Just Transition: No Climate Policy Without Redistribution and Livelihood Security

The EU's stance on technical-ecological change is largely commendable. Through the European New Deal, it has put forth an ambitious program aiming for climate neutrality by 2050, compelling member states to devise corresponding climate plans and implementations. Notably, the EU Commission tends to act as a catalyst rather than a hindrance in this regard.

Let's momentarily set aside the debate on whether the envisioned revitalized economic growth and global competitive advantages under the European New Deal can embody progressive goals for a socio-ecological transformation. Left-wing critique invariably centers on the question of how this major technological transformation, regardless of its growth implications, can be achieved with social justice in mind.

While the EU is planning a "climate social fund," aligning with its decade-long pursuit of sidelining neoliberal market liberalization in favor of a "social pillar," its primary aim is to fund building renovations, renewable energy integration, and emission-free mobility. However, a fraction may also be earmarked for "temporary" direct income support. Funding is expected to stem from revenues generated by the European Union Emission Trading System (EU-ETS). From 2026 onwards, there will also be a mandate to purchase emission certificates for housing and transportation sectors (EU-ETS II). Revenues of €87 billion are forecasted for the Climate Social Fund from 2026 to 2032, inclusive of the 25% member states' contribution.

The EU's approach of utilizing revenues from the inevitable increase in fossil energy costs to subsidize both technical mitigation measures (such as building renovations) and direct payments to affected individuals is fundamentally sound. However, given the magnitude of the transformation, it will merely scratch the surface. The annual allocation per EU citizen, amounting to €32 (for renovations and income support), falls short of providing genuine relief or effecting downward redistribution. Achieving the latter would necessitate mobilizing a multiple of that amount from wealth and inheritance taxes.

The Left frequently criticizes the rise in energy costs via emissions trading systems, advocating for regulatory measures instead. Nevertheless, this does not address the issue of disproportionate impacts on low-income groups. For instance, Germany's Building Energy Act, which will be followed by EU-wide expansion to fulfill climate policy objectives, imposes additional financial burdens due to the mandatory installation of post-fossil heating systems. Unfortunately, the reality is far from the early eco-technological optimism that "the sun doesn't send a bill." Transitioning to renewable energies is both complex and costly compared to the prior combustion of fossil fuels at subsidized rates. This forms the basis for economically oriented parties' rejection of climate policy, arguing, "We, the citizens and the German economy, cannot afford this."

A progressive left stance of "care" entails embracing climate policy to the necessary extent without imposing additional costs on the less affluent. Financial solidarity from the affluent middle class, extending beyond the frequently cited top 1% or 10%, is expected. Their resources should not only provide temporary financial relief but also ensure enduring "transition resilience" – whether through a basic income or other guarantees of economic security. At the EU level, this can be facilitated through guidelines for a "real just transition," obligating member states to enact within a defined timeframe, adapted to their diverse welfare state structures.

The adequacy of addressing the fundamental problem of distributing transformation costs via energy sector socialization, often advocated by the Left, remains debatable. While windfall profits in certain market scenarios (e.g., the onset of the Ukraine war) are unacceptable and should be taxed, public ownership of energy production would likely only marginally reduce costs, by profit margins of 3-6%. This, however, does not negate the pursuit of non-profit-oriented energy production, particularly in infrastructure and storage technology development. Nonetheless, the notion of localizing energy generation to achieve significant decoupling from centralized distribution, even across extensive distances, is technologically unrealistic and fails to align with the progressive left's vision of social cooperation.