

European Green Deal > Fit for 55 Package > social dimension

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etui.

New geopolitical situation with high stakes

- Russia` aggression highlighted the EU`s long term fossil fuel dependence and the need to get out of it
- the new geopolitical situation resulted in a price shock that makes the transition more difficult in the short term and at the same time it makes it even more inevitable and speeds it up
- Address its worst effects without jeopardizing climate ambition
- REPowerEU in the centre of policy debate
- New emphasis on just transition

Outline

Climate change is a threat multiplier

Technology and market based climate change mitigation creates further inequalities

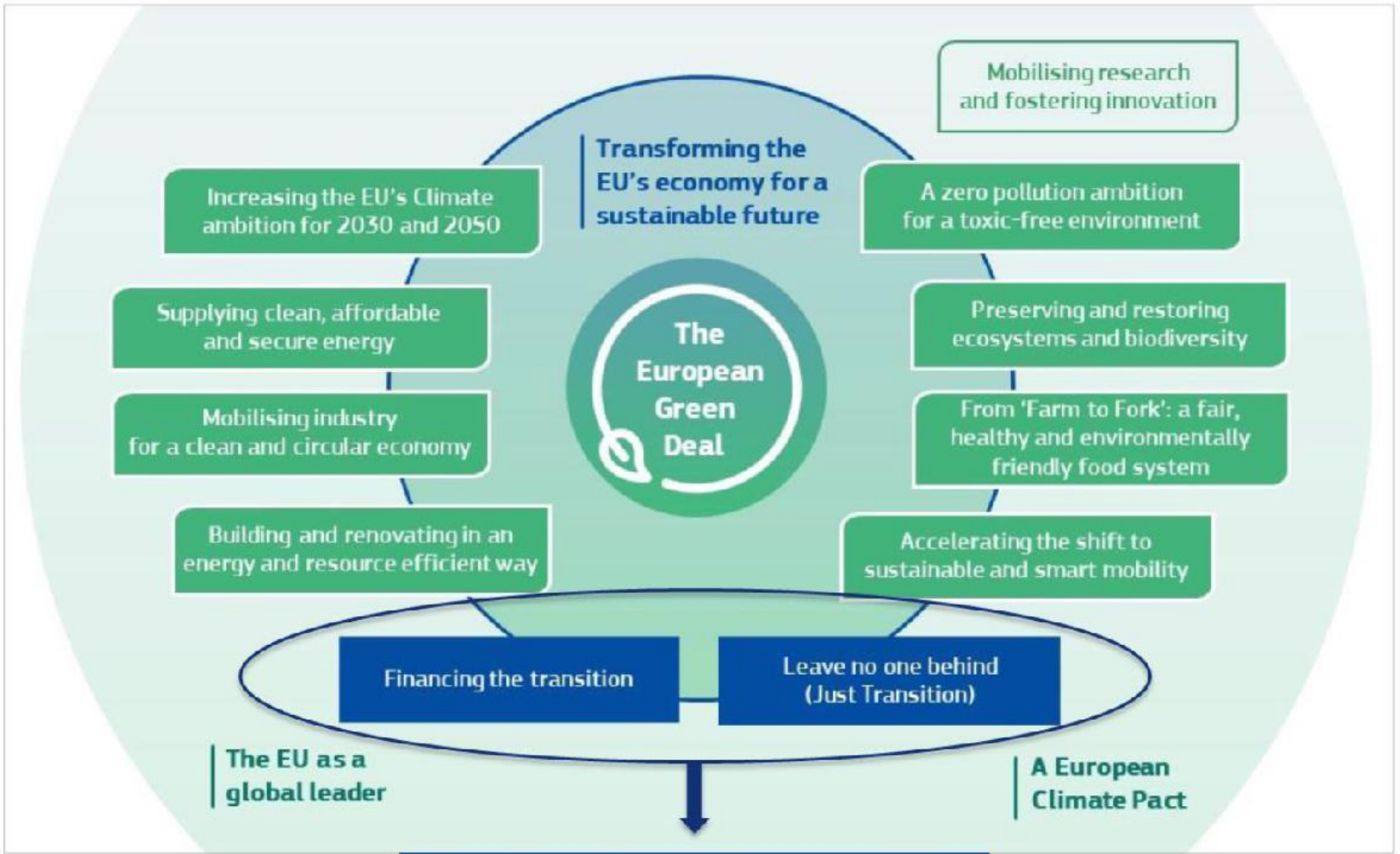
A new constellation of inequalities in the Environment /climate/social context

European Green Deal > Fit for 55 package (losing ambition and momentum multiple risks ahead)

‘Just transition’ is supposed to be the way to make it – but it is a fragmented and contested concept

The 2015 ILO Guidelines point to an ideal case of JT **for all > needs** a reality check

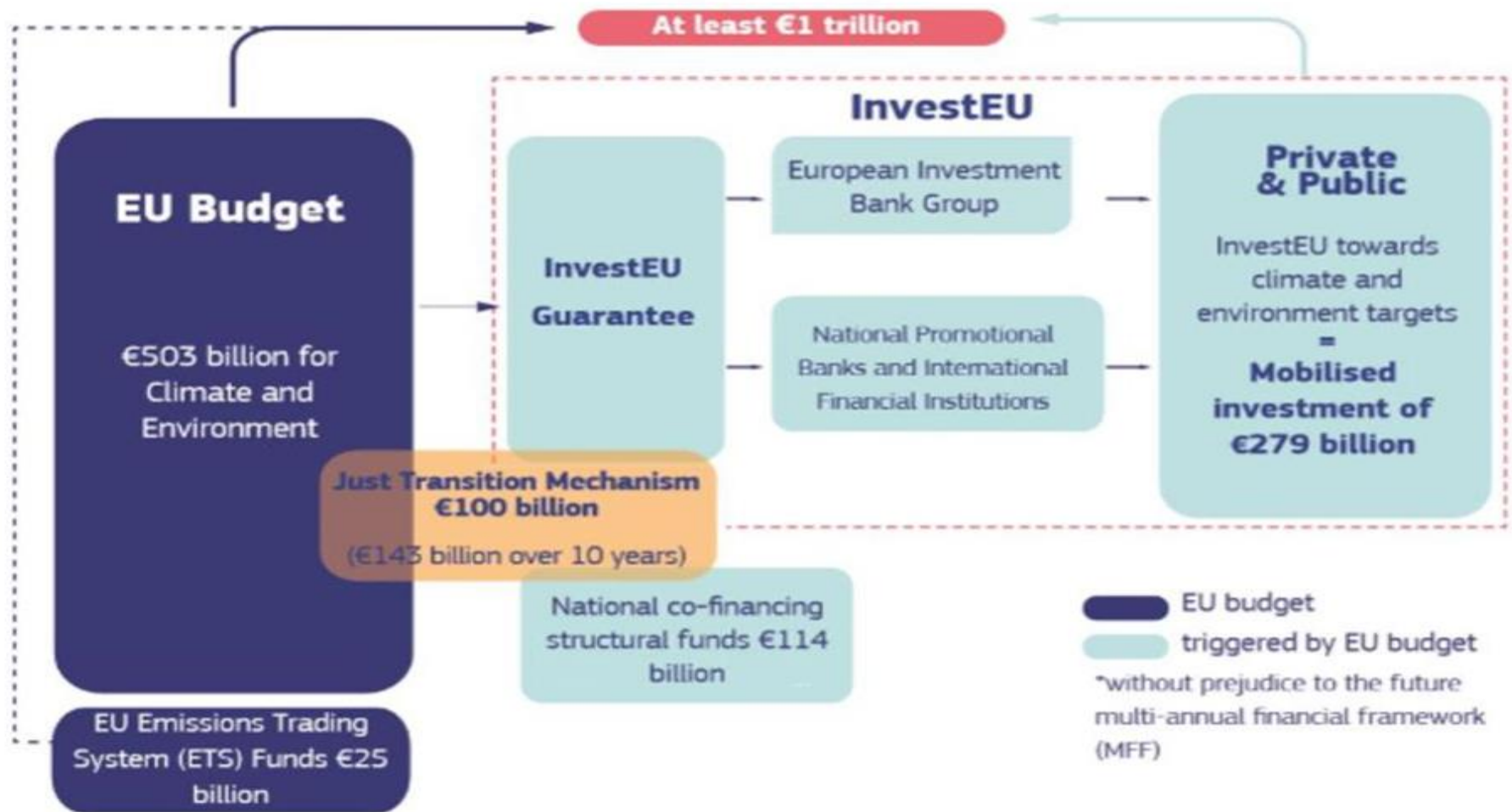
For a just transition for all, the role of the (welfare) state needs to be revisited (with a new social contract **etui.**



Sustainable Europe Investment Plan

The European Green Deal and its financing – Sustainable Europe Investment Plan

WHERE WILL THE MONEY COME FROM?



*The numbers shown here are net of any overlaps between climate, environmental and Just Transition Mechanism objectives.

FF55 was seen as a moment of truth in EU climate policy and in the European Green Deal agenda

It was proof that the EGD is not just talk, it is serious, it is concrete and it also hurts..

At the same time it brought the social aspects of the green transition into the centre of policy debate

The launch of ETS2 for transport and buildings is the first time that the carbon price directly affects the population

The prospective launch of the Social Climate Fund reflects on this recognition

The Fit for 55 package



Just Transition Fund resources

Multiannual Financial Framework (MFF) -
EU long-term budget 2021-2027

Cohesion Policy Fund

Next Generation EU (NGEU)

Just Transition Fund (JTF)

JTF core grants

JTF recovery
support grants

€ 1.1 trillion

€ 7.5 billion

€ 22.5 billion*

€ 750 billion

€ 10 billion

* funding that was proposed but not approved

JT is about **`just burden sharing`** on way to **net-zero**

With a fundamental revision of the economic model JT to a zero-carbon world works only if it also contributes to repair entrenched inequalities of the past and does not create new ones –

Mainstream EU interpretation for `JUST` and for `Transition`

- Dealing with **distributional effects** of climate policies (Fit, carbon price, ETS design during the transition, access and affordability of low-carbon technologies),
- **managing labour market transitions** (passive /income security/ + active measures /job transitions, skills)
- **regional restructuring**
- **BUT these only affect transition risks from rich country perspective**

The ILO Guidelines for a just transition for all

- The ILO *Guidelines for a just transition towards environmentally sustainable economies and societies for all* (ILO 2015) provide the basic framework to implement the Paris Agreement and the UN SDGs.
- The main approach of the ILO Guidelines is that sustainable development is only possible with the **active engagement of the world of work**. Employers and workers are not passive bystanders, but agents of change able to develop new pathways to sustainability.

Just transition policies, scope and scale

	1. Compensation	2. Structural adjustment	3. Comprehensive Adaptive Support
Planetary just transition			
International	Global North – global South Historical carbon footprints, differential responsibility Loss and damage compensation	Adaptation Fund; Least Developed Countries Fund to support decarbonization in low income, climate vulnerable countries	Global value chains, emissions and labour standards (due diligence) Corporate Sustainable Development Reporting Extraction industries guidelines
National and regional			
Consumers	distributional effects, eg. energy and transport poverty – transfer payments; tax reductions; feed-in tariff, levies and carbon tax; ETS	Subsidies and incentives for low carbon technologies (RES, electric cars)	Schemes to prevent household displacement due to rising costs associated with climate policies (e.g. for households in energy poverty)
Companies	Subsidies; corporate tax cuts; free allocation of emissions permits; CBAM; REPowerEU grants to energy intensive industries	Conditional grants to upgrade plant and equipment; capacity reserve mechanisms; phase-out subsidies	Targeted investment support into low carbon technologies; compensation at closure ahead of end of life cycle
Workers	Government-financed redundancy benefits; early retirement / pension ‘bridging’/, unemployment benefits	Wage subsidies; education and training subsidies; relocation subsidies	Counselling and other social services to workers and their families; facilitating reemployment opportunities (e.g. through worker transfer schemes and community-based public investment).
Communities	E.g. revenue replacement grants for local governments	Public investment in economic infrastructure, innovation	Place-based investment in local public goods as part of comprehensive decarbonization planning.
Plant-level			
Workers	Company financed redundancy benefits, retirement plans, intra-company placements	Training and reskilling, plant-level agreements on mass redundancies and employment	In case of downscaling or mass dismissal, job counselling, coaching, mediation, innovation partnerships, Investment plans

Climate action and distributional effects

The often degressive distributional effects of climate policies cannot be neglected, the `Fit for 55` package is a primary example and a test case

At national level households are financing the energy transition by much higher electricity prices than for industry with alarming levels of energy poverty in certain MS

The newly planned emission trading system for buildings and transport will increase the effects on households and the compensation via the Climate Social Fund is unsatisfactory

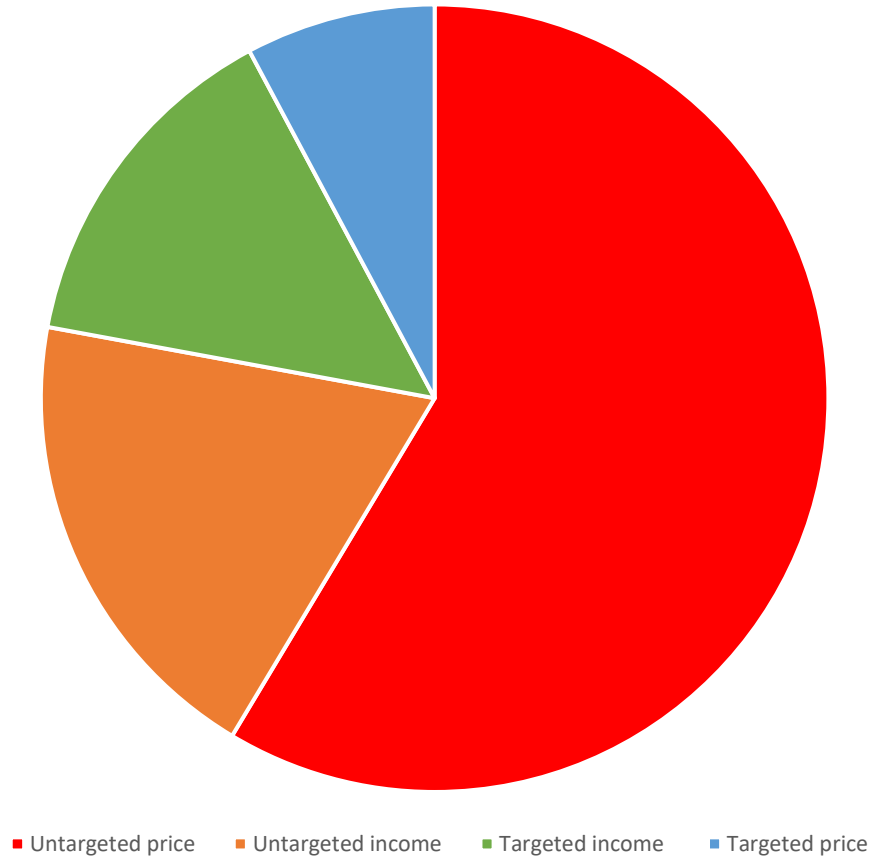
Affordability of clean vehicles, access to charging stations raises the danger of emerging new inequalities (between countries and within countries)

The Fit for 55 package: weak social dimension

The Just Transition Fund with limited resources, dedicated mostly to helping coal regions. This is very important but has a very limited scope. The newly announced Social Climate Fund has a very specific target: to fend off the detrimental distributional effects of a future ETS2 for buildings and transport, but even for that it may not be enough. Its €72.2 billion capacity spread over seven years will be insufficient to address the problems ahead, and its administration is likely to pose challenges for the institutional capacity of some Member States. Sectors that are highly affected, such as the automotive sector and energy intensive industries, do not have dedicated instruments and a fund.

National measure to fend off the effects of the energy price hike – poor targeting

The distribution of allocated and earmarked funding to shield EU households (Sep 2021 - Jan 2023), as % of the total (432 billion euros)



The proposed Council Recommendation on ensuring a fair transition is a 'toolbox' for Member States to manage the outlined employment and social effects, based on already existing tools. Implementation will be monitored via the European Semester. It recommends that states take measures to provide active support for quality employment; ensure access to quality and inclusive education, training and life-long learning; the fairness of tax-benefit and social-benefit systems; and access to affordable essential services and housing.

The social dimension of the EGD therefore remains significantly underdeveloped compared to the other hard-law Fit for 55 initiatives.

- Implementing just transition in reality (under concrete socio-economic and institutional conditions)
- A policy environment is needed that is facilitating change (covers the risk and parts of the cost of a change that is of a common interest)
- This includes a new role for the state
- In order to make the claim of ‘just transition with climate ambition’ a reality, a supportive political economy context is necessary: an ‘eco-social state’

- Trade unions and works councils need to adapt their vast experiences with managing restructuring in an advance looking way to the concrete cases of restructuring cases due to decarbonisation
- comprehensive and **coherent policy framework needed**
- Public responsibility in facilitating a transformation that is of public interest - JT Fund, regional, industrial policy)
- Timely information and consultation
- Social dialogue, social plans, employment transitions, training
- Big differences in concrete JT strategies by sector
Decarbonisation (in sectors) has different interlinkages to other megatrends (as e.g. digitization /auto/, demography /mining/)