

EUROPE NEEDS A SOCIAL PACT FOR THE ENERGY TRANSITION

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The energy transition pushed by the European Union (EU)¹ is becoming a reality in Europe. It offers at least three advantages: it fights climate change, contributes to our own security and improves the living conditions of all Europeans. Even though its logic is more relevant than ever, we must strive to strengthen its legitimacy. In order to ensure its social and political desirability, we must better tackle the challenge of solidarity and better support its makers: workers, entrepreneurs, consumers and citizens. This is why we propose the adoption of a “Social Pact for the Energy Transition”² to be agreed by the EU, the Member States, regions, cities and social partners. This is the best way to guarantee the “just transition” the Paris Agreement calls for, and to improve the living and working conditions for all Europeans as to achieve the “socially-fair energy transition” the European Commission promotes.

A year and a half ahead of the European elections, such a Social Pact for the Energy Transition would show citizens that the EU actually has the political will to effectively achieve better living conditions for all Europeans. This Social Pact is based on four complementary pillars: ensuring a just transition for workers, improving public health for all Europeans, democratising the energy transition by empowering consumers and, finally, eradicating energy poverty. In what follows we shall develop each of these aspects.

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1. First pillar: ensuring a just transition for workers

The energy transition profoundly transforms the economy and reshapes labour markets. New “green” jobs are created, for example in renewable energies and energy efficiency. A number of existing jobs are redefined and require an upgrading of workers’ skills. Some jobs are destroyed, notably in the fossil fuel sectors and industries with high greenhouse gas (GHG) emissions. In several cases, the structure of entire sectors—such as agriculture and transport—is at stake. The challenge is to enable workers to maximise the real opportunities offered by the energy transition in terms of jobs, while mitigating its negative impact.

It is at the level of the EU and its unified internal market that a comprehensive and proactive approach to workers’ place in the energy transition should be defined in order to address three challenges:

- **Anticipate the sectors and regions threatened with job losses and plan for a transition.** The European Commission should carry out – in cooperation with the Member States, regions and social partners – an analysis of the risks and opportunities the energy transition holds for each European region in order to be able to anticipate and prevent economic decline, which is a cause of structural unemployment. On the basis of these projections, national and local policy makers and social partners will be able to take the appropriate decisions so as to limit, spread over time and compensate

1. See for example the “Clean Energy for All Europeans” package proposed by the European Commission in November 2016.

2. Sofia Fernandes, “A Social Pact for Energy Transition”, in *Making Energy Transition a European Success*, Report No.114, Jacques Delors Institute, June 2017.

for the job losses linked to the energy transition. In this respect, the Coal Regions in Transition Platform launched by the Commission at the end of 2017 is promising and provides a good basis for further initiatives.

- **Accompany the workers at risk of being the “losers” of the energy transition.** While measures to support and accompany the losers of the energy transition primarily rely on national solidarity, European solidarity also has a role to play. In the run-up to the negotiations on the post-2020 EU budget, this solidarity should involve the creation of a **European Energy Transition Adjustment Fund**.³ This Fund could provide assistance to Member States and local authorities and finance training, retraining, support and entrepreneurship measures for workers who have lost their jobs as a result of major structural changes brought about by the energy transition.
- **Maximise the job creation potential of the energy transition.** The EU is well placed to pursue a genuine innovation-based industrial policy that speeds-up the energy transition. By building on the strengths of European researchers, entrepreneurs and workers,⁴ European companies can become the global leaders of the energy transition, and maximise net job creation in Europe. To make the best of the momentum created by the energy transition, workers need to be equipped with the skills required for new or redefined jobs. In order to attract young people into the energy transition sectors, the EU must continue its Erasmus Pro programme for apprentices, and extend it to include a green component that will put millions of young Europeans in a position to be the makers for the energy transition at home.

2. Second pillar: improving public health for all Europeans

The social impact of the energy transition goes beyond its economic consequences. A cleaner energy system, coupled with a reduction in energy consumption, reduces air pollution and therefore improves the health of citizens. Every year more than 400.000 Europeans die prematurely because of air pollution. To this catastrophic human toll must be added the economic and social costs of diseases caused by air pollution, which strain national solidarity. In order to drastically and rapidly reduce air pollution in Europe, the EU must:

- **Organise the gradual phase-out of coal.** At the very least, the EU Council of Ministers should support the Commission’s proposal to ban certain support mechanisms for coal-fired power plants. The Council should also start studying the ways the EU can use to gradually close-down all coal-fired power plants, as France has pledged to do by 2022, Italy by 2025 and the Netherlands by 2030. The EU’s regional and social structural funds should be allocated, as a matter of priority, to the achievement of this European challenge.
- **Support the modernisation of heating systems.** Coal heating must be ended in the near future as it constitutes an important cause of air pollution and climate change. Wood-burning heating systems must be modernised to drastically reduce air pollution while enhancing the capacity of biomass to be used as a renewable energy source.
- **Support the deployment of electric vehicles** through policy support (for example for electric car charging points) and medium- and long-term regulatory incentives.⁵ In this respect, a number of

³. In setting up this Fund, the Commission could derive lessons from what has been done since 2007 for the “losers” of globalisation with the creation of the European Globalisation Adjustment Fund (EGF).

⁴. Thomas Pellerin-Carlin, “[Innovating to drive an energy transition for all Europeans](#)”, in *Making Energy Transition a European Success*, Report No.114, Jacques Delors Institute, June 2017.

⁵. Thomas Pellerin-Carlin and Emilie Magdalinski, “[Electric cars: a driver of Europe’s energy transition](#)”, Tribune, Jacques Delors Institute, October 2017.

cities (for example Paris ambitions to end the use of petrol and diesel cars by 2030) and states (e.g. Norway will end the sales of new petrol powered cars by 2025, the Netherlands by 2030 and France and the United Kingdom by 2040) have recently sent strong signals. A widespread deployment of charging points for electric vehicles would be facilitated by harmonising the corresponding standards at EU level, which would send a clear signal to manufacturers.

3. Third pillar: democratising the energy transition by empowering consumers

The energy transition allows consumers to take control of their energy consumption, become energy producers and reduce their utility bills. The liberalisation of energy markets, which exposed monopolies to competition and provided consumers with the possibility to choose their energy supplier, was a necessary step for the “activation” of consumers that can now radically change the situation.

The success of the energy transition depends on the participation and commitment of consumers, who are major players for both energy efficiency and renewable energy. To support their actions, it is necessary to:

- **Strengthen the proposals of the “Clean Energy for All Europeans” package⁶**, such as more understandable electricity bills, the deployment of smart meters, and the obligation for Member States to create an independent and freely accessible electricity **price comparison tool**.
- **Develop a better understanding of what determines consumer behaviour and energy choices.** This necessitates

⁶. European Commission, “Clean Energy for All Europeans”, COM (2016) 869 of 30 November 2016.

⁷. Although there is no common European definition of energy poverty, it is commonly accepted that this situation concerns “a situation in which individuals or households are unable to properly heat their housing or to use other energy services needed at an affordable price” according to Steve Pye et Audrey Dobbins, “Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures”, Policy report Insight_E, May 2015, p2.

a greater role for social sciences and humanities in the research projects supported by the EU, as recommended by the July 2017 [Lamy Report](#).

- **Foster citizen engagement in energy production**, whether on an individual basis (e.g. with solar panels installed on the roof of one’s home) or collectively (e.g. through participation in a local energy community). To this end, the EU must offer a common framework of rights and duties for prosumers, grant a legal status for local energy communities, ensure the predictability of programmes in support of renewable development, and guarantee priority access to the grid for the energy produced by small renewable energy facilities.

4. Fourth pillar: eradicating energy poverty

Lastly, the energy transition is an opportunity to improve the living conditions of the more than **50 million Europeans who are affected by energy poverty** and could put an end to the profoundly precarious situation in which the poorest of them find themselves.⁷ Without a public framework setting out how to tackle these challenges head on, the energy transition could even worsen the situation of these consumers. This is the case, for example, when renewable energy investment is financed through electricity taxes rather than other methods available such as a progressive income or inheritance tax. Similarly, public interventions are necessary to ensure that the most modest households, tenants or landlords who occupy or rent badly insulated dwellings can invest in the necessary energy efficiency renovation. It is first up to the EU states and regions to uphold solidarity during the energy transition. Nevertheless, the EU could act in

complementarity with them to promote an “inclusive transition” through the following initiatives:

- **Help Member States to better understand the scale and impact of energy poverty** in the EU. Moreover, it is necessary to evaluate the effectiveness of the strategies intended to address the problem, promote the exchange of good practices and support the best solutions, whether through European legislation, European funds or the coordination of national initiatives. The creation, at the end of 2017, of the **European Observatory for Energy Poverty** is a step in the right direction. This initiative must be complemented by an agreement on a common definition of energy poverty and, above all, the adoption of an action plan to eradicate energy poverty in the EU, which must be part of the wider European strategy for reducing poverty and exclusion, as demanded by the European Parliament in 2015.
- **Participate in the effort to channel public aid into improved energy efficiency in energy-poor households.** EU support should go to what is essential but difficult: actions that address the root causes of energy poverty, mobilise local solidarity and speeds-up the energy transition, such as the deep renovation of dwellings, and support to innovative projects for the improvement of rural housing and co-owned properties.
- **Organise greater exchange and analysis of best practices targeting landlords.** One example is the renovation requirement for the rental or sale of

energy-inefficient housing in the United Kingdom where, from April 2018, it will be unlawful to let or lease a dwelling with very poor energy efficiency rating when it is possible to improve energy efficiency through public co-financing. The “Smart Finance for Smart Buildings Initiative” launched by the European Commission can help homeowners meet their obligations.

Conclusion

2018 will be a crucial year in many regards. It is the first year in which concrete measures contained in the “European Pillar of Social Rights” (adopted in Gothenburg in November 2017 by all EU Heads of State and Government) will be implemented. It is also the year in which European institutions should find an agreement on the ‘Clean Energy for All Europeans’ package. Negotiations on the multiannual financial framework will begin, which will determine the EU’s political and budgetary priorities for the first half of the 2020s. Finally, in December 2018 the world will be back in Europe to decide on the future of the international fight against climate change at COP 24 in Katowice (Poland).

In light of this context, the EU would do well to adopt a Social Pact for the Energy Transition in order to speed-up the energy transition, making it a European success to the benefit of all citizens.⁸

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⁸. Thomas Pellerin-Carlin, Jean-Arnold Vinois, Eulalia Rubio and Sofia Fernandes, “Making the Energy Transition a European Success”, Report No. 114, Jacques Delors Institute, June 2017.