



Ensuring a fair transition towards climate neutrality

Gas Sectoral Social Dialogue Committee

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Outline of the presentation

1) Context

War in Ukraine, socio-economic impacts, RePowerEU, Versailles declaration

2) Transition to net zero

Delivering on the European Green Deal

3) Fair green (and digital) transitions

Evidence and main challenges

4) Proposal for a Council Recommendation:

Timeline, objectives, structure, content, governance, actions

5) Focus on the mobility ecosystem

Just Transition Automotive Coalition/joint alliance, transition pathways, ...

1) Context

War in Ukraine, socio-economic impacts, REPowerEU, Versailles declaration

Context: War in Ukraine

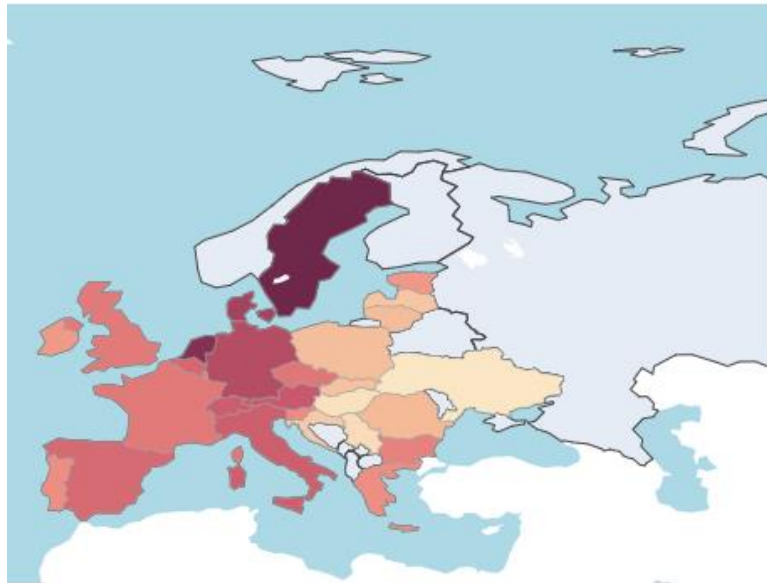
- EC communication on making Europe independent from Russian fossil fuels well before 2030 (RePowerEU)
- Versailles declaration: bolstering defense capabilities, reducing energy dependencies and building a more robust economic base



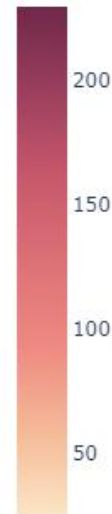
Context: War in Ukraine

- Socio-economic impacts & impacts:
 - Human sufferings; refugees
 - Supply chains disruptions/shortages
 - Increased prices of intermediate/supply products
 - High energy prices
 - Shortages in investments
 - Loss of jobs (temporary) due to disruptions of business

Context: High & volatile energy prices



Gas retail prices (€/MWh)



EU retail price (€/MWh)

109.1

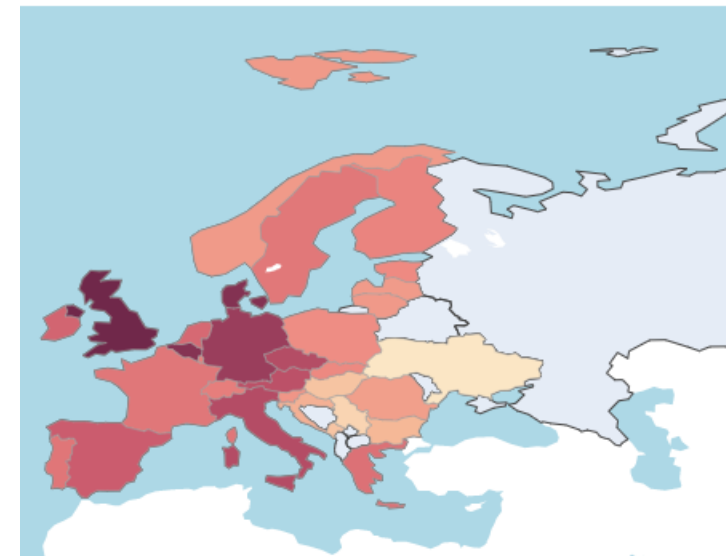
Change from last month

▼ -5%

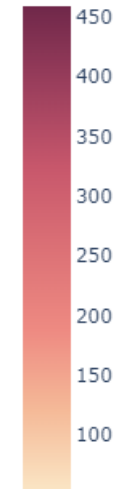
Change from last year

▲ 65%

Source: VaasaETT Feb.2022; European Commission



Electricity retail prices (€/MWh)



EU retail price (€/MWh)

242.1

Change from last month

▼ -3%

Change from last year

▲ 30%

Difference from last 3 years average

▲ 25%

Source: VaasaETT Feb.2022; European Commission

RePowerEU for more affordable, secure and sustainable energy (1)



Diversify gas supply



- Other suppliers (LNG or pipelines)
- Hydrogen
- EU production of biomethane

Replaced by the end of 2022 (BCM equivalent)

60

10

17



2030

Doubling the EU ambition for biomethane to produce 35 bcm per year by 2030, in particular from agricultural waste and residues.



Diversifying gas supplies and working with international partners to move away from Russian gas, and investing in the necessary infrastructure.



A Hydrogen Accelerator to develop infrastructure, storage facilities and ports, and replace demand for Russian gas with additional 10 mt of imported renewable hydrogen

Endorsed by leaders in Versailles Declaration, 10 and 11 March 2022
RePowerEU plan to be put forward by May 2022

RePowerEU (2)

End March



Options for emergency measures to limit the contagion effect of gas prices in electricity prices, including temporary price limits



Task Force to design a refilling plan for next winter and coordinate operation



Proposal for an **EU gas storage policy**

Mid May



Options to optimise the electricity market design in view of structural change towards decarbonisation of the energy mix



Proposal for a **RePowerEU plan** to phase out our dependencies on Russian fossil fuels by 2027.



More rooftop solar panels, heat pumps and energy savings to reduce our dependence on fossil fuels, making our homes and buildings more energy efficient.



Decarbonising Industry by accelerating the switch to electrification and renewable hydrogen and enhancing our low-carbon manufacturing capabilities.



Speeding up renewables permitting to minimise the time for roll-out of renewable projects and grid infrastructure improvements.

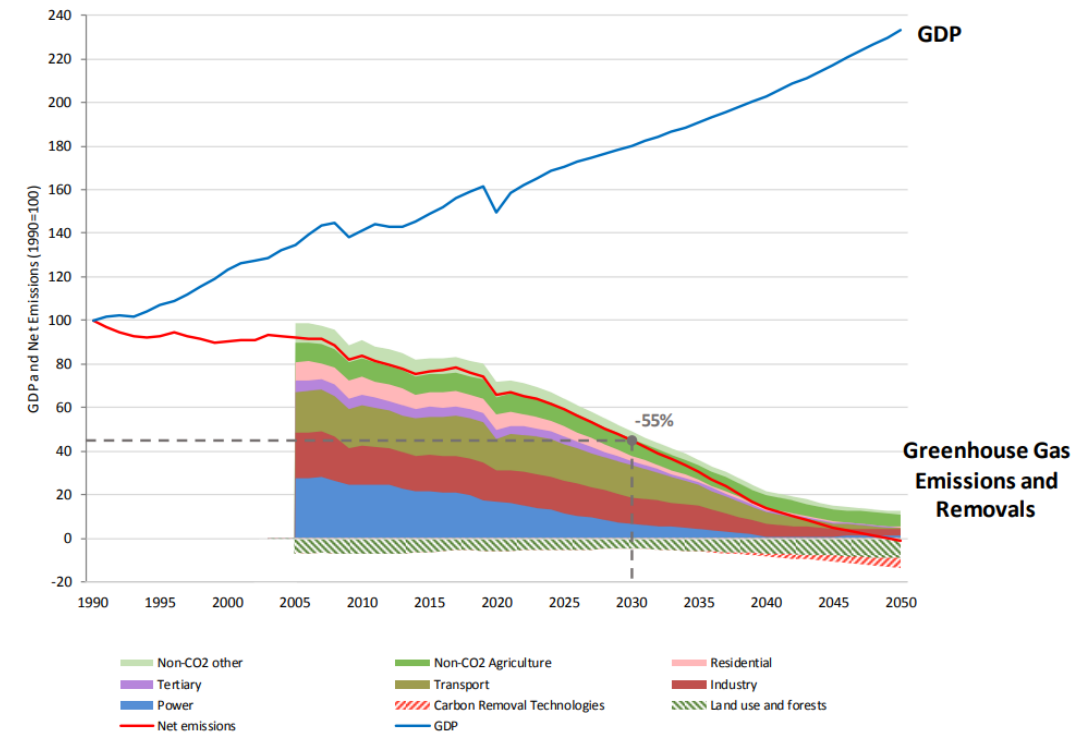
Endorsed by leaders in Versailles Declaration, 10 and 11 March 2022
RePowerEU plan to be put forward by May 2022

2) The transition to net zero

Delivering on the European Green Deal

EU's raised climate ambition

- Climate neutrality by 2050: European Green Deal (2019), EU Long-Term Strategy to UNFCCC (2020) under Paris Agreement
- The European Climate Law, signed by MS and Parliament in June 2021, sets out:
 - Climate neutrality in the Union by 2050 as a legally binding objective
 - A 2030 target to reduce GHG emissions by at least 55% compared to 1990 levels
- Globally, national net zero pledges increased rapidly in 2020 and 2021 in run-up to COP26; Jut Transition Declarations at COP-24 and -26



Source: Stepping up Europe's 2030 climate ambition, COM(2020) 562 final, 17.9.2020



Europe is now the very first continent that presents a comprehensive architecture to meet our climate ambitions.

Our Package aims to combine the reduction of emissions, with measures to preserve nature, and to put jobs and social balance at the heart of this transformation.

Statement by President von der Leyen on delivering the
European Green Deal, 14 July 2021



“Fit for 55” – part I (14 July 2021)

Pricing	Targets	Rules
<ul style="list-style-type: none">• Stronger Emissions Trading System including in aviation• Extending the Emissions Trading to maritime, road transport, and buildings• Updated Energy Taxation Directive• New Carbon Border Adjustment Mechanism	<ul style="list-style-type: none">• Updated Effort Sharing Regulation• Updated Land Use, Land Use Change and Forestry Regulation• Updated Renewable Energy Directive• Updated Energy Efficiency Directive	<ul style="list-style-type: none">• Stricter CO2 performance for cars and vans• New infrastructure for alternative fuels• ReFuelEU: More sustainable aviation fuels• FuelEU: Cleaner maritime fuels
Support Measures		
<ul style="list-style-type: none">• Using revenues and regulations to promote innovation, build solidarity and mitigate impacts for vulnerable households, microenterprises, energy consumers and transport users - new Social Climate Fund and enhanced Modernisation and Innovation Funds		

“Fit for 55” – part II (14 December 2021)

Mobility	Climate and Energy	Environment
<ul style="list-style-type: none">• Revision of the Regulation on the trans-European transport network (TEN-T)• EU rail corridor initiative to boost long-distance and cross-border passenger rail• New EU Urban Mobility Framework• Revision of the Intelligent Transport Directive	<ul style="list-style-type: none">• EU legislative proposal to reduce methane emissions in the energy sector• Hydrogen and decarbonised gas package• Revision of the Energy Performance of Buildings Directive (EPBD)• Commission Communication on restoring Sustainable Carbon Cycles	<ul style="list-style-type: none">• Strengthening EU law to combat environmental crime <p>further initiatives in 2022, to modernise the transport sector and ensure it reaches 90% emissions reduction target envisaged in the European Green Deal (incl. on CO₂ emission standards for heavy-duty vehicles)</p>
Social		
<ul style="list-style-type: none">• Council Recommendation on ensuring a fair transition towards climate neutrality		



Social fairness is at the heart of the green transition and the EU's path to climate neutrality by 2050. (...)

With our new proposal, we show ways to ensure people have access to new, quality jobs in the green economy. At the same time, we outline policies to prevent and tackle poverty related to the climate transition, especially among the most vulnerable people and households.

Statement by Commissioner Schmit,
14 December 2021

3) A fair green transition

Evidence and main challenges

Commission SWD(2021) 452: Analysis

builds on previous Impact Assessments, expanded by new analysis, good practices, summary of consultations and funding instruments, showing:

- Potential for aggregate double and triple '**dividends**' (jobs, welfare, GHG emissions), but need to take into account:
 - **Implicit assumptions** (no skill/labour shortages, labour market transitions)
 - **Varying impacts:** employment, social and distributional aspects
 - **Timing** of measures and investments ('time inconsistencies')
- Need for **policies** to realise potential and address risks (labour market policies, **re- and up-skilling**, income support from parts of new means, investments, mitigation of regressive impacts)

Commission SWD(2021) 452: Key conclusions

- Different **challenges and opportunities** for regions, industries, workers, households and consumers
- **Social and employment dimension** of twin transition
 - *Net up to 1 million new jobs by 2030*; stakeholders ask about regional/ short-run effects
 - At least **35 million people in EU in energy poverty in 2020**; transport poverty not measured
=> Need for indicators/scoreboards for analysis of (potential) developments
 - **Green skills** and **green jobs** increase in importance; need for common understanding
 - Limited knowledge of **granular and actual impacts of transition policies**
=> Need for transparent monitoring and evaluation on the basis of stakeholder input
 - **Perceptions** of green transition and transition policies

... by sector ...

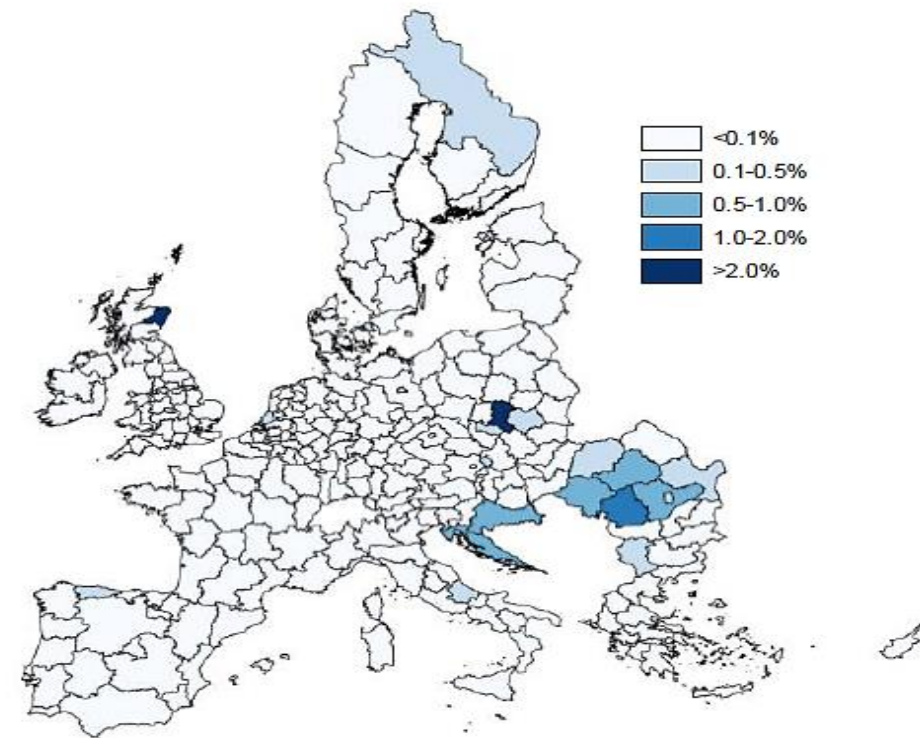
Employment implications in the EU at sectoral level, 2030

Deviation from the baseline in % and thousands of employees

Sector	percent	thousands
Agriculture	0,5	40
Mining	-16,6	-93
Manufacturing	0,7	209
Utilities	-2,4	-72
Construction	1,1	160
Distribution, retail, hotels, catering	0,6	305
Transport, communications	0,5	64
Business services	0,7	473
Non-business services	0,3	142
Total	0,5	1228

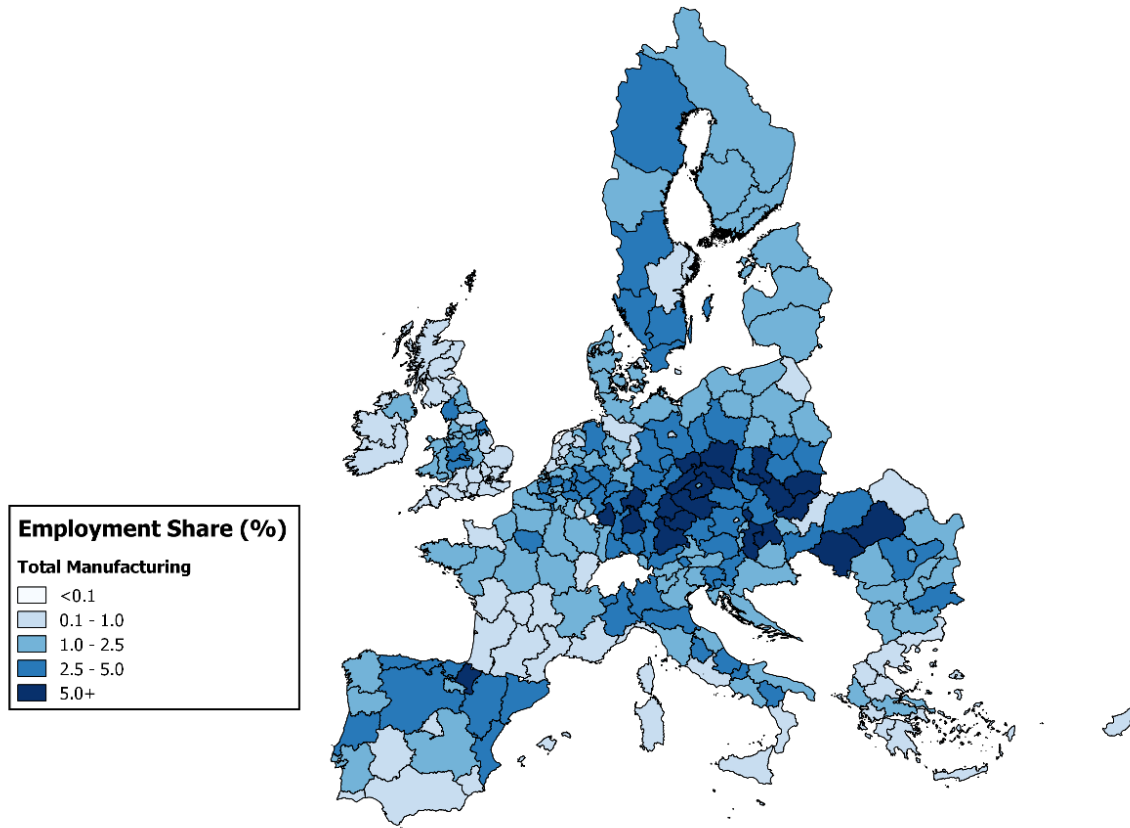
Source: Eurofound (2019)

Share of employment fossil fuel extraction and mining



Source: European Commission (2018)

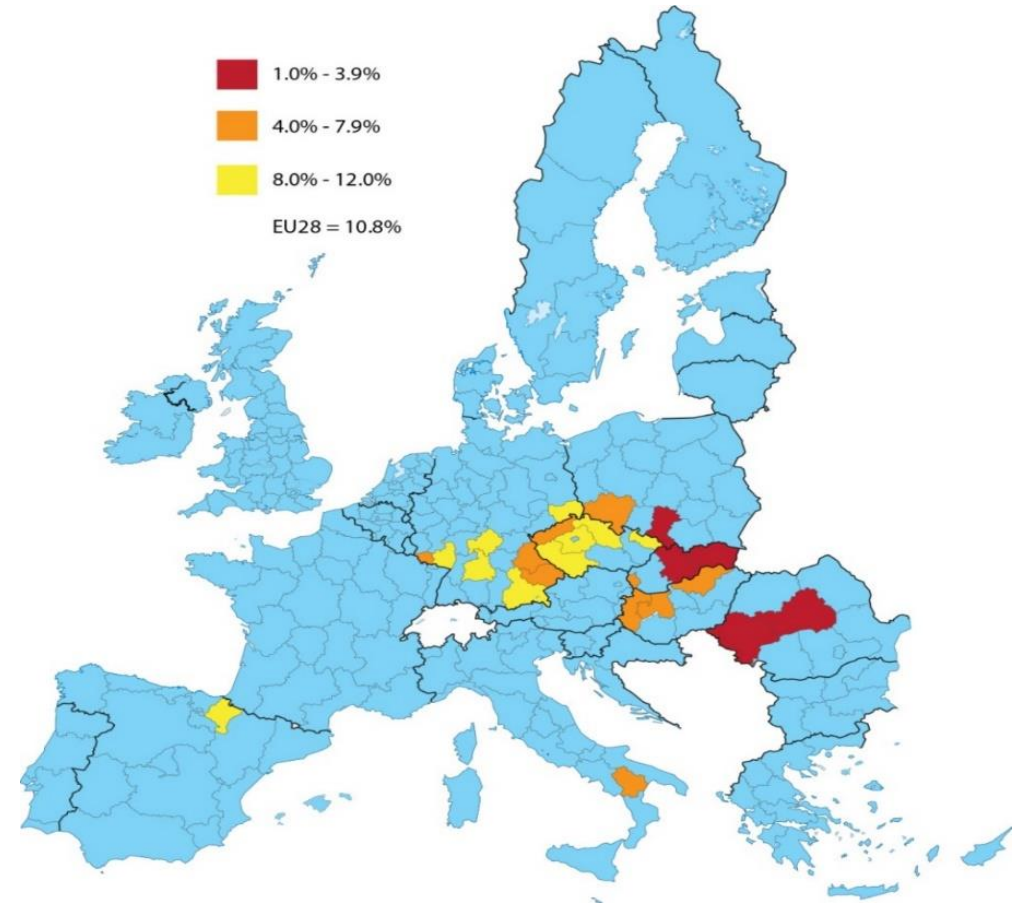
... by region ...



Employment shares in energy intensive industries
and automotive manufacturing

Sectors considered:

- Manufacture of chemicals and chemical products (C20)
- Manufacture of other non-metallic mineral products (C23)
- Manufacture of basic metals (C24)
- Manufacture of motor vehicles, trailers and semi-trailers (C29)



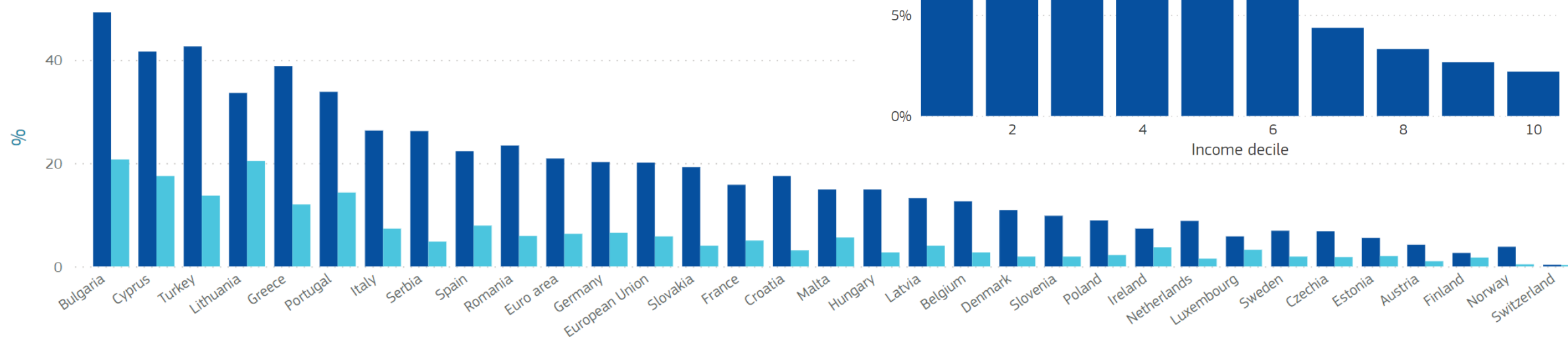
Share of adults in training in regions with high shares of
employment in energy intensive industries and
automotive manufacturing

Source: ESDE 2019

... by income group (energy poverty) ...

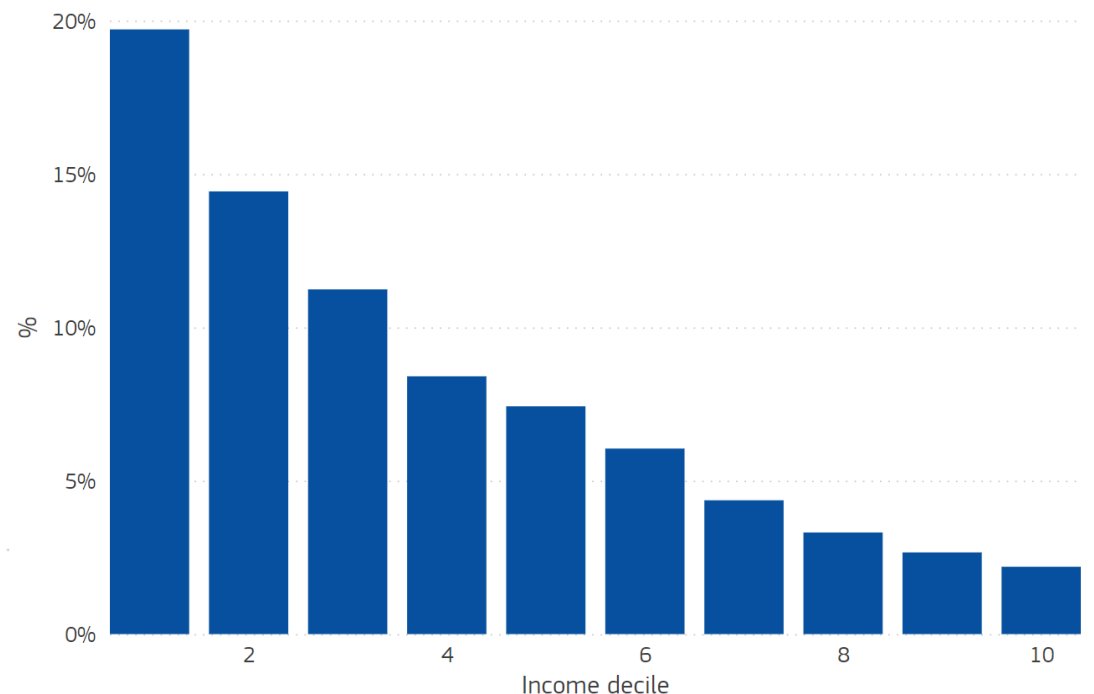
Inability to keep home adequately warm (%)

● B_MD60 - Below 60% of median equivalised income ● A_MD60 - Above 60% of median equivalised income

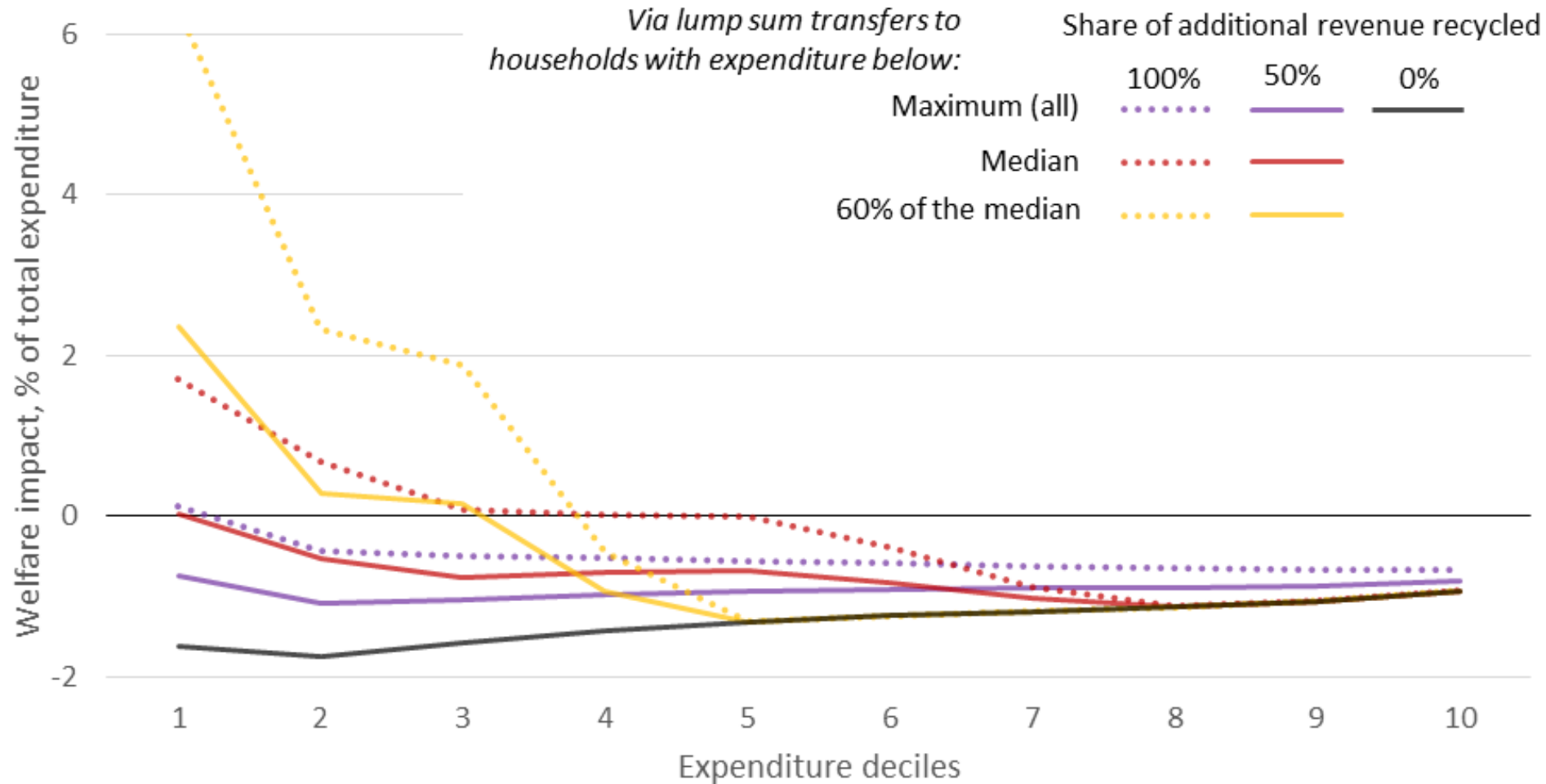


Source: Eurostat

Energy poverty by income decile (EU average)



... by income group (regressive effects) ...



4) Council Recommendation

Proposal by the Commission, 14 December 2021

Objectives, structure, content

Consultations and stakeholder inputs

Member States:

- Administrative burden
- Optimal use of funding
- Exchanges of good practices
- Balanced narrative of challenges and opportunities, accounting for country specificities

Social partners:

- **Mobilising investments, notably for skills**
- Predictability and inclusive management of the transition
- Employers: entrepreneurship
- Unions: binding frameworks, restructuring

Civil society:

- Social inclusion, people in vulnerable situations
- Dialogue, local authorities
- Housing & renovation
- Gender equality
- Education & training
- Social economy

Objectives of the initiative

- The initiative aims to encourage Member States to:
 - Fully **exploit the benefits** and opportunities associated with the green transition;
 - While **fairly spreading the costs** of tackling and adapting to climate change.
- The proposal provides policy guidance on the **right accompanying policies** necessary to make the most of the green transition's potential, so that it brings a high net benefit to society.
- It delivers on **objectives of the Green Deal** and contributes to implementing the **European Pillar of Social Rights** (based on Art. 166(4), 292, 149 TFEU).

➡ Ensuring a fair sharing of costs and benefits of the transition is indispensable to obtain broad support for the European Green Deal among European citizens.

Council Recommendation: proposal

1. Policy packages for a just green transition

a. Active support to quality employment

- Labour market policies, job creation
- Working conditions
- Involvement, restructuring

b. Education, training, lifelong learning

- Strategies, partnerships
- Intelligence, cooperation
- VET, adult training

c. Fair tax-benefit systems, social protection

- Taxation of labour
- Social protection, well-designed income support
- Insurance solutions

d. Access to essential services, housing

- Energy investments, renovations, social housing
- Mobility and transport
- Consumption (nutrition)

2. Other 'enablers'

a. Whole-of-economy, whole-of-society approach

- Coordinated policy-making, social partners, civil society, regional and local authorities, public services

b. Evidence-based just transition policies – granular assessment of actual impacts

- Definitions, concepts and methodologies; ex-ante & ex-post DIAs; R&I; public exchanges

3. Funding

Optimal use of public and private funding

- RRF, Cohesion Policy funds, JTM, InvestEU, TSI, ERASMUS+, EGF, LIFE, Modernisation Fund
- Commit and deploy adequate national resources
- Design a balanced mix of measures; take account of social aspects in green budgeting practices

Council Recommendation: future actions

(11) The Council of the European Union welcomes the Commission's intention to:

- a) **Exchanges with key stakeholders, people and communities** concerned; exchanges of best practices, including in the context of industrial ecosystems' transition pathways
- b) Support the enhancement of the adequacy, consistency and effectiveness of **Member States' fair transition policies** [...] possibly also in the context of the future review of the Governance Regulation as appropriate.
- c) **Strengthen the database; update methodological guidance**
- d) **Regular monitoring and foresight analysis on energy poverty**, also to inform the work of the Energy Poverty and Vulnerable Consumers Coordination Group and other relevant expert groups.
- e) Research on **access to essential services**, also by **developing the concept of 'transport poverty'** if appropriate
- 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.

5) Focus on the gas industry

Skills and transition pathways

Focus on the gas industry

- **2021 proposals** for the internal markets in renewable and natural gases and in hydrogen:
 - While the share of natural gas will decrease progressively, **biomethane, synthetic methane and hydrogen are expected to become more relevant.**
 - A hydrogen value chain serving a multitude of industrial sectors and other end uses could employ up to 1 million people, directly and indirectly
- **Skill needs/shortages:** digital skills and middle/high-level skills; European Skills Agenda; Erasmus+ skills development projects; Sectorial Blueprints supporting workforce training and transition (*Blueprint for energy sector digitalisation*); better anticipation of future skill needs
- **Crisis and Recovery support**, including **SURE/short-time work** and furlough schemes
- **Industrial Policy/Transition Pathways:** under development in Industrial Forum; strategic autonomy
- **Support e.g. through Horizon Europe**, including **Missions and Partnerships** (*Clean hydrogen*)

Thank you

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https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6795



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