

Red Cross EU Office

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The Red Cross EU Office (RCEU) is a membership office representing the 27 National Red Cross Societies in the EU, the Norwegian Red Cross, the Icelandic Red Cross and the International Federation of Red Cross and Red Crescent Societies (IFRC). The 27 EU National Red Cross Societies constitute a network of national not-for profit service providers in the health and social sector. The Red Cross EU Office works with and for its members to represent their interest and expertise vis-à-vis EU decision makers and stakeholders. It promotes the protection, the dignity and well-being of vulnerable persons by facilitating and voicing common positions and recommendations towards EU institutions.

General assessment of the Social Climate Fund

The Red Cross EU Office welcomes that with the proposal to establish a Social Climate Fund, the European Commission acknowledges the impact the proposed “Fit for 55” package will have on vulnerable groups. It is positive that the European Commission recognises the introduction of an Emissions Trading System (ETS) for buildings and road transport will affect disproportionately households with lower average income.

Support to lower income households and vulnerable groups is important for the public buy in of the new instruments and therefore vital for a successful implementation. Nevertheless, the proposal leaves many uncertainties on how to identify and to reach vulnerable groups and how they will benefit from the resources provided. With the proposed support measures, the Social Climate Fund takes a one-dimensional approach on how to support vulnerable groups. Instead of focusing only on additional costs in transport use and energy prices, secondary costs caused by the new ETS need to be considered. Additionally, more incentives for using renewable energy sources and increase energy efficiency should be provided.

In terms of implementation, Member States decide how to implement the Social Climate Fund and what measures to support. With the presented proposal, there are very little obligations for Member States on how to compensate for the social effects caused by the emissions trading for building and road transport.

Key recommendations:

1. Strengthen the link to the European Pillar of Social Rights
2. Impact on vulnerable groups needs to be assessed
3. Wider approach to support measures and investments is needed
4. Use of synergies with established funding programmes
5. Ensure cross-sectoral approach and involvement of stakeholder

1. Strengthen the link to the European Pillar of Social Rights

It is positive, that the Social Climate Fund is linked to the European Pillar of Social Rights (EPSR) therefore, acknowledging the social dimension of European policy making. Concretely it refers to EPSR principle 1 “Education, training and life-long learning” which guarantees access to quality training and life-long learning, as well as principle 20 “Access to essential services” which guarantees access to basic services like energy and transport.

Yet the social dimension in the proposal is too weak and needs to be strengthened. The Social Climate Fund responds to emission trading being introduced for buildings and transport. With housing and rental costs already accounting for a large proportion of average incomes, **the introduction of emission trading for buildings will have a severe impact on living expenses.** In combination with the long-term social and economic consequences of the COVID-19 pandemic, **this puts people with lower income at risk.** With nearly a third of all Europeans living in rented houses,¹ an additional financial burden or increase in rent will be an existential threat of eviction for thousands of people and can potentially result in homelessness. Thus, a clear reference to principle 19 of the EPSR, “Housing and assistance to the homelessness” needs to be introduced to the Social Climate Fund regulation. **Investments in social housing via the Social Climate Fund must be made possible to ensure nobody is left behind and access to social housing or housing assistance is guaranteed.**

Moreover, the social dimension of EU green transition policies needs to be strengthened beyond the Social Climate Fund to ensure buy in. A cross-sectoral approach and involvement of civil society organisations ensures no adverse impact on vulnerable groups with the implementation of the “Fit for 55” package and other climate related policies. Policy measures that worsen the economic situation of households with lower income must be avoided. The transition to a green and climate-neutral society can only be successful if it provides new opportunities for everyone instead of increasing inequalities.

2. Impact on vulnerable groups needs to be assessed

According to the proposal, “vulnerable households”, “vulnerable micro-enterprises”, and “vulnerable transport users” will benefit from the Social Climate Fund. However, the definitions of the respective groups provided by the regulation proposal are insufficient. This applies particularly for “vulnerable households” and “vulnerable transport users”. To ensure that vulnerable groups like migrants and asylum seekers, families with children or older people will benefit from it, **a clear definition on who will benefit from the funds and how is needed.**

Before introducing the new emission trading system (ETS) on buildings, it is very important to have an evidence-based understanding of the impact it will have on an already overpriced housing market. Unaccounted secondary effects on the housing market will put vulnerable household with

¹ <https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-1a.html?lang=en>

low income at risk of not being able to afford a quality place to live. Likewise, the regulation proposal doesn't acknowledge that the increased costs for energy supply will impact the social housing sector. Before the new ETS is introduced, the European Commission needs to ensure that no additional pressure will be placed on accessing social housing.

The Covid-19 pandemic has clearly demonstrated that vulnerable groups are at higher risk of poverty and exclusion.² Therefore, **it is of high importance that the impact of all climate related policy measures on vulnerable groups is assessed before implementing them.** At present, there is no provision in the current proposal for the European Commission and the implementing authorities to ensure that vulnerable groups affected by increased costs for energy and transport will benefit from the instrument.

The instruments introduced by the “Fit For 55” package may increase the risk of energy poverty and limited mobility for millions of Europeans due to increased costs without thorough monitoring and evaluation of Member States' implementation. **A comprehensive impact study shall be conducted to provide more information on who will be affected and to what extent.** The results should not only be considered for the Social Climate Fund but for all climate related measures and regulations.

3. Wider approach to supported measures and investments is needed

To address vulnerabilities sufficiently a broader approach to support measures and investments funded by the Social Climate Fund needs to be applied. The catalogue of measures presented in the proposed regulation (Article 6) has a **one-dimensional approach to additional costs incurred directly by the introduction of emission trading for buildings and road transport.** Additional costs, for example due to high energy consumption caused by outdated or energy-intensive household appliances or higher transportation costs as of long commutes from distant residential areas, are not taken into account. **Disadvantaged groups and households need more comprehensive support in laying the foundations for low energy consumption and emission-free mobility.**

A comprehensive understanding of increased living costs caused by secondary effects of emission trading must also be applied to direct income support. The proposal is limiting income support only to the direct price impact by covering extra expenditures in road transport and heating fuel. Increased expenditures i.e. for groceries or clothing as of higher transportation costs or customs duties are not considered. Furthermore, **the Social Climate Fund should support activities that promote behavioural change by enabling beneficiaries to use renewable energy sources or reduce energy consumption.**

At the same time, the regulations definition contains a possible extra burden for vulnerable households, as it defines them as eligible when they “lack the means to renovate the building they occupy”. In the implementation this might lead to extensive administrative procedures to be able to prove the lack of funds for necessary renovations. Households that are defined as vulnerable should be supported without this additional proof for eligibility to provide the support needed, without imposing extra barriers. Additionally, it is problematic that the regulation proposal does

² International Federation of Red Cross and Red Crescent Societies (IFRC), Drowning just below the surface: The socioeconomic consequences of Covid-19 pandemic, Geneva 2021 – to be published on 22 November 2021.

not clarify the responsibility and role of homeowners in supporting tenants to achieve higher energy efficiency.

Control and complaints mechanism and punitive measures need to be established as there is a high risk of landlords and homeowners benefiting directly from the Social Climate Fund financing building renovations without passing the savings to the tenants or even using the conducted measures as justification for increasing rents.

There is a high risk that the new ETS will put further pressure on the housing market. Therefore, **investments in social housing should be an important component of the national “Climate Action Social Plans”** Member States are supposed to develop. The European Commission should enable Member States to use the resources of the Social Climate Fund as well as the intended additional national investments accordingly.

4. Use of synergies with established funding programmes

With the Recovery and Resilience Facility and the Multiannual Financial Framework 2021-2027, several instruments and mechanisms have been introduced that aim for a socio-ecological transformation towards a carbon neutral Europe. These include, among others the Just Transition Fund (JTF) and comprehensive national programmes for a green transition in the framework of the National Recovery and Resilience Plans.

The Social Climate Fund must interlink well with existing and newly established funding structures to (1) **limit the administrative infrastructure to implement the Fund** and (2) **ensure that the resources available will be spend efficiently and reach the people that need to be supported**. With implementing the Social Climate Fund in direct management by creating a Union programme, there is a risk that the provided financial resources don't reach the groups that are targeted. Additionally, complementarity needs to be ensured with already existing national policies and programmes that aim for the adaptation to climate change or to facilitate the path towards climate neutrality.

As a strong regional component is needed, we recommend that Member States **integrate the Social Climate Fund in the structural and investment funds to ensure a fast and efficient implementation**. Managing authorities implementing the European Social Fund+ (ESF+) have the infrastructure and the experience needed to implement such a comprehensive funding instrument. Additionally, they benefit from well-established partnerships with civil society organisations like National Red Cross Societies to ensure resources reach those who are in need. Next to the ESF+, synergies with the new JTF should also be used for example to provide training and promote awareness for a climate-conscious energy consumption. The European Regional Development Fund (ERDF) can support the development of climate-neutral infrastructure through investments in public transport or renovation of buildings. InvestEU can support the construction

of additional housing infrastructure, and both co-finance and attract additional investment to reach vulnerable groups lacking access to adequate housing.³

Although the Social Climate Fund proposal suggests using synergies of different funding instruments, it lacks guidance for the application. **The European Commission should promote practices and provide guidance on how to interlink the different financial instruments efficiently.** Partners like National Red Cross Societies can provide expertise on what are the needs of vulnerable groups and how to address them efficiently.

5. Ensure cross-sectoral approach and involvement of stakeholders

Not only the Social Climate Fund, but **all climate related policies should follow a cross-sectoral approach that involves relevant stakeholders of all affected policy areas.** The acceptance for the transformation process needed to achieve climate neutrality by 2050, can only be reached by acknowledging its implications on daily life for everyone living in the EU and beyond.

Particularly the social dimension needs to be reflected comprehensively, not only in the “Fit for 55” package, but all EU Green Deal initiatives. The European Commission needs to ensure that the **partnership principle** is also applied to the Social Climate Fund: **Relevant political stakeholders including civil society organisations and NGOs at national and regional level need to be involved in decision making, implementation and monitoring processes.**

Climate and social policies are interdependent and must be strongly interlinked. Policy measures that are implemented independently of each other are not effective and can have negative consequences. A concrete example of the needed transversal approach can be found in the proposed reporting requirements. The proposed regulation is asking Member States to provide a “Climate Action Social Plans”. A designated national authority shall be responsible for the Climate Action Social Plan which will be submitted by the Member State “with an updated National Energy and Climate Plan (NECPs)”. This procedure bears the risk of several authorities providing reports and implementing the respective “Fit for 55” initiatives in silos, rather than having an awareness on the social impact. Therefore, we recommend introducing transversal benchmarks for all monitoring processes of the “Fit for 55” regulations.

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³ EPC (2021) Solving the affordable housing crisis: Turning InvestEU into a success story. Online, www.epc.eu/en/Publications/Solving-the-affordable-housing-crisis-Turning-InvestEU-into-a-success~3bf59c