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climate neutrality

COUNCIL RECOMMENDATION (EU) 2022/...

of ...

on ensuring a fair transition towards climate neutrality

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 166(4), and Article 292 in conjunction with Article 149 thereof.

Having regard to the proposal from the European Commission,

Whereas:

- (1) Greenhouse gas emissions need to be urgently reduced, in particular to decrease sea level rise and the likelihood of extreme weather events that already affect every region across the globe¹ and to reduce the economic and social costs associated with the effects of global warming². The Union and its Member States are Parties to the Paris Agreement adopted on 15 December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) ('the Paris Agreement')³, which binds its Parties to holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
- (2) Climate change and environmental degradation pose severe threats that require urgent action, as reaffirmed most recently by the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) on the Physical Science Basis. Human suffering and economic losses stemming from more frequent climate-related extreme events, such as floods, heatwaves, droughts and forest fires, are becoming more common. In the Union, those losses already average over EUR 12 billion per year⁴.

¹ IPCC, 2021: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

² Szewczyk, W., Feyen, L., Matei, A., Ciscar, J.C., Mulholland, E., Soria, A. (2020), Economic analysis of selected climate impacts, Publications Office of the European Union, Luxembourg, doi:10.2760/845605.

³ OJ L 282, 19.10.2016, p. 4.

⁴ European Commission (2021), PESETA IV study 'Climate change impacts and adaptation in Europe', Joint Research Centre, Sevilla, <http://ec.europa.eu/jrc/en/peseta-iv>.

Those losses could reach an additional EUR 175 billion, which is 1.38% of Union GDP, per year if global warming reaches 3°C above pre-industrial levels, as opposed to EUR 65 billion for 2°C and EUR 36 billion per year for 1.5°C. This would disproportionately harm certain groups, notably people already in vulnerable situations and regions already facing challenges.

- (3) The communication from the Commission of 11 December 2019 entitled ‘The European Green Deal’ (the ‘European Green Deal’) sets out the strategy for the Union to become the first climate-neutral continent and transform the Union into a sustainable, fairer and more prosperous society that respects the planetary boundaries. The need for a fair transition is an integral part of the European Green Deal, which underlined that no person and no place should be left behind. The European Climate Law¹ sets out a binding Union-wide objective of climate neutrality by 2050 and a binding intermediate target of a net domestic reduction in greenhouse gas emissions of at least 55% by 2030 compared to 1990 levels. The 8th Environment Action Programme to 2030² aims to accelerate the green transition to a climate-neutral, sustainable, non-toxic, resource-efficient, renewable energy-based, resilient and competitive circular economy in a just, equitable and inclusive way, and to protect, restore and improve the state of the environment.

¹ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (OJ L 243, 9.7.2021, p. 1).

² Decision (EU) 2022/591 of the European Parliament and of the Council of 6 April 2022 on a General Union Environment Action Programme to 2030 (OJ L 114, 12.4.2022, p. 22).

- (4) In light of Russia's war of aggression against Ukraine, the communication from the Commission of 18 May 2022 entitled 'REPowerEU Plan' (the 'REPowerEU Plan'), in line with the Versailles Declaration of 10 and 11 March 2022, sets out measures to phase out the Union's dependence on fossil fuels from Russia by diversifying gas supplies and accelerating the reduction of the dependence on fossil fuels, including through rolling out solar, wind and heat pumps, decarbonising industry, and enabling faster permitting of renewable energy projects.

- (5) The transformation to a climate neutral economy and society requires comprehensive policy action and substantial investment across many areas, such as climate action, energy, transport, environment, industry, research and innovation.¹ To deliver on the binding Union-level target for 2030, on 14 July 2021 the Commission issued a communication entitled ‘Fit for 55’: delivering the EU's 2030 Climate Target on the way to climate neutrality’ as well as a number of related legislative proposals (‘the ‘Fit for 55’ package’). The ‘Fit for 55’ package includes proposals to update relevant legislation, including the EU Emissions Trading System (EU ETS)², the energy taxation, energy efficiency and renewable energy Directives, the CO₂ emission performance standards Regulation for cars and vans, the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry, the Directive on alternative fuels infrastructure, and the effort sharing Regulation (ESR) with respect to sectors outside the current EU ETS, namely transport and building sectors.

¹ For instance as regards infrastructure, the Union will need an estimated EUR 350 billion in additional investment per year over this decade to meet its 2030 emissions-reduction target in energy systems alone, alongside EUR 130 billion needed for other environmental goals.

² Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757, COM(2021) 551 final.

It also includes proposals for new legislation, notably to support the use of cleaner fuels in the aviation and maritime transport sectors, as well as to establish a carbon border adjustment mechanism and to establish a Social Climate Fund, which is directly related to the proposed introduction of emissions trading system for fuels used in buildings and road transport. The ‘Fit for 55’ package, combined with measures taken at Union level to support and incentivise the necessary public and private investments, is aimed to help support and accelerate the growth of new markets, for instance for clean fuels and low-emission vehicles, thereby driving down the costs of the sustainable transition for businesses and citizens alike.

(6) At its meeting on 20 June 2019, the European Council committed, in its ‘A New Strategic Agenda 2019-2024’, to ensure a fair transition towards climate neutrality that is inclusive and leaves nobody behind. At the international level, Member States have endorsed the United Nation’s Sustainable Development Goals and ratified the Paris Agreement, which refer to the imperatives of a just transition of the workforce and the creation of decent work and quality jobs, as well as the need for adaptation and capacity-building to be gender responsive. Guidelines from the International Labour Organization provide an internationally established policy framework for a just transition towards environmentally sustainable economies and societies for all.¹ Furthermore, 54 signatories (countries and social partners) endorsed the ‘Solidarity and Just Transition Silesia Declaration’², which was adopted at the 24th Conference of the Parties (COP) to the UNFCCC in Katowice, including the Commission, on behalf of the Union, and 21 individual Member States. The Union and 10 Member States signed the Declaration ‘Supporting the Conditions for a Just Transition Internationally’, adopted at the 26th COP to the UNFCCC in Glasgow, committing to include information on just transition in Biennial Transparency Reports in the context of reporting on their policies and measures to achieve their Nationally Determined Contributions.

¹ The guidelines define the concept of just transition and call upon policy-makers and social partners to promote a just transition at the global level.

² See document ST 14545/2018 REV 1.

- (7) Fairness and solidarity are defining principles of the Union’s policies towards the green transition and a requisite for its broad and sustained public support. The European Green Deal stresses that the transition must be fair and inclusive, putting people first and paying particular attention to supporting those regions, industries, workers, households and consumers that will face the greatest challenges. Moreover, the communication from the Commission of 14 January 2020 entitled ‘A Strong Social Europe for Just Transitions’ emphasises that implementing the European Green Deal will give Europe the tools to strive for more when it comes to upward convergence, social fairness and shared prosperity. The communication from the Commission of 23 February 2022 on decent work worldwide for a global just transition and a sustainable recovery puts the promotion of decent work worldwide at the heart of a just transition and an inclusive, sustainable and resilient recovery from the pandemic.

- (8) The communication from the Commission of 4 March 2021 entitled ‘The European Pillar of Social Rights Action Plan’¹ highlights that unity, coordination and solidarity are needed to move forward towards a greener and more digital decade in which Europeans can thrive. It proposed three EU headline targets for 2030, namely: that at least 78% of the population aged 20 to 64 should be in employment by 2030²; that at least 60% of all adults should participate in training every year³; and that the number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030⁴. Those 2030 headline targets were welcomed by Union leaders in the Porto Declaration of 8 May 2021 at the informal meeting of heads of state or government in Porto on 7-8 May 2021 and by the European Council in its conclusions of 24-25 June 2021.

¹ The European Pillar of Social Rights, proclaimed and signed by the Council, the European Parliament and the Commission at the Gothenburg Summit in November 2017, is the Union’s guiding compass to a strong social Europe.

² In order to achieve this overall goal, Europe must strive to at least halve the gender employment gap compared to 2019; to reduce the share of young people (15-29) who are neither in employment, nor in education or training (NEETs) to 9%; and to increase the provision of formal early childhood education and care (ECEC).

³ In particular, at least 80% of those aged 16-74 should have basic digital skills, and early school leaving should be further reduced and participation in upper secondary education increased.

⁴ Out of 15 million people to lift out of poverty or social exclusion, at least 5 million should be children.

- (9) With the right accompanying policies in place¹, the green transition could in aggregate create around 1 million additional quality jobs² in the Union by 2030 and 2 million by 2050³, in sectors such as construction, information and communication technologies ('ICT') or renewable energy, while mitigating the protracted decline in middle-skilled jobs as a result of automation and digitisation. However, in a pessimistic scenario, the impacts of the green transition towards climate neutrality if not supported by an adequate policy mix could imply GDP losses of up to 0.39% in the Union, and job losses of up to 0.26%⁴.

¹ Communication from the Commission of 14 July 2021 entitled ‘‘Fit for 55’’: delivering the EU’s 2030 Climate Target on the way to climate neutrality’.

² Staff Working Document from the Commission, Impact Assessment accompanying the Communication ‘Stepping up Europe’s 2030 climate ambition - Investing in a climate-neutral future for the benefit of our people’, SWD(2020) 176 final. Projections based on E-QUEST using a ‘lower taxation low-skilled labour’ scenario.

³ European Commission (2019), Sustainable growth for all: choices for the future of Social Europe, Employment and Social Developments in Europe 2019, 4 July 2019. Based on the In-depth analysis accompanying the Communication of the Commission, COM(2018) 773.

⁴ SWD(2020) 176 final.

- (10) The impacts of the green transition on business and employment will vary by sector, occupation, region and country, implying job changes within sectors and industrial ecosystems, as well as large labour reallocations across them¹. Restructuring and adjustment in the companies, sectors and ecosystems concerned require the development of new business models and large labour reallocations across sectors and regions. For instance, job losses are expected in some mining activities or fossil-fuel based energy production, as well as in parts of the automotive sector. Conversely, new job opportunities are expected in circular value retention activities and sustainable transport and energy production. Member States should therefore follow granular approaches, focusing on the individual regions and ecosystems concerned, in liaison with social partners and/or local and regional authorities and stakeholders.

¹ SWD(2020) 176 final.

- (11) By creating quality job opportunities for everyone while taking measures to alleviate and prevent energy and transport poverty, the green transition can contribute to raising incomes and reducing inequalities and poverty overall¹. It can thus help tackle pre-existing socio-economic inequalities and social exclusion, improving health and well-being, and promoting equality, including gender equality. Particular attention should go to certain population groups, notably those in already vulnerable situations. This includes notably low- and lower-middle income households, who spend a high share of their income in essential services such as energy, transport and housing, as well as micro, small and medium-sized enterprises. Modelling results show that whether environmental taxes are progressive or regressive will depend largely on instrument design, including, for example, the extent to which income tax cuts or other revenue recycling options are targeted at lower income earners².

¹ European Commission (2019), ‘Sustainable growth for all: choices for the future of Social Europe, Employment and Social Developments in Europe 2019’, chapter 5, 4 July 2019, and European Commission (2020), ‘Leaving no one behind and striving for more: fairness and solidarity in the European social market economy’, Employment and Social Developments in Europe 2020, chapter 4.2.2, 15 September 2020. Overall poverty in this context is measured using the agreed indicator for the at-risk-of poverty rate, in line with Social Scoreboard indicators and the related 2030 headline target under the European Pillar of Social Rights Action Plan.

² IEEP (2021), Green taxation and other economic instruments: internalising environmental costs to make the polluter pay.

- (12) Circular value retention activities, including repair, re-use, remanufacturing and servitisation business models, can foster affordable and sustainable access to goods and services. They also generate jobs and opportunities at various skill levels, including for women, persons with disabilities and groups in vulnerable situations, through social economy entities active in those areas. By promoting product circularity, they reduce carbon emissions vastly, while the jobs created are in proximity to the products that need to be maintained, refurbished or shared.
- (13) According to the latest available data in the EU statistics on income and living conditions for 2019/2020, energy poverty affected about 8% of the Union population, that is more than 35 million people, who were unable to keep their homes adequately warm, with significant differences between Member States and between income groups¹. Overall, the Energy Poverty Observatory estimates, based on a combination of indicators, that more than 50 million households in the Union experience energy poverty². Energy poverty, resulting from a combination of low income, a high share of disposable income spent on energy and poor energy efficiency, has been a major challenge for the Union for some time. Furthermore, the risk of energy poverty increases with high and volatile energy prices, which are driven by a number of factors including those related to Russia's war of aggression against Ukraine and the subsequent Union policy response. This form of poverty affects not only low-income households, but also lower middle-income households in many Member States.

¹ Moreover, up to 6,2% of people living in the Union, i.e. over 27 million people, have arrears in paying their utility bills.

² European Commission, EPOV Annual Report: Addressing Energy Poverty in the European Union: State of Play and Action, 2019, p. 6.

Households with above-average energy needs, which include families with children, including those headed by single parents, persons with disabilities, and older persons, are also more susceptible to energy poverty¹ and to its effects. Women, and in particular those who are single parents and older women², are also particularly affected by energy poverty. In addition to energy poverty, the concept of transport poverty is increasingly recognised where certain categories of population are unable to attain a socially and materially necessitated level of transport services. Without the right accompanying measures to alleviate and prevent energy and transport poverty, those forms of poverty are at risk of being exacerbated notably due to the internalisation of emissions costs in price formation or to the costs of adaptation towards higher-efficiency, lower-emission alternatives.

¹ See the report of the workshop on ‘Energy Poverty’, organised on 9 November 2016 for the EP Committee on Industry, Research and Energy (ITRE).

² See Gender perspective on access to energy in the EU (europa.eu), Gender and energy| European Institute for Gender Equality (europa.eu), GFE-Gender-Issues-Note-Session-6.2.pdf (oecd.org).

- (14) Principles of social fairness, cohesion and solidarity are firmly built into the design of relevant climate, energy and environmental frameworks at Union level, including via the ‘polluter pays principle’ and effort sharing between Member States, as well as in some redistribution of EU ETS allowances for the purposes of solidarity, growth and interconnections within the Union and their use for the Modernisation Fund, which contributes to the significant investment needs of lower-income Member States to modernise their energy systems. Moreover, the framework of Union energy legislation provides Member States with tools to ensure the protection of energy poor and vulnerable household customers while avoiding market distortions. While those tools help in facilitating the green transition, they are intended to provide the means to ensure the necessary protection more generally, as shown for instance by the communication from the Commission of 13 October 2021 entitled ‘Tackling rising energy prices: a toolbox for action and support’ and the REPowerEU Plan.

- (15) Member States have a range of tools at their disposal to outline and coordinate their actions for a fair transition. National energy and climate plans (NECPs) prepared in accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council¹ should assess the number of households in energy poverty and outline the measures needed to address the social and territorial implications of the energy transition. Territorial Just Transition Plans (TJTPs) prepared in accordance with Regulation (EU) 2021/1056 of the European Parliament and of the Council² should identify the territories eligible for support under the Just Transition Fund up to 2027. Funded by NextGenerationEU, national recovery and resilience plans (RRPs) prepared in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council³ set reforms and investments to foster the green transition, inclusive growth, social and territorial cohesion, resilience and prospects for the next generation, with an implementation horizon up to 2026. Some actions for a fair transition are also implemented in the context of other programmes and initiatives, in particular the Cohesion policy funds.

¹ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

² Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021, p. 1).

³ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

- (16) Building on the principles and policies of the European Green Deal and the European Pillar of Social Rights in particular, there is scope to enhance the design of policies in a comprehensive and cross cutting manner and to ensure the coherence of spending efforts, at Union and national level. In the communication from the Commission of 17 September 2020 entitled ‘An EU-wide assessment of National Energy and Climate Plans Driving forward the green transition and promoting economic recovery through integrated energy and climate planning’, the Commission, while recognising that the final NECPs provide some indicators and policies on energy poverty, concluded that they do not always provide a clear prioritisation of funding needs for a fair transition, nor for reskilling and upskilling or for supporting labour market adjustments. The TJTPs should focus on selected territories and thus are not expected to lay out an overall strategy and policies for a fair transition at national level. While the reforms and investments they support and help finance are designed to provide lasting impact, both TJTPs and RRP are limited in time.

(17) A fair transition towards climate neutrality in the Union by 2050 will ensure that no one is left behind, in particular workers and households most affected by the green transition, and notably those already in vulnerable situations. To that end, as set out in this Recommendation, Member States should put in place comprehensive policy packages¹, strengthen cross-cutting elements that promote fair green transition, and make optimal use of public and private funding. The policy packages should consider the people and households that are most affected by the green transition, notably by job losses but also by changing working conditions and/or new task requirements on the job, as well as those subject to adverse impacts on disposable incomes, expenditure, and access to essential services. As part of the most affected groups, policy packages should, in particular, but not only, consider people and households in vulnerable situations, notably people furthest away from the labour market, for instance due to their skills, territorial labour market conditions, or other characteristics, such as sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Moreover, people and households in vulnerable situations may include those living in or at risk of poverty and/or energy poverty, facing barriers to mobility, or an overburden of housing costs, including households headed by single parents, which are more often women than men. Policy packages should be adapted to local circumstances, taking into account the needs of the most vulnerable and remote parts of the Union, including the outermost regions and islands.

¹ In particular the Annual Sustainable Growth Strategies (ASGS) 2021 and 2022, the Euro area recommendations 2021, and Country-Specific Recommendations.

(18) Active support to quality employment should focus on helping workers, job seekers, people not in employment, education or training (NEETs) and the self-employed most affected by the green transition. In particular, under-represented people such as women, low-skilled workers, persons with disabilities, older people or people with comparatively low capacities to adapt to changes in the labour market require support to improve their employability and for finding employment, in line with Commission Recommendation (EU) 2021/402¹. Building on previous policy guidance, in particular that Recommendation and Council Decisions (EU) 2020/1512² and (EU) 2021/1868³, policy packages should thus include tailored measures to support hiring and transition incentives, support for entrepreneurship, in particular for women or persons with disabilities, and quality job creation measures, in particular for micro, small and medium-sized enterprises and in most affected territories. Such measures, combined with adequate Union support, can also be instrumental in addressing challenges for the labour market, such as those stemming from the influx of Ukrainian refugees, in particular in the most affected Member States. They should also foster the effective implementation and enforcement of existing rules on working conditions and support for socially responsible restructuring in line with existing rules and standards. Social partners have a vital role to play in contributing to addressing, through dialogue, the employment and social consequences of the challenges of the green transition.

¹ Commission Recommendation (EU) 2021/402 of 4 March 2021 on an effective active support to employment following the COVID-19 crisis (EASE) (OJ L 80, 8.3.2021, p. 1).

² Council Decision (EU) 2020/1512 of 13 October 2020 on guidelines for the employment policies of the Member States (OJ L 344, 19.10.2020, p. 22).

³ Council Decision (EU) 2021/1868 of 15 October 2021 on guidelines for the employment policies of the Member States (OJ L 379, 26.10.2021, p. 1).

- (19) Access to quality and inclusive education, training and life-long learning for all is essential for ensuring that the workforce has the skills required to deliver on the green transition. Fair transition aspects should thus be integrated in the development and implementation of national skills strategies, taking into consideration the proposals made by the Commission in the ‘European Skills Agenda’¹ and the ‘Updated New Industrial Strategy’². Skills partnerships under the Pact for Skills will also be an important lever. Up-to-date labour market and skills intelligence and foresight, including at regional, sectoral and occupational levels, allow for the identification and forecasting of relevant occupation-specific and transversal skills needs, including as a basis for adapting curricula to meet the skills needs for the green transition. Vocational education and training should equip young people and adults, with a particular focus on women and low-skilled workers, with the skills needed to master the green transition, in accordance with Council Recommendation 2020/C 417/01³.

¹ Communication from the Commission of 1 July 2020 entitled ‘European Skills Agenda for sustainable competitiveness, social fairness and resilience’.

² Communication from the Commission of 5 May 2021 entitled ‘Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe’s recovery’.

³ Council Recommendation 2020/C 417/01 of 24 November 2020 on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience (OJ C 417, 2.12.2020, p. 1).

Apprenticeships and paid traineeships, including strong training components, in particular for young people, contribute to labour market transitions, notably towards activities contributing to climate and environmental objectives, and sectors facing particular skills shortages. Increasing adult participation in lifelong learning should be promoted to meet upskilling and reskilling needs, *inter alia*, by empowering individuals to seek training that is tailored to their needs and, where appropriate, via short, quality-assured courses on skills for the green transition, taking into consideration Council Recommendation (EU) 2022/...¹⁺, which aims to make it easier to value and recognise the outcomes of such courses.

¹ Council Recommendation (EU) 2022/... of ... on a European approach to micro-credentials for lifelong learning and employability (OJ ...).

⁺ OJ: Please insert in the text the number of the Recommendation contained in document ST 9237/22 and insert the number, date and OJ reference of that Recommendation in the footnote.

- (20) The composition of tax-benefit systems and social protection systems should be examined against the specific needs stemming from the green transition, reflecting also the ‘polluter pays principle’ and the need that accompanying policies do not introduce subsidies to fossil fuels consumption, do not lock in consumers to a specific technology, do not decrease incentives for building renovations and thermal energy system substitutions and do not decrease incentives within general energy efficiency measures. A combination of various policies can support the most vulnerable households and workers most affected by the green transition. Depending on the national and individual situation, this could, for instance, involve a shift of taxation away from labour and towards climate and environmental objectives as envisaged in the proposal for revision of the Energy Taxation Directive¹, a review of unemployment schemes and/or temporary and targeted direct income support, where necessary. Social protection systems, including social inclusion policies, can be reviewed and, where applicable, adapted in light of the green transition, in particular to provide for income security, notably during job-to-job transitions, and to provide adequate social, health and care services through adequate social infrastructure, notably in most affected territories, for instance rural and remote areas, such as the outermost regions, in order to prevent social exclusion, and address health risks. To prevent and combat social exclusion of children, investments in social infrastructure for children aim to ensure access to key services for children in need, as set out in Council Recommendation (EU) 2021/1004².

¹ Proposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast), COM(2021) 563 final, envisages such a shift of the taxation of energy products and electricity towards climate and environmental objectives.

² Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (OJ L 223, 22.6.2021, p. 14).

- (21) To build physical and financial resilience to the irreversible impacts of climate change in an inclusive manner, risk-awareness, risk reduction and risk-transfer solutions need to be promoted, in particular by increasing the availability of insurance solutions and by investing in disaster risk-management and adaptation to reduce the physical impacts of climate change, thereby reducing losses, as well as the climate protection gap, taking into account micro, small and medium-sized enterprises, as well as rural and remote areas, such as the outermost regions and islands. Disaster risk-management including civil protection systems at national and Union level should be reinforced to better prevent, prepare for and respond to climate-related shocks.

(22) Everyone has the right to access essential services of good quality, including energy, transport, water, sanitation, financial services and digital communications, and support for equal access to such services should be made available to those in need¹. Furthermore, access to social housing or housing assistance of good quality should be provided for those in need². In addition, low and medium income households, vulnerable customers, including final users, people facing or risking energy poverty and people living in social housing, can benefit from the application of the ‘energy efficiency first principle’. In addition to protecting and empowering energy consumers, specific measures are needed to prevent and tackle the root causes of energy poverty, in particular by promoting investments targeted at energy efficiency improvements, notably in the social housing sector. The proposed updates of the Energy Efficiency Directive³ and the Energy Performance of Buildings Directive⁴ are also intended to tackle the main non-economic barriers to renovation such as split incentives, including owner-tenant settings, and co-ownership structures. In this context, specific attention should be paid to women and particular groups which are more at risk of being affected by energy poverty, such as persons with disabilities, single parents, elderly people, children, and persons with a minority racial or ethnic background.

¹ ‘European Pillar of Social Rights’, solemnly proclaimed by the European Parliament, the Council and the Commission, 17 November 2017, principle 20.

² ‘European Pillar of Social Rights’, solemnly proclaimed by the European Parliament, the Council and the Commission, 17 November 2017, principle 19 (a).

³ Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast), COM(2021) 558 final.

⁴ Proposal for a Directive of the European Parliament and of the Council on the energy performance of buildings (recast), COM(2021) 802 final.

Pre-existing and emerging mobility challenges can be tackled through support measures and the development of the necessary infrastructure, such as public transport. The affordability, accessibility and safety of sustainable mobility and different modes of transport, including private and public transport, are key to ensuring everyone benefits from and is part of the green transition. Urban mobility plays a significant role in this context, as also reflected by the communication from the Commission of 14 December 2021 entitled ‘The New EU Urban Mobility Framework’.

- (23) A whole-of-society approach to the fair transition should support policy action, based on the coordination of policy-making and strengthened operational capacities at all levels and across all relevant policy areas, giving also an active role to regional and local authorities. It should also be based on the involvement of social partners at all levels and stages, as well as an effective and impactful participation of civil society and stakeholders. Such coordination and engagement could ensure that the European Green Deal principles of fairness and solidarity are integrated in policy design, implementation and monitoring from the outset, providing the basis for broad and long-term support for inclusive policies advancing the green transition.
- (24) A strong evidence base is key to putting in place sound social and labour market policies that ensure a fair and inclusive transition. To that end, the gradual harmonisation and consistency of definitions, concepts, classifications and methodologies, notably based on Commission Recommendation (EU) 2020/1563¹, facilitate assessments and their comparability. Further research and innovation actions can contribute to the knowledge base that may feed into policy and public discourse. In turn, exchanges with the public in all its diversity and with key stakeholders, for instance on the outcomes of evaluations, foresight and monitoring exercises, can contribute to policy-making and ownership.

¹ Commission Recommendation (EU) 2020/1563 of 14 October 2020 on energy poverty (OJ L 357, 27.10.2020, p. 35).

- (25) Appropriate granular and high quality, sex-disaggregated data and indicators are needed in particular to assess the employment, social and distributional impacts of climate change policies. Such data and indicators are currently not fully available. For instance, while some progress has been made on the measurement of energy poverty, indicators to assess transport poverty could be developed in accordance with national circumstances. Monitoring and evaluation can be strengthened via a number of actions, focussing on indicators, scoreboards as well as small-scale pilot projects and policy experimentation. Actions should build on, or draw from, existing scoreboards such as the Social Scoreboard and the European Green Deal dashboard, which contain relevant information on specific aspects of fair transition policies.

(26) The optimal and efficient use of public and private funding and the mobilisation of all available resources and their effective deployment are of particular importance in light of the significant investment needs stemming from the green transition. At Union level, relevant actions are supported through the Union budget and NextGenerationEU. They will be implemented under the Recovery and Resilience Facility (RRF), the Just Transition Mechanism (JTM), including the Just Transition Fund (JTF), the European Social Fund Plus (ESF+), the European Regional Development Fund (ERDF), the Cohesion Fund, the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), ERASMUS+ and the European Globalisation Adjustment Fund for Displaced Workers (EGF), the LIFE programme, the Horizon Europe programme, the Modernisation and Innovation Funds¹ and the funds under the Common Agriculture Policy (CAP). In addition, the Commission supports Member States through the Technical Support Instrument, by providing tailor-made technical expertise to design and implement reforms, including those promoting a fair transition towards carbon neutrality.

¹ Outside the Union budget and NextGenerationEU.

- (27) The European Semester is the Union economic and employment policy coordination framework. It will continue to play this role in the recovery phase and in advancing the green and digital transitions, structured around the four dimensions of competitive sustainability, supporting the delivery of the Sustainable Development Goals. Under the European Semester, the Commission will monitor socio-economic outcomes and impacts closely and where relevant, propose targeted country-specific recommendations to ensure that no one is left behind. Complementarity with the measures supported under the Recovery and Resilience Facility will be a priority. The monitoring of this Recommendation will therefore take place as appropriate in the context of the European Semester including in the framework of the relevant committees, within their respective fields of competences, based on adequate assessments, policy impact evaluations, and the state of implementation of the guidance provided in this Recommendation. The monitoring arrangement will not add unnecessary administrative burdens for Member States.
- (28) Moreover, as part of the draft and final update of their NECPs in 2023 and 2024, respectively, in accordance with Article 14 of Regulation (EU) 2018/1999, Member States should draw on this Recommendation to consider mainstreaming employment, social and distributional impact assessments and fair transition aspects across the five dimensions of the Energy Union, and further enhance policy measures for addressing those impacts, with a particular focus on energy poverty.

(29) Furthermore, the monitoring of the implementation of this Recommendation can build on existing evidence in the context of established multilateral surveillance processes, such as the European Semester. The Council or the Commission can request the **Employment Committee** and the **Social Protection Committee**, in accordance with Articles 150 and 160 of the Treaty on the Functioning of the European Union, respectively, and in cooperation with other relevant committees, in particular the **Economic Policy Committee**, to examine in their respective area of competence the implementation of this Recommendation on the basis of adequate reporting by the Commission and other multilateral surveillance tools. Also against this background, the Commission is working to enhance data availability, disaggregated by sex, to update and use existing frameworks and methodological guidance, including for the measurement of energy and transport poverty and environmental inequalities, and for evaluating the effectiveness and actual impact of policy measures,

HAS ADOPTED THIS RECOMMENDATION:

OBJECTIVE

- (1) In line with the principles of the European Green Deal and the European Pillar of Social Rights, this Recommendation aims to ensure that the Union's transition towards a climate-neutral and environmentally sustainable economy by 2050 is fair and leaves nobody behind.
- (2) Member States are invited, for that purpose, to adopt and implement, in close cooperation with social partners as relevant, comprehensive and coherent policy packages, addressing the employment and social aspects to promote a fair transition across all policies, notably climate, energy and environmental policies, as well as to make optimal use of public and private funding.

DEFINITIONS

- (3) For the purpose of this Recommendation, the following definitions apply:
 - (a) 'Green transition' means the transition of the Union economy and society towards the achievement of the climate and environmental objectives primarily through policies and investments, in accordance with the European Climate Law laying down the obligation to achieve climate neutrality by 2050, the European Green Deal and international commitments, including the Paris Agreement, other Multilateral Environmental Agreements and the Sustainable Development Goals.

- (b) ‘Climate and environmental objectives’ means the six objectives laid down by Regulation (EU) 2020/852 of the European Parliament and of the Council¹, namely: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems.
- (c) ‘People and households most affected by the green transition’ means those whose effective access to quality employment, including self-employment, and/or to education and training and/or to a decent standard of living and essential services is significantly limited or at risk of being significantly limited as a direct or indirect consequence of the green transition.
- (d) ‘People and households in vulnerable situations’ means those who, independently of the green transition, face or are at risk of facing a situation of limited access to quality employment, including self-employment, and/or to education and training and/or to a decent standard of living and essential services, implying low capacities to adapt to the consequences of the green transition.

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13) (the ‘Taxonomy Regulation’) provides a common classification system for sustainable economic activities.

- (e) ‘Micro, small and medium-sized enterprises’ means enterprises that employ fewer than 250 persons, including the solo self-employed, and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million, calculated in accordance with Articles 3 to 6 of Annex I to Commission Regulation (EU) No 651/2014¹.
- (f) ‘Energy poverty’ means a ‘household’s lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies’²; the definition of ‘energy poverty’ in this Recommendation will apply, unless Directive 2012/27/EU of the European Parliament and of the Council³, as it may be amended or replaced as a result of the Commission proposal of 14 July 2021⁴, will contain another definition of that concept, in which case that definition will apply for the purposes of this Recommendation.

¹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1).

² While it is left to Member States to define the concept of ‘vulnerable customers’, it comprises households unable to heat or cool their homes adequately and/or having arrears in paying their utility bills in line with Commission Recommendation on energy poverty, C/2020/9600 final (OJ L 357, 27.10.2020, p. 35).

³ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

⁴ Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast), COM(2021) 558 final.

- (g) ‘Essential services’ means services of good quality, including water, sanitation, energy, transport and mobility, financial services and digital communications; support for access to such services should be made available for those in need, according to principle 20 of the European Pillar of Social Rights, together with providing cost saving opportunities, including through reuse, repair, donation and sharing services.
- (h) ‘Policy package’ means a comprehensive and coherent set of policy measures that integrates employment, skills and social policies with climate, energy, transport, environmental and other green transition policies, through a well-coordinated cross-sectoral approach based on one or several national strategies and/or action plans, and benefiting from coordination and governance mechanisms at Union and national level as appropriate.

POLICY PACKAGES FOR A FAIR GREEN TRANSITION

- (4) To provide active support to quality employment for a fair transition and build on Recommendation (EU) 2021/402, Member States are encouraged, in close cooperation with social partners, to consider the following measures in support of people most affected by the green transition, notably those in vulnerable situations, and, where adequate, help them to transit, through employment or self-employment, towards economic activities contributing to climate and environmental objectives:
- (a) effectively support access to and preservation of quality employment, notably through employment services, including tailored job search assistance and learning courses that also target green and digital skills where appropriate; consider also well-designed, targeted and time-bound employment programmes that prepare beneficiaries via training, in particular persons from the under-represented groups and people in vulnerable situations, for continued participation in the labour market;

- (b) make effective use of targeted and well-designed hiring and transition incentives, including by considering the adequate use of wage and recruitment subsidies and incentives linked to social security contributions, to accompany labour market transitions across sectors and labour mobility across regions and countries, in view of the opportunities and challenges of the green transition;
- (c) promote entrepreneurship, including enterprises and all other entities of the social economy¹, in particular in regions facing transition challenges and, where appropriate, in sectors promoting climate and environmental objectives such as the circular economy, paying special attention to women's entrepreneurship; support should combine financial measures, including grants, loans or equity, and non-financial measures, including training and advisory services, with particular attention to awareness-raising activities, tailored to each phase of the business lifecycle; support should be inclusive and accessible to under-represented and disadvantaged groups;

¹ Communication from the Commission of 9 December 2021 entitled 'Building an economy that works for people: an action plan for the social economy'.

- (d) stimulate the creation of quality jobs, in particular in territories most affected by the green transition and, where appropriate, sectors promoting climate and environmental objectives, such as the circular economy, by facilitating access to finance and markets for micro, small and medium-sized enterprises, in particular those contributing to climate and environmental objectives with a view to promoting competitiveness, innovation and quality employment across the single market, including in sectors and eco-systems of strategic relevance in national and local contexts;
- (e) analyse the impact of the green transition on health and safety at work and, accordingly, promote measures to address new risks or the potential aggravation of existing risks, taking into account the communication from the Commission of 28 June 2021 entitled ‘EU strategic framework on health and safety at work 2021-2027 - Occupational safety and health in a changing world of work’;
- (f) ensure the effective implementation and enforcement of existing rules on working conditions, in particular concerning occupational health and safety, work organisation and involvement of workers, in order to safeguard fair working conditions and job quality in the transition, including in economic activities contributing to climate and environmental objectives;

- (g) foster the use of socially responsible public procurement practices¹, including via social award criteria creating opportunities for people most affected by the green transition, while also promoting green award criteria;
- (h) provide for the full and meaningful involvement, including information and consultation, of workers at all levels and their representatives as regards the anticipation of change and the management of restructuring processes including those linked to the green transition, in line with the communication from the Commission of 13 December 2013 on ‘EU Quality Framework for anticipation of change and restructuring’.

¹ In line with Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services (OJ L 151, 7.6.2019, p. 70), and Commission Notice ‘Buying Social – A guide to taking account of social considerations in public procurement – Second edition’ (OJ C 237, 18.6.2021, p. 1).

- (5) To ensure equal access to quality, affordable and inclusive education, training and life-long learning as well as equal opportunities, also with a view to strengthening gender equality, Member States are encouraged to consider the following measures, to be implemented in close cooperation with social partners, while respecting their autonomy, in particular in support of people and households most affected by the green transition, notably those in vulnerable situations:
- (a) integrate the employment and social aspects of the green transition, including potential labour shortages, in the development and implementation of the relevant national strategies addressing skills challenges, for example under the European Skills Agenda, and support setting up and coordinate stakeholder partnerships, including under the Pact for Skills, ensuring notably that skills are at the heart of co-created transition pathways for relevant industrial ecosystems contributing to climate and environmental objectives;
 - (b) develop up-to-date labour market and skills intelligence and foresight, identifying and forecasting occupation-specific and transversal skills needs. Build on existing tools and initiatives, including the expertise of and cooperation with social partners and relevant stakeholders; consider adapting education and training curricula in accordance with national and regional circumstances to the needs of the green transition and providing school and career guidance accordingly;

- (c) provide high-quality accessible, affordable and inclusive initial education and training, including vocational education and training, which equips learners with skills and competences relevant for the green transition. Learning for sustainability – including science, technology, engineering and mathematics (STEM), interdisciplinary approaches, and digital skills – should be considered and promoted, where appropriate, as an integral part of curricula and education and training programmes; take specific actions to attract persons with disabilities, women, low-skilled people and other groups currently under-represented in the occupational areas concerned and to promote their careers;
- (d) introduce or strengthen support schemes for apprenticeships and, where possible, for paid quality traineeships and job shadowing schemes with a strong training component, in particular in micro, small and medium-sized enterprises, including those contributing to climate and environmental objectives and in sectors facing particular skill shortages, such as construction and ICT. Such schemes should be subject to national or regional monitoring and evaluation, and should safeguard job quality, taking into consideration Council Recommendations 2018/C 153/01¹ and 2014/C 88/01²;

¹ Council Recommendation 2018/C 153/01 of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships (OJ C 153, 2.5.2018, p. 1).

² Council Recommendation 2014/C 88/01 of 10 March 2014 on a Quality Framework for Traineeships (OJ C 88, 27.3.2014, p. 1).

- (e) increase adult participation in training throughout the working life, in line with the upskilling and reskilling needs for the green transition, by ensuring that support is available for training within jobs, professional transitions and for transversal skills, notably to facilitate reconversion towards sectors and economic activities expected to expand; empower individuals to seek training that is tailored to their needs, *inter alia*, via short, quality-assured courses on skills for the green transition; to that end, consider providing access to paid training leave and career guidance as well as the option of establishing individual learning accounts, taking into consideration Council Recommendation (EU) 2022/...¹⁺, and support the development of short, quality-assured and widely recognised courses, taking into consideration Council Recommendation (EU) 2022/...²⁺⁺.

¹ Council Recommendation (EU) 2022/... of ... on individual learning accounts (OJ ...).

⁺ OJ: Please insert in the text the number of the Recommendation contained in document ST 8944/22 and insert the number, date and OJ reference of that Recommendation in the footnote.

² Council Recommendation (EU) 2022/... of ... on a European approach to micro-credentials for lifelong learning and employability (OJ ...).

⁺⁺ OJ: Please insert in the text the number of the Recommendation contained in document ST 9237/22 and insert the number, date and OJ reference of that Recommendation in the footnote.

- (6) To ensure the continued fairness of tax-benefit systems and social protection systems, including social inclusion policies, in the context of the green transition, and taking into account, where applicable, Council Recommendation 2019/C 387/01¹, Member States are encouraged to consider the following measures in support of people and households most affected by the green transition, notably those in vulnerable situations, in order to support labour market transitions, including transitions towards economic activities contributing to climate and environmental objectives, prevent and alleviate energy and transport poverty in accordance with national circumstances and mitigate regressive impacts of policy measures:
- (a) assess and, where necessary, adapt taxation systems in view of the challenges arising from the transition towards climate neutrality, notably by shifting the tax burden away from labour and reducing the tax wedge for low and middle income groups towards other sources contributing to climate and environmental objectives, preventing and mitigating regressive impacts, preserving the progressive character of direct taxation and safeguarding the financing of adequate social protection and investment measures, especially those targeted towards the green transition;

¹ Council Recommendation 2019/C 387/01 of 8 November 2019 on access to social protection for workers and the self-employed (OJ C 387, 15.11.2019, p. 1).

- (b) review and, where applicable, adapt social protection systems, including social inclusion policies, in view of the employment, social and health challenges posed by the green transition; To that end, consider how the provision of adequate income security, including through innovative job-to-job transition schemes, unemployment benefits and minimum income systems can be best ensured and adapted to the needs arising from the green transition; also ensure the provision of good quality, affordable and accessible social, health and long-term care services, especially to people and households most affected by the green transition, notably by investing in social infrastructure for childcare, long-term care and healthcare;
- (c) provide, where necessary, and complementing measures outlined in point 7(a) while they are being deployed, targeted and temporary direct income support, notably to people and households in vulnerable situations, to mitigate adverse income and price developments, also linked to improved incentives for urgently achieving necessary climate and environmental objectives while preserving price signals supporting the green transition; To that end, ensure the availability of proper funding for those measures, including by improving the quality of public expenditure, making optimal use of relevant Union funds, and drawing on the budgetary resources created by energy and environmental taxes and the EU ETS, among others;

- (d) improve risk-awareness, risk reduction and risk-transfer solutions as regards households and enterprises, in particular micro, small and medium-sized enterprises, notably by ensuring the availability and affordability of insurance solutions, in particular for people and households in vulnerable situations.
- (7) To ensure access to affordable essential services and housing for people and households most affected by the green transition, in particular those in vulnerable situations and those in regions facing transition challenges, Member States are encouraged to consider the following measures:
- (a) mobilise public and private financial support and provide incentives for private investments into renewable energy sources and energy efficiency, complemented by advice to consumers to better manage their energy use and to take informed decisions on saving energy, in order to lower their energy bills, targeting vulnerable households and communities especially; to that end, ensure the availability of proper funding for those measures, including by improving the quality of public expenditure, making optimal use of relevant Union funds and drawing on the budgetary resources created by energy and environmental taxes and revenues from the EU ETS, among others;

- (b) prevent and alleviate energy poverty by promoting and implementing energy efficiency improvement measures, including public and private investments in dwellings to stimulate renovations, including in the social housing sector¹; to that end, provide well-designed incentives, grants and loans, together with related advice, also to micro, small and medium-sized enterprises, while paying due attention to incentives, in particular among owners and tenants, and the evolution of housing costs, notably for households in vulnerable situations;
- (c) empower energy consumers, including households in vulnerable situations, by developing further self-supply via individual renewable energy arrangements as well as other services via citizen and renewable energy communities², accompanied by educational measures and campaigns, with a special focus on people in vulnerable situations and consumers living in rural and remote areas, including the outermost regions, and on islands;

¹ In line with the communication from the Commission of 18 February 2022 entitled ‘Guidelines on State aid for climate, environmental protection and energy 2022’, as applicable.

² ‘Citizen energy community’ is defined in Article 2, point (11), of Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (OJ L 158, 14.6.2019, p. 125).

- (d) prevent and tackle mobility and transport challenges and obstacles for households in vulnerable situations, especially in remote, rural and low-income regions, including the outermost regions and islands, and cities, through adequate policy and support measures and the development of the necessary infrastructure, to improve essential connectivity, enabling access to education, training, health, quality employment, and social participation; ensure, in particular, the availability, including frequency, of low-emission public transport and, where appropriate, promote the uptake of sustainable modes of private mobility¹, with a focus on ensuring affordability, accessibility and safety;
- (e) facilitate access to sustainable consumption, including nutrition, especially for people and households in vulnerable situations and in particular children, and promote cost-saving opportunities linked to the circular economy; to that end, provide for effective incentives and tools, such as social innovation actions and local initiatives, support reuse, repair, recycle, donation and sharing schemes, including through social economy entities, and promote education and awareness raising for environmental sustainability for learners of all ages and at all levels and types of education and training.

¹ Communication from the Commission of 9 December 2020 ‘Sustainable and Smart Mobility Strategy – putting European transport on track for the future’.

CROSS-CUTTING ELEMENTS FOR POLICY ACTIONS SUPPORTING A FAIR GREEN TRANSITION

- (8) To advance the green transition in an inclusive and democratic way, integrating fair transition objectives from the outset into policy-making at all levels and ensuring an effective whole-of-society approach to fair transition policies, Member States are invited to:
- (a) coordinate policy-making at all levels and across all relevant policy areas, including research and innovation with a view to building an integrated and enabling policy framework that pays due attention to distributional impacts as well as to positive and negative spill-overs, including in cross-border regions, and, where possible, integrates adequate and systematic evaluation strategies, including *ex-ante* and *ex-post* assessments;
 - (b) encourage regional and local authorities to play an active role in the development, implementation and monitoring of fair transition policies, given their proximity to citizens and local businesses;

- (c) actively involve social partners at national, regional and local levels, while respecting their autonomy, in all stages of policy-making and implementation provided for under this Recommendation, including through social dialogue and collective bargaining where appropriate; in addition, promote further the full involvement of social partners in the design and implementation of transition pathways for industrial ecosystems under the Updated New Industrial Strategy;
- (d) empower and enable people, especially women, as well as civil society and stakeholders, including organisations representing people in vulnerable situations, including persons with disabilities, youth and children calling for urgent climate action, and social economy actors including through the ‘European Climate Pact’¹, with a view to their participation in decision-making, policy design and implementation, also by making use of new participatory models involving people in vulnerable situations;
- (e) strengthen the operational capacities of the relevant public services to provide effective guidance and support for implementing fair transition policies; in particular, strengthen public employment services to support labour market transitions and skills intelligence, as well as labour inspectorates to safeguard working conditions; in addition, mobilise social and health services where appropriate, notably to support labour market transitions and address energy poverty;

¹ Communication from the Commission of 9 December 2020 entitled ‘European Climate Pact’.

- (f) support a fair green transition also in third countries in the context of sustainable development and efforts to eradicate poverty, for instance by adopting transition policies that take into account their impact on third countries and by pursuing engagement with stakeholders and global partnerships.
- (9) To ensure the availability and quality of the data and evidence, which are needed to put in place sound social and labour market policies for a fair transition to climate neutrality, Member States are invited to:
- (a) strengthen the evidence base on fair transition policies by, *inter alia*, advancing, where relevant, the gradual harmonisation and consistency of definitions, concepts and methodologies, including on the basis of Recommendation (EU) 2020/1563 and follow-up actions in the Energy Poverty and Vulnerable Consumers Coordination Group, and using available methods for policy impact evaluations; include also evaluation and data collection strategies, notably as concerns skills, tasks and jobs contributing to the green transition, using sex-disaggregated data in the preparation and design of relevant policy measures and legislative initiatives;
 - (b) develop and mainstream the use of robust and transparent employment, social and distributional (*ex-ante*) impact assessments as part of national climate, energy and environmental reforms and measures;

- (c) ensure effective and transparent monitoring and independent (*ex-post*) evaluation of the employment, social and distributional effects of national reforms and measures contributing to climate and environmental objectives, involving social partners and other stakeholders in the identification of evaluation questions and, as relevant, in the design and implementation of evaluation and consultation strategies;
- (d) strengthen research and innovation actions at regional, national and Union levels including through funding from the Horizon Europe programme and through actions under the policy agenda of the European Research Area¹, to enhance the modelling and assessment of the macroeconomic, employment and social dimension of climate change policies; promote the involvement of social partners in the implementation of relevant research and innovation actions, notably Horizon Europe missions ‘Adaptation to Climate Change’ and ‘Climate-Neutral and Smart Cities’, which can help develop practical solutions in support of the green transition at regional and local levels; make better use of existing indicators and monitoring frameworks and promote at Union level, where necessary, the development of indicators for skills, tasks and jobs contributing to the green transition;

¹ See Council conclusions of 26 November 2021 on the future governance of the European Research Area (ERA), which outline the ERA Policy Agenda 2022-24, including action 4 for attractive and sustainable research careers, action 7 for better knowledge valorisation, action 12 for accelerating the green/digital transition, as well as action 20 for R&I investments and reforms.

- (e) present the outcomes of evaluations, foresight and monitoring exercises to the public at regular intervals, and organise exchanges with social partners, civil society and other stakeholders on the main outcomes and possible adjustments.

OPTIMAL USE OF PUBLIC AND PRIVATE FUNDING

- (10) To provide cost-effective investment and financial support, including to small and medium-sized enterprises, in line with the state aid framework to address the social and labour markets aspects of a fair green transition, while exploiting synergies across available programmes and instruments, and focusing on regions and industrial ecosystems most affected, Member States are invited to:
 - (a) implement fully the relevant reforms and investments under the Recovery and Resilience Plans, ensuring complementarity with other funds;
 - (b) mobilise, and ensure a coherent and optimal use of all relevant instruments and funding options, including technical assistance, at Member States and Union level, to support relevant actions and investments; Union funding instruments comprise, in particular, the Cohesion Policy funds, the Just Transition Mechanism, InvestEU, the Horizon Europe programme, the Technical Support Instrument, ERASMUS+, the European Globalisation Adjustment Fund for Displaced Workers (EGF), the LIFE programme, the Innovation Fund and the Modernisation Fund;

- (c) commit and deploy adequate national resources to contribute to the implementation of comprehensive sets of measures delivering a fair green transition; those measures should be adequately financed, including by improving the quality of public expenditure, mobilising further private financing, and/or using additional public revenues; in particular the revenues from the EU ETS could also be used to finance measures that mitigate negative social impacts of green transition; take into account employment, social and distributional aspects in the development of green budgeting practices;
- (d) share best practices with other Member States, for example, on the development of programming documents for individual Union funds or the development of relevant national strategies and projects.

FUTURE ACTIONS FOR A FAIR GREEN TRANSITION

- (11) To pursue useful follow-up actions to this Recommendation, the Council welcomes the Commission's intention to:
 - (a) further enhance the exchanges with key stakeholders, people and communities concerned as well as exchanges of best practices, including in the context of industrial ecosystems' transition pathways¹, notably in a cross-border context and with a focus on the regions and sectors most affected;

¹ As announced in the updated industrial strategy, such as construction, energy intensive industries, or mobility.

- (b) support the enhancement of the adequacy, consistency and effectiveness of Member States' fair transition policies, including for the employment, social and distributional aspects to be considered in the design, implementation, monitoring and assessment of the national plans and long-term strategies, possibly also in the context of the future review of Regulation (EU) 2018/1999 as appropriate;
- (c) consider, in the revision of Commission Regulation (EU) No 651/2014¹ that will take place in view of its expiry at the end of 2023, whether the available evidence justifies easing the rules in relation to aid for social enterprises' access to finance and as regards aid for hiring disadvantaged or severely disadvantaged workers;²

¹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1) (the 'General Block Exemption Regulation').

² In line with the communication from the Commission of 9 December 2021 entitled 'Building an economy that works for people: an action plan for the social economy'.

- (d) strengthen the database, notably by accessing administrative data sources and, where relevant, data from social partners, industries, civil society¹, and public opinion surveys, and update methodological guidance for assessing employment, social and distributional impacts of fair transition and climate and energy policies, including with a gender perspective and in the context of the European Semester, as appropriate; strengthen also knowledge and measurability of key concepts of the green economy, notably of ‘green jobs’ and ‘sustainable jobs’ as relevant, in close cooperation with Member States and taking into account approaches and processes at all levels, also in order to anticipate change in the labour market and address in an overall way restructuring processes that will require targeted and effective upskilling and reskilling policies;
- (e) enhance, where relevant, its regular monitoring and foresight analysis on energy poverty developments and risks in the Union, including social and distributional aspects, also to inform the work of the Energy Poverty and Vulnerable Consumers Coordination Group and other relevant expert groups;

¹ Conducted in accordance with Union legislation on data protection and access to public sector information, such as Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1) and Directive (EU) 2019/1024 of the European Parliament and of the Council of 20 June 2019 on open data and the re-use of public sector information (OJ L 172, 26.6.2019, p. 56).

- (f) develop further research and strengthen evidence concerning the definition, monitoring and evaluation of progress towards the provision of adequate access to essential services, in close cooperation with Member States and taking into account national approaches, also by developing the concept of ‘transport poverty’ if appropriate, in particular within the context of the green transition towards a sustainable well-being economy;
- (g) review progress made in the implementation of this Recommendation as appropriate in the context of multilateral surveillance in the European Semester, including within the **Employment Committee** and the **Social Protection Committee** in cooperation with other relevant committees in their respective fields of competences, notably the **Economic Policy Committee**, building on existing scoreboards and monitoring frameworks, extended by additional indicators where necessary in close cooperation with Member States; consider guidance provided in this Recommendation regarding Regulation (EU) 2018/1999, in particular as part of its assessments during the forthcoming update of NECPs in 2023-2024.

Done at ...,

For the Council
The President