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| **ENVE-VII/022** |
| **11th ENVE commission meeting, 23-24 November 2021** |

**WORKING DOCUMENT**

**Commission for Environment, Climate Change and Energy**

**Towards a socially fair implementation of the Green Deal**

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| \_\_\_\_\_\_\_\_\_\_\_\_\_Rapporteur: **Csaba Borboly (RO/EPP)**President of Harghita County Council, Romania\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| This document will be discussed at the meeting of the **Commission for the Environment, Climate Change and Energy** to be held on **23-24 November 2021 from 11 a.m. to 5.30 p.m. and from 10 a.m. to 5.00 p.m.**  |

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| Reference documentProposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund COM (2021) 568 finalProposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast) COM (2021) 563 final |

**Working document –
Towards a socially fair implementation of the Green Deal**

1. **Background information**

The Commission proposed a set of changes in the legal framework of energy policy in order to safeguard climate neutrality goals. The opinion aims at two major elements of the legislative package:

* the review of energy taxes, where the main shifts are as follows:
	+ - higher taxes to reduce consumption,
		- the higher the climate effect of the consumption, the higher the tax,
		- taxes will be calculated based on energy content instead of liters and tons.
* launching the European Fund tackling the poverty issues related to higher energy bills, namely the Social Climate Fund with a proposed budget of 72 200 000 000 euros for the 2025-2032 period, aiming at
	+ - compensate the higher bills caused by the proposed higher taxes for micro SMEs and households,
		- support energy efficiency in transport and housing of vulnerable groups, and also for vulnerable micro SMEs.

In order to get an insight in the current situation of households, we should look into EUROSTAT data, so we can understand in detail how households will be affected. In the recent Recommendation of the Commission, we can read that ` *In 2018, 6,8 % of people living in private households across the EU (30,3 million people(15)) were unable to keep up with utility bills, including energy bills, and so were at risk of having their supply cut off. Meanwhile, 7,3 % of the EU population (37,4 million people) experienced uncomfortable ambient temperatures in their homes.*`[[1]](#footnote-1), but without territorial analysis it might be misleading, see tables below, based on EUROSTAT data from 2019:

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| *Arrears on utility bills, 2019* |
| **member state** | **% of households** |
| Greece | 32.5 |
| Bulgaria | 27.6 |
| Croatia | 14.8 |
| Romania | 13.7 |
| Slovenia | 11.2 |
| Cyprus | 10.4 |
| Hungary | 10.2 |
| Ireland | 8.9 |
| Latvia | 8.7 |
| Slovakia | 8.4 |
| Finland | 7.8 |
| Lithuania | 7.5 |
| Estonia | 7.2 |
| Spain | 6.5 |
| Malta | 6.5 |
| Poland | 5.8 |
| France | 5.6 |
| Italy | 4.5 |
| Portugal | 4.3 |
| Belgium | 4.1 |
| Denmark | 3.6 |
| Luxembourg | 2.4 |
| Austria | 2.4 |
| Sweden | 2.3 |
| Germany | 2.2 |
| Czechia | 1.8 |
| Netherlands | 1.5 |

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| *Inability to keep home adequately warm, 2019* |
| **member state** | **% of households** |
| Bulgaria | 30.1 |
| Lithuania | 26.7 |
| Cyprus | 21.0 |
| Portugal | 18.9 |
| Greece | 17.9 |
| Italy | 11.1 |
| Romania | 9.3 |
| Latvia | 8.0 |
| Malta | 7.8 |
| Slovakia | 7.8 |
| Spain | 7.5 |
| Croatia | 6.6 |
| France | 6.2 |
| Hungary | 5.4 |
| Ireland | 4.9 |
| Poland | 4.2 |
| Belgium | 3.9 |
| Netherlands | 3.0 |
| Czechia | 2.8 |
| Denmark | 2.8 |
| Germany | 2.5 |
| Estonia | 2.5 |
| Luxembourg | 2.4 |
| Slovenia | 2.3 |
| Sweden | 1.9 |
| Austria | 1.8 |
| Finland | 1.8 |

13 out of 27 member states have households who cannot keep up with energy bills, their share ranging from 7.2% to 32.5%. 11 member states faces higher than average share of households experiencing low thermal comfort in the dwelling, between 7.5% and 30.1%. In countries with more than 10% of households in any of the above mentioned situations, it is very unlikely that soft measures can alleviate their situation, because higher prices might push the values up easily, escalating the figures.

Buildings are responsible for more than 36% of the total GHG emission in the EU, while transportation for less than 30% of it. It seams easy to tell that member states should tax these sectors more, and at the same time from 2026 buildings and transport is going to be subjects of the Emission Trading System – a part of which is planned to be used for financing action for the most vulnerable groups of households and SMEs via the Social Climate Fund.

Also in the case of energy used in households, there are as high differences, as in the case of GDP per capita, see the next tables, also showing EUROSTAT data. An average household in Bulgaria has a consumption that is less then one third compared to a household in Finland, and it is just partly caused by income differences.

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| *Final energy consumption in households - total* |
| **member state** | **total energy consumption/c.** | **% of highest** |
| Finland | 0.0427 | 100.00% |
| Austria | 0.0317 | 74.21% |
| Denmark | 0.0315 | 73.81% |
| Luxembourg | 0.0315 | 73.69% |
| Sweden | 0.0302 | 70.76% |
| Estonia | 0.0301 | 70.41% |
| Germany | 0.0290 | 67.98% |
| Belgium | 0.0289 | 67.63% |
| Czechia | 0.0279 | 65.46% |
| Latvia | 0.0258 | 60.52% |
| France | 0.0248 | 58.18% |
| Ireland | 0.0246 | 57.63% |
| Hungary | 0.0243 | 56.97% |
| Croatia | 0.0230 | 53.85% |
| Netherlands | 0.0225 | 52.82% |
| Italy | 0.0218 | 51.06% |
| Lithuania | 0.0217 | 50.81% |
| Slovenia | 0.0213 | 49.84% |
| Poland | 0.0203 | 47.60% |
| Slovakia | 0.0203 | 47.56% |
| Cyprus | 0.0173 | 40.61% |
| Romania | 0.0167 | 39.10% |
| Greece | 0.0160 | 37.44% |
| Spain | 0.0132 | 30.81% |
| Bulgaria | 0.0129 | 30.26% |
| Portugal | 0.0118 | 27.58% |
| Malta | 0.0085 | 19.99% |

One may say that natural gas consumption per capita is lower where prices are higher, but the case is that prices are higher where the network`s penetration is lower, so economy of scale is not reached, beside other probable causes. On the long term, analyzing time series, it is clear that the dispersion of prices is between 25% and 30%, without major foreseen change. If the disparity of prices is going to be partly diminished, it supposes higher prices for citizens from Hungary, Poland, Bulgaria and Romania, and it is going to end up in escalating energy poverty in less well off regions.

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| *Gas prices for household consumers* |
| **member state** | **EUR/kWh** | **% of highest** |
| Sweden | 0.0700 | 100.00% |
| Portugal | 0.0544 | 77.71% |
| Spain | 0.0515 | 73.57% |
| Ireland | 0.0500 | 71.43% |
| France | 0.0478 | 68.29% |
| Czechia | 0.0463 | 66.14% |
| Austria | 0.0462 | 66.00% |
| Germany  | 0.0435 | 62.14% |
| Italy | 0.0414 | 59.14% |
| Greece | 0.0411 | 58.71% |
| Denmark | 0.0395 | 56.43% |
| Slovenia | 0.0382 | 54.57% |
| Belgium | 0.0363 | 51.86% |
| Luxembourg | 0.0355 | 50.71% |
| Netherlands | 0.0350 | 50.00% |
| Slovakia | 0.0342 | 48.86% |
| Estonia | 0.0325 | 46.43% |
| Bulgaria | 0.0306 | 43.71% |
| Poland | 0.0301 | 43.00% |
| Croatia | 0.0300 | 42.86% |
| Romania | 0.0266 | 38.00% |
| Hungary | 0.0241 | 34.43% |
| Latvia | 0.0229 | 32.71% |
| Lithuania | 0.0201 | 28.71% |

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| *Final energy consumption in households - gas* |
| **member state** | **NG/cap** | **% of highest** |
| Luxembourg | 0.0168 | 100.00% |
| Netherlands | 0.0156 | 93.07% |
| Belgium | 0.0120 | 71.35% |
| Hungary | 0.0120 | 71.23% |
| Italy | 0.0113 | 67.19% |
| Germany | 0.0113 | 67.19% |
| Slovakia | 0.0086 | 51.21% |
| France | 0.0071 | 42.16% |
| Czechia | 0.0071 | 42.02% |
| Austria | 0.0067 | 39.68% |
| Romania | 0.0054 | 32.16% |
| Ireland | 0.0050 | 29.99% |
| Croatia | 0.0047 | 28.07% |
| Denmark | 0.0044 | 26.43% |
| Poland | 0.0040 | 23.88% |
| Spain | 0.0027 | 15.98% |
| Latvia | 0.0024 | 14.37% |
| Lithuania | 0.0024 | 14.35% |
| Slovenia | 0.0021 | 12.67% |
| Estonia | 0.0018 | 10.87% |
| Greece | 0.0015 | 8.93% |
| Portugal | 0.0012 | 6.89% |
| Bulgaria | 0.0005 | 2.72% |
| Finland | 0.0002 | 1.20% |
| Sweden | 0.0001 | 0.48% |

Electricity has an overall use, there are very few households without access to the mains, so the following datasets can offer us a better comparison of member states. One may also add that low levels of electricity consumption indicate that the household has lower income, and also fewer appliances and devices at home, e.g. their quality of life is lower. Higher electricity prices can also lead to delays in paying their bills, and reducing their consumption below acceptable level. Poverty is never efficient, energy policy should not punish those living at risk of or in poverty and deprivation. In lagging behind regions, a rise in electricity consumption reflects the improving living conditions of the population.

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| *Electricity prices for household consumers* |
| **member state** | **EUR/kWh** | **% of highest** |
| Ireland | 0.2179 | 100.00% |
| Belgium | 0.1798 | 82.51% |
| Luxembourg | 0.1465 | 67.23% |
| Germany | 0.1451 | 66.59% |
| Austria | 0.1384 | 63.52% |
| Netherlands | 0.1365 | 62.64% |
| Italy | 0.1331 | 61.08% |
| France | 0.1292 | 59.29% |
| Czechia | 0.1283 | 58.88% |
| Greece | 0.1278 | 58.65% |
| Spain | 0.1260 | 57.82% |
| Malta | 0.1224 | 56.17% |
| Finland | 0.1205 | 55.30% |
| Cyprus | 0.1184 | 54.34% |
| Slovenia | 0.1180 | 54.15% |
| Portugal | 0.1138 | 52.23% |
| Slovakia | 0.1106 | 50.76% |
| Romania | 0.1040 | 47.73% |
| Sweden | 0.1032 | 47.36% |
| Croatia | 0.1017 | 46.67% |
| Latvia | 0.1005 | 46.12% |
| Lithuania | 0.0972 | 44.61% |
| Estonia | 0.0953 | 43.74% |
| Poland | 0.0953 | 43.74% |
| Denmark | 0.0908 | 41.67% |
| Bulgaria | 0.0818 | 37.54% |
| Hungary | 0.0794 | 36.44% |

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| *Final energy consumption in households - power* |
| **member state** | **power/cap.** | **% of highest** |
| Sweden | 0.0155 | 100.00% |
| Finland | 0.0147 | 94.75% |
| France | 0.0086 | 55.13% |
| Austria | 0.0075 | 48.12% |
| Cyprus | 0.0073 | 46.85% |
| Denmark | 0.0063 | 40.89% |
| Malta | 0.0061 | 39.03% |
| Ireland | 0.0060 | 38.46% |
| Slovenia | 0.0059 | 38.10% |
| Greece | 0.0058 | 37.58% |
| Belgium | 0.0058 | 37.31% |
| Estonia | 0.0056 | 36.23% |
| Spain | 0.0056 | 36.06% |
| Bulgaria | 0.0056 | 35.92% |
| Germany | 0.0056 | 35.81% |
| Croatia | 0.0055 | 35.31% |
| Luxembourg | 0.0054 | 34.56% |
| Czechia | 0.0052 | 33.22% |
| Netherlands | 0.0049 | 31.35% |
| Portugal | 0.0046 | 29.84% |
| Hungary | 0.0043 | 27.57% |
| Italy | 0.0039 | 25.43% |
| Lithuania | 0.0038 | 24.17% |
| Slovakia | 0.0036 | 23.20% |
| Latvia | 0.0031 | 19.92% |
| Poland | 0.0028 | 17.95% |
| Romania | 0.0024 | 15.51% |

1. **POLICY QUESTIONS**

The rapporteur suggests discussing the following issues in the ENVE. Members` contribution to any of the questions raised are more than welcomed by the rapporteur.

1. Energy taxes are going to be more flexible after the recast of the Directive. Should the CoR suggest analysing territorial patterns for member states in order to allow regional or even local exemptions or reduced levels in special circumstances?
2. The regulation on the new Fund is an ongoing process, and its governance is going to be different to the `traditional` ESIF. One might suggest allowing direct access and managing authority status for LRAs where the necessary expertise is present.
3. Should the opinion suggest the Commission to consult the CoR in order to start collecting reliable regional data on energy consumption and energy poverty?
4. Based on reliable regional data and taxes finetuned reflecting regional specificities
5. regional temporal exceptions of taxing and ETS
6. There are several infringements related to national energy plans, while energy and climate policy update is still takes the quality and reliability of these plans as granted. Should we add the obligation of discussing regional and local authorities in the design phase of the new NECPs, and
7. The CoM has shown its usefulness in contributing to energy efficiency and climate issues. The recast directive and the new Fund should take advantage of CoM members` insight and expertise, and fast-track actions included in SEAPs at local or regional level.
8. There are regions in Europe where fire wood is used for heating and cooking, not as a part of luxury lifestyle, but as a sign of poverty. The recast of the tax directive and the ETS for household both going to affect these consumers. Should we suggest exemption in affected regions until the critical mass of support is accessible for households switching from fire wood to RES and energy efficient non-fossil energy use?
9. There are regions across Europe where district heating and cooling might be a more reliable, more efficient and affordable solution for citizens. Should the new Fund be harmonised with other ESIF in order to deliver sufficient support for costs of refurbishing apartments and dwellings to be fit for connecting to the new systems?
10. One of the burdens of energy efficient refurbishment of the housing stock is the lack of access to knowledge on energy efficient and to state of the art solutions already accessible on the market. Shall we suggest financing these measures too from the new Fund?
11. Energy efficiency presupposes investment costs. Could households with a favourable energy mix and efficiency certificate receive support in form of lower tax?
12. Do we have the necessary IT&C knowledge and resources for establishing tailored energy taxes using household related big data? Do we need actions in this respect?
13. We face the most severe rise of energy bills in these months. Should we contribute for creating solutions for supporting the most vulnerable in case of extreme price volatility in the future?
14. The future of power generation is much more decentralised. Do we need more tailored support for decentralised smart networks and eliminate unnecessary red tape?
15. Grants from ESIF and member states` budget are already accessible for households and SMEs, but red tape is still present. Given the , could we agree on the overall need for simplifying access to all EU Funds for households and micro SMEs for acquiring knowledge, expertise, design and installations of energy efficient solutions?
16. Energy prices and the general purchasing power are very poorly connected, for example power has a higher price in Romania than is Sweden – but the allocation of the Fund is calculated using PPS. Should we ask the EP and the Council to find a fit for purpose substitute for GNI in PPS in energy related issues?
17. Should the CoR suggest member states to update urban and land use planning, access to construction permits related practices aiming at lower taxes, costs and avoided red tape, and ask the Commission to make sure from ESIF or from the new Fund, member states are going to have more suitable and flexible rules in these areas?
18. The decision making for the recast of the energy tax directive is based on the `passerelle clause`, that means there is no need for the unanimous vote of the member states. Could we argue that it might do harm to the most vulnerable groups, in the context that only a minority of member states has already high levels of energy poverty?
19. **DRAFT POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS

* Welcomes the proposal of a Social Climate Fund as a statement of solidarity and commitment to achieving a just and socially fair transition, as a key tool for supporting the citizens most affected by the transition towards climate neutrality, and as an answer to our call for enhancing the integrity and operation of the EU Emission Trading Scheme (ETS) while providing support for vulnerable regions and groups;
* Stresses that local and regional authorities are very relevant actors in the field of energy and climate, and that they know best the characteristic of the territories and the social and economic context in which these policies are implemented, as well as the most appropriate approach to take for enhancing their effectivity;
* Underlines that they are uniquely placed to take action for fostering decarbonisation, given that most of the measures related to climate-targets have a specific territorial dimension and as energy service providers and significant purchasers of energy services;
* Points out that the success of the instrument requires delivering tailor-made interventions meeting the specific needs of EU territories.
* Supports the European Union' commitment to increase climate ambition and its disposition to adapt the instruments required for an effective reduction of the greenhouse gas emissions, particularly the EU Emissions Trading System (ETS), as a way to respond and address to the climate emergency, considering that the impact of decarbonisation activities will affect citizens and territories unequally and irregularly, and stressing the need to define tailored measures that can adjust to the specific requirements of the regions and cities;
* Calls for the EU to take this opportunity to strengthen action to address energy poverty by taking the lead in solidifying legislation and catalysing action to tackle it taking into account the differences and particularities of each region or territory, through a firm cross-cutting response across social, consumer, taxation, energy and climate policies, and by striving for a better understanding of its drivers;
* Regrets the lack of a concrete and specific impact assessment carried out before launching the proposal of the Social Climate Fund that would have allowed an accurate evaluation of distributional impacts of the mechanism, functioning, management and measures of the Fund, focusing on the consequences for the most vulnerable citizens at the local and regional level, and permitting a better identification of the economically weakest households, in order to precisely channel the temporary targeted direct income support towards those who needs it the most.
* Calls for a recognition of its consideration as key contributors for these Plans, given that they are the level of government closest to citizens and they can provide great knowledge and expertise developed on the ground, while ensuring that the drafting of Social Climate Plans does not add an administrative burden to the LRAs;
* Calls for a revision of the Governance of the Energy Union and Climate Action Regulation[[2]](#footnote-2) which already includes the development of National Energy and Climate Plans, in which Social Climate Plans will have to be added: these plans must be drafted by Member States with strong collaboration of local and regional authorities; in which the Multilevel Climate and Energy dialogues should become a stronger tool to deliver and effective and socially inclusive implementation of the climate and energy transition.
* Reminds the relevance of ensuring an adequate complementarity, consistency and synergies between the Social Climate Fund and other financial resources with similar purposes - such as investments linked to the Renovation Wave -, and especially with the EU budget allocations for cohesion policy programmes such as the European Regional Development Fund, European Social Fund+, and the Just Transition Fund, as well as with the Recovery and Resilience Facility; to this purpose, the Social Climate Fund should be created under Cohesion Policy, making it easier for Managing Authorities and for the European Commission ensuring such complementarity.
* Calls to expand the scope of support of the Social Climate Fund so that other vulnerable collectives or citizens not included explicitly under the proposal can also benefit, as well as expand the definition of the measures included, which need to be reasonable for the poorest citizens and sustainable through time;
* Proposes to involve local and regional actors and include regional charts and tools at regional level in order to provide a more accurate mapping of vulnerabilities which highlight the differences among the territories so that measures from the Social Climate Fund and the lump sum revenue distribution can target and truly address the needs of lower income groups and support sectoral restructuring;
* Emphasises that while the aim of the Social Climate Fund is a step forward in the right direction for carrying out the just transition, further efforts in financial terms should be developed. The Social Climate Fund itself will not be enough to tackle the social undesirable effects and economic shortcomings from the measures to achieve the climate neutrality. In that sense, the CoR advocates that more ways of economic support should be deployed which can take into account the specificities of cities and regions. When willing to support the most vulnerable individuals, special attention will have to be put in the availability of activities and support to non-bankable citizens.
* Points out that the purpose of the Social Climate Fund of compensating vulnerable households, micro-enterprises and transport users to reduce the impact of the climate and energy policies within the European Green Deal is a sign of fairness and climate justice; nevertheless laments that small effort has been put into reducing the footprint and the greenhouse gas emission levels of the richest part of the society, who is responsible for the biggest share of environmental damage and global warming.
* Recommends that the CoR, as the body representing local and regional authorities, play a facilitating role in shaping and implementing the Social Climate Plans, providing an additional opportunity to reach the local and regional level outside of the Member States' internal frameworks.

* Welcomes the revision of the Energy Taxation Directive so that its content is adjusted and adapted to the need of greater climate action and environmental protection, while at the same time can support the development and expansion of renewable energy, and preserve the correct functioning of the internal market, aligning taxation of energy products and electricity with EU energy and climate policies.
* Points out that the determination of environmental taxes should be accompanied by compensatory measures, such as lower labour income taxes or social security contributions, targeted at vulnerable and lower income households, micro-enterprises and transport users, complementing the objectives and instruments of the Social Climate Fund.
* Welcomes the inclusion in the ETD the possibility for Member States to assist vulnerable groups and protect households against energy poverty, countering the possible negative effects of the tax.

Brussels,

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1. COMMISSION RECOMMENDATION (EU) 2020/1563 of 14 October 2020 on energy poverty [↑](#footnote-ref-1)
2. REGULATION (EU) 2018/1999 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council [↑](#footnote-ref-2)