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JOINT STATEMENT ON THE SOCIAL CLIMATE FUND

Endorsed by:

CAN Climate Action Network Europe
EQUINOX Initiative for Racial Justice
EAPN European Anti Poverty Network
European Disability Forum
EuropeanLEFT
ENAR
FEPS Foundation for European Progressive Studies
Generation Climate Europe
ICLEI Local Governments for Sustainability Europe
Open Society European Policy Institute
socialplatform
solidar
Transport & Environment
WWF
YEE Youth and Environment Europe

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Lack of ambition and solidarity from Member States risk derailing the Social Climate Fund's potential to deliver transformative change and a Just Transition for all.

The Social Climate Fund (SCF or Fund), which the European Commission (EC) proposed as part of its Fit for 55 package in July 2021, has the potential to be one of the leading instruments to deliver a socially fair and Just Transition to climate neutrality. It can help to usher in bold and transformative action at all levels of society for systemic change to build a sustainable and safe future for all, especially for those on the margins and in vulnerable situations.

However, without certain policy reforms and safeguards, there is a strong risk that the SCF will fail from the outset. The EC's proposal foresees an insufficient budget, a lack of shared governance and a less-than-ideal set-up. Moreover, some Member States are opposed to the idea of creating a SCF in the first place.

We, the undersigned organisations, call on European Union (EU) institutions and Member States to be both ambitious and solidary and incorporate the following recommendations:

1. SCF must be a transformative instrument tackling structural injustices

The SCF must not be solely reparative and only target new injustices created by the extension of emissions trading (ETS) to road transport and buildings. Its main objectives must be to address **structural injustices, such as energy and mobility poverty,** that exist independently of climate policies, and to ensure that national and European climate targets are met. These injustices create barriers that slow progress on emissions reduction. Investment programmes should address the **root causes of injustices,** such as our dependence on fossil fuels, and be used towards measures such as deep renovation projects, boosting renewables to benefit households, sustainable mobility like cycling infrastructure and public transport, or energy efficiency and sufficiency improvements. There must be **no room for fossil fuel investments** in the SCF, including investments that contribute to technological and infrastructural lock-in of fossil fuel use, such as extensions of pipelines.

Compensation might be applied in some Member States in the first years after the creation of the Fund, but the SCF must primarily **drive a socially fair decarbonisation** in mobility and buildings **in the long-term,** rather than a short-term "reparation". By 2023, the EC must analyse the need for compensation in each Member State and, during the implementation of the Fund, it must ensure scrutiny over the use of compensation. Proposals for policy reform must also be included in Social Climate Plans as, without accompanying measures, investment will not reach the ones most in need, nor will it be able to tackle structural injustices in a long-term manner.

2. SCF must target underrepresented groups and those in vulnerable situations, as well as ensuring meaningful participation of stakeholders

Low-income households and those in vulnerable situations are most impacted by climate change, while being the ones that least contribute to it. Designed right, the SCF can help to address the **systemic issues** behind the imbalance in emissions generated by high-income people compared to those with lower purchasing power. At the same time, vulnerable groups face particular barriers to investment and are often excluded from broad and non-targeted investment measures as well as investment-related decision making. Therefore, **the SCF's target group** must be people living in **vulnerable situations,** such as people who are unemployed, with low incomes or in energy and mobility poverty, and those who have been **systematically disadvantaged,** such as rural and racialised communities.

In order for funding under the SCF to reach those who need it the most, the drawing up of Social Climate Plans and the eventual implementation and monitoring of the Fund must ensure **bottom-up governance, cross-sectoral collaboration** and **meaningful stakeholder participation.** Social dialogue and meaningful participation requirements must become **mandatory criteria** for access to funding, and civil society organisations, in particular those representing people living in the most vulnerable situations, trade unions, young people and local governments must be involved in determining how revenues from the SCF are spent. The adoption of **deliberative and participatory initiatives,** such as green participatory budgeting, is highly recommended as it will not only raise greater awareness amongst citizens on the benefits of climate action, but also empower marginalised groups to become more involved in local governance and democratic decision-making processes.

3. SCF must engage and empower people in vulnerable situations towards renewables and better energy efficiency

The SCF must focus more on **proactive solutions** to help vulnerable households to break the energy and mobility poverty cycle. Social tariffs, energy cost subsidies, energy vouchers and other traditional financial instruments currently used by EU countries provide temporary direct income support for vulnerable consumers. However, these measures do not tackle the **structural causes** of energy poverty, responding only to the cost of energy. Moreover, they remunerate the providers of the current (largely fossil fuel based) energy mix. Beneficiaries should receive financial, as well as **non-financial support. Financial support** can include actions such as supporting vulnerable households to renovate their homes and become owners of local photovoltaic, solar-thermal or other renewable installations affordably. Doing so could help break the energy poverty cycle for many households, increase social acceptance of the energy transition, drive the achievement of renewable targets sooner, durably alleviate public budgets and increase energy autonomy for the EU, Member States and local communities. Local authorities and energy communities could coordinate and implement such support schemes most effectively.

While energy prices remain high, there is a risk that the misleading narrative persists that energy efficiency measures and the deployment of renewables are the cause and driver of this development, rather than the

solution. Thus, in addition to the financial interventions to support vulnerable groups, the SCF needs to **raise awareness about the synergies** between renewables, energy efficiency and social goals, in line with the social ambitions of the European Green Deal.

4. A large and impactful SCF is essential for a socially fair Fit for 55 package

Households are facing an **energy price crisis.** This crisis is driven not by a carbon price, but by price-volatile fossil fuels. To shield EU consumers from future fossil fuel price crises, **we need to accelerate the transition to renewable energy** through a wide set of **policy measures, including strong social support.** Existing structural inequalities mean that redistribution between households is essential both within and between Member States, even in the absence of an extension of emissions trading to road transport and buildings (ETS 2). At the same time, the scale of the investment challenge to address these inequalities and to tackle climate change is huge. Building renovation rates across the EU have remained much lower than necessary to meet EU targets, progress in reducing emissions in transport has been low or even non-existent, and several Member States have failed or barely met their emissions effort sharing goals. Meanwhile, the EU renovation wave lacks dedicated funding instruments.

While some of the ETS 1 revenue may be redistributed via the SCF, **sources of revenue other** than ETS 1 and 2 must go into the SCF and they must be future-proofed. We know that renovating the social housing sector alone will require an additional €13 billion per annum until 2050, so the proposed €72.2 billion for 8 years is not nearly enough to meet the objectives of the Fund. Assessments of the annual needs for public and overall investment needs in housing and transport also suggest that the foreseen envelope of the Fund falls critically short of making a significant contribution to the social and climate objectives of the European Green Deal.[1] Last but not least, ETS revenues from buildings and road transport must **not be used to repay EU debt,** as this would not be in line with the spirit of the SCF as an instrument to achieve a Just Transition for all.

THE UNDERSIGNED ORGANISATIONS:

- **Climate Action Network Europe**
- **Equinox**
- **European Anti-Poverty Network**
- **European Disability Forum**
- **European Left**
- **European Network Against Racism**
- **Foundation for European Progressive Studies**
- **Generation Climate Europe**
- **ICLEI - Local Governments for Sustainability Europe**
- **Open Society European Policy Institute**
- **Social Platform**
- **SOLIDAR**
- **Transport & Environment**
- **WWF European Policy Office**
- **Youth and Environment Europe**

1 *BPIE, 2020 Covid-19 recovery: Investment opportunities in deep renovation in Europe, https://www.bpie.eu/publication/covid-19-recovery-investment-opportunities-in-deep-renovation-in-europe/ FEPS, Wildauer et al. 2020 How to boost the European Green Deal's scale and ambition, https://www.feps-europe.eu/attachments/publications/green%20deal%20ambition%20-%20web%20-18-06_1.pdf*