ICLEI Europe’s response to the EU’s Social Climate Fund as part of the Fit-for-55 consultation process

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ICLEI – Local Governments for Sustainability welcomes the creation of a Social Climate Fund (the Fund) as a long-term instrument to forge a fairer Europe on the way to climate neutrality. It assists in responding to imbalances generated by the extension of the Emissions Trading System (ETS) to buildings and transport, which would particularly impact more vulnerable enterprises, households and individuals struggling with energy poverty, among other things.

The scope and longevity of the Fund may adequately serve this aim. However, its the size can only be considered adequate if it unlocks additional resources for a fair transition. The use of the Fund to continue delivering support to the most vulnerable, following the phase out of the Recovery Facility, is only welcome if allocation is closely monitored and connected to other EU instruments within and beyond the European Green Deal – e.g. Just Transition Plans for relevant countries.

However, ICLEI Europe has distinct concerns that the current proposal contains:

1. Little to no reference to the crucial role that subnational, local and regional governments (LRGs) are playing – and must play – in designing, managing and allocating resources, together with Member States. Structured multi-level governance processes must be included as a mandatory step throughout design and roll-out at the national level to ensure fit-for-purpose measures tailored to communities’ needs;

2. Little to no reference regarding phasing out both incentives and use of fossil fuels with respect to alternative, clean transport and energy technologies when allocating support.

Concerning point 1, the current text highlights (in the preamble, point 15) that regional authorities are conveniently placed both to design and to implement Social Climate Plans in conjunction with National Energy and Climate Plans. We advise that such a reference be made in the text of the Fund itself, referring to preparation, prioritisation and implementation of the plans (currently under article 4 (i)). This could be done, for example, by suggesting that “in an effective multilevel governance system, local and regional authorities shall be adequately consulted in designing the national climate social plans and adequately supported in implementing them”.

As a leading association of LRGs, with more than 500 members in Europe alone, we highlight their value-added in co-designing and implementing climate plans at the scale and pace needed to reach climate neutrality.
We urge the meaningful consideration of the active participation of LRGs in managing and applying the Fund, as well as in participatory decision-making. We propose that their direct engagement in the development of Plans is considered as a performance indicator during the assessment phase by the Commission.

**Concerning point 2**, the inclusion of “temporary direct income support to mitigate adverse income effects in the shorter term” should be strongly paired with levers to prevent and curtail direct and indirect fossil fuel subsidies, allowances, direct credits, or any other form of financial incentive to fossil fuel consumption. This can be done by prioritising sustainable mobility, especially considering the potential in urban and peri-urban areas, and by supporting sustainable building renovations, energy efficiency measures, and energy awareness, as well as the development of local energy communities with a focus on renewable sources. To this end, LRGs, which are primary providers and consumers of sustainable energy and services, should be enabled and supported in reinvesting revenues originating from these projects within the local community.

Stronger, clearer reference to the role, responsibilities and mandates of local governments is necessary for the success of the Fund – from the design to the implementation of the Plans – and for operationalising the Fund at national levels. Reference to multi-level governance must be included. Monitoring of local engagement should be undertaken so that national plans adequately integrate LRGs, and to ensure that a proportion of the total budget is managed by those closest to the communities that the Fund supports.