THE FAIR WAY FORWARD

OPPORTUNITIES FOR ALL THROUGH AN EU JUST TRANSITION

March 2024
The scale and pace of change required across the EU and the rest of the world to counter the existential threat posed by the climate crisis is unprecedented. In a historically unique challenge, a massive transformation across all sectors of the economy is required, with a speed and focus normally only associated with times of war. The benefits resulting from the transition are clear: clean air, energy independence, warm homes, healthy ecosystems and, of course, avoiding the worst impacts of catastrophic climate change on food security, health and livelihoods.

But the social implications will also be far-reaching. Crucially, while most citizens will find new opportunities in the clean economy and all will ultimately benefit from improved well-being in a secure and sustainable society, significant segments of the population risk being disadvantaged during the transition, and will have genuine concerns about the nearer-term prospects for themselves and their families.

Ensuring a just and fair transition is therefore critical, both as the right thing to do to abide by European values in the transformation of our economy and societies, but also to avoid the public backlash that results from inadequate attention to the social impacts of rapid change, particularly at a time when many EU citizens are already struggling with cost-of-living problems resulting from other crises.

The EU is, in many respects, a frontrunner in climate governance, and over recent years has put in place a broad spectrum of policy instruments related to climate and energy. The Climate Law, for example, commits EU institutions and Member States to achieving climate neutrality while taking into account the importance of promoting both fairness and solidarity among Member States and cost-effectiveness. But EU and national policies have so far only scratched the surface when it comes to the rapid socio-economic changes that are needed.

Now more than ever, the EU needs a comprehensive approach to ensuring a just transition that enables all EU citizens to seize the opportunities of the shift to a climate neutral economy.

**MAIN CONCLUSIONS**

The benefits of the green transition will not be evenly distributed, and further action is required to assess the ‘winners and losers’, and to address regressive impacts. Those who are young and well-educated will be better able to benefit from the opportunities of the transition, while those who are not already in a low-income category have the best prospects for a just transition.

While the EU has introduced some relevant measures to support the commitment to ‘leave no one behind’ (including the Just Transition Fund and Social Climate Fund), these are insufficient to ensure an inclusive society-wide transition, and extra measures will be required as transition progresses. These include massive investment in energy savings programmes for citizens, including deep renovation of buildings, as well as in public and shared transport options, and re-skilling and training schemes to support green jobs.

Attention to both regressive impacts and co-benefits of climate and energy policy is lacking. Planning and coordinating tools, in particular national Long Term Strategies (LTSs) and National Energy and Climate Plans (NECPs), do not yet provide sufficient analysis and policy direction to ensure a society-wide just transition.

**KEY RECOMMENDATIONS**

A more comprehensive approach – a strengthened Just Transition policy framework – is required to ensure a wide-reaching and inclusive transition for the EU’s low-carbon future and sustainable economy. Detailed suggestions for strengthening the EU’s application of a fair transition which leaves no one behind, including by sector, are set out in this report, but key recommendations include:

- Ensuring significantly increased and coordinated investment in just transition measures, through territorial and other instruments, based on thorough analysis of distribution and wider socio-economic impacts.
- Urgent improvements by Member States to socio-economic impacts analysis and corresponding policy responses contained within NECPs and LTSs.
- Revision of the Governance Regulation to ensure a strong legally-binding framework for long- and short-term climate and energy policy planning, with improved templates and guidance to ensure full integration of socio-economic and just transition aspects.
- In preparation of the next Multiannual Financial Framework, revision of EU funding instruments (including the Common Agricultural Policy, the European Regional Development Fund and the Modernisation Fund under the EU Emission Trading System) to assess the degree to which they are consistent with the principles of a just transition.
- Introducing reforms to support greater citizen participation in policy development at EU, national and local levels, to enable the design of informed and fair policy which empower and protect citizens.
- More comprehensive efforts to strengthen social policy implementation (including through application of the European Pillar of Social Rights and Council Recommendation for a fair transition) as a foundation for a just transition.

**JUST TRANSITION – WHAT’S AT STAKE?**

The transition to a low-carbon economy requires change at a pace which has probably only previously been experienced in the context of war. Huge numbers of workers are already moving into jobs in renewable energy as fossil fuels are phased out of the power sector. The significant changes required in other sectors to achieve a whole-of-society transformation, including industry, transport, buildings and agriculture, are in many ways only just beginning. The imperative to reduce greenhouse gas emissions to ensure a liveable future translates into changes that involve citizens collectively and individually – the switch to clean energy, home improvement for energy efficiency, new patterns of production and consumption.

Overall, there will be many benefits and positive outcomes of the green transition; however, the opportunities created will not be spread evenly across Europe either geographically or within societies. Those who are educated, young, mobile and not already in a low-income category have the best prospects of navigating their way through the social and economic changes and seizing the opportunities the new economy presents. Those with fewer resources and qualifications, those in older age-groups, and those living in already isolated or low-opportunity regions will find it harder to do so, and are at greatest risk of experiencing negative impacts.

The Intergovernmental Panel on Climate Change (IPCC) tells us that not only do we need to move faster to avoid the worst impacts of the climate crisis, but we also need to take the socio-economic impacts of the transition into account more comprehensively. Similarly, the European Scientific Advisory Board on Climate Change (ESABCC) describes the requirement for rapid, inclusive and well-managed transitions.

Governments are faced with the challenge of planning and implementing the transition to carbon neutrality in a way which achieves common objectives through locally- and socially-sensitive measures. The complex task of forecasting policy impacts to the level needed to enable responsive and effective strategies is therefore absolutely necessary to safeguard livelihoods, social cohesion and wellbeing. And a strong focus on dialogue and participation is required to achieve sufficient concrete policies and measures to ensure a just transition (both in a territorial and whole-of-society perspective).

Overall, a strengthened focus on a just transition can enable the EU to achieve necessary climate goals and deliver a low-carbon future while staying true to European values of freedom, human dignity and solidarity and ensuring the wellbeing of all. Without it, Europe is likely to see increased backlash against clean economy policy and heightened social divisions.

This paper examines the elements already in place to support a just transition in the EU, and looks ahead at what will be required going forward. It also proposes just transition considerations for a range of policy areas.

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1 Regulation 2021/1095, article 2
2 EEAs & Eurofound, 2013 ‘The transition to a climate-neutral economy: Exploring the socio-economic impacts’
3 IPCC, AR5 Summary for Policymakers C.2.2
4 ESABCC, 2013 ‘Scientific Advice for the determination of EU-wide 2040 climate target’
The economic and political union of the EU is founded upon social values and solidarity, and has the well-being of its citizens as a primary aim. As such, it has created a number of elements which are relevant for promoting and implementing a just transition on the path to climate neutrality.

While the Union’s emphasis has historically focused on economic considerations, there has been an increased drive to take common approaches to support the social dimension of rights established in EU Treaties. In 2017, this resulted in the European Pillar of Social Rights (EPRS), which contains principles for a fair and inclusive economy and society. In 2018, the Regulation on the Governance of the Energy Union and Climate Action (2018) sets the framework for the development and reporting of national Long Term Strategies (LTBs) and integrated National Energy and Climate plans (NECPs) by Member States. National Long Term Strategies have a perspective of at least 30 years and cover overall planned emissions reductions and removals, reductions in individual sectors and progress towards low-emissions economy. The strategies were first submitted in 2020 and should be revised every 10 years, with a five yearly update where required.

The European Green Deal – launched by Ursula von der Leyen in 2019 as a growth strategy with the objective of reaching climate neutrality for the EU by 2050 through environmentally sustainable and socially inclusive development – stresses the importance of a just transition that leaves no one behind. The framework for just transition which has been developed since the launch of the Green Deal is made up of a mix of funds, legislation, guidelines and recommendations. Flagship initiatives include the Just Transition Fund, which targets social and economic aspects of NECPs is an opportunity to elaborate strong just transition measures. Improving the focus on social aspects of NECPs is an opportunity to elaborate strong just transition measures.

A revision of the NECP template should include a new dimension of socio-economic aspects and just transition. This addition would require that the plans present a researched and coordinated strategy to ensure potential regressive impacts of climate and energy policies are avoided, and co-benefits maximised.

The European Commission. The resulting plans should both identify distributional impacts and social challenges resulting from policy measures, the plans required to address this, and the gaps in resources available at national level. In particular, updated NECPs should:

- Identify the social, economic and employment consequences of the energy and climate transition, and propose how to meet these challenges within the national context.
- Ensure resources are targeted to support the most affected regions, sectors and industries, and most vulnerable communities and households.
- Demonstrate how transition processes contained within TJTPs fit with national plans, and how synergies between regional and national plans can be maximised.
- Provide robust analysis of vulnerability to the effects of the inclusion of buildings and road transport in the Low-Carbon Transition (LTCs) and use this distributional impact assessment to propose investments and support schemes to be elaborated in Social Climate Plans.

National planning through NECPs and LTs

The Regulation on the Governance of the Energy Union and Climate Action (2018) sets the framework for the development and reporting of national Long Term Strategies (LTBs) and integrated National Energy and Climate plans (NECPs) by Member States. National Long Term Strategies have a perspective of at least 30 years and cover overall planned emissions reductions and removals, reductions in individual sectors and progress towards low-emissions economy. The strategies were first submitted in 2020 and should be revised every 10 years, with a five yearly update where required.

National Energy and Climate Plans are the means by which Member States lay out their plans to address the five dimensions of the energy union: decarbonisation, energy efficiency, energy security, internal energy market and research, innovation & competitiveness. The development and update of NECPs is an opportunity for multi-stakeholder dialogue to ensure informed and coordinated policy. Used well, and accompanied by sufficient socio-economic impact analysis – NECPs could be a powerful tool for a well-managed approach to ensuring climate and energy policy does not have negative and unfair social impacts.

The first set of NECPs cover the period 2021-2030 and their first update cycle, as required by the Governance Regulation, should be completed in mid-2024. In principle, the use of national Long Term Strategies holds the potential to provide predictability of policy frameworks and enable effective longer-term planning. They could be fundamental tools to ensure consistency of policies with long-term objectives, including the EU’s climate neutrality goal, to support investment without risking stranded assets, and enable transparency and effective coordination. In practice, the absence of binding requirements on Member States has resulted in weak strategies, with three countries still not having submitted their LTs at all. While the template prompts identification of socio-economic impacts of climate and energy policy, the European Commission’s assessment of LTs notes that half of the strategies submitted to date are missing this mandatory element.

The NECPs process, meanwhile, is crucial to ensuring transparency of the targets and strategies Member States commit to. When aggregated, NECPs enable an assessment of the overall EU perspective towards achievement of short-term climate goals. However, the NECP template established under the Governance Regulation does not oblige Member States to conduct a comprehensive analysis of impacts of climate and energy policies on their population in terms of outcomes for jobs, impact on household income, skills and education requirements and other social factors. The format of the plan merely requests comment on these impacts ‘to the extent feasible’ and does not require integration of specific just transition measures.

Draft updated NECPs submitted to the end of 2022 are not yet observed by the European Commission to be insufficient overall in order to meet the EU’s climate targets, they also contain very little reference to the socio-economic impacts of Member States’ climate and energy plans. This means that the plans are lacking aspects such as:

- Indicators to assess, and measures to address energy poverty;
- Information on social, employment and skills consequences of the energy transition;
- How objectives and actions planned under Territorial Just Transition Plans (TJTPs) relate to NECP actions;
- Identification of most vulnerable households or communities, including numbers in energy poverty and transport poverty;
- How future Social Climate Plans will be based upon the NECPs and how consistency between the plans will be ensured.

Without sufficient and participatory efforts to analyse socio-economic impacts and to design responsive and redistributive measures accordingly, the commitment to ‘leave no one behind’ risks ringing hollow, and it will not be possible to ensure fair and just transition. Improving the focus on social aspects of NECPs is an opportunity to elaborate strong transition plans which are both effective and demonstrative and inclusive governance.

Recommendations

- The Governance Regulation should be amended to strengthen the role of Long-Term Strategies in achieving climate neutrality via a just transition. The template for LTs should be more detailed and legally binding. In addition to a comprehensive analysis of socio-economic impacts of climate and energy-related policy, priorities, measures and resources for addressing these impacts should be elaborated. Enhanced guidance on LTs should support public participation and meaningful stakeholder participation in strategy elaboration, implementation and monitoring.
- A revision of the NECP template should include a new dimension of socio-economic aspects and just transition. This addition would require that the plans present a researched and coordinated strategy to ensure potential regressive impacts of climate and energy policies are avoided, and co-benefits maximised.
- Member States should urgently undertake extra efforts to present and adopt socio-economic impacts of climate and energy policies within the current NECP update process, in line with the guidance provided by the European Commission. The resulting plans should both identify distributional impacts and social challenges resulting from policy measures, the plans required to address this, and the gaps in resources available at national level. In particular, updated NECPs should:

Identify the social, economic and employment consequences of the energy and climate transition, and propose how to meet these challenges within the national context.
Ensure resources are targeted to support the most affected regions, sectors and industries, and most vulnerable communities and households. Demonstrate how transition processes contained within TJTPs fit with national plans, and how synergies between regional and national plans can be maximised. Provide robust analysis of vulnerability to the effects of the inclusion of buildings and road transport in the Low-Carbon Transition (LTCs) and use this distributional impact assessment to propose investments and support schemes to be elaborated in Social Climate Plans.

Just Transition Mechanism

The EU Just Transition Mechanism is a flagship programme under the European Green Deal, designed to support regions heavily dependent on fossil fuels and high-carbon industries (including steel, cement and chemicals) in their transition towards a more sustainable and green economy. It aims to contribute to the ‘leave no one behind’ commitment by providing financial assistance and technical expertise to communities most vulnerable to social and economic impacts of the shift to a low-carbon future. The mechanism consists of a Just Transition Fund plus a public sector loan facility and budgetary guarantee schemes.

The Just Transition Fund supports economic diversification and related activities over the period 2021-2027 including:

- Workforce adaptation - training and reskilling of workers for the green economy, job-search assistance, etc.
- Economic resilience and diversity - investments in Small and Medium-sized Enterprises and creation of new firms
- Low-carbon solutions – clean energy and transformation of existing carbon-intensive plants and industries, plus enhancing the circular economy, district heating improvements for energy efficiency, and sustainable mobility
- Environmental rehabilitation and green infrastructure.

Funding has been awarded to the identified regions based on Territorial Just Transition Plans (TJTPs), prepared by Member States with the relevant local and regional authorities. Each TJTP outlines the transition process for the specific region, outlining the local social, economic and environmental challenges stemming from the phasing out of fossil-fuel related activities, or the decarbonisation of carbon-intensive industries or businesses. They describe the activities to be supported by the Just Transition Fund, and also outline the intended use of the other pillars (Invest EU Just Transition scheme and a public sector loan facility). The


Just Transition Mechanism also provides significant technical assistance, advisory services and support for knowledge exchange.

WWF’s 2022 assessment of a sample of TJTPs found that most plans only covered some aspects of the just transition, tending to focus on economic or technological investments and workforce skills. While likely to contribute to economic transition and decarbonisation in targeted regions, most of the plans reviewed were deemed likely to miss the opportunity to act as a roadmap for a more complete social, economic and environmental transformation of their region to a fairer and more sustainable future.

On the positive side, the requirement for TJTPs to demonstrate concrete transition results to 2030 in order to access funds means that they enable the targeting of resources towards those regions prepared to put climate ambition into immediate action. The fact that TJTPs are specific to locality (e.g. NUTS-3 level regions) and therefore represent content-tailored plans is also a powerful innovation which complements other nationally-based cohesion policy programming.

The importance of open and inclusive multi-stakeholder approaches to designing TJTPs, especially at local level, was highlighted in particular by civil society and social partners during the TJTP development phase. However, weak inclusion of stakeholders in local consultations and in monitoring committees remains a barrier to ensuring local ownership and effective use of local knowledge in many regions. While there is a certain pressure to approve projects related to the short time span of the Just Transition Fund, there are also challenges related to local capacity to manage funding processes and to identify most effective and transformative projects. There is an ongoing risk that activities implemented under TJTPs will not be as responsive as they should be to the real needs of the communities they are supposed to support. Continued efforts are required to foster transparency, capacity building support and participation. This includes making sure social dialogue and collective bargaining frameworks are respected as central to regional labour market transition and ensuring the creation of quality jobs.

The Just Transition Mechanism builds upon the previously-established Coal Regions in Transition initiative. However, experience from regions that began their industrial and energy transition before either of these frameworks had been developed showed that such transition processes typically take not years, but decades to achieve economic and social transformation. Even if current TJTPs channel funding to relevant local projects and achieve their planned indicators within the required period, the Just Transition Fund will cover (in timespan and resources) only a small part of the transition needs of the EU’s regions. This does not make the Just Transition Mechanism less relevant - rather it makes its existence doubly important, to throw a spotlight on the needs and potential for local-level transition, and to share knowledge and experience to facilitate coordinated multi-stakeholder transition processes in other locations.

**Recommendations**

- As implementation of the Just Transition Fund picks up, Member States must ensure continued transparency and balanced stakeholder participation in monitoring committees in order to make sure that funded projects are locally relevant and meet social, economic and environmental requirements.
- The mid-term review of the Just Transition Fund (due by mid-2025) should examine:
  - Strategic implementation of the fund (including who are the recipients, the balance between e.g. large companies and smaller actors)
  - Implementation of meaningful participation measures at a local level, involvement of stakeholders in decision-making and monitoring
  - Qualitative just transition effects beyond selected TJTP indicators, and to what extent the funds impact social equality and the relationship between the territorial and wider regional development.
- Both the investment of EU funds in a territorial approach to just transition, and the technical assistance and structured exchange of experience and learning provided by the Just Transition Platform should be continued. Avenues to share the accumulated just transition learning with emerging just transition approaches in other policy areas should also be explored.

**Social Climate Fund**

The Social Climate Fund (SCF) was included in the EU’s ‘Fit for 55’ package, as a means of reducing potential negative impacts on certain citizens and households of the inclusion of buildings and road transport sectors in the expanded Emissions Trading System (ETS2). It will provide funding to Member States to be used in support of vulnerable households, micro-enterprises and transport workers on the basis of Social Climate Plans (SCPs) which are to be finalised by mid-2025. Funds can then be spent from 2026 to support improvements to buildings to improve energy efficiency, and investments in lower-emission transport measures. Part of the funds can also be used as a temporary direct income support for disadvantaged households. The ETS2 will become operational as of 2027.

An important first step in introducing measures to mitigate potentially negative impacts of climate policies, the Social Climate Fund has become a flagship policy, widely cited as a key EU contribution to Just Transition. However, the planning stage is only just beginning, and the quality and effectiveness of national Social Climate Plans are still to be seen. The fund represents a valuable opportunity to apply principles of just transition in a planned and relevant manner. But in its current form, and compared to the scale of the challenge, the SCF is not big enough by itself to bring comprehensive results for all segments of population requiring support in transition. It is important that the Social Climate Fund is understood to be a buffer against transport and heating costs that are likely to rise with the introduction of ETS2, and not as a transformative measure for significantly reducing existing inequalities.

The impacts of ETS2 on the most affected groups will vary between Member States. For example, modelling shows that in some countries, additional household expenditure as a result of ETS2 is mainly the extra cost of heating; in other contexts the impact on heating is low, but impact will be experienced in the cost of transport. While transport poverty and energy poverty across the EU mainly affects households in the lowest 30% of income distribution, in some countries vulnerability to increased carbon prices also affects lower-middle income households. This heterogeneity between contexts and impacts will require carefully tailored approaches, indicators, investments and support measures.

If targeted correctly, well-designed Social Climate Plans, based on solid analysis and participatory processes could make a valuable contribution to supporting poverty-vulnerable households. However, experience from the development of TJTPs and NECPs shows that planning processes are often neither sufficiently thorough, inclusive nor transparent. The integration of the expertise of civil society in identifying and addressing social issues will be more important than ever in ensuring relevant plans, especially within the context of limited resources.

**Recommendations**

- Experience of poor participatory planning processes during TJTP development and NECP updates should be recognised and used to drive improved processes for SCP development.
- NECP updates should include the necessary socio-economic impact analyses to enable elaboration of SCPs which successfully reach target groups.
- Civil society involvement is particularly important in identifying relevant measures to be funded under SCPs. Many civil society organisations have essential expertise in identifying vulnerable groups and households, addressing different forms of poverty and ensuring inclusion. Member States should ensure civil society inclusion in SCP development is meaningful participation, not just a tick-box consultation, and should engage civil society in implementing and monitoring Social Climate Fund activities.
- The SCF should not be expected to resolve all social inequalities and poverty challenges. Member States are required to channel 100% of revenues from ETS to climate action; this should include investing in additional measures to facilitate the green transition for most vulnerable households. Transparency of Member State spending from ETS revenues must be ensured.12
The European Pillar of Social Rights

The European Pillar of Social Rights (Pillar) lays out 20 key principles and rights intended to ensure fairness in employment opportunity, working conditions and social protection across Member States. While social issues are a national competency, the Action Plan puts forward EU level measures to support the implementation of the Pillar, and sets three headline targets in the area of employment, skills and social protection. The Action Plan will be reviewed in 2025.

The pace of change required in the shift to a low-carbon economy risks compounding the disadvantages already experienced by vulnerable groups, and increasing social inequality. This makes strong social policy measures more important than ever to underpin the transition.

The European Pillar of Social Rights was identified as a key instrument to achieve the European Green Deal. However, traditional approaches of social affairs being managed as a very separate branch from climate and energy policy persist at EU and national levels. The EPSR action plan sets ambitions targets for employment, training and poverty reduction but does not address in depth the distributional impacts and urgency of the transition.

Energy is identified as an essential service in the EPSR, but it is the one which the highest number of EU citizens have difficulty accessing, with 9.3% of Europeans unable to keep their homes adequately warm in 2022.18 While EU countries provided a range of support packages in 2022-3 to help citizens cope with increased energy costs caused by fossil fuel price volatility, these measures were generally short-term and not well-targeted.19 Tackling energy poverty is a core element of the transition to a low-carbon society, and needs to be addressed by measures which reach its root causes. Progress has been made on defining energy poverty and establishing thresholds, but recognizing it as an essential service to all citizens will be required to respond to.

The ESABCC20 notes that progress has been made on defining energy poverty and its element of the transition to a low-carbon society, and needs to address difficulty accessing energy. Energy is identified as an essential service in the EPSR, but it is not made a significant policy response to the context of the climate crisis i.e. be designed to respond to increasing negative impacts from extreme weather events in Europe and the increasing pace of social change resulting from the transition process.

The transition to clean energy needs to be complemented by targeted measures to tackle the root causes of energy poverty and enable access to affordable clean energy as an essential service to all citizens.

The 2022 Council Recommendation on ensuring a fair transition towards climate neutrality contains detailed guidance for policy packages that could further the just transition within a national context, including via taxation, improved social protection, tackling energy poverty, support to vocational training/ reskilling, jobs, transport & mobility and sustainable consumption. While not a legislative document, the Recommendation provides comprehensive guidance in areas covered, and is useful in extending awareness on the fair-reaching implications of striving for a fair transition.

The first monitoring exercise of the Council Recommendation on fair transition towards climate neutrality contains detailed guidance for policy packages that could further the just transition within a national context, including via taxation, improved social protection, tackling energy poverty, support to vocational training/ reskilling, jobs, transport & mobility and sustainable consumption. While not a legislative document, the Recommendation provides comprehensive guidance in areas covered, and is useful in extending awareness on the fair-reaching implications of striving for a fair transition.

Overall, there is need for massively increased investment to keep the transition to low-carbon societies on track.21 It is clear that some Member States are more able to engage in large-scale green and social investments than others. The risk of the transition contributing to a ‘two speed Europe’ and reversing cohesion gains made to date is very real. Cohesion measures, whether territorial funds, or support determined by the level of socio-economic disadvantage (such as the Social Climate Fund) remain more important than ever to navigating the European project through the instabilities and social challenges of the transition.

Five years into the European Green Deal, it is clear that the ‘leave no one behind’ commitment included in the Deal has been inadequately addressed, and requires significant bolstering in the next political period. It is no longer sufficient to develop climate and energy policies which may refer to the principles of just transition, but which do not contain analysis or mitigating measures to ensure social fairness. European citizens have become increasingly concerned about the cost-of-living and the inaccessibility of low-carbon options (whether home renovations, green mobility, clean energy or quality green jobs) for large segments of the population.21 And, importantly, many do not anticipate an improvement in the situation. ‘Wholesale’ approaches are urgently required to move forward, and just transition must become a central thread of political action, not a token or ‘add-on’ element.

Demographic analysis and demographically targeted policies and support measures are key to achieving the transition, noting both the difference in attitudes to change between different social groups and age group categories, and in those groups capacity to adapt. Just transition observatories, or similar means of research, monitoring and advisory services, are important to support public authorities in dealing with the complex challenge of efficient but targeted policies, and to assess the ‘fairness’ aspect of progress towards carbon neutrality.

The just transition must be at the heart of EU political priorities, as well as central to the post-2030 framework not merely an ‘add-on’. The emissions targets which are required to address the climate crisis will only be met by a strengthened Just Transition policy framework which ensures a wide-reaching, inclusive and fair transition.

The just transition implies a genuinely people-centric approach as opposed to a mainly technology-focused strategy towards decarbonisation. A policy framework which recognises and addresses social challenges and inequalities with advancing decarbonisation and protecting and empowering citizens is required to move forward. This requires additional attention to socio-cultural aspects of the multi-stakeholder approach to policy development and implementation.

In preparation of the next Multiannual Financial Framework (MFF), EU funding instruments (including the Common Agricultural Policy (CAP), European Regional Development Fund (ERDF), and others) should be reviewed to assess the degree to which they are consistent with the principles of a just transition. The social impacts, social costs and benefits across different income groups and other categories of vulnerability should be examined and addressed.

A just transition requires the introduction of reforms to support citizen participation in policy development, EU, national and local levels, to enable the design of informed and fair policy which empowers and protects citizens, for example through forms of deliberative democracy such as citizens assemblies.

The just transition requires both territorial and whole-of-society approaches. Investments must be targeted both i) to regions most in need of a rapid transition and least able to secure resources for themselves and also ii) to ensure protection and opportunity for all citizens in the context of the transition.

Significant efforts need to be made to improve data use for targeted policy design. Distributional analysis, scientific panels, and just transition observatories should be deployed to ensure a strong social dimension to transition planning and implementation. Further attention should be given to culture and identity as under-recognised factors in transition processes.

Recommendations

- Implementation of the principles of EPSR should be viewed as the fundamental bedrock of a just transition. Strong measures to support social protection, social inclusion, employment opportunity and skills development should be prioritised as part of a national competing strategy towards a green economy.
- The forthcoming update of the EPSR Action plan must ensure strong measures to reflect the context of the climate crisis i.e. be designed to respond to increasing negative impacts from extreme weather events in Europe and the increasing pace of social change resulting from the transition process.
- The transition to clean energy needs to be complemented by targeted measures to tackle the root causes of energy poverty and enable access to affordable clean energy as an essential service to all citizens.

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The 22nd Conference of the Parties to the United Nations Framework Convention on Climate Change (COP22) in Marrakech, Morocco, from 7-18 November 2016, decided that a Conference of the Parties (COP) conference would be convened in 2017 as a high-level event on the implementation of the Paris Agreement. The 2017 conference, COP23, was held in Bonn, Germany, from 6-17 November 2017. The 2018 conference, COP24, was held in Katowice, Poland, from 2-14 December 2018. The 2019 conference, COP25, was held in Madrid, Spain, but the venue was changed to Sevilla Deportes, Sevilla, Spain, due to the ongoing COVID-19 pandemic. The 2020 conference, COP26, was held in Glasgow, Scotland, from 9-19 November 2020. The 2021 conference, COP27, was held in Sharm El Sheikh, Egypt, from 6-18 November 2021. The 2022 conference, COP28, was held in Dubai, United Arab Emirates, from 30 November to 11 December 2022.
EMBEDDING THE JUST TRANSITION ACROSS EU POLICY SECTORS

Power

Accelerating the deployment of renewable energy, in particular wind and solar, is key to achieving climate neutrality, and significant progress has been made over recent years. The share of renewables in electricity generation has grown faster than anticipated in many Member States.25,26/27 costs have dropped rapidly and fossil fuel demand is falling accordingly. However in some countries, the closure of coal mines and phase out of fossil fuels for power generation will continue to require major support to respond to the impacts of job losses and local economic transformation. And while the shift towards renewables has led to corresponding growth in employment opportunities in the clean power sector, the new jobs do not necessarily replace jobs lost e.g. from fossil fuel phase out in any particular location. The installation of renewables, as well as expanded grids and storage facilities, also requires a heightened attention to spatial planning and local development considerations to ensure that the energy transition is both people-friendly and nature-friendly.

Just transition considerations for future power sector related policies therefore include:

• The siting of renewables, grid development and energy storage facilities should be subject to thorough social and environmental impact assessments. Meaningful public consultation, communication and engagement, should result in win-win plans which include support for local citizens and communities (such as access to affordable clean energy, investment in community projects, etc.). Ensuring the speed of deployment of renewables is essential to the energy shift, but this does not mean compromising on public participation - if anything it is a reason for even higher standards of outreach and engagement with citizens.

• Energy democracy and the alleviation of energy poverty should be addressed through energy policies which support energy ownership and access e.g. through renewable energy communities.

• EU decision-makers need to address the skills shortage in the renewable sector. Energy policy should include concrete measures to promote the creation of green jobs, and a qualified labour force through training opportunities and skills development.

• Social dialogue and collective bargaining should be supported to ensure quality jobs.

• Greater efforts should be made to take the opportunity where possible for siting renewables25 in former mining or fossil fuel power plant locations, exploiting existing infrastructure and land availability and mitigation job losses by creation of new employment opportunities and economic value.

Industry

Improved energy efficiency, rapid industrial GHG emissions reduction and transformation, including through the decarbonisation of industrial energy sources and feedstocks are essential components of the EU’s journey towards carbon neutrality. For instance, the decarbonisation and transformation of energy intensive sectors like steel, chemicals and cement, accounting for about 17% of total EU’s GHG emissions28, are essential for the EU reaching carbon neutrality on time. Citizens and the economy can benefit from an EU industrial policy which strongly supports energy and resource efficiency, demand-side reduction measures, reuse and recycling of materials and products while prioritising the deployment and use of green technologies which are truly clean and can deliver fast decarbonisation. At the same time, NECPs do not provide sufficient details on industry sector’s energy and investment (both in terms of needs & capacity) as well as industrial decarbonisation trajectories, and the recent Industrial Carbon Management Strategy does not provide clear priorities for reducing emissions at source.

There is an increasing consensus on the need for a more coordinated approach to supporting the EU’s industrial transformation. This presents an opportunity to design an EU industrial strategy which not only builds a strong economy and reduces GHG emissions but which also supports cohesion between regions/countries and predictability in transition for workers and their communities as the industrial transformation will present sectoral and spatial challenges across the EU.

Some industrial sectors will undergo a more radical transformation than others; fossil fuel and automotive sectors are examples of where extensive job displacement may be experienced and where support and opportunities for reskilling and reemployment may be required. Some regions like Central Eastern Europe will face specific challenges while transforming their industry.29/30 Coherent plans for reskilling and reskilling as well as improving social considerations and transparent processes, within the future EU industrial policy framework, will be prerequisites for a socially fair and just transition across the EU.

Just transition considerations for industrial policy:

A clear and coordinated vision for the future of EU industry must incorporate economic, environmental and social considerations. Detailed planning and consultation will be required to ensure consistency between industrial transformation objectives, existing just transition plans (including LTIPs), and LTIPs and NECPs. Specifically:

• The revised NECPs must map out the industry sector’s energy and investment requirements as well as science-based pathways for industrial transformation that phase out all fossil fuels (including fossil gas and all fossil derived gases and liquid fuels). Investments in fossil infrastructure will simply generate stranded assets, drive up the costs of the transition and leave vulnerable communities lagging behind.

• The mapping and planning of where new manufacturing industries should be built across the EU must involve transparent and effective consultation of local communities by public authorities, in order to guarantee social acceptance and ensure local benefits (for example in the design and siting of the Net Zero Acceleration Valleys required under the Net-Zero Industry Act).

• From a territorial perspective, planning for industrial strategy also needs to consider fairness in opportunity between regions as well as the demographic impacts of changes in economy and workforce requirements on the local context. The creation of new jobs needs coordination with social policies to ensure access to essential services, housing etc.

• Company and sectoral transition plans should be used to develop a shared long-term perspective which ensures investment and supports quality jobs, skills development and access to re-employment services. Transition plans developed together with trade unions, civil society, and relevant councils will be powerful tools for ensuring smooth and widely-supported change.

25 European Commission, European Commission, European Commission, European Commission
26 Source: European Environment Agency 2019, Share of energy consumption
27 Source: European Commission, European Commission, European Commission
28 Source: European Commission, European Commission, European Commission
29 Source: European Commission, European Commission, European Commission
30 Source: European Commission, European Commission, European Commission

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Transport
The EU’s transport sector is currently still dominated by fossil fuels. As well as reducing energy demand through logistical improvements and developing better options for efficient public mobility, widespread electrification of many forms of transport (and corresponding charging infrastructure) will be key to decarbonisation. While electric vehicle development has been pioneered successfully through the high-end of the automobile market, new electric vehicles (for private or commercial use) are currently unaffordable for many households who risk being ‘locked-in’ to the use of inefficient and polluting automobiles and associated high fuel price volatility. The market for smaller and cheaper electric vehicles remains to be developed and is another area of low carbon technology where, failing urgent action, the EU risks falling behind other players internationally.

In addition, public transport networks need to be dramatically improved to offer efficient and effective mobility options. Different models for mobility such as sharing and leasing schemes are also an essential element of addressing transport needs in a green society. The inclusion of road transport in EIT raw will draw further attention to the emerging understanding of transport poverty, and the need for transformative measures rather than fossil fuel subsidies.

Just transition considerations for the transport sector include:

- Policies and support schemes to make electric vehicles more accessible to those on low-incomes, including those who require vehicles for their livelihoods or live in rural areas where public transport provision is more difficult, are urgently required. This can include social leasing schemes, subsidies, as well as incentives to electricity company fleets (which in turn supports second-hand markets).
- Incentives and/or regulation to promote the design, manufacture and purchase of smaller, lighter (and therefore more affordable) electric vehicles is also urgently required - including on grounds of global competitiveness.
- Massive investment in public and shared transport options must be undertaken and/or incentivised, coupled with affordable pricing schemes to ensure accessibility. In urban areas a much greater emphasis on facilitating walking and cycling is also needed.
- Local and national transport policies should be based on detailed assessment of needs of different population segments to enable access to essential services and livelihoods for rural and urban populations and all age groups. Better understanding of transport poverty alongside energy poverty should be used to inform transport policy, social support systems, and urban planning.

Buildings
The cost of living crisis and high and volatile fossil fuel prices means that millions of EU citizens cannot afford proper heating, putting lives and health at risk. Countries in Central and Eastern Europe have particularly high levels of energy poverty, and housing stock is old and highly energy consuming. A massive acceleration in building renovation is required to improve energy efficiency, thereby reducing both emissions, energy bills and our dependency on imported fossil fuels. However, this is complex in situations of multi-household apartment buildings, and difficult to prioritise in rental situations where tenants have little control over heating systems and owners have little incentive to make improvements. Where renovations are undertaken in rental situations, safeguards are required to make sure vulnerable tenants are not displaced by subsequent disproportionate rent increases. Social housing providers are important players for ensuring quality housing for most vulnerable populations. Addressing the full scale of the buildings challenge to bring about a revolution in clean energy use, efficient heating and cooling will also require tackling supply side issues, including lack of skilled workers for renovation.

Just transition considerations include:

- Ensure targeted support for renovation, energy improvements (heating and cooling) are available to those unable to initiate these improvements alone, with widespread investments deployed through tailored subsidies, loans and tax incentives to meet the needs of different groups and income levels.
- End support for fossil-fuel heating, make sure building solutions are based on renewable energy, and avoid locking-in households to e.g. fossil fuel boilers, even if more efficient than the ones they replace.
- Enforce energy performance standards, with particular focus on rental and social housing, recognise the landlord-tenant dilemma and develop measures to incentivise rental accommodation renovation, while ensuring social safeguards to protect tenants.
- Use programmes of support for energy improvement of buildings as an opportunity to train and employ workers in green construction and renovation, providing the skills framework and standards to ensure that these are quality jobs.

Agriculture and forestry
Overall, virtually no progress has been made in reducing emissions from the agriculture sector over recent decades, meaning that major changes to incentives and regulations are urgently needed to put the sector on a low-carbon pathway. At the same time, mass demonstrations by farmers across Europe testify to the difficulty that many in the sector experience in securing a decent income.

While recent - indeed even not-yet-implemented - green policies are often portrayed as the root of the problem, in fact the main cause of economic difficulty for many farmers comes from the way the current system privileges large agri-business and intensive farming at the expense of smaller farmers and sustainable approaches. The current Common Agricultural Policy (CAP) is not designed for social fairness, let alone for the changes required for a sustainable low-carbon future. Under the current CAP 20% of the largest European farmers, often large-scale industrial agri-businesses, receive 80% of direct payments, while most farmers on small or medium-sized farms receive little to nothing.

EU-level policy development is also complicated by the differences in situation between Member States, and discussions are only just beginning on what a just transition might look like for farmers and land-managers. The need to reduce consumption of meat and dairy products is challenging not only from a consumer perspective (dietary change), but also from the point of view of producers for whom it may affect both livelihoods and tradition.

On the forestry side, the need for a rapid increase in net removals in the land use sector implies significant changes in forest practices in favour of closer-to-nature forestry and reduced levels of forest harvesting, combined with innovation in the design and the circular use of materials in long-lived products. It also means more restoration of forests, more protection of valuable forest areas (e.g. old growth and primary forests) and the reforestation of suitable agricultural land of low nature and farming value, governed by strict environmental and social criteria. Overall, a much clearer picture of the real situation of winners and losers in the sector is required to enable policies that support environmental sustainability and fairness for farmers, forest-owners, other land-managers and rural communities.

Just transition considerations for the sector include:

- Integration of social and fairness dimensions in the reform of the Common Agricultural Policy, to ensure targeted support (subsidies and other incentives) goes to those who need it most - often small or medium-sized farms.
- Eliminate harmful subsidies which prolong carbon-intensive, unfair and/or environmentally damaging practices and redirect those funds to support a just and nature-friendly transition in the land use sector.
- Ensure that subsidies and support are targeted at those farmers, land-managers and forest-owners who are committed to farm or manage forests sustainably and conserve unique European landscapes.
- Use lessons from other transitions (for example coal phase-out) to understand the challenges of adjustments in livelihoods, the necessity for genuine dialogue with farmers, forest-owners and other stakeholders to ensure flourishing rural communities, and the importance of recognising culture and identity when discussing change.

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WWF’S MISSION IS TO STOP THE DEGRADATION OF THE PLANET’S NATURAL ENVIRONMENT AND TO BUILD A FUTURE IN WHICH PEOPLE LIVE IN HARMONY WITH NATURE

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