



Position paper
Rebalancing the
European Green Deal:
Towards a Green and
Social Deal

March 2024



Introduction

The European Green Deal (EGD) launched in 2019 by the European Commission is drawing to a close and as Social Platform prepares for the next European mandate, we want to focus on achieving a meaningful Just Transition.

Tackling climate change is an urgent priority for the security of our planet and future generations, as we encounter increasing extreme weather conditions, the European Green Deal has provided ambitious legislation to move Europe towards a carbon free society. Climate solutions need to be embedded within social justice to ensure no one is left behind during this transition and to prevent a public backlash from groups unable to shoulder the cost of the European Green Deal.

Many of the measures proposed including the Energy Performance of Building Directive, the Emissions Trading System 2 (ETS2), the Energy Efficiency Directive, and the Renewable Energy Directive risk to disproportionately impact on low-income households and marginalised communities. Estimates suggest that the European Green Deal will lead to 50% increase in energy costs for the lowest income quintile¹, with likely increases in the cost of housing and 17% increase in food costs². This will disproportionately impact on low-income groups, e.g ETS2 will cost the lowest income groups an estimated at EUR 600- 1112 billion³. In parallel, the implementation of these rules at national level will place greater burden on social services and social economy actors to both reduce energy consumption and carbon emissions, while fulfilling their social missions.

What is now needed is a Green and Social Deal which proactively addresses the social dimension as a priority, rather than an afterthought.

[1] Maj, M., Rabięga, W., Szpor, A., Cabras, S., & Fazekas, D. (2021). *Cost for Households of the Inclusion of Transport and Residential Buildings in the EU ETS*. Warsaw: Polish Institute

[2] <https://www.farm-europe.eu/travaux/the-impact-of-the-farm-to-fork-and-biodiversity-strategy-lots-of-pain-for-little-gain/>

[3] Maj, M., Rabięga, W., Szpor, A., Cabras, S., & Fazekas, D. (2021). *Cost for Households of the Inclusion of Transport and Residential Buildings in the EU ETS*. Warsaw: Polish Institute



Defining a Just Transition

To date the Just Transition has focused mainly on industry, research, and skills. The term Just Transition originates from the trade union movement, focusing on the protection of workers in transitioning economies, the acceleration of greening industries, and the creation of green jobs. Aligning with this call, Social Platform extends the scope of a Just Transition to include all groups at risk of social exclusion. Just Transition should mean that no one is left behind in the transition to a low carbon society by protecting people's rights and needs. This requires distributive justice, the equal distribution of resources, and procedural justice, including transparency, fair participation in decision-making processes, and quality jobs. The implementation of the Green Deal, while generating unprecedented opportunities for sustainable development, will impact different stakeholders to varying degrees, but a disproportionate burden should not be placed on marginalised groups. Specific measures, with adequate funding and resources, should accompany legislation to support both households, social services' providers and social economy actors to meet targets in reducing energy consumption, retrofitting buildings, reducing carbon emissions, and mitigating the impact of carbon taxes, among others.

Red Flags in the Green Deal

In working with our members, Social Platform has identified some Red Flags which must be addressed in a new Green and Social Deal.

Low Income & Energy Poor Households

More than 41 million people in Europe in 2022 (9.3% of EU population) were living in energy poverty.⁴ For the lowest income quartile 20% of people are living in energy poverty. These households will be overwhelmed by the economic consequences of the different transition measures. Initiatives such as the Energy Performance of Building Directive (EPBD), the Energy Efficiency Directive, and the Renewable Energy Directive will set ambitious targets for better energy use in the EU, but energy poor households will not be able to reach these targets without adequate support. These people will struggle to afford initial energy-efficient upgrade costs, leading to a potential growth of disparity in access to energy-efficient homes. There is a risk that without proper support, the energy poverty situation may worsen.

Particular attention needs to be given to tenants. Landlords facing new costs due to energy-efficient improvements will pass these costs to tenants with higher rents,

[4] Housing Cost Neutrality is a policy that allows rents to increase after a renovation in line with energy savings to the tenant, to ensure tenants aren't faced with higher rents or an eviction notice.



making adequate housing more expensive. Low-income tenants, who are already in the lowest quality housing in the market, will face renovictions, evictions by renovation. Although rental bans of particularly energy-inefficient homes can first appear as a positive measure, they may cause a further contraction of the rental market that will first impact households living in poverty. Measures to encourage energy-efficiency must be taken, but with the appropriate support in order to avoid any unforeseen consequences on people already struggling to secure a decent home. Additionally, people affected by energy poverty and threatened by the costs related to renovations experience negative consequences for their health, social inclusion, wellbeing, mental health, and quality of life. In the EU, the main causes of energy poverty and insecurity of tenure derive from low incomes, high rents and energy prices, and low levels of energy efficiency in homes.⁵

Many property owners are also low-income households, especially in the CEE and Southern European countries. In these cases, renovation costs and/or higher energy costs, may force poor households to sell their properties.

Recommendation 1: The Social Climate Fund must ensure that those living in energy poverty and homes targeted for retrofitting have the support to manage the transition, e.g. by climate housing allowances.⁶ Legally binding social safeguards for tenants like housing cost neutrality⁷ after retrofitting and social safeguards like rent caps after renovation must be implemented in the EPBD and national energy and rent laws.

Implications of ETS2 and the Social Climate Fund

The European Emissions Trading System 2 (EU ETS 2) will place a carbon tax on the use of carbon-based energy in homes and for transport from 2027. This will produce higher energy costs. Carbon taxes disproportionately impact low-income households as they spend a higher percentage of their income on energy, and do not have the luxury of other income groups to make cutbacks in other areas of their life to compensate. This often results in making decisions between heating, lighting, buying groceries and other essentials. Similarly, when it comes to transport, low-income households will find it difficult to cover higher transport costs, pushing people into further poverty and social exclusion. These effects can be even worse for those living in rural or remote areas. In the absence of public transport, having a car or a motorised vehicle is necessary for everyday life.

[5] 3 EPRS – European Parliamentary Research Service, “Energy poverty in the EU”, September 2023

[6] Climate housing allowances are financial benefits (such as tax credits, grants, or direct financial assistance) provided to households to assist with the cost of sustainable housing. This should pursue certain environmental or energy efficiency practices such as the use of renewable energy sources and the implementation of energy-efficient technologies.

[7] Housing Cost Neutrality is a policy that allows rents to increase after a renovation in line with energy savings to the tenant, to ensure tenants aren't faced with higher rents or an eviction notice.



To mitigate these negative social consequences, the Social Climate Fund (SCF) will operate using part of the revenues coming from ETS2. Starting in 2026, the scope of the fund is to protect vulnerable households, micro-businesses and transport users from the additional costs caused by the new trading scheme.

The Commission has not defined a fixed percentage of revenues that will be redirected into the fund from ETS2. The SCF will amount to EUR 65 billion, which will be topped up by a further 25% by Member States. This is roughly 25% of the EU ETS2 revenues if the price is set at EUR 45 per carbon ton. However, ETS2 does not have a price cap. It is likely that the price will rise in the coming years, placing an ever-growing burden on low income and vulnerable people. However the SCF, which is designed to protect these groups, will not be compensated accordingly.

Furthermore, the SCF does not have adequate resources to match the ambition of the Green Deal while safeguarding marginalised people and groups living in vulnerable situations. With an average distribution of EUR 10 billion per year during the period 2025-2032, it is unlikely that it can effectively tackle the most vulnerable groups' challenges. A study⁸ by the Institute for European Energy and Climate Policy estimates a needed investment of EUR 140 billion for the decarbonisation of lower income households' buildings. Yet, ETS2 revenues will also be employed to set incentives for electric vehicles, which risks leaving less resources available to support vulnerable groups. The SCF also allows for direct transfer of cash to low-income households to support them through the transition. However, with competing priorities and many threats to vulnerable groups, there is growing pressure on the SCF and a clear risk that the limited funds are not enough. These will be spread too thinly to generate impact and fulfil their mission of guaranteeing a Just Transition.

Recommendation 2: Social Platform calls for 100% of revenues from ETS2 to fund the Social Climate Fund to adequately mitigate the negative social consequences of the European Green Deal.

Just Transition Fund

People working in carbon-intense regions and industries represent another group at risk. They are mainly located in Central and Eastern European countries, with the largest share in Bulgaria, Croatia, Poland, Greece, and Romania.⁹ The Just Transition Fund (JTF) aims to support the creation of new green jobs and the reskilling of these regions' workforce and to avoid the growth of regional inequalities.

[8] IEECP, "Policies to decarbonise residential buildings in Central, Eastern and Southern EU: impact on energy poverty and mitigation strategies", May 2022

[9] European Commission, "The Possible Implications of the Green Transition for the EU Labour Market", 2022



However, the overarching goal should be to reduce and eliminate regional inequalities, rather than merely preventing their growth. The JTF takes a narrow focus exclusively on jobs, research, and innovation. There is the need for an expansion of its focus recognising the vulnerable situation of all groups, beyond the lens of employment. While research and innovation are key to accelerating the green transition, the social dimension is missing from the JTF and the overall JTM. The Staff Working document from the European Commission highlights the requirement to ensure that the needs of young people and women in vulnerable situations are taken into account when implementing the Just Transition Fund, while the regulation underpinning the Fund highlights the need for an alignment to the EPSR. Additionally, Article 8 of the establishing regulation allows the funds to be used for social investments. CEE Bankwatch's Network's recent report, which analyses several Territorial Just Transition Plans developed by the Member States, highlights that there is little reference to the needs of young people, women, or other groups of people living in vulnerable situations and where there is, it is not meaningful, nor is there use of the funds for social investments.

Recommendation 3: Member States should have meaningful engagement with civil society, not-for-profit social services providers, social economy actors and the people directly impacted, in the development of Territorial Just Transitions Plans to ensure the needs of groups living in vulnerable situations are met with the use of the funds. Engagement with not-for-profit social services providers and social economy actors can support the implementation of Article 8 to foster social inclusion.

Recommendation 4: The Just Transition Fund, and all other components of the European Green Deal, should be delivered in full alignment of the European Pillar of Social Rights. This should extend to the assessments of Territorial Just Transition Plans ensuring they integrate the Principles of the EPSR when working towards a Just Transition.

Recommendation 5: The scheme should ensure no funds are allocated, directly or indirectly, to large for-profit corporations, including extractive industries. These should be asked to contribute to the fund, instead of benefiting from it through grants under research and innovation.

Not-for-profit Social Service Providers and Social Economy Actors

Sky-rocketing energy costs and inflation have seen social economy actors and social services face increasing operating costs. While the cost of living crisis has simultaneously led to an increase in demand for social services from vulnerable groups. Given how these services, and social economy actors, are often underfunded, they need



to be better equipped for the green transition. The EGD means costly endeavours for social services and social economy actors to cut their emissions and improve energy efficiency when they are already struggling to make ends meet.

At the same time, the positive effects produced by not-for-profit social services and social economy actors are crucial for the success of a European Green Deal that really leaves no one behind. However, they are frequently disadvantaged in public procurement procedures, if compared to regular businesses. The social and environmental added value produced by these entities is not fully rewarded in the procurement procedures, which predominantly focus on awarding lowest cost bids. Thanks to their collaborative and innovative approach, not-for-profit social services and social economy actors tackle poverty, social injustice, and environmental crisis, while promoting the circular economy &, quality employment conditions, and strongly support an inclusive and just transition. In parallel, these actors answer to unmet community needs with good practices such as renewable energy communities and cooperatives providing sustainable mobility solutions.

But today, they are at risk to lose their competitiveness. Failing to support them in their transition would be a significant social disaster for their communities. The EU must ensure these organisations are effectively reached by existing and supplementary funds. There must be additional capacity building provided at all levels of governance to support the efficient uses of the funds for social and green actions.

Recommendation 6: The EC should publish guidance around the development of national plans for accessing the Social Climate Fund and Just Transition Fund to Member States with specific regard to not-for-profit social service providers and social economy actors.

Recommendation 7: To facilitate their access to funding, the EC should recognise social service providers and social economy actors as important stakeholders and beneficiaries within the JTF procedures.

Recommendation 8: In addition, Member States must prioritise both the social and green dimensions of the public procurement processes, by enforcing the implementation of the 2014 EU Public Procurement Directive, and not consistently awarding the lowest bid.



Monitoring of Social Impact

There is a lack of standardised data collection and reporting systems to capture the implications of green policies on social policies. The Green Deal will impact on employment, cost of living, social protections, social inclusion, poverty, and access to social services among others. Policy makers must pursue the social targets of the European Pillar of Social Rights, while working towards a low carbon Europe.

Recommendation 9: The EC should establish a tracking methodology linked to the Social Scoreboard in order to analyse the employment and social impacts along with environmental impact of policies.

Recommendation 10: Before proceeding with the next stages of a Green Deal, the Commission should include for all environmental legislation a socio-economic impact assessment to understand the social consequences of the Green Deal and ensure there are adequate resources to manage the social risks.

The Fiscal Space for Investments

Transitioning economies and societies to low carbon will necessitate large investments in green infrastructure. Green, social and affordable housing must be stimulated while sustainable and accessible public transport must be developed. Social spending is an investment in the wellbeing of society and promotes social cohesion, it should not be viewed as a cost or drain on public finances.

European fiscal policies require flexibility of Member States to make these investments. Tightening the fiscal rules with strict policies on cutting the debt to GDP ratio will negatively impact Member States' capacity to manage the transition in a safe, sustainable, and equitable way. In addition, while preparing the next MFF the future Commission should focus on strengthening social, healthcare, education, and environmental fundings.

Recommendation 11: Social Platform continues to call for fairer and more equitable fiscal rules that enable Member States to finance the Just Transition.

Recommendation 12: Social Platforms calls for investments in green, social and affordable housing.



Social Protection

Social protection schemes will be vital for those losing their jobs while we convert to a carbon neutral economy. This is why MS should strengthen their social protection systems making them universal, effective and adequate, able to provide adequate standard of living for people encountering social risks such as old age, sickness, unemployment, etc. People should be supported by strengthening safety nets such as adequate minimum income schemes in all Member States. By providing a minimum income to all in need, we can contribute to creating a more equitable society making sure that people are lifted out of poverty. This will ensure a broader support to the green transition as people benefitting financial security can better withstand the financial cost of environmental policies.

Recommendation 13: Social Platform advocates for the creation of basic safety nets, and adequate wages, for all people to ensure that everyone can live in dignity at all stages of life. To achieve this, as it is part of the EPSR, the EC should present a proposal for an EU framework Directive on Minimum Income.

Civil Society Organisations

To date, civil society organisations are sporadically consulted and included in the policy making for the implementation of the Green Deal, as civil dialogue is not structured and is generally either absent or ad hoc on specific parts of measures and policies. The involvement and consultation of CSOs could improve EU policy making and the implementation of the Green Deal's measures. At EU, national, and local level, civil society's expertise can help to inform policy makers to develop better and inclusive policies. For this, CSOs must be included in the whole process of policy making. Moreover, the involvement of civil society could inform on the needs and contribute to the consultation and involvement of people living in vulnerable situations.

Recommendation 14: Social Platform reiterates the demand for structured civil dialogue at EU, national, and local level to ensure a Just Transition.

Social Platform's 14 Recommendations to rebalance the European Green Deal



1 The Social Climate Fund must ensure that those living in energy poverty and homes targeted for retrofitting have the support to manage the transition, e.g. climate housing allowances. Legally binding social safeguards for tenants like housing cost neutrality after retrofitting and social safeguards like rent caps after renovation must be implemented in the EPBD and national energy and rent laws.

2 Social Platform calls for 100% of revenues from ETS2 to fund the Social Climate Fund to adequately mitigate the negative social consequences of the European Green Deal.

3 Member States should have meaningful engagement with civil society, not-for-profit social services providers, social economy actors and the people directly impacted, in the development of Territorial Just Transitions Plans to ensure the needs of groups living in vulnerable situations are met with the use of the funds. Engagement with not-for-profit social services providers and social economy actors can support the implementation of Article 8 to foster social inclusion.

4 The Just Transition Fund, and all other components of the European Green Deal, should be delivered in full alignment of the European Pillar of Social Rights. This should extend to the assessments of Territorial Just Transition Plans ensuring they integrate the Principles of the EPSR when working towards a Just Transition.

5 The scheme should ensure no funds are allocated, directly or indirectly, to large for-profit corporations, including extractive industries. These should be asked to contribute to the fund, instead of benefiting from it through grants under research and innovation.

6 The EC should publish guidance around the development of national plans for accessing the Social Climate Fund and Just Transition Fund to Member States with specific regard to not-for-profit social service providers and social economy actors.



7 To facilitate their access to funding, the EC should recognise social service providers and social economy actors as important stakeholders and beneficiaries within the JTF procedures.

8 In addition, Member States must prioritise both the social and green dimensions of the public procurement processes, by enforcing the implementation of the 2014 EU Public Procurement Directive, and not consistently awarding the lowest bid.

9 The EC should establish a tracking methodology linked to the Social Scoreboard in order to analyse the employment and social impacts along with environmental impact of policies.

10 Before proceeding with the next stages of a Green Deal, the Commission should include for all environmental legislation a socio-economic impact assessment to understand the social consequences of the Green Deal and ensure there are adequate resources to manage the social risks.

11 Social Platform continues to call for fairer and more equitable fiscal rules that enable Member States to finance the Just Transition.

12 Social Platforms calls for investments in green, social and affordable housing.

13 Social Platform advocates for the creation of basic safety nets, and adequate wages, for all people to ensure that everyone can live in dignity at all stages of life. To achieve this, as it is part of the EPSR, the EC should present a proposal for an EU framework Directive on Minimum Income.

14 Social Platform reiterates the demand for structured civil dialogue at EU, national, and local level to ensure a Just Transition.



Social Platform is the largest, leading organisation working on social issues. We have strength in numbers and put power back into people's hands who want a more Social Europe. Collectively we unite and give a voice to tens of thousands of organisations and hundreds of millions of people in Europe in all their diversity.



**Funded by
the European Union**

Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.