

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

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## Summary

Focusing on two key instruments, the Just Transition Fund and the Social Climate Fund, this article assesses to what extent the EU's pledge for a 'just transition' has the potential to foster greater social justice while implementing the European Green Deal. We analyse the related objectives, policy tools and patterns of political conflict and find that both Funds have narrow objectives anchored in a reactive logic complementing existing social investment initiatives with a focus on reskilling the workforce hit by decarbonisation. Both instruments rely on multi-level investment aiming to generate green growth, combined with targeted compensation for the more vulnerable. This, we argue, is not conducive to a just transition that addresses the intersection of environmental and social problems in a holistic way. Finally, various political fault lines pose the threat that EU action will be insufficient to tackle exacerbated inequalities in the future.

## Résumé

Cet article examine le Fonds pour une transition juste et le Fonds social pour le climat, deux instruments clés adoptés par l'Union européenne dans le cadre du Pacte vert européen. L'objectif est d'évaluer dans quelle mesure la politique européenne de la "transition juste" peut effectivement promouvoir plus de justice sociale dans le passage à une économie décarbonée. L'analyse des objectifs, des instruments et des lignes de conflit politiques révèle que ces deux fonds s'inscrivent dans une logique réactive et dans la continuité des initiatives existantes pour l'investissement social en mettant l'accent sur la requalification des travailleurs menacés par la décarbonation de l'économie. Au final, ces initiatives visent surtout à investir de manière multinationaux pour générer une croissance dite « verte », tout en aménageant des compensations ciblant les personnes les plus vulnérables. Cette approche ne contribue pas, selon nous, à déployer une transition juste capable d'appréhender de manière holistique l'intersection entre problèmes environnementaux

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et sociaux. Enfin, plusieurs lignes de fracture politiques risquent de rendre l'action de l'UE insuffisante pour lutter contre des inégalités encore plus marquées à l'avenir.

### **Zusammenfassung**

Unter besonderer Berücksichtigung zweier wichtiger Instrumente, des Fonds für einen gerechten Übergang und des Klima-Sozialfonds, schätzt der vorliegende Artikel ein, in welchem Ausmaß das Versprechen der EU auf einen „gerechten Übergang“ das Potenzial hat, bei der Umsetzung des europäischen Grünen Deals mehr soziale Gerechtigkeit zu fördern. Wir analysieren die damit verbundenen Zielsetzungen, politischen Werkzeuge und politischen Konfliktmuster und stellen fest, dass beide Fonds in dieser Hinsicht nur wenig ausgeprägte Ziele ausweisen, die in einer reaktiven Logik verankert sind und bereits vorhandene Initiativen für Sozialinvestitionen ergänzen. Schwerpunkt sind dabei Umschulung und Weiterqualifizierung von Beschäftigten, die durch die Umstellung auf eine emissionsarme Wirtschaft betroffen sind. Beide Instrumente beruhen auf mehrstufigen Investitionen in grünes Wachstum, verbunden mit zielgerichteten Ausgleichszahlungen für besonders schutzbedürftige Gruppen. Wir meinen, dass diese Maßnahmen nicht für einen gerechten Übergang geeignet sind, der die sich überschneidenden sozialen und ökologischen Probleme in ganzheitlicher Weise bewältigen kann. Letztlich bergen die erkennbaren politischen Konfliktlinien die Gefahr, dass die Maßnahmen der EU in Zukunft nicht ausreichen werden, um die verschärften Ungleichheiten zu beseitigen.

### **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 presented a policy programme to transition the European economy to a more sustainable growth model – the so-called European Green Deal (EGD). The subsequent COVID-19 pandemic demonstrated in several ways how such a transition was also crucial for preserving the basic health and well-being of humans around the globe. Interestingly, the recovery agenda – adopted after heated debates in 2020 – entailing an unprecedented multi-annual financial framework (MFF) plus a €750bn stimulus package (the Recovery and Resilience Facility or RRF) based on the creation of common debt, provided unexpected financial resources for reaching the objectives of the green transition. By linking the recovery agenda to the EGD from the outset, the EU has attempted to come up with a comprehensive, forward-looking reform strategy.

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), have moved up the EU agenda. Recognition that the green transition is set to be politically demanding has gained momentum, as epitomised by the rise of the ‘just transition’ theme in the discourse of EU decision-makers. This shows an acute awareness that, to be acceptable and politically sustainable, the green transition must encompass social justice. Both Commission President Ursula von der Leyen and the vice-president in charge of the EGD, Frans Timmermans, have repeatedly pledged that the EU’s green transition shall ‘leave no one behind’ (European Commission, 2019a). Shortly after the EGD was announced, an EU Communication entitled ‘A strong social Europe for just transitions’

was issued in January 2020, constituting a first attempt to connect EGD governance with existing social policy instruments, especially the European Pillar of Social Rights (EPSR). However, the EPSR hardly addresses socio-ecological challenges, with only the topics of green skills and energy poverty included in the 2021 Commission Action Plan to implement it. On the other hand, EGD implementation is being driven by the so-called ‘Fit for 55’ package, with two new instruments put forward between 2020 and 2022 to specifically address issues of inequality and social justice involved with the transition to a decarbonised economy – the Just Transition Fund (JTF) and the Social Climate Fund (SCF).

Constituting ‘lessons learned’ from the handling of the financial and debt crisis, these important developments reflect the integration of soft social policy coordination into the broader fiscal and macroeconomic governance framework of the EU, the European Semester. After an initially austerity-driven approach subjecting social policy to the imperatives of fiscal discipline, the EU institutions went on to adopt a more flexible fiscal approach reflecting increased concern for the social (and political) consequences of the EU economic governance, as embraced by its revived 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 social policy experts agree that social policy has always been a ‘second-order’ policy area for the EU (Copeland, 2019), essentially serving to enable – rather than counterbalance – transnational market-making and mostly lacking the necessary bite to effectively address the sheer level of social inequality within and between EU Member States (Crespy, 2022).

The purpose of this contribution is to assess, two years on, the social ambitions involved in the EU’s just transition goal, focusing on two key instruments proposed to address social issues arising from the green transition, the Just Transition Fund and the Social Climate Fund. Beyond the issue of governance and policy instruments, recent debates also provide a clearer picture of the political and ideological fault lines shaping the contours of the EU just transition agenda. Building on earlier contributions (Laurent, 2021a; Sabato and Fronteddu, 2020), we attempt to go one step further by addressing the more specific angle of EU social policy. Has the EU social policy agenda been ‘lost in transition’ and – yet again – become a second-order objective, or does the EU’s pledge for a just transition have the potential to foster efforts towards greater 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 a just transition and an eco-social state?

To answer these questions, we look, in Section 1, at the various conceptualisations of the just transition and at emerging visions for eco-social states within the EU context. Sections 2 and 3 deal respectively with the Just Transition Fund (JTF) and the Social Climate Fund (SCF). For each, we look at the proclaimed objectives, the underlying policy tools and the patterns of political conflict. In the final section, we reflect on our findings, discussing the emerging picture in terms of the significance of social policy objectives and the distinct nature of the transition model promoted by the EU.

## **The avatars of the just transition: the EU at a crossroads**

Prior to the EU embracing it, the concept of just transition emerged in US union circles in the 1970s and 1980s, basically conceived as an attempt to resolve the conflict between workers’ interests and measures to protect the environment. After circulating in the international labour movement, notably the International Trade Union Confederation, the concept was endorsed by international organisations such as the International Labour Organization (ILO) and the United Nations. In the 2010s, a comprehensive view emerged of what a just transition on a global scale should look like (for a comprehensive background, see Holemans and Volodchenko, 2022).

In Europe, the notion remains very much in flux, with heated political debates shaping concrete EU actions. While previous assessments have dealt with the broad vision conveyed by the EGD (and to a lesser extent the JTF), in our view now is a good time to look back at 2020–2022 as a foundational moment where a vision was transformed into specific policy instruments. It seems fair to say that the EU’s vision is far less ambitious than that promoted by the ILO in three main respects: the underlying philosophy, the policy-making tools and the political processes (Sabato and Fronteddu, 2020). Looking first at the philosophy, the just transition notion promoted by the ILO builds on theoretical work centred on distributional and procedural justice. While the former involves 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, however, the claim that the transition should ‘leave no one behind’ seems to build more on a concern for the political consequences of popular dissent rather than on tangible procedures allowing citizens to participate. So far, the EU’s just transition is devised and enforced from the top. Turning to policy-making, 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, as well as various policy sectors, including economic policy, social policy and environmental policy. The process underpinning the EU just transition notion has a different morphology. It is founded in the EGD, a strategy conceived as a new growth model meant to be sustainable from an environmental point of view. Specific ideas and policy instruments for achieving the transition came later, in a process of layering. Furthermore, according to the European Court of Auditors (2020) and others, the public resources earmarked for the transition are clearly insufficient. Finally, from a political standpoint, instead of the social consensus recommended by the ILO, we are seeing fiercely divisive debates over the respective national allocations of JTF resources, over the green taxonomy, as well as social resentment against national-level fiscal strategies, as illustrated by the ‘yellow vests’ movement in France. In summary, we are thus seeing profound differences between the ILO’s roadmap for achieving the just transition and developments in the EU.

This raises the issue of the inherent logic underlying the EU’s just transition policy. Examining recent initiatives, Alcidi et al. (2022) made a distinction between 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’ and an *integrated logic* whereby ‘welfare policies [. . .] are also conceived as a necessary pre-condition to facilitate the ecological transition’. On the one hand, they see the EGD and JTF responding to an essentially compensatory logic, targeting narrow groups of transition ‘losers’. 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 modernising welfare states in support of the just transition goals. Research on the national reform plans guiding the spending of the money shows that approximately 30 per cent (i.e., around €150bn) of the entire envelope will be spent on social policy (Corti and Vesan, 2023). Nevertheless, it is unlikely that the resources available under the RRF will alone be able to close the social and environmental ‘investment gap’ in the face of the just transition challenge, especially 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). The EU toolbox could therefore be expanded by innovatory measures such as introducing a European ‘golden rule’<sup>1</sup> for social investment (Alcidi et al., 2022). However, even if an investment logic was to consistently and

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1 This refers to setting a mandatory threshold of public expenditure directed towards social investment policy, measured as a percentage of GDP.

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

	Productivism	EU green transition	Just transition
<b>Primary driving principle</b>	Economic growth	Green growth	Human health and well-being in a preserved environment
<b>Institutional framework for social justice</b>	Welfare state	Investment state	Eco-social state
<b>Main source of social risks</b>	Production/the labour market	Climate change and environmental degradation	Climate change and environmental degradation
<b>Politics</b>	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.

massively underpin EU efforts, it would remain far behind more radical proposals made for instance by 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). Though 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 issued in June 2022 (see Section 4).

Another way to look at the EU's just transition is through the lens of the paradigm shift towards a new kind of social-ecological state (hereinafter 'eco-social state') replacing the 20th-century-style welfare state (see Table 1). In the model put forward by Laurent (2021a, 2021b), the eco-social state would be the new institutional framework allowing the achievement of a just transition. Its notable difference to its productivist predecessor is that it would put human health and well-being at the centre of economic and social life instead of increasing production (i.e., growth). This touches upon a key ideological line of conflict in the debate, namely between 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 a decrease in output as measured by GDP (Pochet, 2019: 309). There is not much debate over the EGD coming under the first vision since it is flagged as Europe's new growth strategy (Munta, 2020; Sabato et al., 2021) rooted in the idea of:

'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, 2019b)

The claim that *decoupling* CO<sub>2</sub> emissions from growth is possible is nevertheless contested. Based on up-to-date research, Parrique et al. (2019) for instance concluded that the idea of achieving a decoupling is neither to be observed empirically nor likely to happen in the future. The promotion of 'green growth' can therefore be seen as a deceptive vision impeding a genuine just transition and solely fostering the redeployment of capital (Pistor, 2021). In a recent commentary inspired by Esping Andersen's typology of European welfare states, Laurent (2021a) reflects on types of emerging eco-social states and their distinct linkages between the environment, markets and society. He describes EU countries as 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 a 20th-century productivist paradigm putting economic growth instead of welfare at the centre of human activity.

In a nutshell, deep political lines of conflict are behind the façade of the EU’s seemingly voluntarist agenda. For those embracing a more radical just transition vision, 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 underlined by Matthieu, this raises the question of the limited competences of the EU in the fiscal and social realm and its historically entrenched bias towards market-based solutions. There is thus a high risk of the EU’s just transition model ending up as an ‘incremental reform’ with narrow distributional impacts or as a ‘top-down transition’ involving only a limited number of stakeholders as opposed to more inclusive and transformative forms of transition (Holemans and Volodchenko, 2022: 41).

Two years after adoption of the EGD, the following 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 set to be exacerbated by the green transition. A summary (albeit not exhaustive) of the existing literature points to three key aspects (Crespy, 2022: 202–204):

- The unequally distributed generation of carbon emissions, the unequal distribution of environmental risks (especially related to health, quality of life, energy poverty);
- the destruction of employment in sectors set to be decarbonised and the possibility of quality employment in new green sectors;
- the lack of social justice and the unequally distributed financial burden implied by the green transition, as well as the unequal fiscal capacity to invest in the technical means available to mitigate the problems.

All three issues can 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.

### **The Just Transition Fund: innovation or cohesion business as usual?**

The publication of the EGD in December 2019 was characterised by many observers as a potentially transformative moment for sustainable development in the EU (Dupont and Jordan, 2021; Dupont et al., 2020; Sabato and Fronteddu, 2020). The EGD sets out a carbon-neutral future for the EU by 2050, for the first time putting climate and environmental concerns at the centre of EU medium- to long-term strategic thinking through designating them as ‘[. . .] this generation’s defining task’ (European Commission, 2019b). The EGD is also the EU’s new growth strategy, embracing the notion of green growth as the economic model of choice – fighting climate change and protecting the environment whilst achieving economic growth through modernisation (Dryzek, 2013). However, the EGD, at least rhetorically, also seeks to achieve a balance between



economic, environmental and social objectives in a comprehensive way, taking account of their interconnectedness, exploiting synergies and identifying trade-offs between different policies (European Commission, 2019b: 3). One of the EGD's underlying elements is its promise to 'leave no one behind' and to take account of the negative social consequences of greening the economy. To address the socio-ecological challenges stemming from ' [...] significant changes in business models, skill requirements and relative prices' (European Commission, 2019b: 16) due to decarbonisation, the Commission proposed introducing a Just Transition Mechanism as a core instrument.

The central pillar of the Just Transition Mechanism is the Just Transition Fund (hereinafter: JTF), alongside an InvestEU Just Transition scheme to mobilise private capital and a Public Sector Loan facility to mobilise public investment mostly through loans from the European Investment Bank. The JTF is equipped with €17.5bn (in 2018 prices) for the period 2021–2027, of which €10bn come from the Next Generation EU programme and €7.5bn from the 2021–2027 multi-annual budget. This amounts to €2.5bn a year or less than 1 per cent of the EU's total financial budget for 2021–2027. Funding allocation 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 EU climate neutrality target, as some countries have been reluctant to agree to the target (e.g. Poland). In the case of no commitment being given, a 50 per cent reduction in annual allocations can be enforced. Moreover, Member States need to draw up Territorial Just Transition Plans, based on the partnership principle with local and regional authorities and relevant stakeholders, and submit them to the European Commission. These plans outline the specific indicators intended to contribute to the selected JTF objectives.

## Objectives

The JTF Regulation has a regional focus, reflecting the assumption that different regions have different starting points and capacities to respond to the social, environmental and economic challenges of the green transition. It therefore targets only those EU regions which are heavily reliant on fossil fuels for generating energy (European Union, 2021, Recital 2). A further focus is on fostering the modernisation of local economies and addressing the transition's negative impacts on workers and employment (European Union, 2021, Recital 5). The scope of JTF support therefore combines two categories of eligible activities: green investments and social investments (Sabato et al., 2021). The first consists of investments in innovation, diversification and the modernisation of companies, in the creation of new businesses and jobs, and in clean energy, energy efficiency, sustainable mobility, digitalisation and the circular economy. Social activities concern the upskilling and reskilling of the affected workforce, job-search assistance, active inclusion measures, the creation of child-care and elderly care facilities and training centres, and finally the reduction of energy poverty (Article 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 Regulation's recitals.

Several observations can be made regarding the role of social policy and the welfare state in the green transition as envisaged in the JTF. First of all, given the key importance of the relationship between the economy and the environment in the green growth agenda, the primary function of social policy in achieving the green transition is to invest in the 'social implications of environmental challenges and policies' (Mandelli, 2022) so that the welfare state becomes a factor (productive force) contributing to growth (Copeland, 2019). The welfare state is there to, first and foremost, enable the green transition through targeted supply-side measures, e.g. investing in green skills and

competences, and second, creating buffers for a smooth transition through strong social and health-care services, social protection and income maintenance (Alcidi et al., 2022; Sabato et al., 2021). From the JTF's social perspective, the just transition concept has therefore come to denote policies intended to cushion the effects of the transition on workers in declining sectors, most notably through social investment measures for their education, training, reskilling and upskilling (Kyriazi and Miró, 2023: 9). The buffering function is however suspiciously missing from the JTF, as witnessed by the absence of stronger social protection measures (e.g. income support) for redundant workers. Similarly, a social rights-based perspective is lacking, despite the basic call for Member States to ensure consistency with the European Pillar of Social Rights as today's key reference framework for EU social policy (European Union, 2021, Article 11.4). The specific linkages in the nexus between the green transition and the EPSR are, however, not further developed, while the procedural requirements of just transition plans in no way oblige 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 are established, thus leaving the question of social consensus wide open. In a nutshell, the JTF does not live up to the standards of a holistic just transition as promoted for instance by the ILO.

Second, the JTF offers a 'strongly territorially-focused and sectorial' framework (Sabato and Fronteddu, 2020) for dealing with the social consequences of decarbonisation, concentrating 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 the specific groups, industries and regions most affected by decarbonisation, as employed in the JTF, will not be sufficient to meet the vast social (and health) impact of the climate crisis on whole societies and to ensure social equity and inclusiveness (Petmesidou and Guillén, 2021). According to that view, the JTF is just one part of a patchwork of potential initiatives to tackle the social consequences of the green transition, whereas a comprehensive approach systematically examining its social impact is largely missing in the EU agenda (Akgüç et al., 2022). Taken together, the JTF therefore blatantly fails either to specifically address social protection and social rights issues, or to account for the broader distributional implications of climate and environmental risks. The JTF is thus a fragmented policy focused on one specific aspect of inequality, hence creating justice for some but not all – to paraphrase Galgóczi (2022).

### *Linkages to existing policy instruments*

From a governance perspective, the JTF is not a particularly innovative tool. As an instrument of cohesion policy seeking to address the 'investments for jobs and growth' goal of the Common Provisions Regulation (European Union, 2021, Article 3), it builds on pre-existing initiatives to address the social consequences of the green transition in the coal mining regions of less developed countries and to foster regional convergence. For instance, the EU has set up a Modernisation Fund within the framework of the EU emissions trading system (European Commission, 2020) for the period 2021–2030 'to support investments in modernising energy systems and improving energy efficiency' in 10 lower-income Member States. Drawing on revenues from the EU Emissions Trading System (ETS), the Modernisation Fund, much like the JTF, supports social investments for a just transition through various activation policies. Likewise, Member States can complement JTF funding, on a voluntary basis, with resources from other structural funds (the Cohesion Fund, European Social Fund+, European Regional Development Fund) and thus explore synergies within cohesion policy. As already highlighted, all these initiatives add a strong social investment dimension to the socio-ecological nexus. Several strings are attached to the use of the JTF. Besides the requirement for Member States to commit to achieving the net-zero emissions target by 2050



and the pre-defined allocation criteria, Member States are prohibited from using JTF funding to invest in fossil fuels and nuclear energy. Some relatively new governance features are introduced, such as the partial linkage of fund disbursements to performance, to appease the concerns of fiscally conservative Member States (the so-called ‘Frugals’, e.g. Sweden, Denmark, the Netherlands and Austria) that the funding would not be spent prudently.

### *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 different fault lines, whether ideological (left/right), geographical, national/EU or net contributor/recipient relations. Although an exhaustive overview of all fault lines is outside the scope of this article (Kyriazi and Miró, 2023), it is worth noting that some of these disputes crucially influenced the JTF’s degree of distributional justice. As regards size, Eastern European countries insisted on a much more generous budget, given their reliance on fossil fuels, whereas net contributors, particularly the ‘Frugals’ called for a responsible and modernisation-centred budget and for the downsizing of agricultural and cohesion spending during the overlapping negotiations on the 2021–2027 MFF throughout 2020. Due to the ‘Frugals’ opposition, the final figure of €17.5bn 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 (Agence Europe, 2020a; Kyriazi and Miró, 2023: 16). In contrast to the issue of size, the European Parliament and the Baltic states were able to exert influence on the JTF’s social dimension, against the will of several net contributors,<sup>2</sup> by broadening the scope of eligible investment activities financed under the JTF. These now 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, child-care and elderly care facilities (Agence Europe, 2020b, 2020c, 2020d; European Parliament, 2022). The financing of further 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 – were not however 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, 2020e). Whereas the scope of interventions was indeed widened, the nature of the socio-ecological nexus remained intact, while the budget remained modest. The final text effectively cemented the supporting/enabling function of the welfare state in a territorially, occupationally and sectorially restricted just transition, with any socio-ecological concerns subordinated to the imperative of the EGD’s green growth approach.

### **The Social Climate Fund: reconciling markets, redistribution and social investment?**

In July 2021, the European Commission proposed the Social Climate Fund (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 is directly based on another policy, the Emissions Trading System (ETS) in its extension to the building and transport sectors, a measure dubbed ETS2. Since this is set to increase prices for households, the SCF is aimed at offsetting the negative impact on the most vulnerable

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2 Including the Frugals, Belgium, Luxembourg and Spain.

individuals and on small companies by providing resources for Member States to grant direct income support and fund investments in clean housing and transport. The Commission's initial proposal foresaw an SCF budget of approximately €72bn, with Member States co-financing 50 per cent thereof. In April 2023, co-legislators agreed on a €65bn budget, with an additional 25 per cent share from Member States bringing the total available to €86bn. The EU's financial contribution to the SCF therefore amounts to roughly 3.6 per cent of its 2021–2027 budget, including Next Generation EU. The deal provides for carbon pricing through ETS2 to also apply to households – and not only to commercial road transport and commercial buildings – from 2027 onwards (Agence Europe, 2022a).

## Objectives

Compared to existing EU instruments, the innovative nature of the SCF lies in its twin compensatory and redistributive nature. Unlike the JTF or the European Social Fund+ (ESF+), it does not target territories or project holders but explicitly serves 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, Article 6). In addition, the SCF is designed to fund investments geared towards decarbonisation, 'provided they principally benefit vulnerable households, vulnerable micro-enterprises, or vulnerable transport users' (Article 6, para. 21). The strong emphasis on vulnerable groups thus contrasts with the often-undifferentiated emergency income support measures taken for instance by Germany, Italy, France or Spain, which are both socially regressive and counterproductive from a price signal/environmental point of view (Defard, 2022: 4–5).

The SCF's investment strand would also address unequal financial capacities to invest in the technical measures to mitigate environmental risks, such as building renovation measures. In practice, it may however be difficult to ensure that investments in public transport infrastructures or building renovation benefit the vulnerable rather than the wealthy. Furthermore, allocations to Member States are calculated on the basis of six criteria including total population, gross national income (GNI) per capita and several indicators of the population at risk of poverty and a country's economic dependence on carbon. Poland, France, Italy, Spain and Romania are consequently expected to be the main SCF recipients, accounting for almost 60 per cent of the available funding (European Commission, 2021). Therefore, the SCF is designed to address both vertical inequalities within societies and horizontal inequalities between EU countries. Member States will have to draw up national Social Climate Plans in which 37.5 per cent of the available funding can be directed towards income support, a share meant to decrease over time (Agence Europe, 2022a).

At the same time, its narrow focus on the distributional impact of carbon pricing for individuals and households leaves some major inequality aspects unaddressed. The first is at the root of the problems in terms of carbon emissions. Numerous studies provide evidence that wealthier people emit more due to their lifestyles (Kenner, 2019). This has not only environmental but also political consequences since income inequality generates resistance to climate-friendly policies both from capital owners benefiting from the status quo and from vulnerable households feeling that the transition measures will lead to inflation and therefore threaten their well-being (Green and Healy, 2022: 639). In an attempt to address this issue, the final agreement includes the first-ever definition of energy and transport poverty (Agence Europe, 2022a). However, there are grounds to suspect that the available money will be insufficient to tackle the extra burden levied by carbon pricing on vulnerable households. Another important form of inequality concerns the unequal distribution of environmental risks related to quality of life and health. Living in highly polluted environments, areas at risk of flooding or in energy poverty can lead to an increase in health issues and reduced

life expectancy (Paavola, 2017), an aspect 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 SCF could end up keeping people at the bottom of the social ladder in carbon-based mobility and housing, as some NGOs have argued (Agence Europe, 2022b). In many ways, introducing carbon pricing before proper regulatory and investment policies are in place to protect the most vulnerable households from having to foot (excessive) bills is tantamount to ‘putting the cart before the horse’ (Defard, 2021, 2022).

### *Linkages to existing policy instruments*

While the SCF is supposed to be consistent with other EU instruments, notably the European Social Fund+ and the European Pillar of Social Rights Action Plan, no specific linkage is obvious. The focus on direct income support for vulnerable households and micro-enterprises can be seen as complementing the ESF+ and JTF approaches, both of which focus to a large extent on labour market inclusion through reskilling and upskilling. At the same time, overlaps may arise between the SCF and the ESF+ in terms of support for the most vulnerable, and between the SCF and RRF in terms of investment. While the European Pillar of Social Rights is mentioned a few times in the Regulation proposal, the connection is not obvious, mainly because the EPSR has no explicit environmental dimension and the rights featured therein were not conceived in the light of how climate change reinforces existing inequalities (for instance with relation to health). Nevertheless, the Commission sees the SCF as contributing to implementing EPSR Principle 20: ‘Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.’ This clearly relates to the SCF’s investment strand.

In terms of governance, the initial Commission proposal listed three conditions attached to the distribution of the funds: performance, the ‘do no harm principle’ and additionality, all three of which are also to be found in other EU instruments. Following the same ‘performance-based approach’ as the RRF (Corti and Vesan, 2023) and the JTF, the national Social Climate Plans will have to include qualitative ‘milestones’ and quantitative ‘targets’ which will have to be achieved through the planned measures and investments to be completed by July 2032 (Article 4). This approach is supposed to be conducive to smoother implementation and a higher level of funding absorption. The planned measures should also reflect the ‘do no significant harm’ principle referred to in Article 17 of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment. In practice, conflicts between the protection of biodiversity and the construction of sustainable infrastructure or housing have been increasingly frequent, leading to political dilemmas. Finally, Member States are expected to co-finance 25 per cent of the SCF, akin to the additionality principle in EU cohesion policy which stipulates that EU financial support to Member States must complement and not replace national funding dedicated to certain policies.

### *Patterns of political conflict*

Examining the heated debates surrounding the new carbon pricing 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 overlapping of ideological conflicts (mainly left-right), material conflicts (EU budget net contributors vs net recipients) and inter-institutional confrontations (European Parliament vs. Council). Contention has crystallised around three issues: the very relevance of using carbon pricing and especially of extending it to household mobility and buildings, the amount

and sources of funding, and the extent to which the SCF should be geared to direct income support rather than investment.

From an interinstitutional point of view, we have seen the Commission fighting to defend its proposal – under fire from both the Council and the European Parliament – and searching for a compromise acceptable to both institutions with their often opposing views. While many MEPs see the SCF as insufficient to compensate for higher prices for households, the Council was divided, needing to overcome a potential veto from governments unwilling to endorse a new instrument implying greater financial solidarity across Member States.

From the outset, the twin proposals for the ETS2 and SCF sparked criticism from many MEPs, with the spectre of the French Yellow Vests revolt looming over deliberations. Pascal Canfin (Renew Europe, France), Chair of the Parliament's Committee on the Environment, Public Health and Food Safety (ENVI) declared for instance that he was *'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 Renew position also shared by the Social Democrats (S&D) and the Greens (Agence Europe, 2021a). Eurosceptics from the European Conservatives and Reformists Group similarly feared a populist backlash against the EU's green policy. Moreover, the three Leftist groups called for a much earlier abolition of free emissions allowances for industry (e.g. aviation) in order to ensure sufficient funding, if needed, via the existing ETS system of emissions allowances for energy suppliers and industry (Agence Europe, 2021b). Some Left, S&D and Green MEPs even advocated completely disconnecting the SCF from ETS2 (Agence Europe, 2022c). By contrast, the European People's Party Group was generally supportive of the Commission's initiative (Agence Europe, 2021a, 2022c). Ideological divisions among political groups initially followed a left-right pattern, albeit with the caveat that the far-right was similarly sceptical of the initiative, fearing that it would become a 'political bomb'. Following a heated political debate which led to the motion to adopt the overall 'Fit for 55' package being defeated in the plenary session of 6–7 June 2022,<sup>3</sup> a large majority (479 in favour, 103 against, 48 abstentions) eventually adopted a resolution later that month with major changes to the Commission's proposal. Despite being a red line for the European Parliament, the exclusion of households from carbon pricing at least until 2029 could not be maintained. They are now foreseen to be covered by ETS2 from 2027 onwards. Given the heated debates and the strong criticism expressed throughout the process, it can seem surprising that the last iteration was eventually adopted with an overwhelming majority of 521 MEPs in favour (75 against, 43 abstentions). Rather than a strong political consensus, this might well be due to the fact that, with the extension of ETS2 adopted, there was no option for a rejection that would have left the full social impact of carbon pricing simply unaddressed.

In the Council, divisions between Member States typically reflected net contributor vs. net recipient positions. Many governments were concerned about the political cost of extending carbon pricing to buildings and road transport. Moreover, the 'Frugals' considered that the EU already had sufficient policy tools to ensure a fair transition and that social issues had mainly to be addressed at national level (Agence Europe, 2022d). Denmark, Sweden and Finland in particular expressed their objection to the Council's common position of June 2022 in a political statement. Negotiations with the European Parliament have further shaped the proposed SCF. The Council's attempt to completely do away with Member State co-financing proved unsuccessful, with national funding now accounting for 25 per cent of available funding. Another bone of contention concerned the share of direct income support in the national plans. While the Council called for a higher share, the European Parliament argued for more investment. The compromise share is now 37.5 per cent. All in all, the

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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 in the revised ETS.

SCF is designed as a hybrid instrument patching together market mechanisms, direct compensation and social investment. Similar to national Recovery and Resilience Plans or Just Transition Plans, Social Climate Plans rely on a number of conditionalities, though the specific criteria will be the result of discussions between national administrations and Commission departments. 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. Any EPSR relevance seems to be lost.

## **Conclusions: from green growth to a just transition**

The starting point of this article was to examine whether the just transition agenda could be seen as a breakthrough, allowing social justice to become 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 arising from the green transition, we see a lot of path dependency. Like 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, decarbonising the economy through market-based mechanisms such as carbon pricing. While the funds target specific categories of people, the only innovative strand, i.e., that introducing a protective instrument of income support, is kept to a minimum. At the same time, the social investment logic is upheld, with a focus on reskilling workers hit by decarbonisation. Awareness of the crucial importance of public services, public infrastructures and common goods seems to emerge as a concern, though it remains nascent and insufficiently connected to the specific features of social stratification and inequality. One striking point is the relative irrelevance of the EPSR in these debates, despite it being intended to serve as a broad compass for EU social policy action in the coming decades. Unsurprisingly, the JTF and the SCF are the outcome of major struggles and necessary compromises along well-known patterns. Left-right confrontations revolve around the standards of social justice to be pursued at EU level, and the degree of constraint put on economic operators or public administrations. At the same time, we observe an ongoing battle between net EU budget contributors who are trying to contain the redistributive dimension of the green transition, and net recipients – a competition for EU funding reflecting specific (national) patterns of carbon dependence, territorial and social imbalances. While a deeper examination of this issue was beyond the scope of this article, it may be an important topic for further research.

In the wake of the Fit for 55 package and criticism of the fragmented nature of the EU's just transition efforts, the Council adopted a Recommendation for ensuring a fair transition towards climate neutrality (Council of the European Union, 2022) in an attempt to address the EGD's weak social dimension. 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's main feature is a long list of principles, objectives and tasks for Member States to aim for. References to available EU instruments and funds often take the form of an unordered list, leaving it up to Member States to choose whether, when and how to use them and suggesting there is no political consensus on what role EU policy-making should play on the eco-social front. Finally, on a more symbolic note, the Recommendation does not embrace the notion of a 'just transition'. The text refers to a certain extent to a 'fair' transition (24 occurrences) but to a much larger extent to the more neutral notion of a 'green transition' (64 occurrences), inferring that, even at discursive and ideational levels, there is no consensus within the EU over what is slowly crystallising as a common understanding of the 'just transition'.



Against this background, can we detect an emerging European model embracing the economy, society and the environment in a common blueprint? We find evidence that, while EU policy tools are promoting a distinct transition model doing away with many of the obsolete features of the 20th-century productivist model, they do not reflect a genuine just transition model as conceived by environmental movements or international organisations such as the ILO. The EGD and its associated social policy instruments revolve around the key principle of promoting green growth – through carbon markets and efficient labour markets – rather than spotlighting human health and well-being in a preserved environment. They reflect a new form of investment state, rather than a genuine eco-social state simultaneously addressing environmental and social problems, their mutual trade-offs and spillover effects in a holistic way. Going forward, there is a real danger that the limited EU social actions will be insufficient to tackle the sheer scale of inequality when climate change *and* transition policy reach full speed. While the ideal of a social consensus underpinning a just transition may be utopian, we are currently seeing multiple divisions fuelling various forms of political conflicts.

A number of actions could be pursued to alleviate those problems. Considering the underlying philosophy of the EU's transition model, 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 an era of 'evidence-based' policy-making, the focus on workers from carbon-dependent sectors or on people defined in a generic way as 'vulnerable' is disappointing. That 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 health impairments due to air pollution, water pollution or toxic food has a major impact not only on health but also on life chances, education and productivity, even if individuals are successfully integrated into the labour market. In other words, effective political action for a just transition must tackle existing imbalances at their roots, rather than merely treating the symptoms. This goes hand in hand with consistently enforcing the 'polluter pays' principle. Taking negative externalities seriously means that those who produce the most CO<sub>2</sub> emissions need to contribute more to financially supporting the transition. This concerns both economic operators 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 reorganise and consolidate EU 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 the right to a healthy life and a preserved environment in general *and* specific terms. This will involve better linking the ESF to the JTF and the SCF. Furthermore, policies currently out of focus need to be considered, in particular the Common Agricultural Policy, a policy which remains to a large extent anchored in the old productivist model. But above all, this concerns fiscal policy, where the EU needs to draw up an assertive strategy for green taxation systems, both at EU and national level. This aspect is linked to the debates on EU own resources on the one hand, and to the above-mentioned 'polluter pays' principle on the other.

From a political point of view, it is striking that the fierce debates surrounding the JTF and SCF at EU level have hardly filtered down to the national level. The Russian invasion of Ukraine and the subsequent energy and cost-of-living crisis were needed for the social consequences of the energy transition to start making headlines and for the EU's role in the just transition to become more pronounced. At times where security threats and inflation are feeding collective anxieties, constraints imposed by the EU on national societies can result in a dangerous backlash if the accompanying financial support is ineffective. Ad hoc citizen consultations with no effect on decisions are all too often a fig leaf concealing top-down processes. It would be much better to find a way to involve national parliaments in drawing up a comprehensive, multi-level just transition strategy taking account of 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 is highly dependent on how well states address the complexities of different social concerns emanating from the green transition (Boasson and Tatham, 2022).

The question 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 EU action is undermined by a lack of redistributive power and entangled in political compromises which often seem to give in to political inertia, societal conservatism and predatory markets, the risk is high that the EU apparatus will end up doing little more than 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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