



Factsheet

KEY QUESTIONS

Can well-designed and implemented climate policies avoid potential adverse social impacts? How can climate action help reduce inequality and have a redistributive role? How can social policies better interact with climate action?

WHAT

Climate action and the green transition are often portrayed as entailing a huge social cost, in particular job losses. It does not have to be so if there is political will to address equity while increasing climate action. This report presents concrete proposals in order to maximize the positive social outcomes of climate policies on decarbonising the buildings sector, cleaner transport, and renewable energy.

WHY NOW

The question of the **articulation between social justice and climate action** is making more and more the headlines. This was the case when the European Commission tabled its legislative proposals (Fit for 55 Package) in July 2021. The gas price hikes from the Fall 2021, followed by continuous rising costs of living driven by increased fossil fuel prices due to Russia's invasion of Ukraine make this question even more pressing.

KEY MESSAGES

Climate policies cannot be a substitute for transformative social policies, and social and climate policies need to be much better coordinated in order to deliver a just and green transformation of our economies and societies.

Many of the policy instruments included in the Fit for 55 Package have the potential to generate both positive and negative social impacts, but the extent and direction of these outcomes depend on how the policies are designed and implemented.

Climate change mitigation policy can help improve the living circumstances and health of the most vulnerable, thus actively reducing existing inequality. The potential is there, but the question is whether there is political will.

OUR RECOMMENDATIONS

- 1) **The European Commission must include provisions in all climate legislation to ensure Member States identify who may be adversely affected, how this adverse impact could potentially be mitigated, what are the social benefits and how they could interplay.** Terms such as low-income households, vulnerable/marginalised groups, energy and transport poverty should be treated in a coherent way across all files, but as circumstances largely differ among Member States, they should have flexibility to translate such guidance at national level in the most appropriate way in order to avoid too narrow approaches and maximise inclusivity. Member States should agree on a methodology to identify who will fall under these definitions, in the framework of implementing the Council Recommendation on ensuring a fair transition towards climate neutrality.
- 2) **Member States should implement policies in a logical timeline and orderly manner** so that households can get ready to minimise potential negative impacts and maximise the benefits stemming from energy savings and renewables. This means ensuring that support measures are in place before the new policy comes into effect, and incentivising transition to technologies which would run on sustainable renewable sources as well as energy savings. For example, financial incentives could be made available for buildings' deep renovations before carbon pricing or energy taxation, prioritising those occupied by low-income, vulnerable and energy poor households in order to shield them from any increase in energy bills. Member States must also phase out fossil fuels' use in buildings in a timely and adequate manner. For example, in order for households not to feel the impacts of increased price or a ban on fossil fuels, they first need to be supported to modernise their individual heating systems to shift towards highly efficient, clean and renewable-based solutions.
- 3) **In the short run, Member States must provide lowest-income households with either exemptions from the implementation of carbon pricing/taxation or direct income support.** These measures would help shield households from unbearable price increases (through means-testing or other similar measures), in order to guarantee the respect of their fundamental rights (i.e. to energy, food, health, education). Such support measures must be implemented with certain conditions in order to avoid leading to perverse incentives to continue fossil fuel use. They must be temporary, designed with the intention to facilitate the gradual participation of the lowest-income-households in the just energy transition, and accompanied by measures which oblige and support energy efficiency improvements and uptake of renewables. It is fundamental though that short term fixes do not obfuscate the need for structural reforms to address prevailing inequalities and energy poverty. A part of such income support may come from carbon pricing and energy taxation revenues of the Member States. In that case, Member States must recycle revenues together with progressive climate and social policies. The European Commission must set a clear EU-level governance mechanism to incentivise progressive carbon pricing and taxation across Member States, and ensure equity.
- 4) **Member States must ensure sufficient and equitable access to upskilling and reskilling.** The European Commission underlined this prerequisite in general terms in its Proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality.¹ Member States should make sure enough training schemes are made available, and public support is in place to make

¹ European Commission proposal of a policy guidance for a fair and inclusive transition towards climate neutrality to complement the Fit For 55 Package:

https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6795

this impactful (i.e. costs of quality training, adequate infrastructures for adult education etc.). This may require employees in contracting sectors (such as coal, oil and certain automotive industry value chain manufacturing) to be made eligible for paid training leave, and for upskilling and reskilling programmes to be made available free of charge to all who cannot afford to pay for it (i.e. means tested, whether or not they are unionised), or through salaried in-work training. Ideally, free childcare should be available for parents to ensure they can attend, and in some instances, subsidised transport may also be needed to ensure truly equitable access to all.

- 5) Where digital services are deployed (such as using only online forms to apply for subsidies, assessments etc.), **the European Commission must include additional provisions to address the digital divide. Member States must provide alternative access options to residents who have limited access, or ability to use, digital services** (access, language barriers, literacy barriers, disability, etc).
- 6) **Member States should ensure that the funds for mitigating potentially adverse distributional effects of climate policy are not redirected from existing social support programmes that are directly addressing the needs of the most vulnerable households, such as free school meals, discounted public transport or state-funded care services.** Where new funding streams are developed, Member States must consider the possibility of using existing administrative structures and distribution mechanisms to reduce administrative costs (such as exemptions through tax credits) and effectively reach those most in need.

AN EXAMPLE

Subsidies to help with bills for low-income and low-middle income people to continue relying on fossil fuels risk locking people into a technology that makes them vulnerable to price volatility. Improving energy performance of buildings would:

- Reduce energy demand and improve living comfort,
- Permanently reduce energy bills and vulnerability to price hikes
- Create new jobs

Before carbon pricing measures are applied to domestic fuel consumption, low-income households should access to funds to undertake deep energy efficiency renovation and to electrify their heating and water heating appliances. That would facilitate transition to renewable heating.

Such improvements should not be financed through utility bills in a way that increases energy costs to all customers, including those who experience fuel poverty. Certain climate policy measures can generate substantial amounts of revenue that can be used to support these households, thereby contributing to a redistributive agenda.