



Ending (Energy) Poverty is a
political choice!

Social Justice in the Green Transition:
what is at stake?

EUROPEAN ANTI POVERTY NETWORK
RÉSEAU EUROPÉEN ANTI-PAUVRETÉ

www.eapn.eu





Green transition in the EU

- Moving from a carbon-based economy to an environmentally-sustainable economy.

The [European Green Deal](#) provided a new strategy for the transition to a climate-neutral Europe by 2050: a package of proposals to make the EU's climate, energy, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, including:

- A Social Climate Fund
- Revision of the EU Emission Trading System
- Revision of the Energy Tax Directive
- Proposal for a Directive on energy efficiency (recast)
- Amendment to the Renewable Energy Directive to implement the ambition of the new 2030 climate target

In parallel, the strategy of a [Renovation Wave for Europe](#) aimed at tackling energy poverty and worst-performing building as well as decarbonising heating and cooling systems.

- A new energy performance of buildings directive

> All actions for Delivering the European Green Deal are available [here](#).

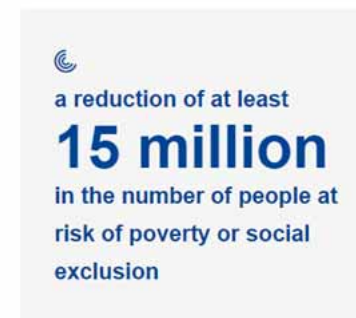
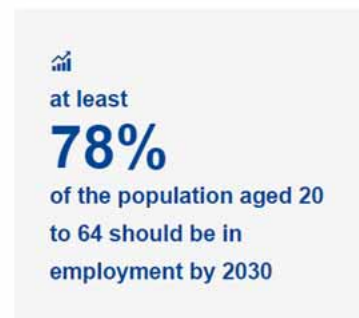




Social Justice

- Poverty is primarily the consequence of the way society is organised and resources are distributed and re-distributed, in the framework of capitalism, neo-liberalisation, austerity. Countries with high levels of inequality are also likely to have high levels of poverty.
- Social justice aims at providing equal opportunities to all in terms of access to fundamental/social rights and resources. It requires strong social protection systems, fair redistributive policies, prevention of further inequities.
- At EU level, the [European Pillar of Social Rights](#) proposes three EU-level targets that have to be achieved by 2030 in the areas of employment, skills and social protection.

Targets by 2030





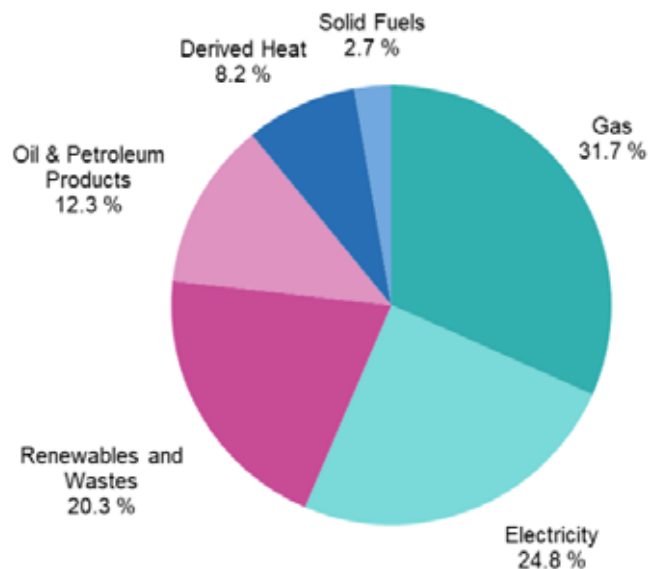
Why does it matter?

- **Over 50 million people, across Europe, could not** sufficiently light, heat or cool their homes, with inadequate housing linked to **100,000 premature deaths** annually, already before the post-Ukraine energy crisis.
- The extent to which **carbon pricing** is regressive is determined on the level of income inequalities in the country where it is implemented. Lots of concern remain about potentially regressive social impacts of carbon pricing in household heating and transport.
- **People living in poverty** face insufficient access to renewable, energy-efficiency and renovation programmes.
- **Fossil fuel subsidies** continue to lock low-income households into fossil gas infrastructure for decades to come.

Why does it matter?

- **Europe's dependency on fossil gas** (for electricity and heating) has created a disproportionate impact on low-income people.

Final energy consumption in the residential sector by fuel, EU, 2020



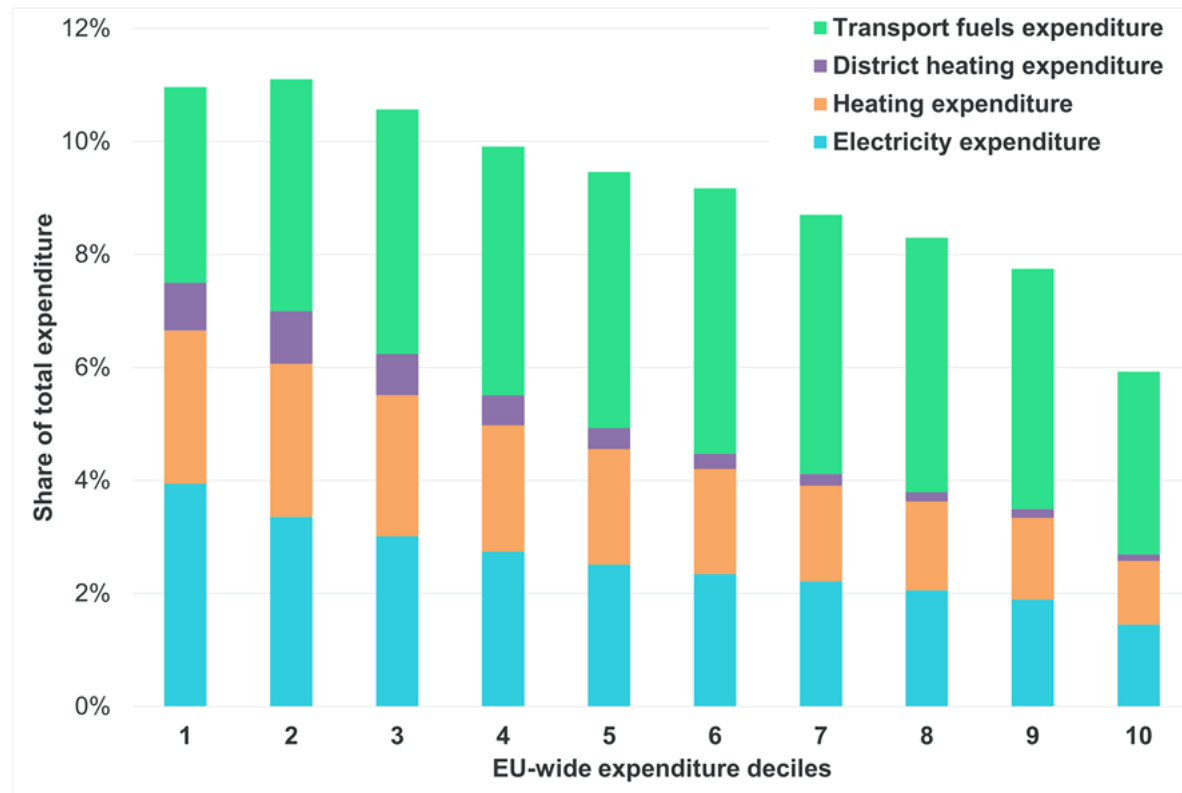
Source: Eurostat (online data code: nrg_bal_c)





Why does it matter?

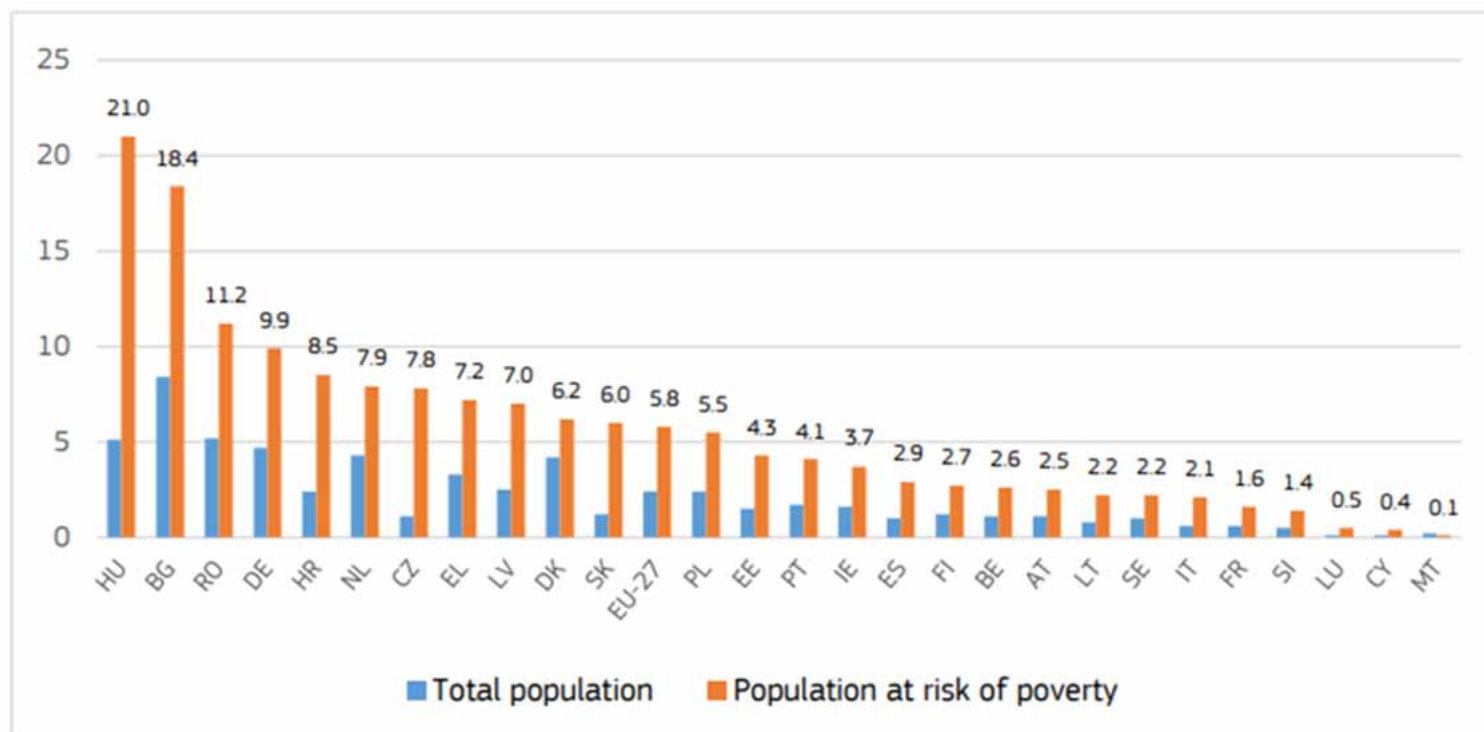
- **Energy costs** are a bigger share of expenditure of lower-income versus higher-income households:



Source: <https://ieep.eu/publications/can-polluter-pays-policies-be-progressive>

Why does it matter?

Figure 12a: Persons who cannot afford regular use of public transport, by income group, EU countries, 2014 (%)

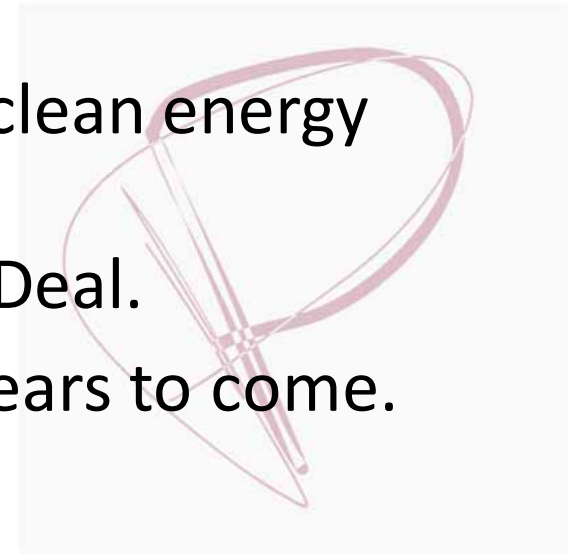


Source: Eurostat, own elaboration based on Eurostat, Table, ilc_mdcs13a, February 2020.



What are the biggest risks hampering the green transition?

- An unfair application of the 'polluter pays' principle.
- A multi-speed transition to a low-carbon energy system in Europe.
- No climate and tax justice.
- Failing energy system and social protection systems for next generations.
- Unequal access to affordable clean energy and green jobs.
- An exclusive European Green Deal.
- Rising energy poverty in the years to come.





Energy poverty lies at the intersection between climate and social justice

- No universal definition and no single indicator.
- Energy poverty results from a combination of structural factors, such as income poverty and inequality, unfair energy prices, poor quality and inefficient housing, an energy system serving profit first.
- Its drivers are deeply structural, and they span across our economic, social, employment, energy, climate, taxation, welfare, housing, and health policies.



For example, women being severely affected by the pay gap and unpaid caring responsibility, while being more vulnerable to winter mortality and less involved in energy consumption decisions, are structurally at a higher risk of energy poverty.

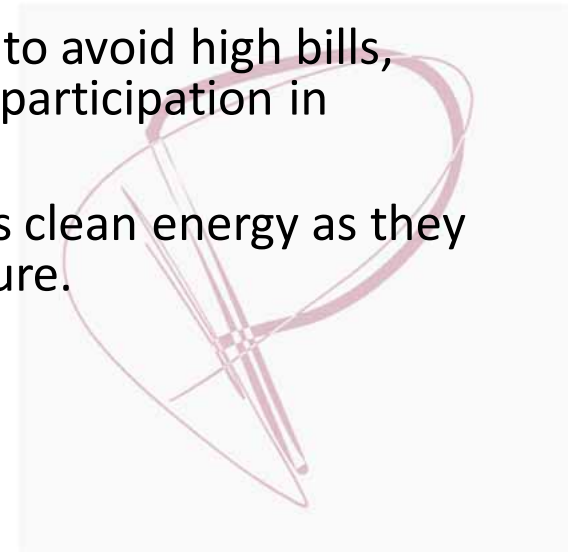




Energy poverty lies at the intersection between climate and social justice

- The quality and affordability aspects go hand in hand: adequate level of (clean) energy services + affordable prices.

- Vulnerable consumers are more at risk of energy poverty. They often face three possible scenarios:
 1. disproportionate expenditure of disposable income on energy – to the detriment of other essential expenses;
 2. drastic reduction of energy consumption to avoid high bills, which affects physical/mental health and full participation in society;
 3. they are left out of the transition towards clean energy as they are currently locked into fossil gas infrastructure.

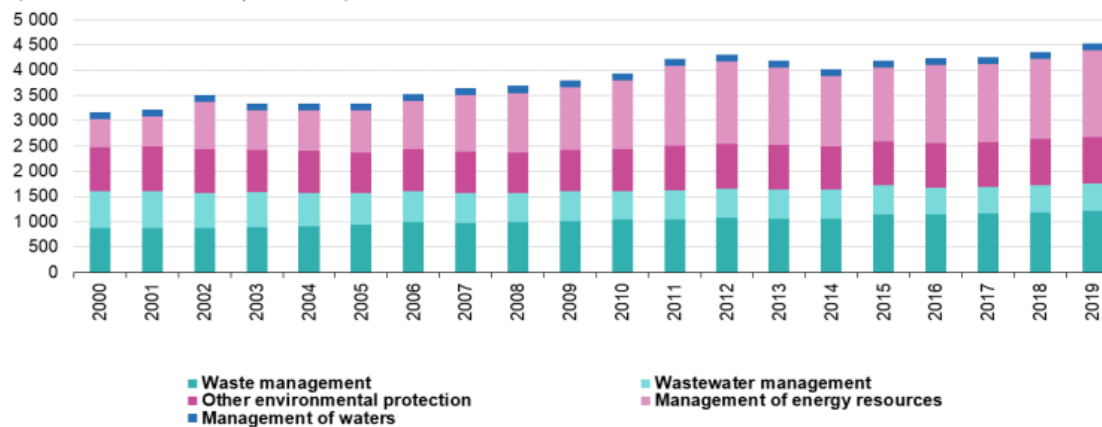




Case study 1: Impact of the green transition on the labour market

- Decarbonising energy intensive industries and economies is expected to generate new jobs, growth and innovation opportunities.
- Between 2000-2019, green jobs mostly grew in the management of energy resources, combining energy efficiency and renewable energy production: more than a million full-time equivalent jobs have been created in the EU between 2000 and 2019 thanks to the production of renewable energy, the manufacturing of renewable energy and energy-efficient equipment, and the provision of pertinent installation, engineering and research services.

Employment in the environmental economy, by domain, EU, 2000-2019
(thousand full-time equivalents)



Note: Data for EU are estimated by Eurostat.
Source: Eurostat (online data code: env_ac_egss1)



Case study 1: Impact of the green transition on the labour market

- However, low-skilled workers, low-income households and vulnerable groups might not benefit from the 'green jobs': in the absence of accessible reskilling/upskilling programmes and social safeguards they face a high risk of becoming unemployed or unemployable.
- The assessment of social inequalities vis-à-vis climate neutrality is essential to mitigate the distributional impacts of climate action across regions and groups of population. These groups are often least responsible for the climate crisis but may be more affected by the direct and indirect costs of climate policies, such as unemployment, soaring energy and mobility costs, and radical changes in consumption and local economy.
- Access to quality green job should be the priority for trade unions in the eco-social growth: adequate minimum wages and social safety nets, fair working conditions and accessible training programmes, well-functioning collective bargaining and social dialogue structures, eligibility and adequacy of minimum income schemes and active inclusion strategies.





Case study 1: Impact of the green transition on the labour market





Case study 1: Impact of the green transition on the labour market



- **The case of Greece:**

In 2019, the Greek government announced an overly ambitious and short-term plan to switch to cleaner sources for electricity generation and the closure of all lignite power plants. The plan included the abolition of lignite use by 2025, with a possible extension for only one plant until 2028 and a view to accelerating the withdrawal of all the existing lignite-fired plants by 2023.

“Until very recently, most of the electricity in Greece was generated from gas and polluting lignite,⁴⁷ which is mainly found in the centre of the Peloponnese (city of Megalopolis) an area in Western Macedonia (the cities of Kozani, Ptolemaida, Florina). In these areas, the local economy has relied almost exclusively, on lignite mining and large electrical power plants for around 70 years. The region of Western Macedonia is one of the poorest areas in Greece: its unemployment rate amounts to around 30% (EUROSTAT, 2022). The situation deteriorated after the dismissal of 5,500 workers in the mining sector and power plants over the last few years (WWF Ελλάς, 2020 and Janne, 2022)”.

N.B.: When comparing with other countries’ transition plans, Germany fixed a deadline to phase out coal use for energy production in 2038, which means a period of more than 15 years to develop new professions, promote vocational training and advocate for decent salaries and working conditions.

Sources: <https://www.loc.gov/item/global-legal-monitor/2020-08-31/germany-law-on-phasing-out-coal-powered-energy-by-2038-enters-into-force/> ;

<https://www.cleanenergywire.org/factsheets/spelling-out-coal-phase-out-germanys-exit-law-draft>



Case study 2: Impact of the green transition on residential heating/cooling and transport sectors

- Decarbonising the energy system also entails the decarbonisation of mobility and heating and cooling systems at home:
→ more electrified systems and renewables

BUT:

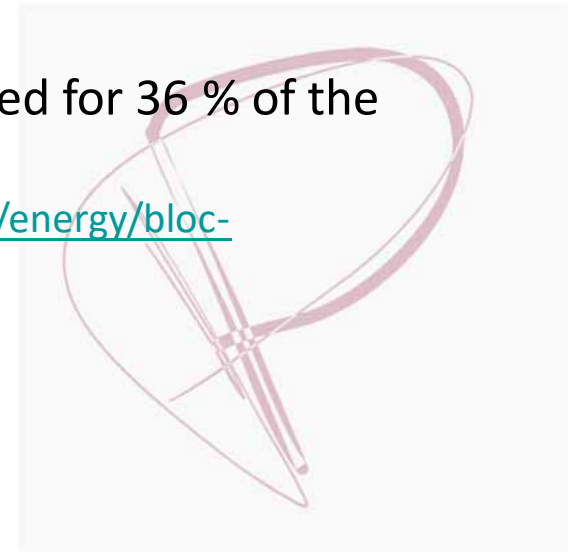
- In the absence of structural changes in the electricity market (generation, pricing and distribution) and measures to support the most vulnerable, the rapid shift to electrification, in the residential heating and transport sectors, will lead to skyrocketing electricity demand and prices and systemic tensions at local level where no-one can keep pace – consumers, electricity producers, and municipal infrastructures.



Case study 2: Impact of the green transition on residential heating/cooling and transport sectors

- Decoupling the impact of the price of gas on the price of electricity, as well as decoupling electricity production from fossil fuels - is a must if governments want to promote electrified systems in the building and transport sectors.
- The wholesale electricity price in the EU is determined by marginal pricing, meaning that all suppliers - including cheaper renewables such as wind or solar – receive the same price of the last plant used to meet consumers' demand, which is often gas.
- In 2020 at EU level, fossil fuel still accounted for 36 % of the electricity.

Source: <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-3b.html?lang=en>





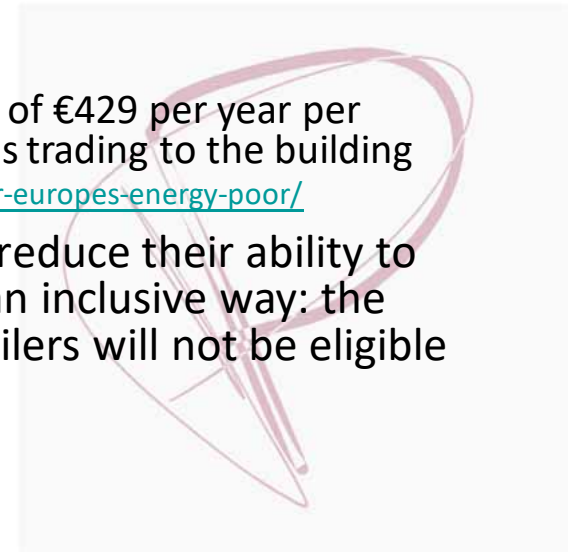
Case study 2: Impact of the green transition on residential heating/cooling and transport sectors

- Structural pre-conditions severely limit access of vulnerable people to renewables: access to the grid-scale deployment of energy storage systems, maintenance and technology replacement costs, inequality in access to funding and capital, limited control of their living environment and the related decision-making process.
- Carbon pricing in the building and road transport will help to reduce emissions but will have a significant impact on low-income households, or those living in buildings with carbon-intensive heating systems, and on users depending on fossil-fuelled vehicles.



In 2021, energy bills were expected to rise by an average of €429 per year per European household following the extension of emissions trading to the building sector. Source: <https://righttoenergy.org/2021/07/14/fit-for-55-not-fit-for-europes-energy-poor/>

- Fossil fuel subsidies divert public finances and reduce their ability to address the transition to climate neutrality in an inclusive way: the new EPBD foresees that fossil-fuel powered boilers will not be eligible for public support as of 2027.

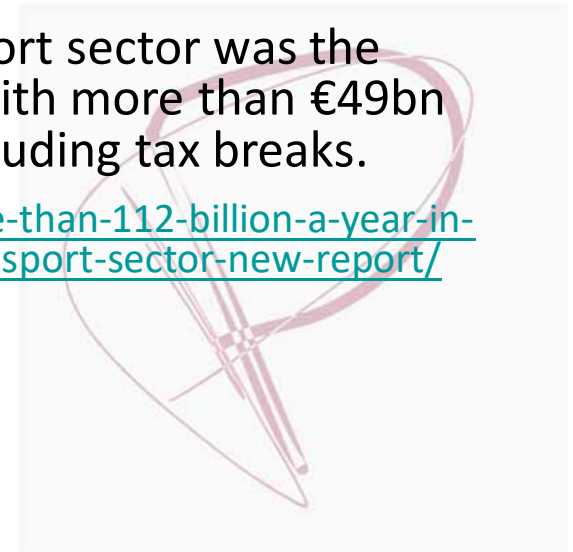




Case study 2: Impact of the green transition on residential heating/cooling and transport sectors

- The decarbonisation of the transport sector and the introduction of new innovative technologies are not necessarily gender neutral and often do not take into account territorial inequalities.
- Fossil fuel subsidies reforms in the transport sector must consider both direct (fuel price, public transport costs..) and indirect impact on consumers (affordability of essential goods and services).
- Already in 2017, experts found the transport sector was the main beneficiary of fossil fuel subsidies, with more than €49bn used to support the use of fossil fuels, including tax breaks.

Source: <https://odi.org/en/press/europe-providing-more-than-112-billion-a-year-in-fossil-fuel-subsidies-with-almost-half-benefiting-the-transport-sector-new-report/>





Social Justice in the Green Transition: how?

- Systematically assessing distributional impacts and use disaggregated data



- Targeted compensation measures + structural investments/reforms



- Environmental and social justice also involves tax/fiscal justice & territorial equality



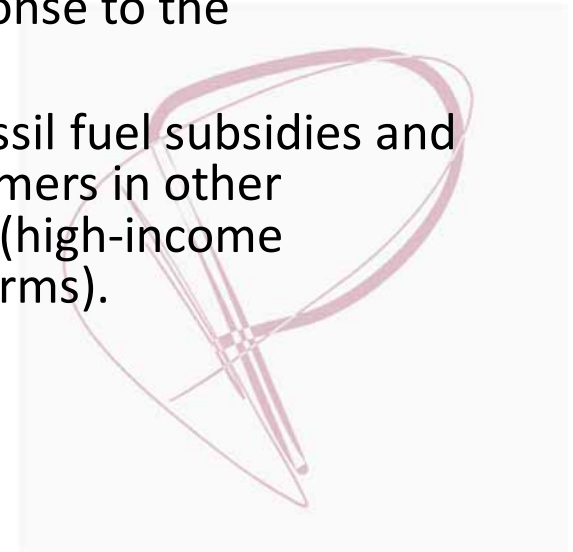
- New models of funding, use of resources and inclusive-by-design measures





Social Justice in the Green Transition: how?

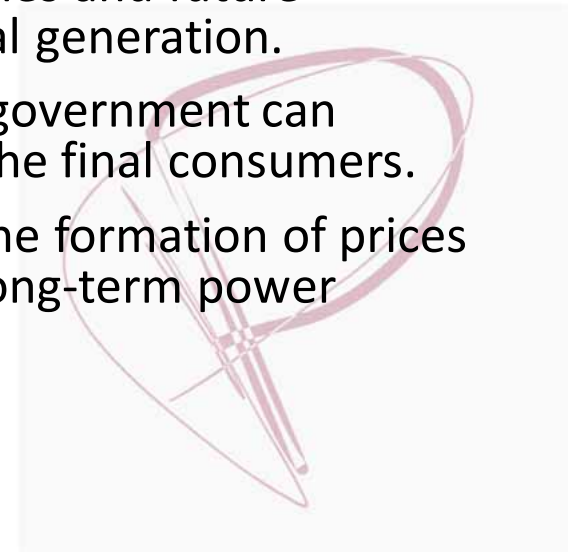
- **Compensation measures versus structural long-term intervention:** the paradox between fiscal revenues, climate neutrality and costs for consumers.
 1. EU targets for electricity consumption reduction – subsidies on energy bills do not incentivize energy savings
 2. Windfall taxes - higher tax rate on profits that result from a sudden windfall gain depending on market conditions rather than companies' activities: it should redirect the surplus revenues towards the society but the fossil fuel industry lobbied to receive public support in response to the emergency
 3. Capping prices can result in additional fossil fuel subsidies and risks increasing the price for other consumers in other countries or for other population groups (high-income households consume most in absolute terms).





Social Justice in the Green Transition: how?

- The Council Regulation on emergency measures sets out the cap on market revenues for the generation of electricity from inframarginal technologies, to recover excess revenues from electricity generators including intermediaries which use the so-called inframarginal technologies to produce electricity such as renewables, nuclear and lignite.
- This measure reduces the impact that the margin-setting technology (often gas-fired power plants) has on the revenues of other generators with lower marginal costs while not hindering investments in renewable energies and future investment decisions for new inframarginal generation.
- It generates additional revenues that the government can redistribute in order to reduce the bill of the final consumers.
- The revenue cap does not interfere with the formation of prices so it incentivises consumers to conclude long-term power purchase agreements.

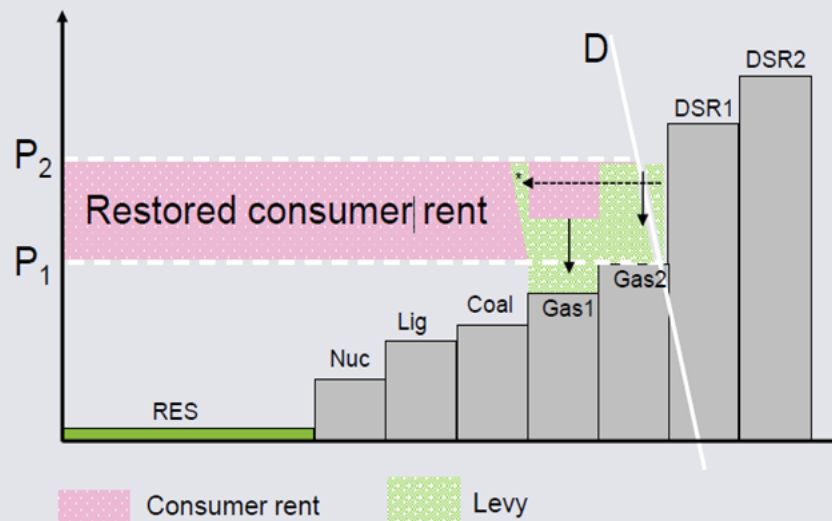




Social Justice in the Green Transition: how?

- Price cap on gas for gas power plants: is it an option?

Effects from price cap on gas for gas power plants



Agora Energiewende

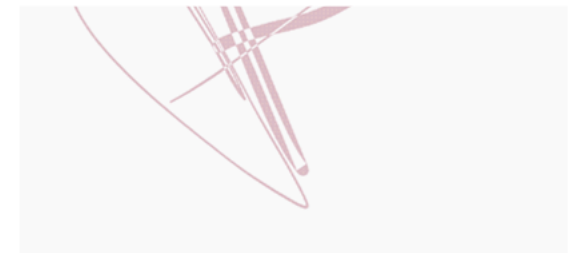
Objectives

Keeps prices on politically and economically more manageable level, however, requires financing a subsidy for gas power plants (levy, government funding)

The Spanish/Portuguese model can be implemented in the short term.

Is in principle reversible but entails the risk of continuing subsidies.

A price cap reduces incentives for private investors to invest in renewables and flexible solutions. It also requires subsidies to coal and oil plants and comes with the risk of continuing those subsidies.





Social Justice in the Green Transition: how?

- An example of national intervention on windfall profits: Spain

Taxation of windfall profits obtained by non-emitting technologies when price of greenhouse gas emissions rights is included in the electricity price.

✓ Permanent measure in process. The Government's proposal of regulation has been referred to the Spanish Parliament.

✓ What is it about? Reduction of non-emitting electricity production facilities remuneration, proportionally to the higher income obtained as a result of the incorporation of the emissions rights price in to the electricity price by marginal emitting technologies.

✓ How does it work? Measure not affecting the formation of the electricity price → non-emitting production facilities have to pay back the reduction that is calculated monthly by the market operator/system operator after the electricity price is settled.



Social Justice in the Green Transition: how?

- Structural investments for climate and social action:
 - a) **Fully subsidised deep renovation programmes** across the EU for those that need them most.
 - b) **Large investment in renewable programmes for vulnerable groups.**
 - c) **Phasing out fossil fuel infrastructure in our homes**, including a ban on fossil fuel infrastructure in new & existing buildings as well as regulating the sale of fossil fuel boilers.
 - d) **Adequate social protection measures** in accordance with the cost of living to ensure a decent living standard to all.
 - e) Target measures addressing **energy poverty in relation to digital and transport poverty.**





Social Justice in the Green Transition: how?

- A redistributive approach ensuring the right balance between carbon pricing, regulatory changes and revenue recycling:
 - Progressive green tax systems
 - Environmental tax incentives
 - Incentives and transfers to overcome regulatory and non-regulatory barriers
 - Transparent and clear restrictions to unfair market activities for people and the environment
 - Government expenditure on targeted support measures (income, price, credit)
 - Boost consumers' empowerment through one-stop-shops
 - Provide social dialogue mechanisms aiming for equitable distribution of costs and benefits





Relevant data and information:

[Energy consumption in households, Eurostat](#)

[Energy poverty concept, ComAct](#)

[European Electricity Review 2022, Ember](#)

[Towards a healthy renovated Europe, Friends of the Earth Europe and CAN Europe](#)

[Access to essential services for people on low incomes in Europe, ESPN](#)

[Fuelling the cost of living crisis, Corporate Europe Observatory](#)

[Decarbonizing energy intensive industries: what are the risks and opportunities for jobs?, ETUI](#)

[Fossil Fuel Subsidy Reform: Lessons and Opportunities, UNDP](#)

[Media advisory note: Under construction! Energy Ministers discuss EU's building directive and the gas package, CAN Europe](#)

[Women in European transport with a focus on research and innovation, JRC](#)

[CIVIL SOCIETY RESPONSE TO THE GAS PRICE CRISIS, Right to Energy Coalition](#)

[Gas price cap](#)

[Increasing Energy Prices and High Inflation: What Role for Taxation, FISC, European Parliament](#)

[Power System Blueprint, RAP](#)

[EU emergency measures](#)



EAPN work on energy poverty and a socially-just green transition:

EAPN Key messages on the European Green Deal and the “Just Transition” | EAPN Reflection Paper: <https://www.eapn.eu/eapn-key-messages-on-the-european-green-deal-and-the-just-transition-eapn-reflection-paper/>

17 October 2021 – International Day for the Eradication of Poverty – key message on energy poverty: <https://www.eapn.eu/wp-content/uploads/2021/10/eapn-PDF1710-freeze-5248.pdf>

EAPN Statement | Energy poor must not bear the costs of soaring energy prices: <https://www.eapn.eu/eapn-statement-energy-poor-must-not-bear-the-costs-of-soaring-energy-prices/>

Right to Energy Forum: <https://www.eapn.eu/r2e/>

EAPN report from the learning session on A Socially Just and Poverty-Proof Green Deal: <https://www.eapn.eu/a-socially-just-and-poverty-proof-green-deal-eapn-capacity-building-report/>



EAPN work on energy poverty and a socially-just green transition:

EAPN-EPSU briefing on the right to affordable, clean energy for all Europeans:
<https://www.eapn.eu/briefing-on-guaranteeing-the-right-to-affordable-clean-energy-for-all-europeans-eapn-epsu/>

Social and Labour Aspects of the Just Transition towards Climate Neutrality | EAPN Position Paper: <https://www.eapn.eu/social-and-labour-aspects-of-the-just-transition-towards-climate-neutrality-eapn-position-paper/>

CIVIL SOCIETY RESPONSE TO THE GAS PRICE CRISIS
<https://righttoenergy.org/wp-content/uploads/2022/03/Gas-crisis-Civil-Society-Response.pdf>

Joint advocacy letter to the Czech Republic, on priorities for the Czech presidency of the Council of the European Union:
https://hnutiduha.cz/sites/default/files/publikace/2022/06/joint_statement_on_eu_pres_june_2022.pdf

Mobility Poverty Event:
<https://www.rosalux.eu/en/article/2129.the-right-to-mobility-how-can-mobility-poverty-be-overcome.html>



EAPN work on energy poverty and a socially-just green transition:

Joint Project with the Institute for European Environmental Policy, on Social justice priorities in the Fit for 55 package - EAPN contribution on the Energy Efficiency

Directive and Energy performance of buildings directive:

<https://ieep.eu/publications/social-justice-priorities-in-the-fit-for-55-package>

EESC Podcast: [Media Library - S3 Episode 20 - The Energy Crisis | European Economic and Social Committee \(europa.eu\)](#)

Section in the Energy Poverty Handbook: implications of an unfair decarbonisation on low-income, energy poor and vulnerable households:

<https://extranet.greens-efa.eu/public/media/file/1/7858>



Thank you!

EAPN is a founding member of the
[Right to Energy Coalition](#)

If you wish to stay in touch:

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