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Executive Vice President-designate, European Green Deal
Rue de la Loi 200
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Subject: The effective management of distributional effects must be at the centre of the European Green Deal

Brussels, 6 November 2019

Dear Executive Vice-President,

It is my responsibility as a committed European citizen to share one of my deepest concerns regarding the European Green Deal. This master plan to accelerate the pace of our entire economy's decarbonisation deserves to be analysed and pursued with the most sophisticated regulatory and policy instruments.

More than ever, the effectiveness of climate action and sustainability policies will be challenged by increasing social and political pressures. If not properly addressed, those will enhance further populist movements that undermine trust in governance and in the public institutions, and in particular the EU's legitimacy. In addition, an artificial cleavage that opposes, on the one hand, climate supporters and social activists and, on the other hand, excluded groups in our communities, would not only undermine climate agendas across the European Union but also trigger unintended consequences at the local level when transposing legislative proposals.

With this letter, I am sharing my concerns but also concrete proposals for the European institutions.

4 CHALLENGES & 4 RECOMMENDATIONS FOR ACTION

- 1. RESEARCH** - There is a clear lack of scientific evidence to quantify direct and indirect distributional effects of energy and climate policies. The EU should launch a new European Observatory for Distributional Effects of the Energy Transition (ODET) tasked with collecting best practices across the continent and making concrete recommendations for remedies.
- 2. ASSESS** - To tackle distributional challenges, we must shift our viewpoint to citizens' categories that can capture the different types of impacts such as a sudden loss in income effect on a large community (e.g. phase-out of coal, prohibition of diesel or petrol cars in the short run), or major distributional effects affecting local or regional communities with particular demographic and socio-economic features (e.g. carbon fuel tax triggering the "yellow vests" movement). The EU should add distributional effects as a fundamental criterion for all new legislation that implies energy, mobility and climate action measures. All European Commission impact assessments should integrate distributional effects analysis and testing as a pre-condition for any new legislative proposal.
- 3. INFORM** - Citizens face difficulties in choosing, and being rewarded, when making decisions about the way they consume, travel and invest. The individual carbon footprint should become a fundamental personal metric to understand the best rational option taking into account both climate impacts and individuals' budget criteria.
- 4. PREVENT** - The EU should better define its regulatory toolbox with options to prevent and/or mitigate the undesired distributional impact of climate change policies on specific communities or consumer profiles. The creation of the *Just Transition Fund* should be framed and allocated within concrete regulatory proposals or, by default, targeted to alleviate primarily policies that would create a sudden loss of income.

The European Green Deal needs a new regulatory paradigm and set of effective instruments to deal in a socially acceptable way with increasing distributional effects related to the energy transition. This is a necessary condition for the new Commission's ambitions to be successful in reaching the decarbonisation objectives and securing a fair transition for all.

I hope this contribution will help to advance this critical debate across Europe. You will find more details in the attached CERRE issue paper.

With kindest regards,



Máximo Miccinilli
Director Energy, Centre on Regulation in Europe (CERRE)