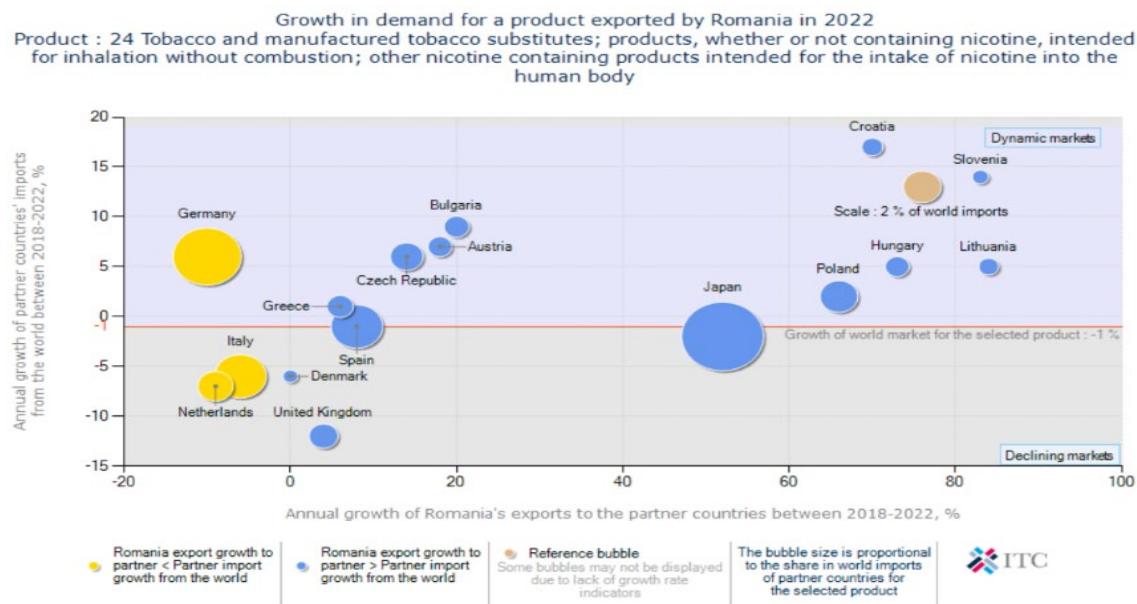
⁵ The Harmonized System (HS) is a standardized numerical method of classifying traded products, which is administrated by the World Customs Organization (WCO) (www.wcotradetools.org/en/harmonized-system).

from the rest of the world between 2018 and 2022. This chart identifies the main markets where Romania's tobacco and tobacco substitute exports have risen or fallen significantly over this period.

The X-axis represents the annual growth of Romania's exports to partner countries between 2018 and 2022, while the Y-axis shows the annual growth of partner countries' imports from the rest of the world over the same period. The size of each bubble is proportional to the share of the respective partner country in world imports of the selected product. Blue bubbles indicate that Romania's export growth to the partner country was higher than the partner's import growth from the rest of the world over the 2018-2022 period. We have only included the top 20 export partners.

Croatia, Slovenia, Hungary, Poland and Lithuania fall in the upper-right quadrant, indicating both high global import growth and strong growth in Romania's exports to these markets. This might suggest two scenarios: either that they increased demand because of higher consumption, or that local production facilities have closed.

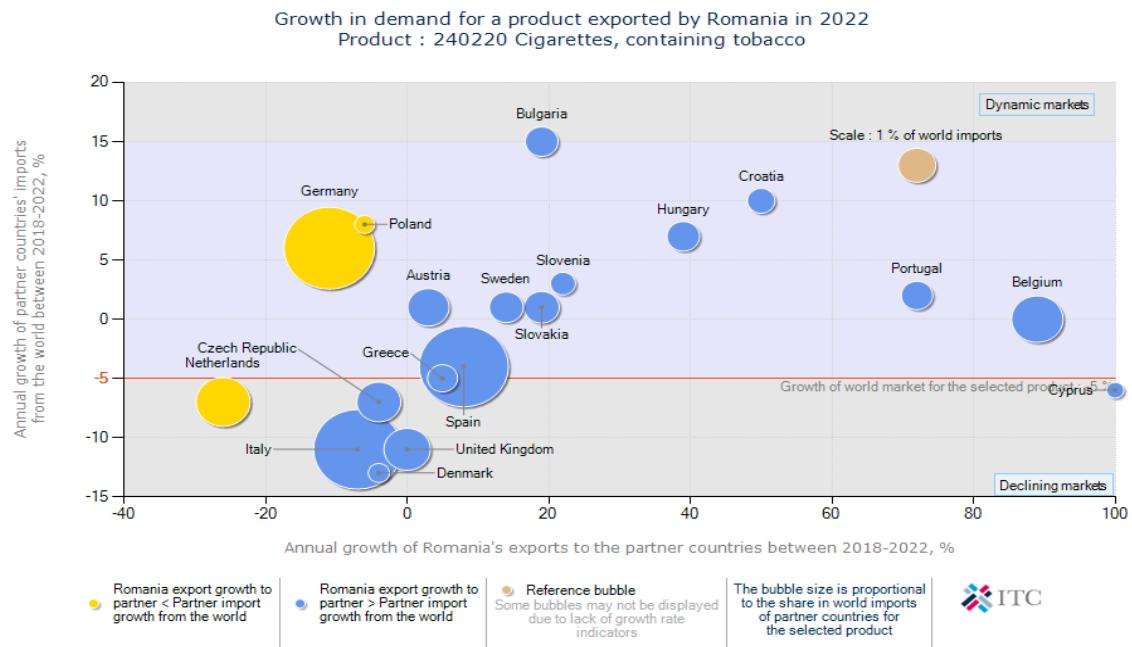
Figure 7 / Market dynamics for tobacco and tobacco products, 2018-2022



Source: [Trade Map](#), the International Trade Centre (ITC), UN Comtrade database

Notably, Japan saw a significant increase in Romanian exports (over 60%) but a small negative growth rate in its imports from all other countries, which can most likely be attributed to the new HTPs (see next section).

For cigarettes containing tobacco (HS Code 240220), Romania's most dynamic export markets are Belgium, Portugal, Croatia and Hungary, where Romanian exports increased by more than 40% over the 2018-2022 period. For the development of all 20 main export partners, see Figure 8 (dynamic markets and declining markets for Romanian cigarettes).

Figure 8 / Market dynamics for cigarettes, 2018-2022

Source: [Trade Map](#), the International Trade Centre (ITC), UN Comtrade database

6.3. HTPS AND THEIR IMPACT ON THE TRADE BALANCE

At global level, EU member states are the most significant exporters of HTPs – especially Italy, Romania and Greece, but also other states, such as Croatia and Germany. The common link between these main exporters is that the majority of trade is with Japan as well as Poland. In 2023, Italy exported close to EUR 1.87 billion of HTPs (41% to Japan), Romania more than EUR 1 billion (59% to Japan), and Greece some EUR 372 million (more than 61% to Japan).

Romania saw a significant effect of the tobacco industry's investments in HTP production, especially due to Philip Morris's⁶ investment in Otopeni, Ilfov county, of EUR 600 million over the 2017-2022 period to upgrade its production facilities. Philip Morris increased its investment by another EUR 130 million over the 2023-2024 period.

Another large manufacturer, BAT Romania, has invested over EUR 500 million since 2016 to produce tobacco-heating devices. In fact, the BAT factory in Ploiesti was the first in the EU to produce tobacco consumables for tobacco-heating devices, owing to investments to modernise production capacities.

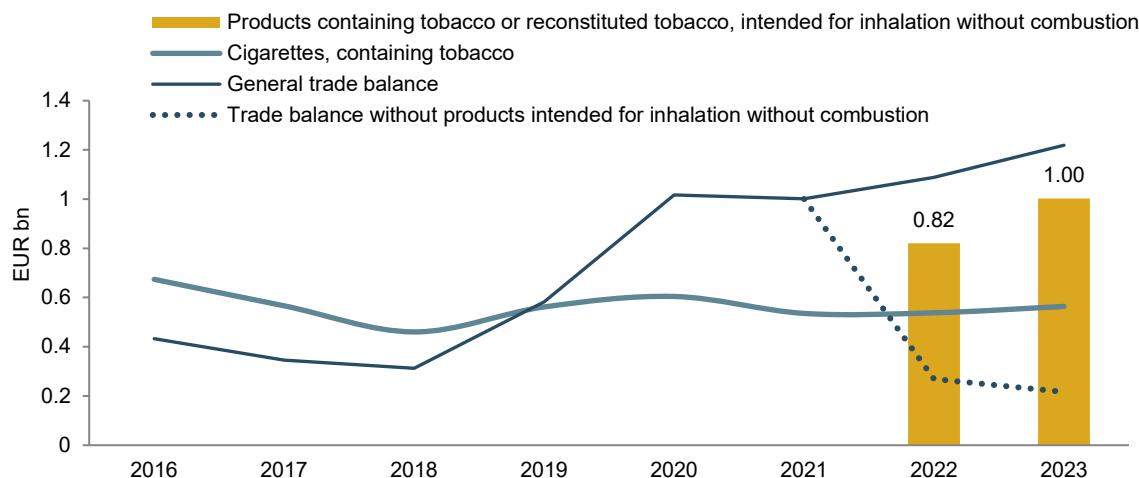
The internal HTP market increased by more than 375% over the 2018-2023 period, according to Euromonitor data, which can be attributed to upgrades to production facilities and lower taxation in this period, but also to companies' strategy of advertising HTPs as a scientifically proven healthier product.

⁶ According to Philip Morris (Digi24.ro 2023a), over 90% of the production of the Otopeni plant is exported to 54 countries on five continents.

A closer look at the Romanian trade balance in tobacco and tobacco products reveals a significant trade deficit in raw tobacco⁷ and several types of tobacco products,⁸ but this deficit is more than offset by the surplus in final products containing tobacco that are intended for inhalation without combustion (e.g. HTPs) as well as cigarettes containing tobacco (see Figure 9) after 2022.

The first category of products (HS Code 240411 – products containing tobacco or reconstituted tobacco, intended for inhalation without combustion) also contributes significantly to the Romanian trade surplus: EUR 1 billion in 2023, up from EUR 820 million the year before. Excluding HTPs, the general surplus of tobacco products (with combustion) stood at EUR 200 million. Almost all HTP exports represent an external trade surplus for Romania, totalling more than EUR 1.8 billion in 2022 and 2023. Moreover, the exported quantity increased by more than 25% in 2023 compared with 2022 (and by 26% in value).

Figure 9 / Romanian trade balance in tobacco and tobacco products



Source: Trade Map, the International Trade Centre (ITC), UN Comtrade Database, authors' calculations. Notes: Code 240411 – Products containing tobacco or reconstituted tobacco, intended for inhalation without combustion and Code 240220 – Cigarettes, containing tobacco. General trade balance represents all tobacco product categories from HS 24 code, including imports of raw tobacco.

We have based our estimate of the number of HTP sticks exported by Romania on Comtrade data, assuming 0.3 grams of tobacco per standard HTP stick. More importantly, the number of HTPs exported soared by approximately 8.7 billion units over the 2022-2023 period to reach a level almost equivalent to the number of cigarettes exported by Romania in 2023 (see Figure 10).

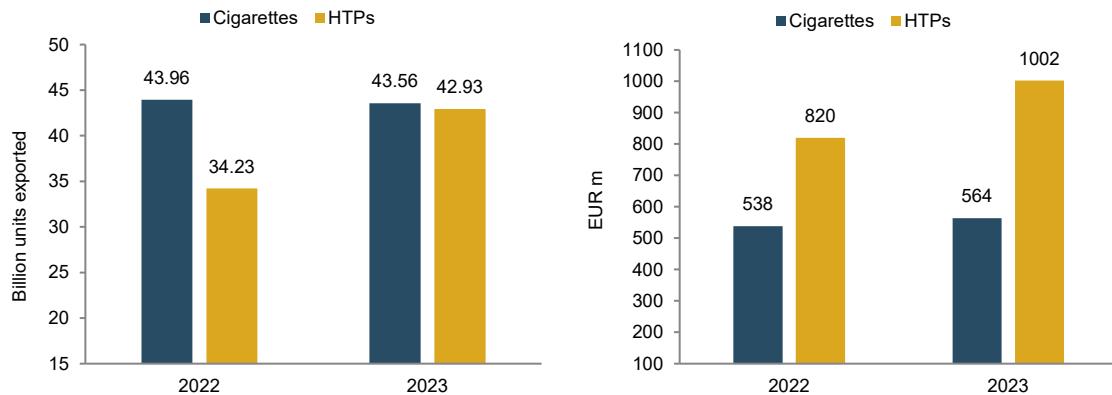
Perhaps the most important aspect of the tobacco trade balance and excises is that excises do not have any impact on the trade balance, as most of the production of both cigarettes and HTPs is exported. Currently, Romania exports 66% of its manufactured cigarette production, while the share exceeds 90% for HTPs. According to a Euromonitor 2024 report, the volume of domestic consumption in 2023 stood at

⁷ The raw tobacco deficit represented almost EUR 345 million over the 2022-2023 period (EUR 162 million in 2022 and EUR 183 million in 2023).

⁸ For example, Romania has a trade deficit in the following categories: tobacco 'homogenized' or 'reconstituted' from finely chopped tobacco leaves, tobacco, unstemmed or unstripped, cigars, cheroots and cigarillos containing tobacco, smoking tobacco, whether or not containing tobacco substitutes in any proportion, chewing tobacco, snuff.

2.535 billion units, while exports represented 94-95% of total domestic production, or 42.93 billion out of a total of 45.5 billion units.

Figure 10 / Cigarettes and HTP exports and trade surplus, 2022 and 2023



Source: Comtrade; authors' calculations

7. Illicit tobacco market and cross-border pressure

The illicit trade in tobacco products poses a significant challenge to the public authorities and fiscal administrations, with profound socioeconomic and security implications. This chapter examines the extent and dynamics of the illicit tobacco market in Romania, a country strategically positioned at the crossroads of major smuggling routes in Eastern Europe. Using information from the National Agency of Fiscal Administration (ANAF), the Romanian Border Police and the Directorate for the Investigation of Organised Crime and Terrorism (DIICOT), our analysis highlights the financial losses to the state due to tobacco smuggling and illegal production as well as the development of related criminal activity over the past decade.

7.1. ESTIMATES OF THE ILLICIT MARKET AND SMUGGLING STATISTICS

Tobacco smuggling cost the Romanian state budget about RON 32 billion (approximately EUR 6.5 billion) in the 11-year period between 2012 and 2023, according to ANAF estimates (Digi24.ro 2023b). Romania's geographical position, breaches of the authorities' control and supervision system, and the relative high price of cigarettes compared to most neighbouring countries (i.e. Moldova, Ukraine, Serbia, Bulgaria and Turkey) have incentivised the smuggling and counterfeiting of cigarettes. However, in recent years, efforts to increase control and improve surveillance have helped to substantially decrease the black/illicit market. Compared to 2010, when it was estimated to account for 36% of consumption (Radio România 2014), the illicit cigarette market had decreased below 10% by the end of 2023 (Bursa.ro 2024), which is proof that strong border control and law enforcement are crucial for countering this phenomenon.

There are two major sources for the black market: cross-border traffic and the illegal production of cigarettes. Cross-border traffic sometimes benefits from the involvement of officials.⁹ Data released by the Romanian Border Police shows that 2023 saw the largest volume of confiscated cigarettes in the last five years, an increase of 40% compared to 2022 (Bursa.ro 2024). More than 5.5 million packs of cigarettes, almost 17 tonnes of tobacco, and 31 tonnes of hookah tobacco were confiscated, and three organised criminal groups, together involving 47 individuals, were dismantled. The Northeast region, where Romania borders Ukraine and Moldova, continues to be the largest entry point for cigarettes and the region most affected by the illegal cigarette trade (almost one fifth of total traffic). In 2023, the largest share of the black market originated from duty-free products (37.4%, up 4.5 pp from 2022), followed by cheap whites¹⁰ (33%, down 13.4 pp from 2022) and Bulgaria (11.1%, up 8.5 pp from 2022).

The illegal production of cigarettes in Romania (in underground factories) is another source of black market cigarettes. A DIICOT press release states that, over 2022-2024, members of two criminal groups procured

⁹ After fighting smugglers at the border for decades, a border guard became a smuggler himself (see G4Media.ro 2024).

¹⁰ Also known as illicit whites, cheap whites are cigarettes manufactured by legitimate businesses with a large share of the production being sold without all applicable duties paid, usually outside the jurisdiction where they are produced.

excisable goods from outside Romania, fraudulently brought them into the country (with the complicity or support of some public officials), and then transported and stored them for the purpose of sale on the black market. During the period under review, authorities confiscated over 38 million cigarettes (including more than 24 million during 12 red-handed arrests), and 64 tonnes of smoking tobacco, while three underground cigarette factories were shut down (two in Romania and one in the Czechia) (PressAlert.ro 2024).

DIICOT's 2023 Activity Report (DIICOT 2024) notes that the country remains at heightened risk of cigarette smuggling due to the conflict in Ukraine, as underground factories have been relocated to Romania and run by Ukrainian citizens in order to maintain cigarette production. In a new development, some Romanian companies have become involved in a criminal enterprise through which construction sites are bought/rented and workers are employed, ostensibly legally (*ibid.*).

In 2022, DIICOT brought down an illegal network formed by Romanian and Ukrainian citizens who had set up a cigarette factory in Iași county. The plant produced cigarettes under various popular manufacturer brands, was equipped with a highly efficient production line, and produced high-quality cigarettes. The factory is thought to have been set up in 2020. Several underground production lines were discovered, along with 1.5 tonnes of tobacco ready for processing, over 2.3 million cigarettes with no excise tax stamps, and 10,000 bulk cigarettes. A truck connected to the factory was seized, and 480 boxes of 80 cartons each – totalling 384,000 cigarette packs, or nearly 7.7 million cigarettes – were confiscated (AgerPres 2022).

It is also alleged that China Tobacco uses Romanian facilities for the illegal traffic of cigarettes and to supply the illegal market in Romania and in other countries in the Balkan region by illegally exporting them to countries in war-hit regions. The RISE Project,¹¹ for example, notes that China Tobacco Romania suspended exports to Iraq, Libya, Syria and the Russian-occupied territories of Ukraine after reporters from RISE and the Organized Crime and Corruption Reporting Project (OCCRP) revealed in 2021 that one of the directors of the factory in Buzau was involved in a cigarette-trafficking operation orchestrated by members of the Camorra (RISE Project 2023).

Administrative controls, including efforts to address corruption among officials involved in illicit trade, play a role in limiting tax evasion. Romania's progress over the past 15 years reflects the impact of such measures.

7.2. PRICE DIFFERENCES BETWEEN ROMANIA AND NEIGHBOURING COUNTRIES

The data presented in Table 4 offer a comparative overview of the prices of a pack of Marlboro cigarettes in various cities in Romania's neighbouring countries. It includes the price differences compared with Bucharest and the approximate distances of these cities from the Romanian border.

For consumers in Romania, the attraction of purchasing cheaper cigarettes in nearby countries is tangible, especially in areas bordering Moldova and Ukraine, where cities closer to the Romanian border (e.g. Iași, Botoșani, Galați and Suceava) present more practical opportunities for cross-border shopping in addition to an incentive for smuggling and tax evasion.

¹¹ The RISE Project is a community of journalists, programmers and activists investigating organised crime and corruption in Romania and other countries in the region.

Ukraine and Moldova are more attractive to smugglers because legal trade by car only allows two packs of cigarettes per person to be transferred across the border. Despite the stepping up of border controls with Ukraine and Moldova following the outbreak of the full-scale war in Ukraine, given the large price difference between Romania and these countries and the fact that the latter are home to strong networks of traffickers, the largest share of cigarettes smuggled into Romania still comes from the northeastern border (Bursa.ro 2024).

Table 4 / Prices and distances to Romanian border from neighbouring countries

Country	City	Cost of a pack of Marlboro (20 sticks), EUR	Diff.	Approximate distance to Romanian border (km)	Nearest Romanian city
Romania	Bucharest	5.43	-	-	-
Moldova	Chișinău	2.6	-2.83	50 km	Iași
Moldova	Bălți	2.6	-2.83	35 km	Botoșani
Moldova	Cahul	2.6	-2.83	5 km	Galați
Hungary	Budapest	5.54	0.11	225 km	Oradea
Hungary	Debrecen	5.54	0.11	35 km	Oradea
Hungary	Szeged	5.54	0.11	55 km	Arad
Ukraine	Kyiv	2.09	-3.34	600 km	Suceava
Ukraine	Chernivtsi	2.09	-3.34	40 km	Suceava
Bulgaria	Sofia	3.07	-2.36	180 km	Giurgiu
Bulgaria	Ruse	3.07	-2.36	0 km (border town)	Giurgiu
Serbia	Belgrade	4	-1.43	100 km	Drobeta-Turnu Severin
Serbia	Zrenjanin	4	-1.43	60 km	Timișoara
Turkey	Istanbul	1.87	-3.56	300 km	Constanța

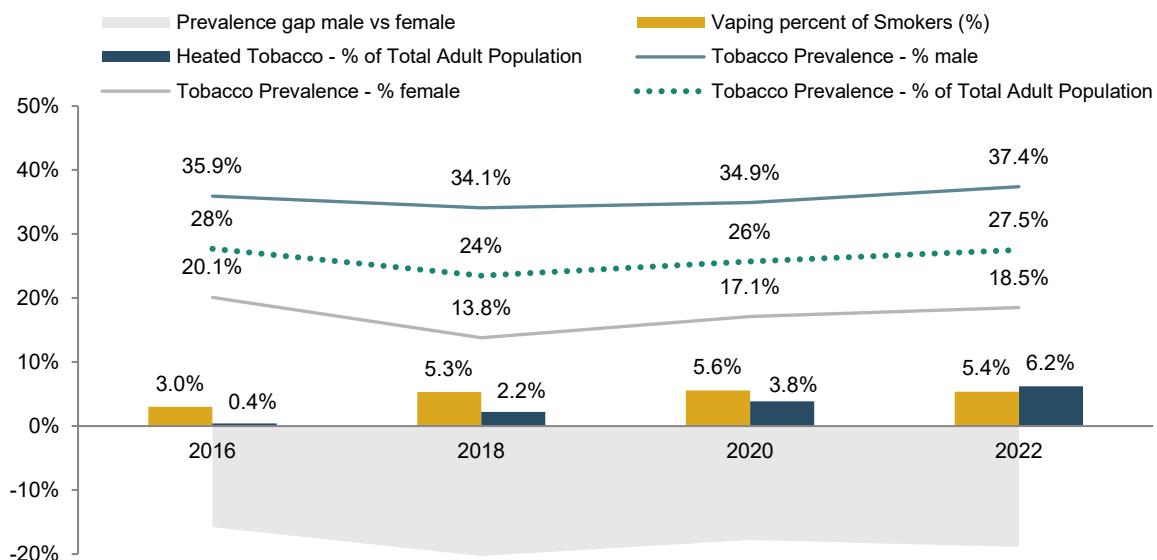
Source: authors' calculation based on Numbeo (<https://www.numbeo.com/cost-of-living>), Supervisory Authority for Regulated Activities of Hungary, and Google Maps

8. Smoking trends, prevalence and affordability

8.1. TRADITIONAL TOBACCO PRODUCTS

Scientific literature shows that, although there are numerous methods to reduce cigarette consumption (e.g. regulation of advertising and sponsorship, bans on indoor smoking, information campaigns regarding the harmful effects of smoking, support for those who want to quit smoking, etc.), the most effective tobacco control tool is still raising tobacco taxes. Although tobacco taxes in Romania have increased significantly since the pre-EU accession process (reflecting the need to meet the requirements of the EU Tobacco Taxation Directive of 2006) and the current requirement of the directive on tobacco taxation (min. EUR 90/1,000 cigarettes) has been met, smoking prevalence in Romania is still well above the EU average (27.5% vs. 18%, respectively).

Figure 11 / Smoking prevalence in Romania



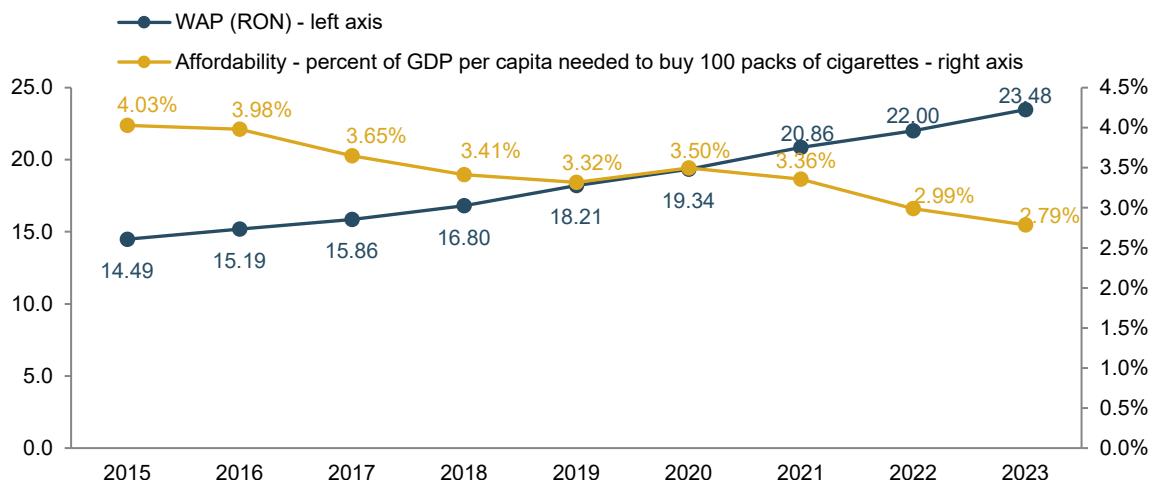
Sources: WHO reports for cigarette prevalence and Euromonitor International (2024) for vaping and HTP users

Figure 11 shows that the smoking prevalence is more than double for men than for women. Tighter regulation and greater increases in cigarettes prices between 2016 and 2018 helped decrease the smoking prevalence from 28% to 24%. Since then, however, high income growth has eroded the price increases of cigarettes and the prevalence has rebounded to 2016 levels, driven by increases in prevalence among males. Moreover, vaping and HTP prevalence, in particular, are rising at alarming rates.

Despite substantial increases in the price of cigarettes, per capita consumption is slightly up on 2017 levels. This is largely because the growth in incomes has outstripped that of cigarette prices, which (in relative terms) means that cigarettes are cheaper than they were at the beginning of the period. Affordability to consumers thereby becomes more relevant than the price of cigarettes itself.

As Figure 12 below shows, at the end of 2023, in relative terms, cigarettes were approximately 30% cheaper than they were in 2015. In other words, only 2.79% of GDP per capita could have bought 100 packs of cigarettes in 2023, while 100 packs of cigarettes (considering the WAP reference price) would have cost 4.03% of GDP per capita in 2015.

Figure 12 / Affordability and WAP per pack of cigarettes (RON)



Sources: Eurostat and EU Taxation and Customs Union (https://ec.europa.eu/taxation_customs/teb/#/tax-details?taxId=4146&versionDate=175731351&isEuro=true&taxType=EDU_TOBACCO)

8.2. EVOLUTION OF HTPS AND E-CIGARETTES AND THE IMPACT ON YOUNG PEOPLE

Romania's Law 64/2023 defines an electronic cigarette (e-cigarette) as 'a product that can be used for the consumption of vapours that may or may not contain nicotine, via a mouthpiece or any component of that product, including a cartridge, a tank or a device without cartridge or tank. E-cigarettes can be disposable or refillable by means of a refill container and tank, or rechargeable with single-use cartridges' (Morogai and Turcu 2024). HTPs are defined as 'a new tobacco product that is heated to produce an emission containing nicotine and other chemicals, which is then inhaled by the user(s), and that, depending on its characteristics, is a smokeless tobacco product or a tobacco product for smoking' (Governmental Ordinance No. 23 of 20 July 2023).

The smoking prevalence in the EU varies between age groups, types of tobacco product, and countries. Eurobarometer (2023) research notes that cigarette smoking is the most popular choice among all smokers (77%), while HTPs pose the greatest danger to young people, as they become hooked on nicotine and need an increasingly stronger stimulus, leading them to switch to manufactured cigarettes. A WHO report on how the tobacco industry captures young customer stated that e-cigarettes have overtaken conventional cigarettes in popularity in Europe, with 32% of 15-year-olds surveyed reporting e-cigarette use at some point and 20% in the past 30 days (WHO 2024: 1). The European Commission report on the implementation of Directive 2014/40/EU from 2021 highlighted that, in 2020, 7% of Europeans aged 15-24 had tried HTPs (at least once) and that 2% were current users (European Commission 2022).

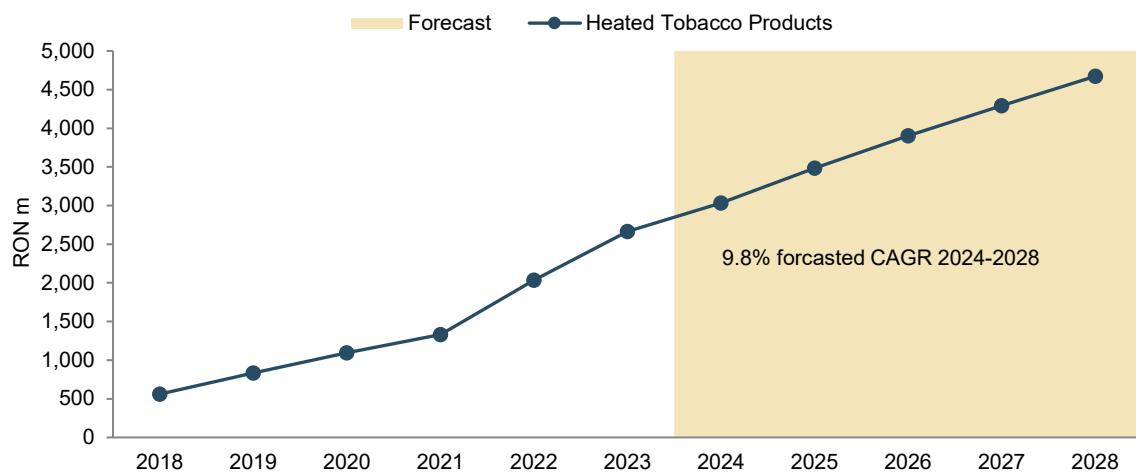
According to the European School Survey Project on Alcohol and Other Drugs (ESPAD), the prevalence of e-cigarette use among 15- to 16-year-olds in Romania in the last 30 days is 14% (INSP 2024). Based on the 2023 Eurobarometer, 6% of the population are current smokers or had tried HTP products, slightly lower than the EU average (7%), while the difference was more significant for e-cigarettes: only 4% of the population smoked or had tried e-cigarettes in comparison with the EU average (14%).

The tobacco industry is flooding markets around the world with new and emerging nicotine and tobacco products, which it promotes as 'smoke-free', 'less harmful', 'cleaner' and 'safer' in addition to claiming that these can be used as effective cessation aids (WHO – Eastern Mediterranean Region 2022). The big players are racing to develop these products and secure customer loyalty for them. Be it with glo (developed by BAT), IQOS (by PMI) or Ploom (by JTI), each producer espouses the industry's commitment to building a world without smoke. In reality, however, they are jockeying for position while one addiction is being replaced by another.

The marketing behind the new tobacco products (mostly HTPs) strongly motivates (mostly young) people to use these products (Chirila et al. 2023). Such products have a certain cachet, giving users a feeling of superiority: the products are more expensive than cigarettes (it shows you can afford them, while others cannot), have a futuristic design (appealing to the style-conscious), and are somewhat difficult to use (suggesting the user's cleverness). Unlike cigarettes, these products can be used indoors and are easily accessible (which is important for those under 18), and the aggressive advertising of them accentuates how they do not harm the environment or human health (thereby suggesting that the user cares for the environment and for their health).

HTPs were introduced in Romania in 2015 with the launch of PMI's IQOS. In January 2016, Romania's Fiscal Code was amended to create a new tax category for heated tobacco, which came into effect in 2016, classifying HTPs as 'other smoking tobacco' (Campaign for Tobacco-Free Kids 2023).

Figure 13 / Evolution of and forecast for HTPs



Source: author's creation based on Euromonitor 2024

According to EU data (European Commission 2022), Romania saw a 72% increase in HTP sales in the 2018-2020 period, putting it among the 10 countries with increases in HTP sales of more than 10%. The retail sales volume of HTPs represents 3.51% of the total sales volume of all tobacco products across the EU for 2020, a year when the volume of HTP sales increased by at least 10% in at least five member states (*ibid.*: 7). As a consequence, Governmental Ordinance No. 23 of 20 July 2023 legally defined heated tobacco products, prohibited them from coming with any mention of 'characterising flavour' (e.g. menthol or fruit), and obliged them to bear the mandatory information message: 'Tobacco smoke contains over 70 substances known to cause cancer.'

Furthermore, all producers and importers of HTPs in Romania must notify the Romanian Health Ministry within 90 days of the enactment of the above-mentioned ordinance whether their HTPs for the Romanian market fall into one of the categories of the 'heated tobacco' definition' (i.e. smoking tobacco products or smokeless tobacco products) (Morogai 2023). As outlined in Section 5, the new law (Law 64/2024) more strictly regulates electronic devices for heating tobacco, smokeless inhalation products using tobacco substitutes, e-cigarettes, refill containers, and nicotine pouches for oral use.

The industry's aggressive promotion of these products, using the arguments that they are safe in health terms and good for the environment, causes significant concern, as there is insufficient research into the consequences of using them. While its exact causes are not yet fully understood, a new illness, called E-cigarette or Vaping Product Use-Associated Lung Injury (EVALI), has been attributed to the use of e-cigarettes (see Reboli et al. 2023).

As countries develop and their healthcare systems become more advanced, there is growing recognition of the economic and health burdens imposed by tobacco use. In response, governments and public health institutions are increasingly investing in digital tools to raise public awareness of the true burdens of tobacco-related diseases, such as interactive platforms that clearly illustrate them in a way that is easily understandable and engaging.

One notable example is the Australian Burden of Disease Study (ABDS) Interactive Data Tool, developed by the Australian Institute of Health and Welfare (AIHW 2018). This platform provides a user-friendly, data-driven visualisation of the health impacts of various risk factors, including tobacco use. It allows users to explore statistics on years of life lost due to tobacco-related diseases, disability-adjusted life years (DALYs), and trends over time.

These interactive tools, incorporating visuals and dynamic data presentation, are particularly effective in engaging younger people, who are more likely to consume information through digital media.

9. Estimation of the impact of tobacco excise increases on consumption, fiscal revenues and premature deaths averted

The estimation of the impact of increases in tobacco excise on consumption, fiscal revenues and premature deaths is crucial for a range of stakeholders, particularly in the areas of public health and economic policy. For governments and policy makers, understanding the effects of tobacco excise taxes is vital, as these taxes serve as an effective instrument to reduce tobacco consumption, which in turn lowers the public health costs of treating tobacco-related illnesses. By discouraging smoking through higher taxes, policy makers can promote healthier lifestyles and avert premature deaths, contributing to a more productive and healthier population.

For public health organisations and advocates, this analysis provides evidence to support policies aimed at reducing smoking rates, while for the public – and smokers, in particular – the findings highlight the personal and societal benefits of tobacco control initiatives.

The financial relevance of this analysis is even greater in countries like Romania, which faces a high budget deficit. Tobacco excise taxes are a significant source of revenue for the government. Estimating the impact of tax increases on fiscal revenues can help policy makers to strike a balance between maximising revenue generation and achieving public health objectives. In periods of budgetary constraints, like Romania's current situation, optimising tobacco taxation can be an effective strategy to increase government revenues. We will use the Tobacco Excise Tax Simulation Model (TETSiM) to estimate the impact on consumption, fiscal revenues and premature deaths.

9.1. DESCRIPTION OF THE TETSiM

Developed by van Walbeek (2010) and the University of Cape Town, the TETSiM is used to predict the effects of changes in cigarette excise taxes on several key variables (e.g. cigarette consumption, excise tax revenues, smoking-related health outcomes, smoking prevalence and tobacco industry revenues).

The first step, as in most models, is to divide the retail price into its components. We do so using the following equation:

$$P = (NTP + ET) \times (1 + t),$$

where P is price, ET is the excise tax (including specific and ad valorem), t is the value-added tax (VAT), and NTP is the net-of-tax price, which includes all tobacco-chain prices, from production costs to retail margins.

To function effectively, the model requires a few essential inputs, which can be tailored to reflect local market conditions or taken from default settings provided within the tool. The main inputs include the initial excise tax burden, expressed as a percentage of the retail price, and the VAT rate. Additionally, an estimate of the price elasticity of demand, a measure of how sensitive cigarette consumption is to price changes, is needed. For this, we used the elasticities estimated using the two-part model based on Household Budget Survey (HBS) data (for details, see Nerău et al. 2024). Finally, we assume that the excise tax increase will be fully passed through to the price by the tobacco industry.

The model begins by calculating the net-of-tax price. It then determines the new retail price after adjusting for changes in both the excise tax and the net-of-tax price. The impact on cigarette consumption is estimated using the price elasticity of demand. Finally, the model calculates changes in excise tax revenue and industry revenue, based on the updated consumption levels.

9.2. TETSIM DATA AND ASSUMPTIONS

In our previous study (*ibid.*), we used the two-part econometric model for estimating income and price elasticities of demand. The econometric model used for estimating price and income elasticity of demand was based on the theoretical framework of the two-part model developed by Belotti et al. (2015) and used HBS data from the Romanian National Institute of Statistics for the 2015-2021 period.¹²

The model estimated both price and income elasticities for the whole population of Romania as well as by income groups (low-, medium- and high-income), with the low-income group having higher elasticities for both income and price elasticities and the high-income group having the lowest elasticities.¹³

9.3. TETSIM SIMULATIONS – TWO SCENARIOS (CURRENT FISCAL CODE EXCISE CALENDAR VS. NEW PROPOSED TTD)

This section of the report presents an analysis of the estimated impact of two different tobacco excise policies on tobacco consumption, fiscal revenues and averted premature deaths. The comparison focuses on the current Fiscal Code excise calendar versus the new tobacco excise framework proposed in the unofficial revised EU Tobacco Taxation Directive (TTD) (Smoke Free Partnership, 2022).

The baseline year for this comparison is 2023, which was chosen because it provides comprehensive data across all tobacco product categories, including manufactured cigarettes (MC), HTPs, roll-your-own (RYO) tobacco, cigars and cigarillos.¹⁴ By using 2023 as the starting point, we can accurately gauge the effects of policy changes over time while ensuring that the projections are grounded in actual market conditions.

¹² All the data and assumptions used for the TETSiM can be found in Annex 1. The data were obtained by request from the NIS (HBS data for 2015-2021).

¹³ For a more in-depth explanation of the methodology by which the two-part model estimates the elasticities, see Nerău et.al (2024).

¹⁴ Cigars and cigarillos are based on Eurostat data, equated to the number of cigarette packs and included in this category, as their market share is only 1.8% of the total tobacco product market.

Table 5 / Model simulation starting point

Baseline year (2023)	RYO	HTP	Economy	Premium+Mid
Market share (% of total)	0.74%	8.7%	36.2%	54.3%
Retail price (RON per pack)	13.33	22.00	20.00	25.67
CIF/costs (RON per pack)	0.67***	2.20***	1.30****	2.05***
Specific excise (RON per pack)	7.7	3.57	9.7	9.7
Ad valorem excise	0.0%	0.0%	12.0%	12.0%
Min. excise tax (RON per pack)			12.52	12.52
VAT	19.00%	19.00%	19.00%	19.00%
Retail margin	6.0%	6.0%	6.0%	6.0%
Income elasticity of demand*	0.5	0.5	0.5	0.5
Price elasticity of demand	-0.74	-0.98**	-0.74***	-0.6***
Cross-price elasticity of demand (relative to higher priced product in same grouping)	0.3		0.3	

Sources: * Income elasticity is based on regional studies (Zubović et al. 2019). ** Price elasticity of demand for HTP is based on Qian (2024). *** Price elasticity of demand for manufactured cigarettes is based on Nerău et al. (2024). **** Based on Sabev et al. (2024).

The new Tobacco Tax Directive proposal: Moving from nominal rates to an approach partially based on purchasing power parities

Under the current directive, EU minimums for each product category are expressed in nominal terms (i.e. as a fixed applicable monetary sum in all member states). This is in line with the approach traditionally used for harmonising indirect taxes. However, this approach cannot effectively reduce tobacco use, as the combination of inflation and income growth results over time in a rapid erosion of the minimum. Furthermore, due to the substantial and persistent diversity in economic conditions in member states (not only in income, but also in general price levels), any nominal minimum rate set at the EU level is generally too low to have an impact in higher-income countries. To ensure the durability of the policy stance over time, an approach partly based on PPP is proposed, namely:

- › To replace the current approach, under which the EU minimum rate of excise duty is fully expressed in nominal terms, with an approach whereby two thirds of the tax is expressed in nominal terms and one third in PPP terms, using the indicator published and updated on an annual basis by Eurostat.
- › To account for changes in PPP over time by automatically updating the EU minimum applicable in each member state every three years. A similar regular update is also proposed to encompass changes in the harmonised index of consumer prices.

To reflect price fluctuations, the member state rate for each product shall be adjusted in accordance with the following formula:

$$Rate_{MSt} = 2/3 \times Rate_{EU} + 1/3 \times Rate_{EU} \times PLI_{MS(t-1)} / 100,$$

where $Rate_{MSt}$ is the adjusted rate applicable in the member state, $Rate_{EU}$ is the EU rate, and $PLI_{MS(t-1)}$ is the Price Level Index (PLI) of the member state determined by Eurostat in the year prior to the one in which the adjustment occurs.

The directive therefore offers a mechanism for adjusting excise taxes over time that adapts the level of the tax according to two macroeconomic indicators, namely, the inflation rate in the EU (for the fixed amount, $Rate_{EU}$) and the PLI for each member state. Currently (using the latest available data, from 2023), Romania has a PLI of 60.2% of the EU average. Romania's compounded annual growth rate (CAGR) for PLI over the 2012-2023 period was 1.1%. Based on this CAGR, we have projected that the PLI in Romania will be 60.84% in 2024, 61.7% in 2025, and 62.58% in 2026, while the projected inflation in the EU for the 2024-2026 period is around the 2% inflation target of the European Central Bank (ECB).

Comparison of the revised TTD with the current Fiscal Code excise calendar

The 'new' TTD was supposed to be adopted following the 2021 application report, but its release has been delayed several times and, as of December 2024, there is no clear timeframe for when it will be published and enter into force. The initial excise duty rates at the EU level,¹⁵ which are the basis for calculating excise duties at the national level, no longer produce the expected effect (mainly because of high inflation from 2022), so it is expected that they will be adjusted for inflation and that the EUR 180 per 1,000 cigarettes will actually be EUR 220, representing an approximate increase of 22.2%. For this simulation, we will consider increasing the minima rates for all tobacco product categories by 22.2% versus the 2022 TTD proposal.

Table 6 / Excise rates under current Fiscal Code specifications (values in EUR)

Current Fiscal Code excise calendar	Product category	Unit	2023 excise for comparison	2024	2025	2026
	Cigarettes	1,000 sticks	126.55	131.66	137.59	143.22
	Fine-cut (RYO) Tobacco	1 kg	111.19	115.83	121.20	126.29
	HTPs	1 kg	119.47	219.42	229.32	238.70
	HTPs*	1,000 sticks	35.84	65.83	68.80	71.61

Note: * For HTP excises, equivalent conversion from kg to sticks was done using a measure of 0.3 grams of tobacco per stick. Values in the table represent minimum excise (for cigarettes, the value is composed of the ad valorem plus the specific excise).

The proposed TTD gives member states a choice between two alternatives as the basis for calculating HTP excises (kg or 1,000 items). Using the minima based on kg would be non-binding for Romania because it would be lower than the current rate, which is the main reason taxation should switch to per 1,000 items, as is the case for manufactured cigarettes. The second reason that we used excise taxation based on sticks in our simulation is that HTP should be treated more and more similarly to manufactured cigarettes, both in terms of taxation and other non-price restrictions (e.g. indoor smoking, which currently poses a major problem because it is too loosely defined and not always enforced, as many bars, restaurants and cafés still allow HTP smoking inside).

An important aspect of the adoption of the new TTD is that all the excise minima proposed are binding for Romania (taking into account the change in the taxation for HTP, from kg to 1,000 items). Moreover, given how the excises are updated in the TTD (based on the PLI), Romania would see substantial

¹⁵ Based on the draft circulated unofficially in 2022 (Smoke Free Partnership, 2022), the minima rates were EUR 180 per 1,000 sticks for cigarettes, EUR 120 per 1,000 for cigars and cigarillos, EUR 180 per kg for RYO tobacco, and EUR 91 per 1,000 sticks for HTPs.

increases for all categories in the first year, followed by minor increases in the following years. If the proposed TTD had been implemented using the 2024 excise minima, in 2026, it would have been EUR 204.34 for 1,000 cigarettes and a kg of RYO tobacco and EUR 103.31 for 1,000 HTP sticks, which would represent increases from 2023 levels of 54% for manufactured cigarettes, 75% for RYO tobacco, and 175% for HTPs.¹⁶

Since these kinds of increases are probably not feasible, and because taxation directives drawn up by the EU generally give member states some time to adjust their policies, we divided this increase into equal (percentual) rises in order to have the same total increase by the end of 2026. The excises that were therefore used in the TETSiM for the TTD update are found in Table 7.

Table 7 / Excise rates under updated TTD scenario (values in EUR)

Product Category	Unit	2023 Excise for comparison	Rate EU	2024	2025	2026
Cigarettes	1,000 sticks	126.55	220.00	148.46	174.18	204.34
RYO tobacco	1 kg	111.19	220.00	136.20	166.82	204.34
HTPs	1,000 sticks	35.84	111.22	51.01	72.59	103.31

Source: authors' calculations

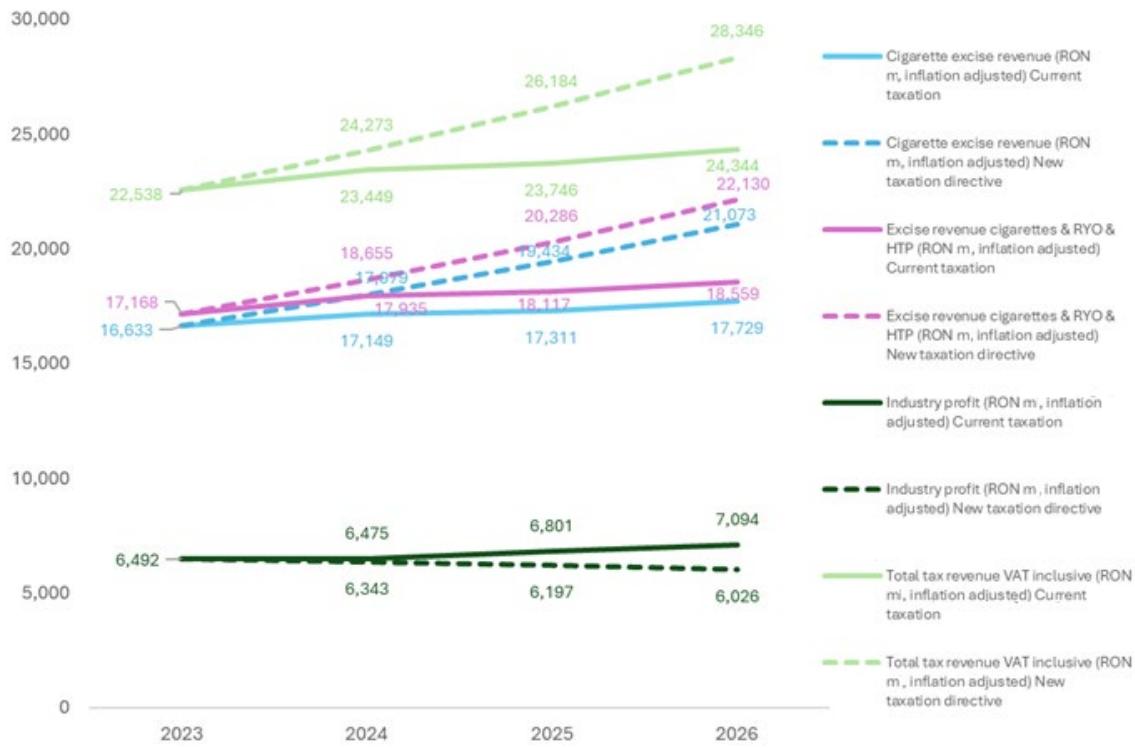
9.4. MODEL RESULTS

Model results – financial perspective

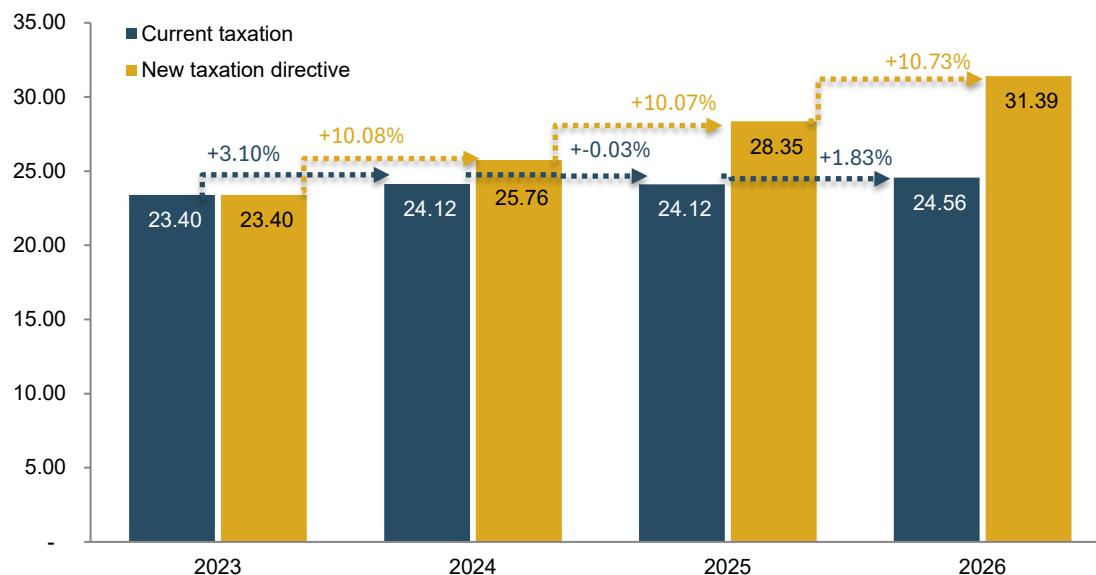
The simulations show that if the new TTD had been implemented from 2024, fiscal revenues would have been markedly higher than under the current excise calendar. Implementing the proposed TTD minima (which is binding, given that current rates are below the new minima), with the percentage increases in excises being equally distributed over the three-year period (2024-2026), would have generated an additional RON 7.26 billion (approximately EUR 1.45 billion) over the three-year period for the state budget, as supplementary tax revenue, in comparison with maintaining the current excise calendar.

It is important to note that WAP increases under the current excise calendar are quite low and could easily be offset by income increases, which would lead to higher consumption of cigarettes despite increased prices.

¹⁶ For HTPs, the current Fiscal Code stipulates an 84% increase for 2024 over 2023 levels.

Figure 14 / Tobacco tax revenues and industry profit, in RON m (real values)

Source: authors' calculations

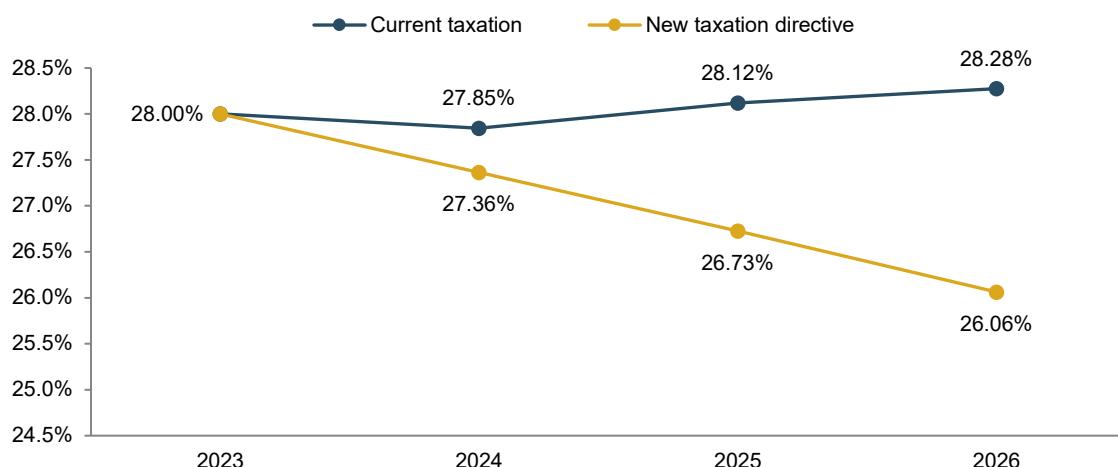
Figure 15 / WAP for cigarettes, in (inflation-adjusted) RON

Source: authors' calculations

Model results – health and consumption perspective

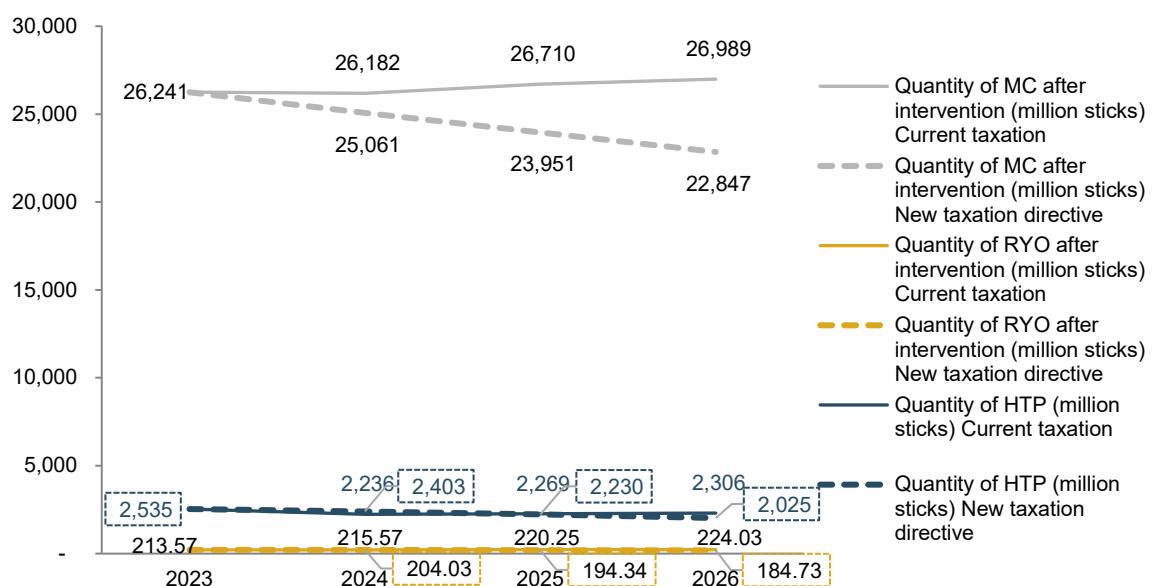
In the area of health and consumption, the effects of introducing the new TTD compared to continuing to use the excise increases under the current excise tax calendar are even more straightforward. Adoption of the TTD from 2024 would have decreased prevalence by 2 pp, while the continued implementation of the current excise calendar (even though it includes price increases) has the exact opposite effect to that intended by public health policy. The current policy will lead to an increase in prevalence and consumption, given the situation outlined in the affordability section, with cigarettes becoming cheaper (in relative terms) than they are today, which would result in a 0.3 pp increase in prevalence.

Figure 16 / Smoking prevalence – current taxation vs. taxation under revised TTD



Source: authors' calculations

Figure 17 / Consumption of tobacco products

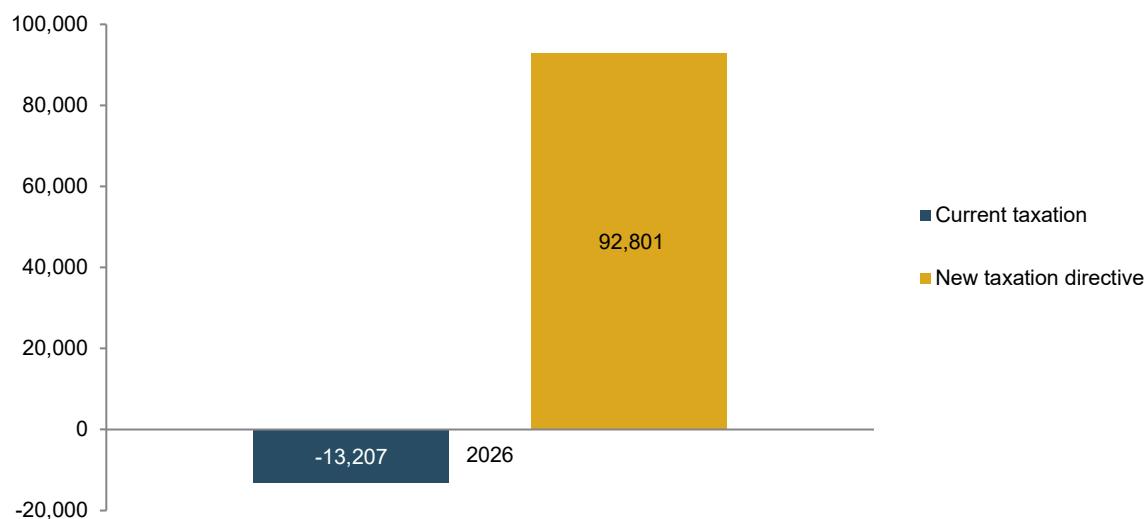


Note: MC = manufactured cigarettes, RYO = roll-your-own tobacco, HTP = heated tobacco products.

Source: authors' calculations

The sharp increase in the WAP that would follow the adoption of the new TTD has a dual effect: prevalence decreases by 2 pp, but the intensity of consumption also decreases – in other words, smokers who continue to smoke will smoke less. Through the implementation of the new TTD, the nationwide consumption of cigarettes would be predicted to decrease from 26.2 billion cigarettes in 2023 to 22.85 billion in 2026. If the current policy is maintained, with the implementation of excise duty increases provided in the current Fiscal Code, cigarette consumption will increase to 26.99 billion cigarettes in 2026. There is a similar effect on HTPs, as well, with consumption decreasing by 20% from 2023 levels.

Figure 18 / Cumulative number of premature deaths averted



Source: authors' calculations

The most important result of the decrease in consumption is the premature deaths averted. As Figure 18 indicates, the adoption of the new TTD would lead to a total of more than 92,000 premature deaths being averted. Meanwhile, the continuation of current public policies on the taxation of cigarettes according to the current excise calendar will lead to an increase in prevalence and consumption as well as in the number of premature deaths (+13,207) compared with current levels of smoking.

10. Conclusions

The convergence of incomes towards the EU average and the increase in social welfare have seen the Romanian public take a greater interest in public health, a situation that is also reflected in the actions of policy makers. In line with this, the EU's Europe's Beating Cancer Plan was positively received in Romania by both policy makers and the public. This comprehensive strategy encompasses prevention, early detection, treatment, and quality of life for cancer patients and survivors. Tobacco control policies play a very important role among the core preventive measures, as tobacco use is a leading risk factor for cancer.

Although there appears to be a consensus regarding the harmful effects of smoking – with everyone acknowledging them (at least on the surface) – and despite annual increases in tobacco excises (in line with the excise calendar stipulated in the Fiscal Code), smoking is gaining momentum and tobacco consumption is again on the rise. The main reason is that increases in incomes in Romania exceed those in cigarette prices. As a result, even though the price of cigarettes has risen steadily in recent years, they have become cheaper in relative terms. In 2023, 2.79% of GDP per capita was needed to buy 100 packs of cigarettes, compared to 4.03% in 2015. In other words, cigarettes today are 30% cheaper relative to local incomes than they were in 2015.

Romania is the second-largest producer of manufactured tobacco in the EU, after Poland, producing approximately 64 billion cigarettes, of which approximately 70% are exported, with most of the commercial partners being fellow EU member states. Romania's tobacco manufacturing industry spouts the narrative of job creation and high investments in the Romanian economy. However, the industry is highly automated, and the number of people employed in the production of cigarettes (whether traditional cigarettes, e-cigarettes or HTPs) is approximately 3,000, which is insignificant at the level of the national economy, as it represents only 0.056% of the total number of employees.

Romania currently exports more than 66% of its manufactured cigarette production and more than 90% of its HTP production, generating a trade surplus of EUR 1.2 billion. However, further research is needed to unpack the actual level of trade surplus, taking into account the import of intermediary goods. Implementing excise levels has no effect on the trade balance, as excises are levied in the country of consumption.

One aspect that diminishes the effectiveness of tobacco tax increases in reducing consumption is the black market and (legal) cross-border trade. Although the black market has steadily shrunk, it is still estimated to represent almost 8% of total tobacco consumption. The northeastern region of Romania remains the main entry point for illicit cigarettes into the country, even though border control has been strengthened due to the war in Ukraine. Strengthening border controls and addressing corruption among officials involved in illicit trade remain important measures for further reducing cigarette smuggling. Romania's progress in this area over the past 15 years demonstrates the effectiveness of such efforts.

The latest reports from the WHO and Euromonitor show that smoking prevalence is increasing again and has surpassed 2016 levels, suggesting a setback in anti-tobacco efforts. One of the main reasons for this increase is HTPs, the use of which has significantly risen in the last four years thanks to their particular appeal among young people. Even though 2024 has seen a considerable increase in excise duties on these products, taxation is still lagging far behind that of manufactured cigarettes. Euromonitor data forecasts a continuous increase in this market segment for the next five years, with an annual growth rate of approximately 10%, something that should raise concern both among policy makers and parents, given the target audience of these products.

The scientific literature shows that the most effective method to curb tobacco consumption is taxation. The TETSiM was therefore used to simulate the impact of taxation on consumption, budget revenues and premature deaths averted by changing tobacco excises. Two scenarios were simulated, starting from the base year 2023, for which there are complete data. One scenario is the modification of the excise tax according to the calendar stipulated in the current tax code, while the other scenario foresees the EU's adoption of the revised TTD. In both scenarios, it was assumed that the excise tax increase would be completely transferred to the price of cigarettes.

Under the new TTD, the simulations show fiscal revenues increasing noticeably compared to the current excise calendar. Implementing the TTD in 2024 would have yielded additional tax revenues (adjusted for inflation) of RON 7.26 billion for the state budget over the three-year period, in comparison with maintaining the current excise calendar. This sum would fully cover, for example, the costs of building two of the three planned regional hospitals (Cluj-Napoca, Iași, Craiova), which has started and for which the government needs to borrow money.

The introduction of the revised TTD would decrease the prevalence of smoking by 2 pp, while the continuation of the implementation of the excise calendar, even though it establishes price increases, has the exact opposite effect to that intended by public health policy. The current policy is leading to an increase in prevalence and consumption because cigarettes are becoming more affordable in relative terms.

The sharp increase in the WAP, due to the adoption of the new TTD, would have a dual effect: prevalence decreases but the intensity of consumption also decreases – in other words, smokers who continue to smoke will smoke less. Through the introduction of the new TTD, the nationwide consumption of cigarettes would decrease from 26.2 billion cigarettes in 2023 to 22.85 billion cigarettes in 2026. If the current policy is continued with the implementation of excise duty increases provided in the current Fiscal Code, cigarette consumption will increase to 26.99 billion cigarettes in 2026.

The most important result of the decrease in consumption is the premature deaths averted. The adoption of the revised TTD would lead to more than 92,000 premature deaths averted. Meanwhile, the continuation of public policies governing the taxation of cigarettes according to the current excise calendar will lead to an increase in prevalence and consumption as well as in the number of premature deaths (+13,207) due to smoking, compared with the current level.

11. Policy Recommendations

1. To achieve the objectives established in Romania's national plan against cancer, adopt a stricter public tobacco control policy to help to reduce both cigarette consumption and prevalence rates.
2. Implement the provisions of the EU's revised Tobacco Taxation Directive, even at the minimum requirements regarding the level of excise duties, to reduce both the level of consumption and the number of premature deaths while also increasing budget revenues.
3. Apply the same principle of taxation to HTPs as to manufactured cigarettes. As a first step, the method of calculating the excise base must be changed from the current per-quantity (kg) method to a per-unit method.
4. Create interactive digital platforms (e.g. apps and social media campaigns) to educate young people about the dangers of tobacco, HTPs and e-cigarettes. Collaborate with influencers and educators to produce relatable and engaging content that effectively counters tobacco industry marketing and promotes informed decision-making among young audiences.
5. Adopt stricter non-price measures (e.g. banning smoking around educational facilities) and enforce current legislation more strictly, especially regarding indoor smoking and selling cigarettes to minors.

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Annex

Table 8 / TETSiM data used and assumptions

Aggregate numbers	Source
Number of cigarette sticks (m) 2023:	25,712.01 Eurostat
Tonnes of smoking tobacco, based on excise stamps, 2022:	149.50 Taxation and Customs Union EC
Number of HTP sticks (m), 2023:	2,535.4 Euromonitor
Cigarillos (sticks m), 2023	529.12 Eurostat
Sales of cigarettes, 2023 (# of cig packs, in m)	1,312
Sales of fine-cut tobacco, 2023 (# of cig packs, in m)	11
Sales of heated tobacco, 2022 (No. of packs, in m)	127
Total population (2023)	19,054,548 NIS
Percentage of population aged 15+	83.8% NIS
Tobacco product use prevalence (avg. male and female)	28.0% WHO 2024 Report
Per capita GDP in 2023 (EUR)	17,030 Eurostat
Percentage decrease in consumption due to lower smoking prevalence	50% Assumption based on literature
Percentage of people saved from premature death by quitting/not starting	30% Assumption based on literature
Population growth rate 2023	0.0% NIS
Population growth rate 2024	0.0% NIS
Population growth rate 2025	0.0% NIS
Population growth rate 2026	0.0% NIS
GDP growth 2023	2.10% NCSP
GDP growth 2024	3.40% NCSP
GDP growth 2025	4.00% NCSP
GDP growth 2026	4.40% NCSP
Annual inflation 2023	6.60% NBR
Annual inflation 2024	4.90% NBR
Annual inflation 2025	3.50% NBR
Annual inflation 2026	3.50% NBR
CPI 2023	1.00000 NCSP
CPI 2024	1.04900 NCSP
CPI 2025	1.08400 NCSP
CPI 2026	1.11900 NCSP
Exchange rate (RON/EUR) 2023	4.98 NCSP
Exchange rate (RON/EUR) 2024	4.99 NCSP
Exchange rate (RON/EUR) 2025	5.00 NCSP
Exchange rate (RON/EUR) 2026	5.02 NCSP

Note: NIS = National Institute of Statistics, NBR = National Bank of Romania, NCSP = National Commission for Strategy and Prognosis

Table 9 / Cigarette market segmentation

Segments	Economy	Mid-price segment	Premium	WAP
Price (RON, per pack)*	20	24	29	23.4
Market share within cigarettes (%)	40	40	20	

Note: * Statistical data from the MoF (<https://mfinante.gov.ro/domenii/fiscalitate/impozite-si-taxe/regim-accize>).

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