

Priorities for the Social Climate Plan

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Abstract

This Policy Brief aims to provide some of the key aspects and priorities that should be included in the future Social Climate Plan (SCP), which should be the cornerstone on which the aid programmes derived from the use of the European Social Climate Fund (FSC) are designed. The priorities identified are the result of a day of reflection with key Spanish stakeholders in energy, environmental and social issues, who, according to their institutional context, can be classified into the following groups: consumers, trade unions, businesses, non-governmental organisations and researchers. Many issues were discussed at this workshop, including the need to involve social agents in the process of a just transition, the basis for the design of effective measures that reach the most vulnerable groups (such as households at risk of energy or transport poverty) or the need to promote green and quality employment (also as a way of empowering the most vulnerable groups in the energy transition).



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Social Climate Fund: a measure of the Fit for 55 Package

The European Green Deal sets out a detailed vision for making Europe a climate-neutral economy by 2050, safeguarding biodiversity, establishing a circular economy and eliminating pollution, while boosting the competitiveness of European industry and ensuring a just transition for the regions and workers concerned (EC, 2019). The European Commission (EC) is committed to achieving a net reduction in emissions of at least 55% by 2030 compared to 1990 levels and to becoming a climate-neutral economy by 2050 (EC, 2020a and EC, 2018). To this end, the Commission is developing a major overhaul of energy and climate legislation, as the current one was insufficient to reach these new targets (European Commission, 2020b) and has launched the "Fit for 55" package. Among the legislative proposals is the extension of the Emissions Trading Scheme (ETS) to the building and transport sectors (hereafter ETS2).

The implementation of the "Fit for 55" package is expected to reduce energy costs in the medium to long term. However, in the short term it will increase fossil fuel prices, which will have significant social and distributional impacts. These impacts may disproportionately affect social sectors that dedicated a larger share of their income on energy and transport and do not have access to alternative solutions. These impacts will differ across Member States, regions, households and types of companies.

For this reason, the "Fit for 55" envisages the creation of the Social Climate Fund (hereafter referred to as SCF). The SCF will, in principle, have a financial envelope of 65 billion euros and will be financed through a share of the revenues from the ETS2 (European Parliament, 2023). The SCF aims to provide funding to Member States to support policies that address potential social impacts. This is to be achieved through temporary direct support and investments aimed at reducing dependence on fossil fuels in the medium to long term.

In this sense, the European Council report establishing the criteria for the creation of the SCF (EC 2021) for the period 2026-2032 indicates that the Member States will have to draw up their own Social Climate Plans (SCPs). These plans shall contain (Article 4.1.C) an estimate of the potential impacts of this price increase on households and in particular on the incidence of energy poverty, micro-enterprises and transport users, including in particular an estimate and identification of vulnerable households, vulnerable micro-enterprises and vulnerable transport users. These impacts should be analysed at a sufficient level of disaggregation, taking into account elements such as access to public transport and basic services and identifying the most affected areas, in particular remote and rural territories. Although the document does not establish specific criteria and definitions for these groups, it does include indications in this regard.

Furthermore, in the framework of climate governance, Member States have updated in 2023 their National Energy and Climate Plan (NECP) which set out the planning until 2030, and which are currently under review. The Commission, which monitors and reports on progress as part of the Energy Union report, has indicated that the SCPs will be linked to and framed by the reforms

envisaged and commitments made in the NECPs, with a view to minimising additional administrative costs. The Social Climate Plans should therefore be aligned with the NECP.

The need to assess the social impacts of the Fit for 55 has only increased following the effects of the COVID-19 pandemic and the current energy crisis resulting from the invasion of Ukraine. Although some of the effects have been limited thanks to the Recovery and Resilience Plans and the Just Transition Fund.

Given this need, this Policy Brief aims to provide some of the key issues and priorities that should be included in the future Social Climate Plan, which should be the cornerstone on which the support programmes derived from the Plan are designed through the use of Social Climate Fund.

The priorities set out in this Policy Brief for the design of the SCP have been elaborated on the basis of stakeholder opinions on energy and climate issues, as well as on social aspects and vulnerable groups. During a workshop of discussion¹ detailed qualitative information was collected on the ideas, reflections and opinions of different stakeholders on key policies for vulnerable groups in the context of the Social Plan for Climate. A more detailed analysis of the day can be found in Küblböck et al (Forthcoming). The event was attended by 30 stakeholders of various institutions, which according to their institutional context can be classified into the following groups: consumers, trade unions, businesses, non-governmental organisations and researchers.

Unlike other social research approaches (such as observation, interviews, and surveys), focus groups can capture stakeholders' attitudes, thoughts, experiences, and reactions concerning the subject under investigation (Gibbs, 1997). Focus groups are also particularly useful when the idea is to gauge the level of consensus concerning the application of specific policies and the fears and concerns that they may raise in various segments of the population (Morgan & Krueger, 1993). That is why the method has been widely used in scientific literature to obtain empirical evidence that can be used to design and assess measures in many different fields, including energy/environmental taxes (Beuermann & Santarius, 2006; Clinch et al., 2006; Deroubaix & Lévèque, 2006; Dresner et al., 2006; Kallbekken & Aasen, 2010; Klok et al., 2006, Tomas et al. 2023).

¹ <https://adjust-project.eu/first-stakeholder-workshop-in-madrid/>

Priorities identified for the Social Climate Plan

The reflections and priorities identified in the above-mentioned stakeholder workshop are set out below:

- The SCP should guarantee a just transition by including **the participation of social agents in drawing up the plan**. Likewise, social and local agents should play a key role in the management and monitoring of support measures, as they are the entities closest to citizens and especially to vulnerable groups.
- The SCP should **include funds in its budgets for information and counselling support** to ensure that it effectively reaches the identified vulnerable groups. Additionally, it is recommended that vulnerable families receiving support be accompanied to assess improvements in the implementation of the measures.
- **Administrative procedures should be reduced and aid should be automated wherever feasible**. It is crucial to minimize administrative barriers as much as possible to ensure that 100% of potential beneficiaries receive the subsidies without compromising the integrity of the process. Examples, such as the automatic application of the Portuguese electricity social voucher, can serve as guidelines for the aid granted in the SCP.
- Aids and subsidies derived from the SCP should **not be taxed as income in the personal income tax**, and incompatibility with other types of social aid should be avoided. This would ensure that 100% of the aid reaches potential recipients.
- The budget earmarked for aid established in the SCP should be used to **implement new social programmes**. In other words, it should not be used to cover the costs of existing aid programmes with already established budget lines.
- The **remaining revenues** from the extension of the ETS (ETS2) should be used to **co-finance and strengthen SCP programmes**, as well as to extend these to middle and low income groups beyond the vulnerable.
- Given the expected impact of the extension of the ETS2 on households vulnerable to energy poverty, priority should be given to deep and **integrated retrofitting programs with efficient and renewable technologies, while promoting self-consumption where possible**. Additionally, special effort should be made to ensure that these programs also reach rented houses without the support having an impact on the tenant's rent.
- Given the expected impact of the extension of the ETS2 on transport vulnerable households, priority should be given to **programmes aimed at improving local, accessible and quality public transport**. Similarly, specific support programmes should be designed in areas where it is not feasible to extend or improve the public transport network, such as in **rural households**, while promoting alternative mobility services like **on-demand mobility or car-sharing**.
- Transport aid programs should prioritize facilitating modal shift, giving **precedence to public transport, promoting new forms of mobility (such as the development of cycle paths)**, and encouraging electric mobility in areas where public transport is limited.

- Aid programs must consider the **socio-economic characteristics of recipient households, establishing income limits for access in all cases**. Additionally, there should be a greater focus on households at risk of energy or transport poverty, while also extending the programs to middle and low-income households.
- The SCP should **promote high quality employment**. Any funding outlined in the SCP that involves hiring workers should be conditional on good working conditions, ensuring that the programs create high-quality employment. Additionally, the opportunities presented by a renewables-based economy must also translate into training and employment opportunities for the most vulnerable groups. In this context, green jobs courses should be promoted, with a very basic entry qualification that allows any vulnerable person to participate, while also facilitating and promoting their integration into the labour market.

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