Europe’s just transition—still out of reach

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If it holds on to ‘green growth’ and tight fiscal constraints, the EU will be unable to negotiate a just transition.

Soaring away: private jet travel in the EU increased by 64 per cent last year—transport ministers are to discuss a paper addressing its ‘excessive’ *per capita* emissions tomorrow (Juice Flair / shutterstock.com)

Since its proclamation in December 2019, the European Green Deal has powerfully reshaped Europe’s economic policy. The *gilets jaunes* movement in France had however already signalled the potentially explosive consequences of a socially unjust transition. The European Commission president, Ursula von der Leyen, and its vice-president in charge of the Green Deal, Frans Timmermans, have repeatedly pledged that the green transition shall ‘leave no one behind’. There are however reasons to doubt this will be so.

Despite well-meaning initiatives and sympathetic language, the European Union is not yet equipped to realise a socially just transition. As the financial and human costs of the non-transition increase every year, official Europe is stuck with a belief in ‘green growth’ and does not have the fiscal strategy needed to steer the transition in a way that is effective and just.

Two funds

To foster the social dimension of the green deal, two new funds have been created at EU level. The Just Transition Fund, adopted in 2021, targets only those regions of the union heavily reliant on fossil fuels for generating energy. Two sets of activities are eligible:

- green investments to support new businesses and jobs, relating especially to clean energy and increased energy efficiency, achieved through innovation and company diversification and modernisation;
- social investments in the (re)skilling of the affected workforce, job-search assistance, active inclusion measures, childcare and eldercare facilities and training centres, and reduction of energy poverty.

Adopted earlier this month, the Social Climate Fund foresees an envelope of €86 billion (with states providing 25 per cent of finance) compensating for the unequal effects of carbon-pricing and the planned extension of the EU Emissions Trading System to buildings and road transport ('ETS 2' was passed last month). Compared with existing EU instruments, the Social Climate Fund is innovative in being both compensatory and redistributive.

Unlike other funds, it will not target territories or project holders but explicitly finance 'temporary direct income support to vulnerable households that are transport users to absorb the increase in road transport and heating fuel prices'. The fund is also designed to enable investments geared towards the vulnerable: households, micro-enterprises or transport users. It provides the first institutional recognition of the concepts of energy poverty and mobility poverty.

Much continuity

Rather than a truly innovative policy breakthrough, however, these two funds manifest much continuity with existing policy tools and logics, especially 'social investment' and targeted compensation. They tap into a version of social investment that subjects public intervention to the imperative of green growth: the welfare state is there, first and foremost, to provide targeted, supply-side measures—such as investing in green skills and competences—and, secondly, to create buffers for a smooth transition through strong social and healthcare services, social protection and income maintenance. The main *raison d'être* of the Social Climate Fund is to alleviate the expected, highly unequal social impact of carbon markets.

Clearly, the anticipated allocations to these two funds will be insufficient to mitigate those social effects and support the necessary investments. Last October, for Germany alone, the *Bundestag* adopted a €200 billion plan to support households facing soaring energy prices.

More fundamentally, the EU is promoting a model of green growth distinct from the just-transition paradigm. When she presented the Green Deal to the European Parliament, von der Leyen explicitly proclaimed it as Europe's 'new growth strategy'. This vision is firmly anchored in the idea of green growth—the belief that it is possible to decouple an increase in gross domestic product from generation of greenhouse-gas emissions. Yet decoupling is highly controversial among scientists, some of whom question the possibility of reaching carbon neutrality in the foreseeable future while relying on it.

Indeed, the belief that technology will bring the means to sustain Europe's productivist model without fundamentally changing it constitutes a scientific, cultural and ideological faultline. Thus member states in receipt of funds from the Recovery and Resilience Facility are required to spend at least 20 per cent on the digital transition as well as at minimum 37 per cent on the ecological one. Whether a more digital economy is itself intrinsically greener remains to be seen.

Integrated vision

The notion of 'just transition' originated in trade-union circles in the United States in the 1970s and 80s. It was conceived basically as an attempt to resolve the conflict otherwise between protecting workers' interests and protecting the environment. After circulating in the international labour movement, notably the International Trade Union Confederation, the concept was endorsed by organisations such as the International Labour Organization (ILO) and the United Nations more broadly.

In contrast to green growth, which continues to pursue increased output as a main objective, just transition makes the health of humans and the environment the economic goal. It advances an integrated vision, which associates distributive justice—a fairer allocation of resources among social groups globally—and procedural justice: fostering democratic participation, especially by those more affected by climate change. It implies curtailing the dominance of the market and deploying public resources towards common goods and universal services, including those which while not profitable are tremendously important for a just transition.

Four types of inequality are still insufficiently addressed by the EU. First, greenhouse-gas emissions emanate primarily from the wealthy, whereas the poor bear more the consequences of climate change. Secondly, access to work is unequal in an economy already generating little or no growth in GDP. Thirdly, the costs arising from transition policies are unequally distributed within societies. Finally, the benefits of the green transition, such as healthy food, resilient infrastructure or clean technology, are also unevenly distributed.

Backlash and U-turns

It is now clear that implementation of the European Green Deal and its flanking social-policy instruments does not amount to a new economic model rooted in just transition. Worse, we are already witnessing social backlash and political U-turns. While an anti-green, far-right, agrarian movement (the *BoerBurgerBeweging*) has made a significant electoral breakthrough in the Netherlands, members of the liberal European political family—from the French president, Emmanuel Macron, to the German *Freidemokraten* (FDP) and the Belgian premier, Alexander De Croo—as well as conservatives in the European People's Party are calling for a 'pause' in the European transition agenda.

As the distributional consequences of climate change and the policies implemented to fight it are now hitting societies, the elephant in the room is the absence of a comprehensive fiscal strategy. The debates over the reform of the Stability and Growth

Pact or a follow-up to the NextGenerationEU recovery package after 2027 are associated with deep divisions among member states and political parties. Resurfacing social and national egoisms constitute a serious obstacle to ensuring adequate public resources to fund the just transition throughout the EU's multi-level governance system.

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