

## **Where is the Social in the European Green Deal?**

**Article by Bela Galgóczi**

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While the European Green Deal is setting the environmental regulations that Europe's green transition needs in stone, its social dimension is patchy and weak. With a difficult winter ahead, Bela Galgóczi of the European Trade Union Institute argues that Europe's social challenges are more urgent than ever.

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The European Green Deal is clearly ambitious. The transition to a net-zero-carbon economy by 2050 will mean the fundamental revision of our linear, extractive and fossil fuel-based growth model. It will have major effects on jobs and livelihoods, working conditions, and skills. And the European Climate Law has set a binding interim target of 2030 for reducing greenhouse gas emissions by at least 55 per cent (compared to 1990 levels).

The Commission has declared from the outset that these ambitious climate and environmental policy objectives should be backed by comprehensive social policies – nobody should be left behind. But is this really the case?

On the one hand, the Fit for 55 climate policy package announced by the European Commission in 2021 dissolved doubts that the Green Deal would amount to little more than ambitious objectives followed by no concrete action. On the other hand, it also brought the transition's severe social and employment impacts in sharp relief.

In just one year, the Commission tabled over a dozen legislative proposals for measures to achieve the binding climate targets laid down in the European Climate Law. Existing legal instruments such as the Emissions Trading Scheme and the Renewable Energy Directive, which mandates the shift to renewable energies, will be revised. New measures such as the Carbon Border Adjustment Mechanism will be established. These measures are intended to drive forward the most significant transformation of the European economy since the Industrial Revolution. However, they will not be without social consequences, which can in turn compromise climate targets too. Take the emission performance standards for cars and vans. The standards are weight-adjusted to allow bigger and heavier cars to emit more CO<sub>2</sub>. As a result, cars have become heavier, more powerful, and more expensive, compromising a significant share of the achieved emission reductions and making new low-carbon vehicles less affordable thus creating new inequalities.

### **A new direction?**

Despite their ambition, this raft of climate policies does not yet add up to a new direction for EU economic policy. The Green Deal and its concrete policy packages in particular stick

to a growth-centred narrative. The Commission's [Circular Economy Action Plan](#) from 2020, for example, promises continuing economic growth decoupled from resource use, long-term competitiveness, and business opportunities. The Commission's Fit for 55 package refers to the Green Deal as "our growth and competitiveness strategy".

The European Green Deal also bears the stamp of liberal market economics. The Fit for 55 package was published with an accompanying [Commission document](#) warning that "an over-reliance on strengthened regulatory policies would lead to unnecessarily high economic burdens". By relying on carbon pricing as a central lever for economic and societal adjustment, the European Green Deal trusts that existing market dynamics will react to price incentives in a predictable manner. Moreover, the EU economic governance framework remains dominated by strict fiscal policy rules. While the European Semester process has opened up to integrate social indicators linked to the 20 principles of the [European Pillar of Social Rights](#), overall it is dominated by a neoliberal policy agenda.

Next to the Green Deal's legislative instruments, other European policy domains are expected to align with the European Green Deal. As part of the [EU Next Generation Recovery Plan](#), member states are expected to spend 37 per cent of their recovery funds on projects that contribute to the green transition. Similar streamlining is applied to other parts of the EU budget but has not always been uncontroversial. The consistency of important policy domains, most notably the Common Agricultural Policy, with the Green Deal remains questionable.

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## **The missing social dimension**

What about the social dimension of the green transition and specifically the Green Deal? Climate change, as well as mitigation and adaptation measures, will create winners and losers and can exacerbate social inequalities. Recognising this, the announcement of the Green Deal in 2019 included pledges to "leave no-one behind". But while policymakers have declared that just transition should be an integral part of the EU climate policy framework, social and employment policy initiatives have in reality remained fragmented and additional. This shortcoming was exposed with the announcement of the Fit for 55 package in July 2021 when European policy debates realised that some elements of the package would have very direct effects on households.

The EU does have a [Just Transition Fund](#), the first pillar of the Just Transition Mechanism under the Green Deal. The fund has limited resources (17.5 billion euros at 2018 prices) that are mostly dedicated to helping coal regions manage the social effects of coal phase-out. This goal is very important but represents but a small fraction of the people affected by the green transformation. Highly affected sectors, such as the automotive industry and

energy-intensive industries, lack dedicated instruments and funds.

The newly announced Social Climate Fund has a very specific target, namely to reduce the detrimental distributional side-effects of a new emissions trading system for buildings and transport. It is intended to explicitly address social challenges by supporting the most vulnerable households and citizens in the transition, but even for that goal it may not be enough. 72.2-billion-euro capacity spread over 7 years – to be financed by 25 per cent of the prospective revenues will be insufficient to address the problems ahead. Furthermore, its administration is likely to pose challenges for the institutional capacity of some member states. The Commission proposes that member states double this amount (144.4 billion), with a part of their auctioning revenues.

The Commission has also proposed a non-binding Council Recommendation on ensuring a fair transition towards climate neutrality to provide guidance to member states on tackling the social and employment effects of the transition. While it is a welcomed sign that the employment and distributional aspects of climate policy have been recognised at the highest policy level, the recommendation is vaguely worded and leaves much discretion to member states, which may choose to comply accordingly. Whether it has any effect on member states will inevitably depend on political pressures within the framework of the European Semester, which will be used to monitor its implementation.

The importance of social dialogue to supporting and managing the deep restructuring that a circular net-zero economy requires has also been recognised by the Commission. In contrary to the neoliberal policies pursued in wake of the Eurozone crisis, when social dialogue and collective bargaining structures were dismantled as a crisis management tool, strengthened social dialogue has become a priority. The Council Recommendation and the recent European Minimum Wage Directive reflect this change.

Discussion of fundamental rights as such is, however, largely absent from the Green Deal. Reference is made to the European Pillar of Social Rights, but there is no link made to the EU's own Charter of Fundamental Rights, nor to other international legal norms and frameworks such as the European Social Charter or the core Conventions of the International Labour Organization.

## **A just transition is more urgent than ever**

All this is a far cry from the comprehensive just transition framework that the EU needs. Unlike hard-law environmental and climate policy measures, the social elements of the Fit for 55 package are fragmented and the proposed Council Recommendation does not have binding legal effect. To date, these patchy efforts to ensure that the transition is “just” or “fair” are not up to the huge task of addressing the social challenges ahead on the way to achieving a net-zero carbon economy.

The tragedy of Ukraine is a game changer and the EU has woken up and realised that only by speeding up its energy transformation can it put an end to its fossil energy dependence on Russia. This is the logic of the REPowerEU plan. While there is no doubt about this direction in the medium and long term, the short-term effects of the energy crisis threaten the livelihoods of tens of millions of Europeans and risk jeopardising and derailing Europe's transition away from fossil fuels.

Europe faces the ultimate test this winter, a stress test for both the European social model and the European Green Deal. Europe has no choice but to speed up the green transition and avoid compromising on climate policy objectives at the same time as addressing the triple injustice: namely that those with the lowest carbon footprint suffer most from the effects of transition, facing rising energy prices with the least capacity to adapt. All this in a new geopolitical context.

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