Lost in transition? Social justice and the politics of the EU green transition

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Summary

This contribution offers a reassessment of the social ambitions involved with the EU's 'just transition' agenda two years after the enactment of the European Green Deal. Our focus lies on two key instruments: the Just Transition Fund (JTF) and the Social Climate Fund (SCF). We ask whether the EU social policy agenda has been ordered as a secondary objective and to what extent the EU's pledge for a just transition has the potential to foster efforts towards more social justice. To assess the two instruments, we look at the asserted objectives, the underpinning policy tools, and the patterns of political conflict. We find that both the JTF and the SCF seem to have narrow objectives anchored in a reactive logic. There is a strong continuation of the social investment initiatives with a focus on reskilling the labour force affected by decarbonation. Both instruments promote a distinct model of transition relying primarily on a multi-level investment state aiming to generate green growth combined with targeted forms of compensation for the more vulnerable. This, we argue, neither amounts to an eco-social state nor to a just transition model addressing the intersection of environmental and social problems in a holistic way. Finally, various forms of political conflict (notably left vs. right and net contributors vs. recipients) create the danger that EU's action will be insufficient to tackle the sheer scale of exacerbated inequalities in the future. We conclude with a number of actions that could alleviate those concerns.

Keywords: EU, just transition, Just Transition Fund, Social Climate Fund, social justice, socio-ecological state, green transition, green growth

Introduction

In December 2019, Ursula von der Leyen put forward a policy program for enacting a transition of the European economy towards a more sustainable growth model through the so-called European Green Deal (EGD). Meanwhile, the outbreak of COVID-19 has demonstrated in several ways how such a transition was also crucial for preserving the basic health and wellbeing of the humans around the globe. Interestingly, the recovery agenda adopted after heated debates in 2020, entailing an unprecedented multiannual budget augmented with a €750 billion stimulus package relying on the creation of common debt, has provided unexpected financial resources for reaching the objectives of the green transition. By linking, from the outset, the recovery agenda to the EGD, the EU has attempted to devise a global reform strategy that is forward-looking.

At the same time, eco-social policies, or the task for 'public policies [to] explicitly pursu[e] both environmental and social policy goals in an integrated way' (Mandelli, 2022: 340) has become increasingly relevant on the EU's agenda. The recognition that the green transition would be politically demanding has gained momentum, as epitomized by the rise of the 'just transition' theme in the discourse of EU decision makers. This shows an acute awareness that the green transition would only be acceptable and politically sustainable if it also involved a concern of social justice. Both the Commission President Ursula von der Leyen as well as the Vice-President in charge of the EGD Frans Timmermans have repeatedly pledged that the EU's green transition should 'leave no one behind' (European Commission, 2019). A Communication entitled 'A strong social Europe for just transitions' was issued in January 2020, shortly after the proclamation of the EGD. It constitutes a first attempt to connect the governance of the EGD with existing social policy instruments, especially the European Pillar of Social Rights. However, the Pillar hardly addresses socio-ecological challenges. Only the topics of green skills and energy poverty made headway into the 2021 Commission Action Plan to implement the Pillar. On the other hand, as the enforcement of the EGD has materialized through the so-called 'Fit for 55' package, two new instruments were put forward between 2020 and 2022 in order to specifically address issues of inequality and social justice involved with the transition to a decarbonized economy - the Just Transition Fund and the Social Climate Fund.

These important changes occurred against the background of the post-financial and debt crisis which resulted in the integration of soft coordination in the realm of social policy into the broader fiscal and macro-economic governance framework of the EU, namely the European Semester. Following an initially austeritarian approach subjecting social policy to the imperative of fiscal discipline, the EU institutions had operated a turn towards more fiscal flexibility and an increased concern for the social (and political) consequences of the EU economic governance, to then embrace a stronger revival of its social policy agenda from 2017 onwards with the European Pillar of Social Rights as a blueprint (Vesan et al., 2021). Taking a long-term perspective, though, many specialists of social policy agree on the idea that social policy was always a 'second order' policy area for the EU (Copeland, 2019) essentially serving to enable – rather than truly counter-balance – transnational market making and mostly lacking the necessary bite to effectively address the sheer level of social inequality both within and between the Member States of the EU (Crespy, 2022).

The purpose of this contribution is to reassess, two years on, the social ambitions involved with the EU's goal just transition. Our focus lies on two key instruments proposed to address social issues in the green transition, namely the Just Transitions Fund and the Social Climate Fund. Beyond the issue of governance and policy instruments, the debates which have occurred in relation with various policy instruments also provide a clearer picture of the political and ideological conflict lines which shape the contours of the EU just transition agenda. Building on earlier accounts (Sabato and Fronteddu, 2020; Laurent, 2021), we attempt to go one step further by departing for the more specific angle of EU social policy. Has the EU social policy agenda been 'lost in transition' and – yet again – ordered as a secondary objective or does the EU's pledge for a just transition have the potential to foster efforts towards more social justice by integrating it into the EGD agenda? More broadly, what kind of transition model do we see emerging under the auspices of the EU and is it converging with or rather distinct from archetypical models of just transition and eco-social state?

To answer this question, we look, in section 1, at the various conceptualizations of the just transition and consider the emerging visions for eco-social states in relation with the EU context. The sections two and three deal respectively with the Just Transitions Fund (JTF) and the Social Climate Fund (SCF). For each of them, we look at the asserted objectives, the underpinning policy tools, and the patterns of political conflict. In the final section, we reflect on our findings to discuss the emerging picture in terms of the significance of social policy objectives and of the distinct nature of the transition model promoted by the EU.

1. The avatars of the just transition: the EU at a crossroads

When the EU has embraced the concept of just transition, it already had a history, taking root in US union circles in the 1970s and 1980s. By then, it was essentially conceived as an endeavour to resolve the conflict between workers' interests and measures to protect the environment. After being circulating via the international labour movement, notably the International Trade Union Confederation, the concept was later endorsed by international organizations such as the International Labour Organization (ILO) and the United Nations. In the 2010s, a global and comprehensive view emerged of what a just transition at global scale should look like (for a comprehensive background, see Holemans & Volochenko, 2022).

In Europe, the notion remains very much in flux as heated political debates have shaped the EU's concrete means of action. Thus, while previous assessments have dealt with the broad vision conveyed by the EGD (and to a lesser extent the JTF), it is now a good time to look back at 2020-2022 as a foundational moment where a vision comes to crystallize on specific policy instruments. First, it seems fair to say that the EU's vision is far less ambitious than the one promoted by the ILO, in three main respects: the underpinning philosophy, the policy making tools, and the political processes (Sabato & Fronteddu, 2020). From a philosophical point of view, the notion of just transition promoted by the ILO builds on theoretical work putting distributional and procedural justice at the centre. While the former points to the equal distribution of the opportunities and costs associated with the transition, the latter advocates the broad inclusion of affected citizens and stakeholders in decision making. In the EU, though, the claim that the transition should 'leave no one behind' seems to build more on a concern with the political consequences of popular resent rather than on tangible procedures allowing for citizen participation. So far, the EU's just transition is devised and enforced from the top. Then, at the policy level, the ILO's notion of just transition *is* the overarching policy concept serving to integrate multi-level efforts from the local to the global level, on one hand, and various policy sectors and across economic policy, social policy, and environmental policy, on the other. The process underpinning the enactment of the EU just transition has a different morphology. The founding act is the EGD which has been conceived as a new growth model, namely one which should be sustainable from an environmental point of view. Specific ideas and policy instrument for making the transition just have come afterwards, in a process of layering. Furthermore, according to the European Court of Auditors (2020) and others, the public resources dedicated to making the transition just are clearly insufficient. Finally, from a politics standpoint, instead of the social consensus recommended by the ILO, we have seen fiercely divisive debates emerging on the respective national allocations of the resources from the JTF, over the green taxonomy, or social resent against fiscal strategies pursued at the national level as illustrated by the 'yellow vests' movement in France etc. Therefore, we see profound differences between the ILO's roadmap for achieving the just transition and the related developments in the EU.

This raises the issue of the inherent logic underpinning the EU's just transition policy. Examining recent initiatives, Alcidi et al. (2022) have distinguished a *compensatory logic* whereby 'social policy and tools are linked to environmental objectives and tools only to the extent to which the latter produce negative externalities', from an *integrated logic*, whereby 'welfare policies (…) are also conceived as a necessary pre-condition to facilitate the ecological transition'. On one hand, they see the EGD and the JTF responding to an essentially compensatory logic, targeting narrow groups of 'losers' of the transition. On the other, they detect a more integrated logic emerging with the Resilience and Recovery Facility (RRF) whereby the EU is trying to steer national reforms towards the modernization of welfare states supporting the goals of the just transition. Research investigating the national reform plans which will guide the spending of the money shows that approximately 30 per cent (e.g.,, around €150 billion) of the entire envelope will be spend on social policy (Corti and Vesan, forthcoming). Yet, it is unlikely that the resources available in the RRF can alone close the social and environmental 'investment gap' in the face of the just transition challenge. The more so given that a recent analysis of national recovery and resilience plans suggests that policy interventions and planned spending rarely contribute to both social and green objectives jointly but are rather 'tilted in favour of green transition objectives' (Theodoropolou et al., 2022). Thus, the EU toolbox could be expanded by innovations such as introducing a European 'golden rule'[1] for social investment (Alcidi et al., 2022). However, even if an investment logic was consistently and massively underpinning the EU efforts, it would remain far from more radical proposals by, for instance, the Just Transition Network, aiming to 'decommodify certain societal sectors such as education and care, to create the space for new economic institutions, such as commons, and to promote the role of public services' (Holemans and Volodchenko, 2022). Far from such a comprehensive approach, a first attempt to put forward a more integrated approach to the 'just' dimension of the transition can be detected in the recent adoption of a Council Recommendation from June 2022 (see Section 4).

Another way to look at the EU's just transition is through the lens of the paradigmatic shift towards a new kind of social-ecological state (later 'eco-social state') replacing the 20th century style welfare state (see Table 1). In the model put forward by Éloi Laurent (2020, 2021), the eco-social state shall be the new institutional infrastructure allowing the achievement of a just transition. Its notable difference with its productivist predecessor is that it puts human health and well-being at the centre of the economic and social life instead of the increase in production (read growth). This touches upon a main ideological conflict line in the debate, namely those who think that growth can be generated without harming the environment versus those advocating a more radical paradigm shift towards an economy based on the decrease in output as measured by GDP (Pochet, 2019: 309). There is not much debate about the fact that the EGD is falling under the first vision since it is flagged as Europe's new growth strategy (Sabato et al., 2021; Munta, 2020) rooted in the idea that:

> 'transform(*ing*) the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.' (European Commission, 2019)

The claim that *decoupling* CO_2 emissions from growth is possible is nevertheless contested. The European Environmental Bureau (2019) has for instance concluded on the basis of up-to-date research that the idea of a decoupling is not to be observed empirically neither likely to happen in the future. The promotion of 'green growth' can therefore be seen as a deceptive vision impeding a genuine just transition to only foster the redeployment of capital (Pistor, 2021). In a recent commentary inspired by Esping Andersen's typology of European welfare states, Eloi Laurent (2020) reflects on types of emerging social-ecological states and the distinct articulations between the environment, markets, and society they exhibit. He describes EU countries converging on a model of 'economic naturalism' meaning that:

> 'Unable to define together a new social-ecological regime calibrated for the 21st century, they have opted for a naturalisation of the economic system they have built in common since the 1950s—notions borrowed from the living world, such as growth and competition, ending up governing human societies and social systems'

This strongly suggests that Europe is trapped in the 20th century productivist paradigm which puts economic growth instead of welfare at the centre of human activity.

Table 1. Paradigms for the articulation between the environment, the economy, and society

	Productivism	**EU green transition**	**Just transition**
Primary driving principle	Economic growth	Green growth	Human health and wellbeing in a preserved environment
Institutional framework for social justice	Welfare state	Investment state	Eco-Social state
Main source of social risks	Production/the labor market	Climate change and environmental degradation	Climate change and environmental degradation

Politics	Left-right Essentially national Top down	Left-right Net contributors vs. net beneficiaries National vs. EU Multi-level/top down	Multi-level Top down and bottom up – Social consensus

Source: Authors' own compilation.

In a nutshell, deep political conflict lines are behind the façade of the EU seemingly voluntarist agenda. For those embracing a more radical vision of the just transition, it 'should not simply be a new growth strategy, as the Commission claims, but should serve as a *new and equitable social contract* between society, the economy, and our living planet' (Matthieu 2022: 152). Way beyond targeted and small-scale mechanisms for compensating or buffering the negative distributive effects of transition policies, issues of fiscal justice will play a key role. As underline by Matthieu, this raises the questions of the limited competences of the EU in the fiscal and social realm and its historically entrenched bias for market-based solutions. Thus, there is a high risk that the EU just transition model ends up amounting to 'incremental reform' with narrow distributional impacts or one of 'top-down transition' involving only a limited number of stakeholders as opposed to more inclusive and transformative forms of transition (Holemans and Volochenko, 2022: 41).

Two years after the enactment of the EGD, the question is therefore more acute than ever: To what extent does the emerging EU transition model provide an integrated response to intertwined social justice issues and the green transition of the economy? A good starting point lies in the social issues exacerbated by the green transition. A synthetic (if not exhaustive) summary of the existing literature points to three major aspects (Crespy, 2022: 202-204):

- The unequally distributed generation of carbon emissions, the unequal distribution of environmental risks (esp. related to health, quality of life, energy poverty)
- the destruction of employment in carbonated sectors and the possibility of quality occupation in new green sectors

- the lack of social justice and the unequally distributed financial burden implied by the green transition and the unequal fiscal capacity to invest in the technical means available to mitigate them

All three issues conjure to potentially lead to an increase in inequality in terms of health (and life expectancy), well- being, and income. They therefore also bring about new distributional and political conflicts.

2. The Just Transition Fund: innovation or cohesion business as usual?

The publication of the EGD in December 2019 has been characterized by many observers as a potentially transformative moment for sustainable development in the EU (Dupont et al., 2020; Sabato and Fronteddu, 2022; Dupont and Jordan, 2021). The EGD sets out a carbon-neutral future for the EU by 2050 and for the first time puts climate and environmental concerns at the centre of medium to long-term strategic thinking in the EU, designating them as '…this generation's defining task' (European Commission, 2019). The EGD is also the EU's new growth strategy which embraces the notion of green growth as an economic model of choice – fighting climate change and protecting the nature whilst achieving economic growth through modernization (Dryzek, 2013). However, the EGD, at least rhetorically, also seeks to balance between economic, environmental, and social objectives in a comprehensive way, by considering their interconnected nature and exploiting synergies and identifying trade-offs between different policies (European Commission, 2019: 3). One of the underpinning elements of the EGD is the promise to 'leave no one behind' and to account for the negative social consequences of the greening of the economy. To address these socio-ecological challenges stemming from '…significant changes in business model, skill requirement and relative prices' (ibid., p. 16) due to decarbonization, the Commission proposed to introduce a Just Transition Mechanism as a core instrument.

The central pillar of the Just Transition Mechanism is the Just Transition Fund (hereafter: JTF), alongside an InvestEU Just Transition scheme to mobilize private capital, and a Public Sector Loan facility to mobilize public investment mostly through loans from the European Investment Bank. The JTF is equipped with €17.5 billion (in 2018 prices) for the period 2021-2027, out of which €10 billion come from the Next Generation EU program, and €7.5 billion are financed from the 2021-27 multi-annual budget. This amounts to €2.5 billion a year or less than 1% of the EU's total financial budget for 2021-27. The allocation of funding is based on the criteria of levels of industrial emissions in carbon-intensive regions, employment figures in fossil fuel industries and degrees of economic development (GDP). Access to funding is conditional on Member States committing to the 2050 climate neutrality target of the EU as some countries have been reluctant to agree to the target (Poland). In case of absence of commitment, a 50% reduction in annual allocations would be enforced. Also, Member States need to prepare, based on the partnership principle with local and regional authorities and relevant stakeholders, and submit to the European Commission Territorial Just Transition Plans in which they outline the specific indicators that will contribute to the selected objectives of the JTF.

A) Objectives

The Regulation on the JTF has a regional focus and assumes that different regions have different starting points and capacities to respond to the social, environmental, and economic challenges of the green transition. Therefore, it targets only those regions across the EU that heavily rely on fossil fuels for energy use (European Union, 2021, Recital 2). It also takes a particular interest in fostering the modernization of local economies and addressing the negative impacts of the transition on workers and employment (ibid., Recital 5). The scope of support through the JTF therefore combines two categories of eligible activities: green investments and social investments (Sabato et al. 2021). The first consists of investments in innovations, diversification and modernization of firms, creation of new businesses and jobs and investments in clean energy, energy efficiency, sustainable mobility, digitalization, and circular economy. Social activities comprise the upskilling and reskilling of the affected workforce, job-search assistance, active inclusion measures, creation of childcare and elderly care facilities and training centres, and finally reduction of energy poverty (Art. 8). Furthermore, the Regulation acknowledges the importance of promoting gender equality and paying attention to vulnerable groups within carbon-intensive sectors, albeit only in the recitals to the Regulation.

Several observations can be made on the role of social policy and the welfare state in the green transition as envisaged in the JTF. First of all, given the centrality of the relationship between the economy and the environment in the green growth agenda, the function of social policy in making the green transition just is to primarily invest in the ‘social implications of environmental challenges and policies’ (Mandelli, 2022) so that the welfare state becomes a contributing factor (productive force) for growth (Copeland, 2019). The welfare state is here to, first and foremost, enable the green transition through targeted supply-side measures, e.g., investment in green skills and competences, and second, to create buffers for a smooth transition through strong social and healthcare services, social protection, and income maintenance (Sabato et al., 2021; Alcidi et al., 2022). From the social aspect of the JTF, the concept of just transition has therefore come to denote policies which should cushion the transition of workers from declining sectors into decarbonized industries, most notably through social investment measures for education and training, re-skilling, and upskilling of workers (Kyriazi and Miro, 2022: 9). The buffering function is however suspiciously missing from the JTF given the absence of stronger social protection measures (e.g.,, income support) for redundant workers. Similarly, a social rights-based perspective is lacking from the instrument, despite the basic call for Member States to ensure consistency with the European Pillar of Social Rights as the key reference framework for EU social policy nowadays (European Union, 2021, Art. 11.4). The specific linkages in the nexus between green transition and the EPSR are, however, not further developed nor do the procedural requirements of just transition plans put any burden on Member States to explicitly establish that link. Finally, no strict requirements on how the partnership principle should be applied in setting up just transition plans were put in place, thus leaving the question of social consensus wide open. That said, the JTF does not live up to the standards of a holistic just transition as promoted, for instance, by the ILO.

Secondly, the JTF offers a ‘strongly territorially-focused and sectorial’ framework (Sabato and Fronteddu, 2020) for dealing with the social consequences of decarbonization. Markedly, the JTF strictly concentrates on employment, carbon-intensive sectors, and regions heavily reliant on fossil fuels. Some critics have pointed out that the narrow understanding of a just transition, confined to specific groups, industries, and regions most affected by the decarbonization of the economy, as employed in the JTF, will not be enough to meet the vast social (and health) impact of the climate crisis on whole societies and to ensure social equity and inclusiveness (Petmesidou and Guillen, 2021). According to that view, the JTF is only part of a patchwork of a multitude of potential initiatives to tackle the social consequences of the green transition, whereas a comprehensive approach which would systematically examine the social impact of the green transition is largely missing from the EU agenda (Akgüç et al., 2022). Taken together, the JTF therefore blatantly fails on the one hand to specifically address issues of social protection and social rights, and on the other to account for broader distributional implications of climate and environmental risks. The JTF is thus a fragmented policy which concentrates on one specific aspect of inequality, and hence creates justice for some, and not for all – to paraphrase Béla Galgóczi (2022).

B) Articulation with existing policy instruments

From a governance perspective, the JTF is not a particularly innovative tool. As an instrument of cohesion policy which seeks to address the Investments for jobs and growth goal of the Common Provisions Regulation (European Union 2021, Art. 3), it builds on pre-existing initiatives to address the social consequences of the green transition in coal regions of the less developed countries and to foster regional convergence. For instance, the EU has set up a Modernisation Fund in the framework of the EU emissions trading system (European Commission, 2020) to be functional for the period 2021-30 in ten lower-income Member States to 'to support investments in modernizing energy systems and improving energy efficiency'. Drawing on revenues from the EU ETS system, the Modernisation Fund, much alike the JTF, supports social investments for a just transition through various activation policies. Likewise, Member States can complement funding from the JTF funding, on a voluntary basis, with resources from other structural funds (Cohesion Fund, European Social Fund+, European Regional Development Fund) and thus explore synergies within cohesion policy. As already highlighted before, all these initiatives exert a strong social investment dimension on the socio-ecological nexus. Several conditionalities are attached to the use of the JTF as well. Besides the required commitment of Member States to the net-zero emissions target by 2050 and the pre-defined allocation criteria, Member States are prohibited from using the JTF to invest in fossil fuels and nuclear energy. Some relatively new governance features were introduced, such as the partial linkage of disbursement of funding to performance, to appease the concerns of hawkish Member States (called the 'Frugals', e.g., Sweden, Denmark, Germany, the Netherlands, and Finland) that the funding will not be spent prudently.

C) Patterns of political conflict

Issues of size, conditionalities, investments in fossil fuel industries and the scope and weight of the social objectives have been the subject of contention and political conflict along multiple cleavages, including ideological (left/right), geographical, national/EU and beneficiary/benefactor relations. Although an exhaustive overview of all fault lines is out of the scope of this paper (see: Kyriazi and Miro, 2022), it is worth noting that some of these disputes crucially influenced the degree of distributional justice of the JTF. On the size, Eastern European countries have insisted on a much more generous budget given their reliance on fossil fuels, whereas net contributors, particularly the 'Frugals' (Netherlands, Denmark, Finland, Sweden, Austria) advocated for a responsible and modernization-centred budget and asked for the downsizing of agricultural and cohesion spending during the overlapping negotiations on the next MFF 2021-27 that was discussed throughout 2020. Finally, due to the 'Frugals' opposition the final figure of €17.5 billion agreed by the European Council in July 2020 was significantly lower than what the European Commission, the European Parliament and Eastern European Member States would have wished for (ibid., p. 16; Agence Europe, n°12533). In contrast to the issue of size, the European Parliament and the Baltic states were able to exert influence on the social dimension of the JTF, against the will of several net contributors[2], by broadening the scope of eligible investment activities financed under the JTF. These include micro-enterprises, universities and public research institutions, digital innovation, and activities in the area of education and social inclusion, notably investments in training centres, childcare, and elderly care facilities (European Parliament, 2022a; Agence Europe, n°12620; n°12521; n°12513). The financing of more buffering welfare measures such as income support, and a more explicit link to gender equality as a social rights-based measure, both advocated by the European Parliament, was however not granted due to the Council's concern that 'adding additional objectives would make the Fund too binding and restrictive' and that they would not fit the tight budget (Agence Europe, n°12599). Whereas the scope of interventions was indeed widened, the nature of the socio-ecological nexus remained intact, and the budget remained modest. The final text effectively cemented the supporting/enabling function of the welfare state in a territorially, occupationally and sectorially constricted just transition. This leaves the socio-ecological nexus in the case of the JTF rather thin and subordinated to the imperative of the green growth approach of the EGD.

3. The Social Climate Fund: reconciling markets, redistribution, and social investment?

In July 2021, the European Commission put forward the SCF starting in 2026 as part of the 'Fit for 55' package. A provisional agreement between the Council and the European Parliament was struck in late December 2022. Rather than an instrument in its own right, the Fund stems directly from another policy, namely the extension of the existing Emissions Trading Systems (ETS) to the building and transport sectors, a measure dubbed ETS 2. Since the market for carbon emissions is very likely to bring about an increase in prices for households, the purpose of the Social Climate Fund (SCF) is to offset the negative impact on the most vulnerable individuals as well as small enterprises by providing resources for the Member States to grant direct financial income support and fund investment in clean housing and transport. The initial proposition from the Commission foresaw the Fund's budget would amount to approximately €72 billion with the Member States co-financing 50% of the expenditure. As of January 2023, co-legislators have agreed (in trialogue negotiations) on a budget of € 65 billion with an additional 25% share from the Member States bringing the total available amount to € 86 billion. The EU's financial contribution to the SCF therefore amounts to roughly 3.6% of the EU's 2021-27 budget, incl. NextGenEU. The current deal, which is scheduled for approval in the EP's plenary in February 2023, foresees that carbon pricing through ETS2 should also apply to households – and not only to commercial road transport and commercial buildings – from 2027 onwards (Agence Europe, n° 13087).

A) Objectives

Compared to existing EU instruments, the innovative nature of the SCF resides in its twofold compensatory and redistributive nature. Unlike the JTF or the European Social Fund+ (ESF+), it does not target territories or project holders but shall explicitly serve to fund 'temporary direct income support to vulnerable households that are transport users to absorb the increase in road transport and heating fuel prices' (European Commission, 2021, Art. 6). In addition, the Fund shall also serve to fund investments geared towards decarbonization, 'provided they principally benefit vulnerable households, vulnerable micro-enterprises, or vulnerable transport users' (Art. 6, par. 21). The strong emphasis put on vulnerable groups therefore contrasts with the often-undifferentiated emergency income support measures taken for instance in Germany, Italy, France, or Spain, which are both socially regressive and counterproductive from a price signal/environmental point of view (Defard, 2022, p. 4-5).

The investment string of the Fund should also serve to address the unequal financial capacity to invest in the technical means to mitigate environmental risks such as building renovation. Yet, it may in practice be difficult to make sure that investment in public transport infrastructure or building actually benefit the vulnerable instead of the wealthy. Furthermore, allocations to Member States are calculated on the basis of 6 criteria including total population, GNI per capita and several measures of the population at risk of poverty and economic dependence on carbon. As a result, Poland, France, Italy, Spain, and Romania are expected to be the five main recipients of the Fund, accounting for almost 60 per cent of the available resources (see Annex II). Therefore, the SCF is designed to address both vertical inequalities within societies and horizontal inequalities between EU countries. In practice, Member States will have to devise national social climate plans in which 37,5% of the available money can be directed towards income support, a share which should be decreasing over time (Agence Europe n°13087).

At the same time, its narrow focus on the distributional impact of carbon pricing for individuals and households leaves some major aspects of inequalities unaddressed. A first aspect goes back to the roots of the problems in terms of carbon emissions. Numerous studies provide evidence that the wealthier generate more carbon emissions due to their lifestyle (Kenner, 2019). This does not only have environmental but also political consequences since income inequality brings about resistance to climate friendly policies both from capital owners benefiting from the status quo as well as from those in economic insecurity feeling that transition measures lead to inflation and therefore threaten their well-being (Green and Healy, 2022, p. 639). In an attempt to address this issue, the current agreement on the SCF will include the first-ever definition of energy and transport poverty (Agence Europe n°13087). However, there are grounds to suspect that the available money will be insufficient to tackle the extra burden implied by carbon pricing for vulnerable households. Another important type of inequality concerns the unequal distribution of environmental risks related quality of life and health. Living in highly polluted environments, areas at risk of flooding or in energy poverty might increase health issues and lead to reduced life expectancy (Paavola, 2017), an issue that is not considered by the SCF. In turn, by funding investment in activities generating 'low emissions' as opposed to 'zero emissions' as foreseen by the latest agreement, the Fund could end up maintaining people at the bottom of the social ladder into carbon-based mobility and housing, as NGOs have argued (Agence Europe n° 13084). In many ways, thus, using carbon pricing before the sufficient regulatory and investment policies are in place to protect the most vulnerable households from having to foot the (excessive) bill amounts to 'put the cart before the horses' (Defard 2021, 2022).

B) Articulation with existing policy instruments

While the SCF should be consistent with the other EU instruments, notably the European Social Fund + and the European Pillar of Social Rights Action Plan, no specific articulation is obvious. The focus on direct income support to vulnerable households and micro-enterprises can be seen as complementary to the approach in the ESF+ and in the JTF which both focus to a large extent on inclusion on labour markets through re-skilling and up-skilling. At the same time, overlap may arise between the SCF and the ESF in terms of support to vulnerable individuals, on one hand, and between the SCF and the RRF in terms of investment, on the other. While the European Pillar of Social Rights is mentioned a few times in the Regulation proposal, the connection is not obvious, mainly because the Pillar has no explicit environmental dimension and the rights featured have not been conceived in the light of how climate change reinforces existing inequalities (for instance with relation to health). Yet, the Commission sees the SCF contributing to achieve the objectives the Pillar on the basis of Principle 20 stating that all citizens, including the most vulnerable, have a right to access essential services including water, sanitation, energy, transport, financial services, and digital communication. This clearly relates to the investment string of the Fund.

In terms of governance, the initial Commission proposal had put forward three types of conditionality attached to the distribution of the funds. Performance conditionality, the 'do no harm principle' and additionality are to be found in other EU instruments. Following the same 'performance-based approach' as the RRF (Corti & Vesan, forthcoming) and the JTF, the national social climate plans will have to include qualitative 'milestones' and quantitative 'targets' which will have to be achieved in implementing the planned measures and investments to be completed by July 2032 (Art. 4). This methodology is meant to be conducive to a smoother implementation and higher level of funding absorption. A second type of conditionality resides in the fact that the foreseen policies should be in tune with the principle of 'do no significant harm' referred to in Article 17 of Regulation (EU) 2020/852. In practice, conflicts between the protection of biodiversity and the construction of sustainable infrastructure or housing have been increasingly frequent, leading to political dilemma. Third, Member States are expected to co-finance 25% of the SCF akin to the additionality principle in EU cohesion policy, which stipulates that EU's financial support to Member States must complement and not replace national funding dedicated to certain policies.

C) Patterns of political conflict

When examining the heated debates surrounding the new carbon market for road transport and buildings (ETS2) and the accompanying SCF, the typical lines of conflict existing in other policy areas can be observed, namely the imbrication of ideological conflicts (mainly left-right), material conflicts (creditors vs recipients of the EU budget), and inter-institutional confrontations (EP vs. Council). Contention has crystallized around three issues: the very relevance of using carbon pricing and especially to extend it to households' transport and buildings, the amount and sources of funding, and the extent to which the Fund should be geared to direct income support vs. investment.

From an interinstitutional point of view, we have seen the Commission fighting to defend its proposal which has come under the fire of both the Council and the EP and having to find a compromise acceptable to both institutions holding often opposed views. On one hand, many

MEPs have seen the Fund as highly insufficient to compensate for the enforcement of carbon emissions pricing and the ensuing higher prices for households. On the other, the Council has been divided, having to overcome the potential veto from some governments unwilling endorse a new instrument implying more financial solidarity across Member States.

From the outset, the twin proposals for ETS 2 and the SCF have sparked criticism from many MEPs with the spectrum of the French Yellow Vests revolt continuously looming over the deliberations. Pascal Canfin (*Renew Europe*, France), Chair of the Parliament's Committee on the Environment, Public Health and Food Safety (ENVI) declared for instance to be '*very sceptical about (...) extending the carbon market to buildings and transport, because we consider the political cost to be very high and the climate impact to be very low*', a position from Renew which was also shared by the Social Democrats (S&D) and the Greens (Agence Europe, n° 12787). Eurosceptics from the European Conservatives and Reformists Group similarly feared the popular backlash against the EU green policy. Moreover, the three groups from the Left part of the assembly called for a much earlier abolition of free emissions quotas for the industry (e.g., aviation) in order to ensure sufficient funding, if needed via the existing ETS system of emissions quotas for energy suppliers and the industry (Agence Europe, n°12790). Some members of the Left, S&D and the Greens even called for disconnecting the SCF from ETS2 altogether (Agence Europe, n° 12913). In contrast, the European People's Party Group has been most supportive of the Commission's initiative (Agence Europe, n°12787, n°12913). Ideological cleavages among political groups have initially followed a left-right pattern with the caveat that the far-right of the assembly was similarly sceptical of the initiative, fearing that it would become a 'political bomb'. Amid heated political divisions, which led to a failure of a vote on the overall 'Fit for 55' package in the plenary of 6-7 June 2022[3], a large majority (479 in favour, 103 against, 48 abstentions) eventually adopted a resolution later in June bringing important changes to the Commission's proposal. While a red line for the EP, the curtailing of carbon pricing to commercial activities, thus excluding households at least until 2029, could not be maintained and households are now foreseen to be covered by ETS2 from 2027.

In the Council, cleavages have typically divided Member States along a net contributor vs. recipient line. A large number of governments were concerned about the political costs of extending the carbon market to buildings and road transport. At the same time, the 'Frugals' found that the EU already had a sufficient set of policy tools to ensure a fair transition and that social issues mainly had to be addressed at the national level (Agence Europe, n°12914).

Denmark, Sweden, and Finland, in particular, expressed their objection to the Council's common position from June 2022 in a political statement. Meanwhile, negotiations with the EP have further shaped the proposed Fund. The Council's attempt to suppress co-financing by the Member States altogether has not proved successful as national money should now account for 25% of the available resources. Another bone of contention has concerned the share of direct income support in the costs of national plans with the Council aiming for a higher proportion and the EP arguing for more investment. It has now been brought to 37,5%. All in all, the SCF is being shaped as a hybrid instrument patching together market mechanisms, direct compensation, and social investment. Just like national recovery plans or just transition plans, social climate plans will rely on a number of conditionalities, but the specific measures included will be the result of discussions between national administrations and Commission services. It is uncertain, at this stage, whether these bilateral interactions will ensure consistency, coherence, and complementarity between the SCF and the other instruments, especially the ESF+, the JTF, and the RRF. The relevance of the EPSR seems lost here.

4. Conclusions: from green growth to a just transition

The starting point of this paper was to examine whether the just transition agenda could be seen as a breakthrough allowing to make social justice an integral element of the EU's green transition framework. Focusing on the two key policy tools set up so far to tackle social issues in the green transition, we see a lot of path dependency at stake. Like the other funds established in the past, both the JTF and the SCF have narrow objectives anchored in a reactive investment logic of eco-social policy integration. In this case, it is about decarbonizing the economy through market-based mechanisms such as carbon pricing. While the money is directed towards specific categories of people, the only innovative string introducing a protective instrument of income support, is kept to a minimum. At the same time, there is a strong continuation of the social investment logic with a focus on reskilling the labour force affected by decarbonation. The awareness of the crucial importance of public services, public infrastructures and common goods seems to emerge as a concern, but it remains nascent and insufficiently connected to the specifics of social stratification and inequalities. A striking point is the relative irrelevance of the EPSR in these debates, whereas it was supposed to serve as a broad compass for the EU's social policy action in the coming decades. Unsurprisingly, the JTF and the SCF are the outcome of major struggles and necessary compromises featuring well-known patterns. Left-right confrontations revolve around the standards of social justice which should be pursued at

EU level, and the degree on constraint put on economic operators or public administrations. At the same time, we observe an ongoing battle between net contributors to the EU's budget, who are trying to contain the redistributive dimension of the green transition, versus the net beneficiaries which can also see each other as competitors for EU money, depending on the specific patterns of carbon dependence, territorial and social imbalances they exhibit. While a deeper examination of this issue was beyond the scope of this paper, this may be an important topic for further research.

Following the Fit for 55 package and criticism pointing at the fragmented nature of EU's just transition efforts, the Council passed a recommendation for ensuring a fair transition towards climate neutrality (Council, 2022) as an attempt to address the weak social dimension of the EGD. The recommendation addresses relevant policy dimensions and objectives including labour market and education policy (e.g.,, the 'skills' agenda), exclusion and poverty aspects, fiscal policy, as well as governance and participation issues. However, without legally binding effect, the recommendation mainly features an overwhelming list of principles, objectives, and tasks for the Member States to aim for. References to available EU instruments and funds often take the form of an unordered list which leaves it to the Member States to choose whether, when and how to use them and suggests there is no political consensus on what role EU policymaking should play on the eco-social front. Finally, on a more symbolic note, the recommendation does not embrace the notion of 'just transition'. The text refers to some extent to a 'fair' transition (24 occurrences) but to a much larger extent to the more neutral notion of 'green transition' (64 occurrences). This seems to suggest that, even at the discursive and ideational levels, there is no consensus within the EU of what is slowly crystallizing as a common understanding of the 'just transition'.

Is it possible, therefore, to detect an emerging European model re-articulating the relations between the economy, societies, and the environment? We find evidence that EU policy tools promote a distinct model of transition which leaves behind many of the obsolete features of the 20th century productivist model but cannot be assimilated to a genuine just transition model as conceived by environmental movements or international organizations such as the ILO. The EGD and its flanking social policy instruments revolve around the key principle of promoting green growth - through carbon markets and efficient labour markets - rather than human health and wellbeing in a preserved environment. They substantiate a new form of investment state, rather than a genuine eco-social state simultaneously addressing environmental and social problems, and their mutual trade-offs and spill-over effects in a holistic way. Going forward, there is a real danger that the limited EU social action will be ineffective to tackle the sheer scale of exacerbated inequalities when climate change *and* transition policy reach full speed. While the ideal of a social consensus underpinning a just transition may be utopian, we currently see multiple cleavages fuelling various forms of political conflicts.

A number of actions could be pursued in order to alleviate those problems. Considering the underlying philosophy of the EU's transition model, the EU institutions should invest more intellectual and financial resources in producing an in-depth analysis of the intersection between environmental damage and social inequality. In the era of 'evidence-based' policy making, the focus on workers from carbon dependent sectors, on one hand, or on people defined in a generic way as 'vulnerable' is disappointing. This said, the nascent notions of energy poverty or mobility poverty could be fruitful for future policy making. The unequal distribution of new social risks such as bad health due to air pollution, water pollution or toxic food has a strong impact not only on health but also on life chances, education, and productivity, even if individuals do succeed to integrate into the labour market. In other words, a genuinely effective political action for a just transition must tackle existing imbalances at their roots rather than treating the symptoms only. This goes hand in hand with enforcing the 'polluter-payer' principle consistently. Taking negative externalities seriously means that those who produce most CO2 emissions need to contribute more financially to supporting the transition financially. This concerns both economic agents and individual households.

A second direction relates to governance. While the EGD can be regarded as a first breakthrough, a more mature European strategy for a just transition needs to re-organize and re-articulate its policies and instruments in a broader, more consistent fashion. As far as social policy is concerned, this means for instance revising the EPSR to include environmental justice and rights to a healthy life and a preserved environment in general *and* specific terms. This means to better articulate the ESF with the JTF and the SCF. Furthermore, policies remaining dark matters need to come into play. This concerns especially the Common Agricultural Policy, which still remains to a large extent anchored in the old productivist model. Above all, this concerns fiscal policy, where the EU should devise an assertive strategy for green taxation systems, both at EU and national level. This connects to the debates on the EU own resources, on one hand, and to the above mentioned 'polluter-payer' principle, for instance.

From a political point of view, it is striking that the fierce debates surrounding the JTF and the SCF at EU level have hardly percolated in national spheres. It is only with the Russian invasion on Ukraine and the subsequent energy and cost of living crisis that the social consequences of the energy transition started making headlines in capitols and that the role of the EU in the just transition became more pronounced. At times where security threats and inflation are feeding collective anxieties, constraints imposed by the EU upon national societies can backlash in dangerous ways if the accompanying financial support is ineffective. Engineered *ad hoc* citizen consultations with no effect on decisions are too often a fig leaf for top-down processes. Instead, why not find an operational way to involve national parliaments in devising a comprehensive, multi-level just transition strategy which would also concern key national competences e.g., fiscal policy? The importance of comprehensive policy packages becomes evident with the growing recognition that the degree of public support for eco-social policies depends on how well states address the complexities of different social concerns emanating from the green transition (Boasson and Tatham, 2022).

The question still remains as to whether the EU can effectively achieve a socially just transition and embody a new kind of multi-level socio-ecological state. As the EU action is undermined by lack of redistributive power and entangled in political compromises which often seem to give in to political inertia, societal conservativism, and predatory markets, the risk is high that the EU apparatus will end-up in greenwashing. This would give credence to the most radical critics arguing that the EU's transition agenda is the new name for a hegemonic project allowing the redeployment of capital through a new (green) growth model.

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The Authors declare that there is no conflict of interest.

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[1] This refers to setting a mandatory threshold of public expenditure directed towards social investment policy, measured in percentage of GDP.
[2] Including the Frugals, Belgium, Luxembourg and Spain.
[3] The failure to adopt the package was caused by the rejection of a compromise amendment on the phasing out of free carbon allowances for the industry foreseen by the revision of the ETS.