



# JUST TRANSITION AND A SOCIALLY FAIR FIT FOR 55% PACKAGE

There can be no transition without just transition. This refrain is now cliché but it remains true; for the Fit for 55% package to succeed it must promote social fairness, leaving no one behind. The package consists of a raft of legislation which will impact everything and everyone. People must be at the heart, and social fairness must feature across all elements of the package.

Equally, the imperative of just transition must not be used to advocate for a slower transition. Without a transition to climate neutrality in line with international commitments and limiting global temperature rise to no more than 1.5°C, there can be no justice. This is why the 3 rules below are crucial in the design of a high ambition package that delivers a fairer, safer and sustainable future for all.

## **RULE 1: DESIGN AND IMPLEMENT A 1.5°C-ALIGNED TRANSITION WITH EYES WIDE OPEN TO IMPACTS ON PEOPLE AND COMMUNITIES**

Given the immense reach of the package, the proposals must be designed with full scrutiny of likely distributional impacts, to ensure it promotes social fairness rather than undermines it. This means:

- The proposals are accompanied by **comprehensive analysis and impact assessment** of the distributional impacts within and between Member States. Impact mitigation is clearly incorporated into the proposals and their implementation.
- Support is provided to identify the needs of people and the challenges they face at the granular, local level. **Technical assistance to local authorities and Member States to enhance capacity to assess the distributional impacts of climate policies and plan reforms** accordingly is included, for instance, under the new Climate Action Support Facility.

## **RULE 2: BE REDISTRIBUTIVE BY MAKING POLLUTERS PAY, SHARING COSTS FAIRLY AND BENEFITS WIDELY**

At the heart of a just transition is ensuring that the costs of the transition do not fall disproportionately on the most vulnerable and that the benefits are widely shared. In order to achieve this, the costs and benefits must be actively redistributed. This means:

### **For the European Emissions Trading System (ETS) revision:**

- The size of the **modernisation and innovation funds is increased** to assist the poorer Member States, who often face the biggest transition challenges, to transition. This increase must be accompanied - and financed by - an **end to free allocation as of 2023**, so that the polluter pays. **Revenues from the auctioning of these allowances are therefore reinvested into industrial decarbonisation for the transition**, accompanied by green and social strings to maintain employment and support the transition.
- The modernisation and innovation funds include **strong green and social conditions** for beneficiaries, including commitments to transform operations in line with a trajectory limiting global temperature rise to 1.5°C, uphold the European Pillar of Social Rights and climate justice, and to develop just transition plans (where relevant).
- **100% of ETS revenues are spent on climate action**, which in turn **excludes fossil fuel investments**, and requires compliance with **'do no significant harm'** conditions.

### **On an Emissions Trading System for Road Transport and Buildings:**

An extension of the ETS to transport and buildings should be avoided as those least able to pay will bear a disproportionate burden due to inelasticity of energy demand among individual residential consumers. However, should an ETS in these sectors be introduced, this means:

- **Prices are controlled** through price floors and ceilings, and volatility is reduced. The ETS remains **complemented by other measures and policies** to reduce energy demand and decarbonise the sectors.
- **100% of the ETS transport and buildings revenue are recycled**, targeting especially low income groups, to fully offset negative distributional impacts and to drive climate action across society.
- There is **no free allocation**.
- ETS revenues from road transport and buildings are **earmarked** by Member States and their use is **reported transparently and comprehensively**. Reporting on an 'equivalent financial value' from the national budget is not permitted.
- A mechanism may be required to remedy distributional impacts between Member States, as a carbon price in these sectors will have very different impacts across Europe.

### **For a Carbon Border Adjustment Mechanism (CBAM):**

- All revenues are **recycled for climate action and support to just transition in the developing countries** impacted by the CBAM. This means the proposal needs to be accompanied by an analysis of the measure's distributional impacts.
- The design of the CBAM **takes into account development policy objectives** and avoids any negative impact on the economies of developing countries.
- Free allowances are immediately ended if a Carbon Border Adjustment Mechanism (CBAM) is implemented for the targeted sectors.

## RULE 3: ENSURE **INCLUSIVENESS** IN THE DESIGN AND IMPLEMENTATION OF THE TRANSITION

For the package to be developed inclusively, people must be informed about its objectives and how it will impact them. Clear communication from the EU and Member States, and space for dialogue and discussion at all levels about solutions for the needs of EU residents and communities, are essential.

Ensuring effective and just-transition consistent implementation at the local level, means:

- **Frameworks are developed for communication on the impacts and opportunities of climate action under the package, as well as for dialogue** with communities, workers and civil society on the development and implementation of the climate architecture. This ensures that the needs of all are recognised, valued and addressed fairly.
- Access to finance under the new Climate Action Social Facility requires **respect for the partnership principle and inclusion in planning the use of carbon revenues**. Support is provided to local authority and implementation partners, including as **technical assistance to enable inclusion and promote transparency in development and implementation of EU and Member State climate policies**, ensuring measures are tailored to local needs and aligned, where relevant, with just transition plans.
- Provisions to **support renewable energy communities** in the Renewable Energy Directive are protected. Additional support and guidance helps Member States to transpose the Directive in full, optimising opportunities for renewable energy communities in their territories.

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