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2021/0421 (NLE)

Proposal for a
COUNCIL RECOMMENDATION
on ensuring a fair transition towards climate neutrality

{SWD(2021) 452 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The European Green Deal¹ ('the Green Deal') launched a new strategy to transform the European Union into a sustainable, fair and prosperous society, with a modern, circular and competitive economy and zero net emissions of greenhouse gases in 2050. It underlines the Commission's commitment to tackle climate change and environmental degradation and to deliver on the objectives adopted under the United Nations Framework Convention on Climate Change (the 'Paris Agreement') to keep the global temperature increase well below 2°C and pursue efforts to keep it to 1.5°C. The cost of non-action on climate and environmental policy would be immense for people, in particular those in vulnerable situations, in terms of living standards, health and wellbeing. With a view to the path to net zero emissions, the need for a fair transition is an integral part of the Green Deal which underlined that no person and no place should be left behind.

In June 2021, the Council of the European Union and the European Parliament adopted the 'European Climate Law'², which sets out the binding objective of climate neutrality in the Union by 2050³, and a binding intermediate target of a net domestic reduction in greenhouse gas emissions of at least 55% compared to 1990 levels by 2030. To deliver on these targets, the Commission proposed the 'Fit for 55' legislative package in July 2021. The package comprises a coherent set of measures in legislative proposals. Among these, the package puts forward a proposal for establishing a new Social Climate Fund⁴ of EUR 72.2 billion for the period 2025-2032 to support vulnerable households, transport users and micro-enterprises affected by the introduction of emissions trading for fuels used in road transport and buildings.

Fairness and solidarity are defining principles of the European Green Deal. At the international level, Member States have endorsed in particular the UN Sustainable Development Goals and the Paris Agreement, which refers to '*the imperatives of a just transition of the workforce and the creation of decent work and quality jobs*'. This is confirmed and in line with Article 2(1) of the Paris Agreement, the European Council's Strategic Agenda 2019-2024 and Article 2(2) of the European Climate Law, as well as the European Pillar of Social Rights. The International Labour Organisation (ILO) Guidelines for a just transition towards environmentally sustainable economies and societies for all also provide an internationally established policy framework for a just transition. Furthermore, Member States and social partners endorsed the 2018 Solidarity and Just Transition Silesia Declaration, adopted at COP-24 in Katowice, and the 2021 Declaration on Supporting the Conditions for a Just Transition Internationally, adopted at COP-26 in Glasgow.

Policy actions to support people and their active participation are required for a successful green transition. The vision for a fair transition towards a strong, climate-neutral Social

¹ Communication from the Commission 'The European Green Deal', COM(2019) 640 final.

² 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).

³ In pursuit of the long-term temperature goal set out in point (a) of Article 2(1) of the Paris Agreement.

⁴ Proposal for a Regulation of the European Parliament and of the Council establishing a Climate Social Fund, COM(2021) 568 final.

Europe reflects the 20 principles of the European Pillar of Social Rights, which were proclaimed at the Gothenburg Summit in November 2017, and comprise the ‘social rulebook’ for fair and well-functioning labour markets and welfare systems in 21st century Europe. The implementation of the Pillar will support a fair transition, which is key for ensuring social cohesion. The European Pillar of Social Rights Action Plan⁵ aims at rallying forces at all levels to turn the principles into concrete actions. It sets three EU headline targets for 2030 in the areas of employment, skills, and poverty reduction, which were welcomed by EU leaders in the Porto Declaration of May and by the European Council in June 2021. It emphasises the need to strengthen the European social dimension across all policies of the Union to ensure that the transition to climate-neutrality is socially fair and just.

Accompanied with the right policies, the transition could create around 1 million jobs in the EU by 2030⁶ and 2 million jobs by 2050⁷. It could create particularly middle-skilled, middle-paying jobs⁸, with varying impacts across countries, regions and sectors. This could contribute to mitigating labour market polarisation stemming from other megatrends, notably digitisation, to raising incomes and to reducing poverty overall⁹. As highlighted in the impact assessments of the 2030 Climate Target Plan and the legislative proposals of the ‘Fit for 55’ package, significant labour reallocation within and across sectors will require large-scale investment in reskilling and upskilling. For example, while it is estimated that 160,000 additional construction jobs could be created in the EU by 2030 through the climate transition¹⁰, currently skills gaps are visible in occupations related to green design, technologies and materials in this sector. The right accompanying policies can reduce - and even prevent - energy poverty, which stems from a combination of low income, a high share of disposable income spent on energy and poor energy efficiency. In addition, they can promote access to affordable and low-emission transport and mobility options, tackle social exclusion and socio-economic, regional and health inequalities, improve health and well-being, and promote equality, in general and also for disadvantaged persons.

To fully realise the employment and social potential of the green transition, it is essential to use all available tools and put the right accompanying policies in place at EU, Member States, regional and local levels. Conversely, in the absence of well-designed accompanying employment and social policies, there are socio-economic risks. It is therefore crucial that the responsible authorities put in place the appropriate policies, and do so without undermining the incentives for the changes in investment and consumption required by the transition. Importantly, such mechanisms should be accompanied by measures to ensure inclusive governance and the active involvement of those most affected by the green transition.

⁵ Communication from the Commission ‘The European Pillar of Social Rights Action Plan’, COM(2021) 102 final, 4 March 2021.

⁶ According to the impact assessment accompanying the 2030 Climate Target Plan (SWD(2020)176 final).

⁷ 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.

⁸ Eurofound (2019), ‘Energy scenario: Employment implications of the Paris Climate Agreement’, Publications Office of the European Union, Luxembourg.

⁹ European Commission (2019), ‘Sustainable growth for all: choices for the future of Social Europe, Employment and Social Developments in Europe 2019’, chapter 5 ‘Towards a greener future: employment and social impacts of climate change policies’, 4 July 2019.

¹⁰ Communication from the European Commission: Renovation Wave for Europe - greening our buildings, creating jobs, improving lives, SWD(2020) 550 final, 14 October 2021. Given the investment needs in renovation at EUR 275 billion annually, as referred to in the Communication, and the ability of retrofits and energy efficiency investments to create 9-20 jobs per every million dollar invested (SWD(2021) 623 final), the figure could be significantly higher.

While Member States have put in place and are preparing a multitude of actions to promote a fair transition towards climate neutrality, there is scope to further enhance the design of policies supporting a fair green transition and ensure coherence of the efforts between the various tools available at EU and national level (see next section). Therefore the Commission announced as part of the ‘Fit for 55’ package a proposal for a Council Recommendation by the end of 2021 to provide further guidance to Member States as how to best address the social and labour aspects of the green transition. In parallel to delivering on the European Green Deal, the Commission is also closely monitoring short-term developments on energy markets driven primarily by global market developments and, on 13 October 2021, presented a Communication on ‘Tackling rising energy prices: a toolbox for action and support’ outlining immediate measures to protect consumers and businesses¹¹. This forthcoming proposal was also referred to in that Communication as policy framework to support a fair green transition over the medium run and build resilience to any future price developments.

- **Consistency with existing policy provisions in the policy area of employment, skills, social and distributional aspects of the green transition**

In line with the Political Guidelines of the Commission 2019-2024¹² the European Pillar of Social Rights Action Plan highlights that, as part of a new ‘social rulebook’, social rights and the European social dimension need to be strengthened across all policies of the Union as enshrined in the Treaties, in particular Article 3 TEU and Article 9 TFEU, to move towards a greener and more digital decade in which Europeans can thrive. In turn, the European Green Deal foresees the mainstreaming of sustainability in all EU policies, in particular by pursuing green finance and investment and ensuring a fair transition.

The Commission Recommendation on effective active support to employment following the COVID-19 crisis (EASE)¹³ highlighted that the EU and the Member States should act together to promote a dynamic, job-rich and inclusive recovery and facilitate the green and digital transition in the European labour market. The 2020 guidelines for the employment policies of the Member States¹⁴ stated that policy action should combine measures to boost labour demand, increase labour supply, improve access to employment, skills and competences, and enhance the functioning of labour markets and the effectiveness of social dialogue, while taking into account their environmental, employment and social impact. The proposed Joint Employment Report 2022 emphasised that investing in upskilling and reskilling are a top priority to foster an inclusive recovery and support the digital and green transitions¹⁵. Member States are invited to inter alia introduce support for the reallocation of labour, for instance via well-designed hiring incentives and training, notably towards the green and digital economy, while protecting workers during the transition. This is in line with previous related Council Recommendations, such as on reinforcing the Youth Guarantee¹⁶,

¹¹ COM(2021) 660 final.

¹² ‘A Union That Strives for More: My Agenda for Europe’ – Political Guidelines for the next European Commission 2019-2024, 16.07.2019, President von der Leyen.

¹³ 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).

¹⁴ Council Decision (EU) 2020/1512 of 13 October 2020 (OJ L 344, 19.10.2020, p. 22).

¹⁵ COM (2021) 743 final, Proposal for a Joint Employment Report 2022.

¹⁶ Council Recommendation of 30 October 2020 on ‘A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee’ (OJ C 372, 4.11.2020, p. 1).

and on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience¹⁷.

In the framework of the Energy Union and Climate Action Governance Regulation¹⁸, Member States draw up integrated national energy and climate plans (NECPs), which cover ten-year periods, taking into account the long-term perspective, and the five dimensions of the Energy Union, i.e. energy security; the internal energy market; energy efficiency; decarbonisation; research, innovation and competitiveness. Such NECPs shall be updated five years after the first submission of the NECPs and subsequently every ten years. Pursuant to Article 3(3) (d) of Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action, in the event that a Member State finds that it has a significant number of households in energy poverty, it shall include in its plan a national indicative objective to reduce energy poverty together with a timeframe for when the objectives are to be met as well as policies and measures to address energy poverty, including social policy measures and other relevant national programmes¹⁹. While several Member States have developed concrete initiatives aimed at tackling energy poverty and/or supporting vulnerable consumers that may also address the potential distributional effects of climate policies²⁰, the Commission's assessment in 2020 of the final NECPs concluded²¹ that, *'a large majority of Member States still needs to develop clearer strategies and objectives through a cross-cutting approach to identify and measure the social, employment and skills consequences and other distributional impacts of the energy transition and give proper consideration on how to address these challenges'*.

Under the Common Provisions Regulation²², which covers inter alia the European Regional Development Fund (ERDF), the European Social Fund + (ESF+), the Cohesion Fund and the Just Transition Fund (JTF), Member States are expected to take account of the contents of their integrated NECPs and the Commission recommendations regarding these plans, for their programmes, including during the mid-term review. The territorial just transition plans (TJTPs) under the JTF should focus on tackling the socio-economic impact of the transition in selected territories relying on fossil fuels or greenhouse gas-intensive industrial activities and include a general section on the national transition process based on the NECPs. The Just Transition Platform was set up to support all relevant stakeholders in using the resources of the Just Transition Mechanism. In addition to the Just Transition Fund (pillar 1), it contains a dedicated scheme under Invest EU (pillar 2) and a public sector loan facility (pillar 3).

With three of the six pillars setting out the scope of the Recovery and Resilience Facility focusing on social elements, the recovery and resilience plans (RRPs) under the Recovery and Resilience Facility (RRF) outline a significant number of reforms and investments that address the aspects of the fair transition in terms of both reforms and investments. The national plans and operational programmes are to be implemented within the current

¹⁷ Council Recommendation 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).

¹⁸ OJ L 328, 21.12.2018, p. 1.

¹⁹ EED recast proposal Art. 8 (4) also asks Member States to include information on energy efficiency measures and end-use energy savings achieved among people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing.

²⁰ Eurofound (2021), 'Distributional impacts of climate policies in Europe', Publications Office of the European Union, Luxembourg.

²¹ COM(2020) 564 final.

²² Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159).

financing period. While the reforms and investments are designed to have a lasting impact, because of this limited duration, they do not provide for a fully comprehensive approach on fair transition at the national level beyond 2027, notably with a view to the EU climate targets.

Other available sources of funding support further complementary actions in this area, including ERASMUS+, the European Globalisation Adjustment Fund for Displaced Workers (EGF), the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), the Modernisation Fund and auctioning revenues under the EU Emissions Trading System (ETS), the LIFE+ programme and the Horizon Europe Programme. In particular, the ESF+ Regulation²³ stipulates that the ESF+ shall aim to contribute, in line with its specific objectives under Article 4(1), to objectives related to a greener, low carbon Europe through the improvement of education and training systems necessary for the adaptation of skills and qualifications, upskilling including of the labour force, the creation of new jobs in sectors related to the environment, climate, energy, the circular economy and the bio-economy.

Several other strategies and actions plans contribute to a fair green transition. The 2020 European Skills Agenda²⁴ aims to empower individuals to learn and make sure their skills are fit for the twin transition. In the Skills Agenda, the Commission announces a set of actions to support the acquisition of skills for the green transition, including on individual learning accounts²⁵, a European approach for micro-credentials²⁶ and learning for environmental sustainability²⁷. The Pact for Skills²⁸ aims at mobilising private and public stakeholders to take concrete action for the up- and reskilling of people on the labour market, and, where relevant, pool efforts in partnerships. As of end November 2021, five such partnerships had been established²⁹, which committed to the up- and reskilling of 1.5 million people in the coming years. By end November 2021, the Pact for Skills had assembled more than 500 members, including sectoral business organisations, large and small companies, universities, VET providers, social partners, chambers of commerce, regional and local authorities and public and private employment services. The EU's updated New Industrial Strategy supports job creation in the green economy, stipulating, for example, the important roles of investments in skills, agile public-private partnerships, cooperation in stimulating social dialogue, as well as the creation of green jobs, such as through the various European-wide alliances, notably on batteries, clean hydrogen, circular plastics, and raw materials. The New Consumer Agenda³⁰ aims to support the green transition to empower, support and enable

²³ Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 (OJ L 231, 30.6.2021, p. 21).

²⁴ Communication from the Commission 'European Skills Agenda for sustainable competitiveness, social fairness and resilience', COM(2020) 274 final, 1 July 2020.

²⁵ Proposal for a Council Recommendation on individual learning accounts, COM(2021) 773 final, 8 December 2021.

²⁶ Proposal for a Council Recommendation on a European approach to micro-credentials for lifelong learning and employability, COM(2021) 770 final, 8 December 2021.

²⁷ Proposal for a Council Recommendation on learning for environmental sustainability, COM(2021) 557 final, 8 December 2021.

²⁸ <https://ec.europa.eu/social/main.jsp?catId=1517&langId=en>.

²⁹ These cover the following industrial eco-systems: automotive; microelectronics; aerospace and defence; shipbuilding; offshore renewable energy.

³⁰ Communication from the Commission 'New Consumer Agenda Strengthening consumer resilience for sustainable recovery', COM(2020) 696 final.

every consumer, regardless of their financial situation, to play an active role in the green transition without imposing a specific lifestyle and without social discrimination³¹.

Moreover, the Long Term Vision for the EU's rural areas³² aims at making rural areas stronger, more connected, resilient and prosperous, also through the green transition. Last, the EU Roma strategic framework for equality inclusion and participation for 2020 - 2030 sets seven objectives at the EU level for the period up to 2030, including increasing effective equal access to adequate desegregated housing and essential services³³.

- **Consistency with other Union policies**

Social fairness is built into the design of the legislative proposals in the 'Fit for 55' package. In particular, the proposed revision of the Energy Taxation Directive³⁴ offers possibilities for temporarily exempting vulnerable households from higher energy taxes. The proposed recasts of the Energy Efficiency Directive³⁵ and of the Energy Performance of Buildings Directive³⁶, and the proposed revision of the Renewable Energy Directive³⁷ stimulate energy savings which can be strong instruments for alleviating energy poverty. Further to that, the application of the 'energy efficiency first principle' will ensure that economically disadvantaged groups will benefit from energy efficiency solutions being considered as the first option in policy, planning and investment decisions and other policy areas. The Energy Efficiency Directive recast proposal furthermore includes a specific obligation for Member States to support energy-poor and vulnerable households to achieve energy savings. The proposed Alternative Fuels Infrastructure Regulation³⁸ will ensure that charging and refuelling infrastructures for zero emission vehicles will reach all parts of Europe and be accessible to all.

Moreover, while every Member State will have to contribute to the increased emissions reduction target, different starting points and different capacities are taken into account. Instruments such as the Effort Sharing Regulation³⁹ aim at a fair distribution of efforts between Member States, to ensure solidarity between Member States and regions. The

³¹ As announced in the New Consumer Agenda, the Commission will present a legislative proposal to empower consumers for the green transition.

³² Communication from the Commission 'A long-term Vision for the EU's Rural Areas - Towards stronger, connected, resilient and prosperous rural areas by 2040', COM(2021)345 final.

³³ Communication from the Commission 'EU Roma strategic framework for equality inclusion and participation for 2020 – 2030', COM(2020) 620 final.

³⁴ Proposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast), COM(2021) 563 final.

³⁵ Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast), COM(2021) 558 final.

³⁶ Proposal for a Directive of the European Parliament and of the Council amending the Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (as amended by Directive (EU) 2018/844/EU of 30 May 2018), COM(2021) 802 final.

³⁷ Proposal for a Directive of the European Parliament and of the Council amending Directive (EU) 2018/2001 of the European Parliament and of the Council, Regulation (EU) 2018/1999 of the European Parliament and of the Council and Directive 98/70/EC of the European Parliament and of the Council as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652, COM(2021) 557 final.

³⁸ Proposal for a Regulation of the European Parliament and of the Council on the deployment of alternative fuels infrastructure, and repealing Directive 2014/94/EU of the European Parliament and of the Council, COM(2021) 559 final.

³⁹ Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement, COM(2021) 555 final.

Modernisation Fund⁴⁰ supports ten lower-income EU Member States in their transition to climate neutrality by helping to modernise their energy systems and improve energy efficiency. The Just Transition Fund⁴¹ is designed to address the social and economic impacts of the green transition, focusing on the regions, industries and workers who face the greatest challenges during the transition.

The proposed Social Climate Fund will help mitigate the impact on vulnerable households, transport users and microenterprises that are significantly affected by the price increases of fossil fuels as a result of the introduction of emissions trading for fuels used in buildings and road transport. It will promote fairness and solidarity between and within Member States while mitigating the risk of energy poverty and transport challenges, complementing existing mechanisms. The Fund will support households when investing into the energy efficiency and clean heating and cooling of buildings, including the integration of renewable energy, and also finance access to zero- and low- emission mobility. Where needed, pending the impact of the investments on reducing vulnerable groups' emissions and energy bills, the Fund will enable Member States to finance measures providing temporary direct income support to vulnerable households and households that are vulnerable transport users to reduce the immediate impact of the increase in the price of fossil fuels resulting from the inclusion of buildings and road transport into the scope of Directive 2003/87/EC.

Moreover, as outlined in the impact assessment accompanying the 2030 Climate Target Plan and in some of the initiatives of the 'Fit for 55' package, Member States can further make use of the revenue generated from the auctions of the EU ETS allowances, levies and taxes on energy prices, as well as from environmental taxes to support disadvantaged groups.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The proposal will be based on Article 292 TFEU, in conjunction with Article 149 TFEU and Article 166 TFEU.

• Subsidiarity (for non-exclusive competence)

Member States will design and select the measures and investments to ensure a fair transition to climate neutrality, including dedicated measures they can propose under the existing funding, policy instruments and governance mechanisms.

• Proportionality

Action at Union level is necessary to achieve a fast and robust green transition that delivers on the binding targets adopted in the European Climate Law while leaving no one behind, in line with the European Green Deal, European Council's Strategic Agenda 2019-24, the European Parliament Report on 'a strong social Europe for Just Transitions'⁴², the European Economic

⁴⁰ Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (Text with EEA relevance.) (OJ L 76, 19.3.2018, p. 3).

⁴¹ 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).

⁴² European Parliament resolution of 17 December 2020 on a strong social Europe for Just Transitions, (2020/2084(INI)).

and Social Committee's Report on 'No Green Deal without a social deal'⁴³, and the Committee of the Region's Opinion on 'A Strong Social Europe for Just Transitions'⁴⁴. This also requires that the social and labour challenges arising from the green transition are addressed in a coherent and efficient manner across all Member States.

According to the Commission's EU-wide assessment of the final integrated National Energy and Climate Plans published in September 2020⁴⁵, additional efforts are required to ensure a clean and fair energy transition in the most affected regions. Guidance to Member States appears necessary and proportionate given the scale and effects of the proposed action.

To avoid unnecessary administrative burden for Member States, the implementation of the policy guidance provided in this Recommendation will be monitored via the European Semester process and other existing processes, notably the Governance of the Energy Union and Climate Action, as adequate.

- **Choice of the instrument**

The proposed instrument is a proposal for a Council Recommendation, which respects the principles of subsidiarity and proportionality. It builds on the existing body of European Union law and is in line with the type of instruments available for European Union action in the areas of employment and social policy. It lays down measures to be considered by Member States and provides a strong basis for cooperation at European Union level in this area, while fully respecting Member States competence in the relevant policy fields.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

The services of the Commission have already undertaken a number of general and targeted consultation activities on the green transition, including its social and labour aspects, notably through:

- Targeted consultations, as well as online public consultations as part of the 'Fit for 55' legislative packages of July 2021 and December 2021 (e.g. EU Emissions Trading System, Energy Taxation Directive, Energy Efficiency Directive, Energy Performance of Buildings Directive, and others);
- Bilateral/multilateral stakeholder meetings, including more than 50 meetings on the ETS revision, in particular in the context of the package adopted on 14 July 2021;

⁴³ Opinion of the European Economic and Social Committee on 'No Green Deal without a social deal' (Own-initiative opinion), EESC 2020/01591 (OJ C 341, 24.8.2021, p. 23).

⁴⁴ Opinion of the European Committee of the Regions – A Strong Social Europe for Just Transitions, COR 2020/02167 (OJ C 440, 18.12.2020, p. 42).

⁴⁵ COM(2020) 564 final.

- An online open public consultation on the 2030 Climate Target Plan (Mar - Jun 2020; over 1,000 replies), following a 4-week consultation on the Inception Impact Assessment.

For the preparation of this proposal for a Council Recommendation, the Commission conducted in October and November 2021 **targeted consultations and exchanges** with the **Employment Committee (EMCO)**, the **Social Protection Committee (SPC)**, the **Economic Policy Committee (EPC)**, the European social partners, and civil society organisations active in the area of disability, social and employment policies.

Consultations provided a broad support to an initiative addressing social and labour aspects of the transition, ensuring that no one is left behind. More specifically, parties agreed, overall, on the need for several elements: comprehensive policy packages to achieve a fair transition, including measures for up-and reskilling; making good use of existing policies and funding instruments, avoiding duplication and administrative burden; an improved understanding of employment and social impacts of climate change policies, including effects on the quality of jobs, and related monitoring and reporting based on ‘real life data’ and relevant indicators; mainstreaming equality, but also requests for more funds and capacity building, notably for SMEs; integration into existing governance mechanisms; and the involvement of social partners and civil society in the design and implementation of climate change and funding strategies for fair transitions.

The Commission also launched **an open Call for Evidence** from 29 October 2021 to 19 November 2021, having received 66 contributions from a broad spectrum of stakeholders: public authorities, European and national social partners, civil society organisations in the area of social affairs, but also climate and environmental organisations and academic and research institutions.

Overall, respondents displayed strong support for a long-term strategy on green transition and welcomed the focus on employment and social aspects. More specifically, the potential impact on inequalities, jobs and skills was raised in several contributions, with an overall appeal for providing adequate funding, as well as technical assistance regarding available funding instruments to Member States, notably focusing on vulnerable regions, sectors and groups. Contributions also highlighted an increased need to invest in reskilling and upskilling initiatives, capacity building and infrastructures. There was broad support to strengthening social dialogue and collective bargaining, with some respondents calling for workers’ right to information, consultation and co-decision. Moreover, the vast majority of contributions stressed the need for a granular mapping and analysis. Other issues were mentioned in numerous contributions, notably direct income support measures to vulnerable workers and households, access to essential services, including transport, ensuring health and safety at work which is adapted to ‘green jobs’.

- **Collection and use of expertise**

The European Commission gathers expertise in social, employment and related policies through, among others, the Social Situation Monitor (SSM)⁴⁶, to foster knowledge in the fields of social policy, social protection and employment while delivering policy-relevant and evidence-based research on the current socio-economic situation in the EU. Four main areas

⁴⁶ <https://ec.europa.eu/social/main.jsp?langId=en&catId=1049>

of research are covered by the SSM: Poverty, income inequality, social inequalities, health and well-being; employment, unemployment and labour market outcomes; the welfare state, social, and labour market policies; and labour market and distributional impacts of megatrends.

Following on from earlier events on the topic, in November 2021, the SSM held its yearly research seminar, under the title "Social and Labour Aspects of the Transition to Climate Neutrality". The event focused on the potential impacts of the green transition in terms of employment, job quality, skills and other distributional impacts such as energy poverty and access to essential services.

According to the main findings discussed with the experts, at the aggregate level, the expected impact is overall positive, with a boost of employment predicted in the energy-saving, construction and renewable energy sectors, including for low and medium-skilled workers. In contrast, employment and wages are expected to be reduced in energy-intensive and hard-to-abate "brown industries", highlighting the need for investment in the massive up- and reskilling challenge.

Among the policy instruments identified by the experts to foster a fair transition were taxes, transfers, subsidies and regulations, each entailing diverse levels of equity and efficiency. Experts agreed broadly on the importance of offsetting, through transfers and subsidies, certain regressive or disproportionate effects in particular for low income and lower middle income households, also to garner and safeguard social acceptance of policy measures.

The seminar also identified areas that would benefit from further research, including on: (a) the geospatial dimension of employment, social and distributional effects of climate action, including through further simulations covering all EU countries and estimation of impacts by area and degree of urbanisation; (b) integration of macro- and micro-models, including a more granular modelling of labour market transitions, notably across sectors, and the related social investment needs to support retraining, reskilling and upskilling; (c) integration of income distribution and household budget models into the underlying macro-models; and (d) the development of indicators of the 'greenness' of tasks, jobs and skills.

- **Impact assessment**

The proposed instrument – a Council Recommendation – offers guidance on the implementation of social, employment and related policies to address the challenges of the green transition. However, as it provides flexible guidance to Member States with respect to the choice and design of the measures, an impact assessment is not required.

An accompanying Staff Working Document provides an overview and discussion of the available evidence underpinning the recommended policy interventions, building on the analyses presented in relevant impact assessment reports accompanying the 2030 Climate target plan Communication and the initiatives of the 'Fit for 55' package. It integrates new evidence from additional analyses carried out by the European Commission, including updates of energy poverty indicators by income group for those Member States for which 2020 data are already available in the EU-SILC database. Finally, it benefits from the feedback received during targeted consultations in autumn 2021, when the European Commission reached out to, among others, Member States, social partners, civil society, including young people, and experts in the area of labour market analysis, social policy and fair transition.

Some of the most relevant pieces of evidence concern the following policy aspects:

Demonstrating how the job creation potential of the transition hinges both on the active support to labour market transitions and job creation, and on the ability of workers to obtain a skillset adapted to a labour market and industrial landscape characterised by green jobs and climate-friendly production processes.

Providing modelling evidence for the ability to shift tax revenues away from labour to climate-related revenue generation, to internalise negative environmental externalities by promoting the ‘polluter pays principle’ and improve labour market outcomes while lowering exposure to environmental hazards, not least for the most vulnerable, as well as the ability to mitigate adverse distributional effects through targeted measures transferring back revenues from energy taxes and carbon pricing to the most affected households, in particular vulnerable ones.

Underlining how dedicated investments in energy efficiency, decarbonisation of heating, cooling and transport, access to essential services, including alternative sustainable mobility solutions, and awareness raising, complemented where necessary with temporary and targeted direct income support for vulnerable consumers and households, can ensure a fair and inclusive energy transition, with a focus on the most affected people and households, in particular vulnerable ones.

- **Regulatory fitness and simplification**

Not applicable.

- **Fundamental rights**

No negative impact has been identified on fundamental rights. On the contrary, the initiative promotes rights enshrined by the Charter of Fundamental Rights of the European Union, including the Equality and Solidarity titles, such as the right to fair working conditions (Article 31), the right to education (Article 14), and the entitlement to social security and social assistance (Article 34), which refers to social security benefits and social services providing protection in certain cases, as well as the right to social and housing assistance.

4. BUDGETARY IMPLICATIONS

This proposal for a Recommendation does not require additional resources from the EU budget.

Funding opportunities under the EU budget relating to the fair transition towards climate neutrality are already available in line with the policy of objectives and intervention logic of the different funds and programmes⁴⁷.

The Recommendation includes guidance referring to national budgets and their possible role in implementing the Recommendation.

⁴⁷ An overview of relevant funding instruments and their inter-linkages, as well as their role in addressing the recommendations made under this proposal, are described in further detail in the accompanying Staff Working Document (SWD(2021) 452).

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

It is proposed that the Commission monitors the implementation of this Council Recommendation in cooperation with the Member States and in the context of the European Semester.

Moreover, it is proposed that Member States take into consideration this Council Recommendation in the update of their integrated National Energy and Climate Plans (NECPs) in 2023 (for draft NECPs) and 2024 (for the final NECPs) pursuant to Article 14 of Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action ('the Governance Regulation') and in their national energy and climate progress reports pursuant to Article 17 of that Regulation. In particular, the Recommendation should inform the mainstreaming of fair transition aspects across the measures and actions foreseen under each of the five dimensions of the Energy Union outlined in Article 1(2) of the Governance Regulation. The Recommendation should also inform specific national actions and measures aimed at addressing employment, skills, energy poverty and other social and distributional aspects of the internal energy market, where Member States choose to take such actions, thereby supporting them, in particular those with a significant number of households in energy poverty, to outline adequate policies and measures addressing the issue in their integrated NECPs in line with Article 3(3d), including social policy measures and other relevant national programmes and policies.

Through the multi-lateral surveillance mechanism and governance mechanisms in place, the Commission will analyse possible impacts of the transition, identify the most affected people and address, where appropriate, country-specific recommendations to Member States in the context of the European Semester, on the basis of the guidelines for the employment and social policies of the Member States.

- **Explanatory documents (for directives)**

Not applicable.

- **Detailed explanation of the specific provisions of the proposal**

§ 1 to 2 indicates the subject matter, objectives and structure of this Recommendation.

§ 3 contains definitions which are to be applied for the purpose of the Recommendation.

§ 4 to 7 recommend to Member States to establish and implement comprehensive and coherent policy packages for a fair green transition with a view to providing active support to quality employment; ensuring access to quality and inclusive education, training and life-long learning; providing for fair tax-benefit and social protection systems; ensuring access to affordable essential services and housing as part of the transition towards climate neutrality.

§ 8 to 9 recommend to Member States to establish and implement other cross-cutting elements that promote a fair and inclusive green transition, in particular with view to ensuring an inclusive whole-of-economy approach, and providing for a strong evidence base that is needed to put in place sound social and labour market policies promoting a fair and inclusive transition.

§ 10 recommends Member States to make optimal use of public and private funding with view to providing effective financial support, in particular by committing and deploying

adequate national resources; designing an adequate mix of measures in the national plans under the proposed Social Climate Fund; and ensuring a coherent and optimal use of funding linked to the fair transition at all levels, including at the EU level.

§ 11 welcomes the Commission's intention to take follow-up actions to the Council Recommendation, in particular with view to promoting public debate on the fair transition, enhancing the data and methodological basis, monitoring and foresight analysis, reviewing progress in the implementation of this Recommendation in the context of multilateral surveillance notably in the European Semester and in the context of the Energy Union and Climate Action.

Proposal for a

COUNCIL RECOMMENDATION

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 globe⁴⁸ and to reduce the economic and social costs associated with the effects of global warming⁴⁹. The Union and its Member States are Parties to the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015 ('the Paris Agreement')⁵⁰, 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 EU, these losses already average over EUR 12 billion per year⁵¹. These losses could reach an additional EUR 175 billion (1.38% of EU GDP) per year if global warming reaches 3°C above pre-industrial levels. 3°C 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 European Green Deal⁵² 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

⁴⁸ 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.

⁴⁹ JRC, PESETA IV, <https://ec.europa.eu/jrc/en/peseta-iv/economic-impacts>.

⁵⁰ Paris Agreement (OJ L 282, 19.10.2016, p. 4).

⁵¹ 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>.

⁵² Communication from the Commission 'The European Green Deal', COM(2019) 640 final.

is an integral part of the Green Deal which underlined that no person and no place should be left behind. The European Climate Law⁵³ 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 2030⁵⁴ aims to protect, conserve and enhance the Union's natural capital and protect the health and well-being of citizens from environment-related risks and impacts.

- (4) The transformation to a climate neutral economy and society requires comprehensive policy action and substantial investment across many areas, such as climate action, energy, environment, industry, research and innovation.⁵⁵ To deliver on the binding Union-level target for 2030, the Commission put forward the ‘Fit for 55’⁵⁶ package on 14 July 2021. This package includes proposals for updating relevant legislation, including the EU Emissions Trading System (ETS)⁵⁷, the energy taxation, energy efficiency and renewable energy Directives, the CO₂ emission 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 with respect to sectors outside the current ETS, namely transport and building sectors. It also includes new legislative proposals, notably to support the use of cleaner fuels in the aviation and maritime transport sectors, as well as to introduce a Carbon Border Adjustment Mechanism and 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 EU level to support and incentivise the necessary public and private investments will help to 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.
- (5) Member States have committed in the European Council’s 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 UN Sustainable Development Goals and ratified the Paris Agreement, which refer to the imperatives of a just transition of the workforce and the promotion of decent work and quality jobs. ILO Guidelines provide an internationally established policy framework for a just transition towards environmentally sustainable economies and societies for all.⁵⁸ Furthermore, 54 signatories (countries and social partners) endorsed the 2018

⁵³ 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).

⁵⁴ Proposal for a Decision of the European Parliament and of the Council on a General Union Environment Action Programme to 2030, COM(2020) 652 final.

⁵⁵ For instance as regards infrastructure, Europe 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 need for other environmental goals.

⁵⁶ Communication from the Commission ‘Fit for 55’: delivering the EU's 2030 Climate Target on the way to climate neutrality’, COM(2021) 550 final.

⁵⁷ 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.

⁵⁸ 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.

Silesia Declaration on Solidarity and Just Transition, adopted at COP-24 in Katowice, including the European Commission on behalf of the European Union⁵⁹ and 21 individual EU Member States. The European Union and 10 individual Member States signed the 2021 Declaration on Supporting the Conditions for a Just Transition Internationally, adopted at COP-26 in Glasgow, committing to include information on just transition in Biennial Transparency Reports in the context of reporting on our policies and measures to achieve our Nationally Determined Contributions.

- (6) Fairness and solidarity are defining principles of the Union's policies towards 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 on a Strong Social Europe for Just Transitions⁶⁰ underlines 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.
- (7) The European Pillar of Social Rights Action Plan⁶¹ highlights that unity, coordination and solidarity are needed to bounce 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 2030⁶²; at least 60% of all adults should participate in training every year⁶³; the number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030⁶⁴. These 2030 headline targets were welcomed by EU leaders in the Porto Declaration of May 2021⁶⁵ and by the European Council of June 2021.
- (8) With the right accompanying policies in place⁶⁶, the green transition could in aggregate create around 1 million additional quality jobs⁶⁷ in the EU by 2030 and 2 million by 2050⁶⁸, in sectors such as construction, ICT or renewable energy, while mitigating the protracted decline in middle-skilled jobs as a result of automation and digitisation.

⁵⁹ General Secretariat of the Council, 14545/1/18 REV1 of 26 November 2018.

⁶⁰ Communication from the Commission 'A Strong Social Europe for Just Transitions', COM(2020) 14, launching the public consultation for the European Pillar of Social Rights Action Plan.

⁶¹ Communication from the Commission 'The European Pillar of Social Rights Action Plan', COM(2021) 102 final. The European Pillar of Social Rights, proclaimed and signed by the Council of the European Union, the European Parliament and the Commission at the Gothenburg Summit in November 2017, is the Union's guiding compass to a strong social Europe.

⁶² 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).

⁶³ 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.

⁶⁴ Out of 15 million people to lift out of poverty or social exclusion, at least 5 million should be children.

⁶⁵ European Council, Porto Declaration, 8.5.2021.

⁶⁶ Communication from the Commission 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality', COM(2021) 550 final.

⁶⁷ 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.

⁶⁸ 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.

However, in a pessimistic scenario, the impacts of the green transition towards climate neutrality combined with an inadequate policy mix could imply job and GDP losses of up to 0.39% in the Union, and job losses of up to 0.26%⁶⁹.

- (9) 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 them⁷⁰. 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.
- (10) 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 overall⁷¹. It can thus help tackle pre-existing socio-economic inequalities and social exclusion, improving health and well-being, and promoting 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 earners⁷².
- (11) 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, people with disabilities and groups in vulnerable situations, with social economy enterprises active in these areas. By avoiding new purchases, they reduce carbon emissions vastly, whilst the jobs created are in proximity to the products that need to be maintained, refurbished or shared.
- (12) According to latest available data in EU-SILC for 2019/2020⁷³, energy poverty affected about 8% of the EU population, i.e. more than 35 million people, who were unable to keep their homes adequately warm, with significant differences between

⁶⁹ SWD(2020) 176 final.

⁷⁰ SWD(2020) 176 final.

⁷¹ 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.

⁷² IEEP (2021), Green taxation and other economic instruments: internalising environmental costs to make the polluter pay.

⁷³ 2019 EU-SILC data available for all MS; 2020 data not available for all Member States yet.

Member States and between income groups⁷⁴. Overall, the Energy Poverty Observatory estimates that more than 50 million households in the European Union experience energy poverty. 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. This form of poverty affects not only low-income households, but also lower middle-income households in many Member States⁷⁵. Households with above-average energy needs, which includes families with children, persons with disabilities, and older persons, are also more susceptible to energy poverty⁷⁶ and to its effects. Women, and in particular lone parents and older women⁷⁷, 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, these risk 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.

- (13) Principles of social fairness and solidarity are firmly built into the design of relevant climate, energy and environmental frameworks at the Union level⁷⁸, including via the ‘polluter pays principle’ and the effort sharing between Member States as well as in some redistribution of 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 the lower-income Member States to modernise their energy systems. Moreover, the framework of the EU energy policy legislation provides Member States with tools to ensure the protection of energy poor and vulnerable household customers while avoiding market distortions⁷⁹. While these 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 recent Communication on ‘Tackling rising energy prices: a toolbox for action and support’⁸⁰. In addition, establishing a Social Climate Fund of EUR 72.2 billion for the period 2025-2032 would support vulnerable households, transport users and micro-enterprises affected by the introduction of emissions trading for fuels used in road transport and buildings⁸¹. The Fund facilitates addressing the social impacts via measures and investments intended to reduce reliance on fossil fuels through increased

⁷⁴ Moreover, up to 6.2% of Europeans, i.e. over 27 million people, have arrears in paying their utility bills.

⁷⁵ SWD(2019)579 final.

⁷⁶ See the [report](#) of the workshop on ‘Energy Poverty’, organised on 9 November 2016 for the EP Committee on Industry, Research and Energy (ITRE).

⁷⁷ 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 \(oecd.org\)](#).

⁷⁸ Social fairness is also incorporated in the design of Commission proposals that are part of the ‘Fit for 55’ package, including proposals on the Energy Taxation Directive, the Energy Efficiency Directive, the Renewable Energy Directive, the Alternative Fuels Infrastructure Directive, the Effort Sharing Regulation, and the proposal to establish a Social Climate Fund.

⁷⁹ Article 5 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 (Text with EEA relevance.) (OJ L 158, 14.6.2019, p. 125); Article 3 of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (Text with EEA relevance) (OJ L 211, 14.8.2009, p. 94).

⁸⁰ COM(2021) 660 final, 13 October 2021.

⁸¹ Proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund, COM(2021) 568 final.

energy efficiency of buildings, decarbonisation of heating and cooling of buildings, including the integration of energy from renewable sources, and granting improved access to zero- and low-emission mobility and transport to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users, complemented with temporary direct income support to vulnerable households, including vulnerable transport users, where necessary.

- (14) 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) should to assess the number of households in energy poverty and outline the measures needed to address the social and territorial implications of the energy transition⁸². Territorial Just Transition Plans (TJTPs) should identify the territories eligible for support under the Just Transition Fund up to 2027⁸³. Funded by NextGenerationEU, national Recovery and Resilience Plans (RRPs) 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 2026.⁸⁴
- (15) 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 design of policies in a comprehensive and cross cutting manner, and ensure coherence of the spending efforts, at the EU and national levels. In its assessment of the final NECPs⁸⁵, while recognising that they provide some indicators and policies on energy poverty, the Commission 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 the 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. Some actions for a fair transition are also implemented in the context of other programmes and initiatives, in particular the Cohesion policy funds. The Social Climate Plans will play an important role in assisting the most affected and vulnerable groups in the context of the introduction of emissions trading for fuels used in road transport and buildings.
- (16) 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 this end, as set out in this Recommendation, Member States should put in place comprehensive policy

⁸² 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 (Text with EEA relevance) (OJ L 328, 21.12.2018, p. 1).

⁸³ 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).

⁸⁴ Communication from the Commission 'Europe's moment: Repair and Prepare for the Next Generation'; 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).

⁸⁵ Communication from the Commission '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', COM(2020) 564 final.

packages⁸⁶, strengthen cross-cutting elements that promote fair green transition, and make optimal use of public and private funding. The policy packages should consider those 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. Policy packages should be adapted to local circumstances, taking into account the needs of the most vulnerable and remote parts of the EU, including the outermost regions.

- (17) 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, underrepresented people such as women or people with comparatively low capacities to adapt to changes on the labour market require support to improve their employability and for finding employment, in line with the Commission Recommendation for Effective Active Support to Employment following the COVID-19 crisis (EASE)⁸⁷. Building on previous policy guidance⁸⁸, policy packages should thus include tailored measures to support hiring and transition incentives, entrepreneurship support and quality job creation measures, in particular for micro, small and medium-sized enterprises and in most affected territories. They should also foster the effective implementation and enforcement of existing rules on working conditions and support to socially responsible restructuring in line with existing rules and standards. Social partners have a vital role to play to contribute to addressing, through dialogue, the employment and social consequences of the challenges of the green transition.
- (18) 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, in line with the European Skills Agenda and the EU's new updated Industrial Strategy⁸⁹. 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 allows for the identification and forecasting of relevant occupation-specific and transversal skills needs, also as a basis for adapting curricula to meet the skills needs for the green transition. VET should equip young people and adults, in particular women, with the

⁸⁶ In particular the Annual Sustainable Growth Strategies (ASGS) 2021 and 2022, the Euro area recommendations 2021, and Country-Specific Recommendations.

⁸⁷ Commission Recommendation (2021) 402 of 4 March 2021 on Effective Active Support to employment following the Covid-19 crisis (EASE), (OJ L 80, 8.3.2021, p. 1).

⁸⁸ In particular the EASE Recommendation and the guidelines for the employment policies of the Member States adopted in October 2020 and reconfirmed in October 2021.

⁸⁹ Communication from the Commission 'Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery', COM(2021) 350 final.

skills needed to master the green transition⁹⁰. 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 via short, quality-assured courses on skills for the green transition, building on the European approach to micro-credentials, which will also make it easier to value and recognise the outcomes of such courses.

- (19) The composition of tax-benefit systems and social protection systems should be reviewed against the specific needs stemming from the green transition, reflecting also the ‘polluter pays principle’ and the need that accompanying policies will not introduce subsidies to fossil fuels consumption, will not lock in consumers to a specific technology and will not decrease incentives for building renovations, thermal energy system substitutions and in 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 in line with the proposal for revision of the Energy Taxation Directive⁹¹, a review of unemployment schemes and/or temporary and targeted direct income support, where necessary. Social protection and social inclusion systems can be assessed 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 (e.g. rural and remote areas) in order to prevent social exclusion, and address health risks. 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 and 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. Disaster risk management including civil protection systems at the national and EU level should be reinforced to better prevent, prepare for and respond to climate related shocks.
- (20) Everyone has the right to access essential services of good quality, including energy, transport, sanitation, financial services and digital communications, and support for equal access to such services should be made available to those in need⁹². Also, access to social housing or housing assistance of good quality should be provided for those in need⁹³. In addition, low and medium income households, vulnerable customers, including final users, people facing or risking energy poverty and people living in

⁹⁰ Council Recommendation 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).

⁹¹ Proposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast), COM(2021) 563 final.

⁹² ‘European Pillar of Social Rights’, solemnly proclaimed by the European Parliament, the Council and the Commission, 17 November 2017, principle 20.

⁹³ ‘European Pillar of Social Rights’, solemnly proclaimed by the European Parliament, the Council and the Commission, 17 November 2017, principle 19 (a).

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, in line with the proposal on the Energy Efficiency Directive⁹⁴ recast adopted on 14 July 2021, as well as the proposal for the Energy Performance of Buildings Directive⁹⁵ adopted on 14 December 2021, which also tackles 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 particular groups which are more at risk of being affected by energy poverty, such as women, persons with disabilities, elderly people, children, and persons with a minority racial or ethnic background. 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 ensure everyone benefits from and is part of the green transition. Urban mobility plays a significant role in this context, as also reflected by the European Urban Mobility Framework⁹⁶ adopted on 14 December 2021.

- (21) A whole-of-economy 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, the involvement of social partners at all levels and stages, as well as 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.
- (22) A strong evidence base is key to put in place sound social and labour market policies that ensure a fair and inclusive transition. To this end, the gradual harmonisation and consistency of definitions, concepts, classifications and methodologies, notably based on Commission Recommendation (EU) 2020/1563 on energy poverty⁹⁷, 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.
- (23) Appropriate granular and high quality data and indicators are needed in particular to assess 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. Monitoring and evaluation can be strengthened via a

⁹⁴ Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast), COM(2021) 558 final.

⁹⁵ Proposal for a Directive of the European Parliament and of the Council amending the Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (as amended by Directive (EU) 2018/844/EU of 30 May 2018), COM(2021) 802 final.

⁹⁶ Communication from the Commission ‘The European Urban Mobility Framework’, COM(2021) 811.

⁹⁷ Commission Recommendation (EU) 2020/1563 of 14 October 2020 on energy poverty (OJ L 357, 27.10.2020, p. 35).

number of actions, focussing on indicators, scoreboards as well as small-scale pilot projects and policy experimentation. Actions can 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

- (24) Finally, the optimal and efficient use of public and private funding and the mobilisation of all available resources and their effective deployment, is of particular importance in light of the significant investment needs stemming from the green transition. At the Union level, relevant actions are supported through the EU budget and NextGenerationEU. They will be implemented under with 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 Fund⁹⁸, the Social Climate Fund 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.
- (25) The European Semester is the EU economic and employment policy coordination framework, including in relation to economically and socially relevant aspects of the green and digital transitions. It will continue to play this role in the recovery phase and in advancing the twin transitions, structured around the four dimensions of competitive sustainability and in line with 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 in the context of the European Semester, based on adequate assessments, policy impact evaluations, and the state of implementation of the guidance provided in this Recommendation.
- (26) Moreover, as part of the draft and final update of their National Energy and Climate Plans (NECPs) in 2023 and 2024, respectively, in accordance with Article 14 of the Governance Regulation⁹⁹, 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 these impacts, with a particular focus on energy poverty.
- (27) Furthermore, the monitoring of the implementation of this Recommendation can build on existing evidence in the context of the established multilateral surveillance processes notably under 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 TFEU respectively, 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

⁹⁸ Outside the EU budget and NGEU.

⁹⁹ In accordance with Article 14 of the Governance Regulation (EU) 2018/1999.

tools. Also against this background, the Commission is working to enhance data availability, to update, develop and use 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, in close cooperation with social partners as relevant, implement 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 EU economy and society towards the achievement of the climate and environmental objectives primarily through policies and investments, in line with the European Climate Law laying down the obligation to achieve climate neutrality by 2050, the European Green Deal and the Paris Agreement.
 - (b) 'Climate and environmental objectives' means the six objectives laid down by Regulation (EU) 2020/852¹⁰⁰, 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 significantly 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.

¹⁰⁰ 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) ('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 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 651/2014¹⁰¹.
- (f) ‘Energy poverty’ means the situation defined in Article 2(49) of the Energy Efficiency Directive recast¹⁰², namely 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’¹⁰³.
- (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 approach based on one or several national strategies and/or action plans, and benefiting from EU-level coordination and governance mechanisms as appropriate.

POLICY PACKAGES FOR A FAIR GREEN TRANSITION

- (4) To provide active support to quality employment for a fair transition and build on the EASE Recommendation, 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 quality employment, notably through tailored job search assistance and flexible and modular 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 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

¹⁰¹ 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 Text with EEA relevance (OJ L 187, 26.6.2014, p. 1).

¹⁰² Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast), COM(2021) 558 final.

¹⁰³ 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).

subsidies and incentives linked to social security contributions, to accompany labour market transitions and labour mobility across regions and countries, in view of the opportunities and challenges of the green transition.

- (c) Promote entrepreneurship, including social enterprises¹⁰⁴, in particular in regions facing transition challenges and, where appropriate, in sectors promoting climate and environmental objectives such as the circular economy. Support should combine financial measures, including grants, loans or equity, and non-financial measures, including training and advisory services, tailored to each phase of the business lifecycle. It should be inclusive and accessible to under-represented and disadvantaged groups.
 - (d) Stimulate job creation, 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 employment across the single market, including in sectors and eco-systems of strategic relevance in national and local contexts.
 - (e) 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 job quality in the transition, including in economic activities contributing to climate and environmental objectives.
 - (f) Foster the use of socially responsible public procurement standards¹⁰⁵, including via social award criteria creating opportunities for people most affected by the green transition, while also promoting green award criteria.
 - (g) Provide for the full and meaningful involvement of workers 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 EU Quality Framework for anticipation of change and restructuring¹⁰⁶.
- (5) To ensure equal access to quality and inclusive education, training and life-long learning as well as equal opportunities, Member States are encouraged to consider the following measures, to be implemented in close cooperation with social partners, 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 in the development and implementation of the national skills strategies under the European Skills Agenda and set-up and pro-actively steer stakeholder partnerships under the Pact for Skills, ensuring notably that skills are at the

¹⁰⁴ Communication from the Commission ‘Building an economy that works for people: an action plan for the social economy’, COM(2021) 778 final.

¹⁰⁵ In line with the Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services (Text with EEA relevance) (OJ L 151, 7.6.2019, p. 70), and the 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).

¹⁰⁶ Communication from the Commission ‘EU Quality Framework for anticipation of change and restructuring’, COM(2013) 882 final.

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. Adapt education and training curricula accordingly.
 - (c) Provide high-quality and inclusive initial education and training, including vocational education and training, that 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 an integral part of these programmes. Take specific actions to attract women and other groups currently under-represented in the occupational areas concerned.
 - (d) Introduce or strengthen support schemes for apprenticeships and paid traineeships 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 monitoring and evaluation, and safeguard job quality, in line with the European Framework for Quality and Effective Apprenticeships¹⁰⁷ and the Quality Framework for Traineeships¹⁰⁸.
 - (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. To this end, provide training entitlements in line with the proposed Council Recommendation on individual learning accounts¹⁰⁹ and in the form of paid training leave and career guidance. Support the development of short, quality-assured and widely recognised courses building on the European approach to micro-credentials¹¹⁰.
- (6) To ensure the continued fairness of tax-benefit systems and social protection systems in the context of the green transition, and building on the Recommendation on access to social protection for workers and the self-employed¹¹¹, 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 and mitigate regressive impacts of policy measures:

¹⁰⁷ Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships (OJ C 153, 2.5.2018, p. 1).

¹⁰⁸ Council Recommendation of 10 March 2014 on a Quality Framework for Traineeships (OJ C 88, 27.3.2014, p. 1).

¹⁰⁹ Proposal for a Council Recommendation on individual learning accounts, COM(2021) 773 final.

¹¹⁰ Proposal for a Council Recommendation on a European approach to micro-credentials for lifelong learning and employability, COM(2021) 770 final.

¹¹¹ Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed (OJ C 387, 15.11.2019, p. 1).

- (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.
 - (b) Assess and, where applicable, adapt social protection systems and social inclusion policies in view of the employment, social and health challenges posed by the green transition, in order to ensure their continued adequacy and sustainability. To this 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 and sustainable financing of high-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 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 this end, ensure the availability of proper funding for those measures, including by improving the quality of public expenditure, making optimal use of the Social Climate Fund, and drawing on the budgetary resources created by energy and environmental taxes and the EU Emissions Trading System.
 - (d) Improve risk-awareness, risk reduction and risk-transfer solutions as concerns 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, 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 this end, ensure the availability of proper funding for those measures, including by improving the quality of public expenditure, making optimal use of the Social Climate Fund, and drawing on the budgetary resources created by energy and environmental taxes and the EU Emissions Trading System.

- (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 sector¹¹². To this end, provide well-designed tax 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 energy communities¹¹³, accompanied by educational measures and campaigns, with a special focus on people in vulnerable situations and consumers living in rural areas.
- (d) Prevent and tackle mobility and transport challenges and obstacles for households in vulnerable situations, especially in remote, rural and low-income regions and cities, through adequate policy and support measures and the development of the necessary infrastructure, to improve essential connectivity, enabling access to education, health, 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 mobility¹¹⁴, 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 this end, provide for effective incentives and tools, such as social innovation actions and local initiatives, support reuse, repair, donation and sharing schemes, including through social economy enterprises, and promote education and awareness raising for environmental sustainability for learners of all ages and at all levels of education¹¹⁵.

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-economy approach to fair transition policies, Member States are invited to:
 - (a) Coordinate policy-making at all levels and across all relevant policy areas, notably in the context of the European Semester, including research and innovation with a view to building an integrated and enabling policy

¹¹² In line with the upcoming revised Climate, Energy and Environmental Aid Guidelines foreseen to apply as of 2022.

¹¹³ As defined in Article 2(11) of the 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).

¹¹⁴ In line with the Communication from the Commission ‘Sustainable and Smart Mobility Strategy – putting European transport on track for the future’, COM(2020) 789 final.

¹¹⁵ Proposal for a Council Recommendation on learning for environmental sustainability, COM(2021) 557 final.

framework that pays due attention to distributional impacts as well as to positive and negative spill-overs, including in cross-border regions, and integrates adequate and systematic evaluation strategies, including ex-ante and ex-post assessments.

- (b) Give an active role to regional and local authorities, given their proximity to citizens and local businesses, in the implementation and monitoring of fair transition policies.
 - (c) Involve social partners at national, regional and local levels in all stages of policy-making foreseen under this recommendation, including through social dialogue and collective bargaining where adequate. In addition, promote further the full involvement of social partners in the design and implementation of transition pathways for industrial ecosystems under the EU's updated New Industrial Strategy.
 - (d) Empower and enable people, civil society and stakeholders, including organisations representing people in vulnerable situations, including women, people with disabilities, youth and children calling for urgent climate action, and social economy actors including through European Climate Pact¹¹⁶, with a view to their participation in 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.
- (9) To ensure the availability and quality of the data and evidence that 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 the gradual harmonisation and consistency of definitions, concepts and methodologies, including on the basis of Commission Recommendation (EU) 2020/1563 on energy poverty 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 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

¹¹⁶ Communication from the Commission 'European Climate Pact', COM(2020) 788 final.

evaluation questions and, as relevant, in the design and implementation of evaluation and consultation strategies.

- (d) Strengthen research and innovation actions at national and EU levels including through funding from the Horizon Europe programme, 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 on ‘Climate change adaptation, including Societal Transformation’ and on ‘Smart and climate-neutral cities’, which can help develop practical solutions in support of the green transition at regional and local levels.
- (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 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 existing instruments and funding options, including technical assistance, at Member States and EU level, to support relevant actions and investments. EU funding instruments comprise, in particular, the Cohesion Policy funds, the Just Transition Mechanism, InvestEU, the Technical Support Instrument, ERASMUS+, the European Globalisation Adjustment Fund for Displaced Workers (EGF), the LIFE programme, 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. These measures should be adequately financed, including by improving the quality of public expenditure, mobilising further private financing, and/or using additional public revenues, also drawing on increasing revenues from emissions trading. Take into account employment, social and distributional aspects in the development of green budgeting practices.
 - (d) Design a balanced mix of measures in the national Social Climate Plans under the proposed Social Climate Fund, including by complementing green investments, where needed pending the impact of investments on reducing emissions and energy bills, with temporary and targeted income support measures to compensate vulnerable households and households that are transport users, taking also into account as appropriate relevant country-specific challenges identified and recommendations issued in the context of the European Semester.

FUTURE ACTIONS FOR A FAIR GREEN TRANSITION

- (11) To pursue useful follow-up actions to this Council Recommendation, the Council of the European Union 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 pathways¹¹⁷, notably in a cross border context and with a focus on the regions and sectors most affected.
 - (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 the Governance Regulation as appropriate.
 - (c) Strengthen the database, notably by accessing administrative data sources and, where relevant data from social partners, industries, civil society, and public opinion surveys, and update methodological guidance for assessing employment, social and distributional impacts of fair transition and climate and energy policies including in the context of the European Semester as appropriate.
 - (d) Enhance its regular monitoring and foresight analysis on energy poverty developments and risks in the EU, including social and distributional aspects, also to inform the work of the Energy Poverty and Vulnerable Consumers Coordination Group and other relevant expert groups.
 - (e) Develop further research and strengthen evidence concerning the definition, monitoring and evaluation of progress towards the provision of adequate access to essential services, also by developing the concept of 'transport poverty' if appropriate, particularly within the context of the green transition towards a sustainable well-being economy.
 - (f) Review progress made in the implementation of this Recommendation in the context of multilateral surveillance in the European Semester, building on existing scoreboards and monitoring frameworks, extended by additional indicators where necessary. Consider guidance provided in this Recommendation under the Energy Union and Climate Action Governance Regulation, in particular as part of its assessments during the forthcoming update of integrated National Energy and Climate Plans in 2023-24.

Done at Strasbourg,

*For the Council
The President*

¹¹⁷ As announced in the updated industrial strategy, such as construction, energy intensive industries, or mobility.