

Rachel Guyet * - 27 February 2026

Is the EU Governance Mechanism on Track to Achieve a Just Transition?

Establishing a just transition as a central priority of the EU decarbonisation process was once heralded as the flagship of the EU's action toward carbon neutrality by 2050, alongside ensuring energy supply security and industrial competitiveness. For the first time in 2019 the EU Green Deal (COM 2019/640 (final)¹) (EGD) introduced a critical recognition: while the energy transition aims to achieve economic, social and environmental benefits, its outcomes will not necessarily be equitable and may even generate negative distributional effects. This led the EU to pioneer a concept that reconciles climate action with social justice, highlighting the fact that climate and energy policies need to be designed in a fair way to avoid creating new inequalities or exacerbating existing structural disparities. The yellow vest movement in France served as a powerful wake-up call, heightening EU decision makers' awareness of the dangers posed by inequitable climate and energy policies. This context gave rise to the concept of a "just transition" and the principle that climate and energy policies should "leave no one behind", both of which were embedded in the EU Green Deal and illustrated by the speech made by Ursula von der Leyen on 11 December 2019: "This transition will either be working for all and be just, or it will not work at all²." Putting people first was asserted again in the speech by President von der Leyen at the European Parliament Plenary on the new College of Commissioners and its programme in November 2024³. However, translating these principles and the multifaceted dimensions of a just transition - as framed by the EGD - into concrete action remains the critical challenge. Is the EU aligned with its Member States in implementing adequate policies to ensure a just energy transition?

The EU understanding of a just transition

Designing a just transition requires three essential steps: assessing the socio-economic distributional impacts of the transitions (identifying who will be most affected and where), developing adequate measures to mitigate the consequences (determining what can be done), and establishing a meaningful

participation of all stakeholders in designing a just transition (shaping how it can be done) (Jenkins K., et al., 2021, Sovacool & Dworkin, 2015, Heffron & McCauley, 2017). Through this approach, social justice can advance hand in hand with the decarbonisation policies. However, what is the vision of a just transition supported by the European Commission?

The EU's vision of a just transition within the comprehensive decarbonisation process focuses on two main dimensions.

The first concerns the impact of climate and energy policies on workers employed in fossil-fuel based sectors affected by the transformation toward a low-carbon economy. A Joint Research Centre (JRC) study indicates that while the green transition will substantially impact certain sectors - such as coal mining, oil and gas - the overall effect on job reallocation should be limited. This is due to the high concentration of carbon-intensity in a small number of jobs: "80 % of greenhouse gas emissions in OECD countries are emitted by sectors that account for 8 % of total employment"⁴. However, these groups will be disproportionately affected by job losses and require reskilling. Workers and their families may lose not only jobs and income, but also social identity, which will reverberate through regions dependent on revenues from companies affected by the transition to a low carbon economy. Workers must be reskilled, sectors restructured, regions diversified, and Member States must develop precise diagnoses and roadmaps to address these challenges.

The second dimension concerns affordability of energy, especially for low-income households, particularly those experiencing energy poverty, who may be severely affected by additional carbon taxes and who lack investment capacity to benefit from the energy transition. If the EU ETS₂ is effectively operational in 2028⁵, adding carbon pricing to heating and transport fuels, not all social groups will be equally affected. Between 8% and 16% of Europeans already struggle to pay their energy bills or adequately heat or cool their homes. Since these households predominantly live in

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low-quality housing equipped with carbon-intensive heating systems, they will face higher costs than wealthier households capable of investing in retrofitting or decarbonised heating and electricity systems. According to research carried out by Bruegel, a low-income German household dependent on gas could see heating bills increase by 1.2% under a carbon price scenario of €60 per tonne, while a low-income Polish household dependent on coal would face a 3.1% increase. For transport fuels, “the additional cost would be on average between 0.2 percent to 0.6 percent of consumption expenditure across different income groups of EU households⁶”—hitting car-dependent households hardest, especially in rural areas. Challenges to social cohesion, justice and acceptance are therefore at stake.

The EU architecture for a just transition

To address these two dimensions, the EU introduced new pieces of legislation, action plans and governance mechanisms to support Member States in achieving a just transition. Let’s focus here on two crucial frameworks⁷ that are shaping the national approaches.

First, the **Regulation (EU) 2018/1999 on the governance of the Energy Union and climate action**⁸ established a robust governance mechanism requiring member states to describe the actions and policies they intend to implement to achieve the 2030 climate and energy targets and to track national contributions to the EU’s long-term climate and energy objectives. The National Energy and Climate Plans (NECPs) serve as a “strategic planning tool to deliver a fair, resilient and climate-neutral Europe” covering the period until 2030. According to articles 3 and 9 of the directive 2018/1999, each member state was required to submit its first NECP by 31 December 2019, with regular updates expected by 1 January 2029 and every ten years thereafter. The most recent updated version was due in June 2024, following submission of a draft project in 2023 assessed by the Commission. NECPs must cover the five dimensions of the Energy Union: decarbonisation, energy efficiency, energy security, internal energy market, research, innovation and competitiveness. Within these chapters, dedicated sections must address the “just transition” and energy poverty, as well as assess the impact of planned policies and measures on health and environment, employment and education, social and skills devel-

opment. The plans must also include measures to mitigate these effects. The structure of the NECPs reflects the Commission’s commitment to developing transition policies that account for their distributional consequences. The process of drafting the NECP enhances the participation of and consultation with a broad variety of actors.

The second mechanism refers to the **Regulation (EU) 2023/955, adopted on 10 May 2023 establishing a Social Climate Fund**⁹ (SCF). While the EU was planning to introduce the EU ETS₂ (initially in 2027) adding a carbon price on heating and transport fuels, EU decision makers were also aware that this might cause additional difficulties for certain groups and new inequalities. Therefore, a Social Climate Fund was created. Part of the EU ETS₂ revenues (€65 billion), combined with a mandatory national co-financing of 25%, will be reinvested in the SCF (ie €86.7 billion¹⁰). Available from 1 January 2026, this fund is integrated into the multiannual financial framework (MFF) to ensure stability. The SCF aims to mitigate cost increases resulting from the new carbon price and provide vulnerable small and medium-sized enterprises (SMEs) and households with resources to invest in low-carbon buildings and transport, thereby aiming to avoid the distributional effects of the EU ETS₂ and to prevent energy poverty. In order to benefit from the SCF, the Member States are required by the regulation 2023/955 to draft a Social Climate Plan (SCP) explaining how they plan to use the funds to advance a just transition. Member States were required to submit their SCPs by the end of June 2025. However, as of December 2025, only Sweden’s SCP has been submitted and adopted by the Commission, while Latvia, Lithuania, and Malta submitted plans, currently under Commission assessment¹².

Does this architecture ensure a just transition?

Even though this existing financial and institutional architecture can be regarded as pioneering in addressing just transition, the European just transition effort faces significant shortcomings.

The first shortcoming lies in the degree to which Member States take **ownership** of the issue. The failure to meet the SCP submission deadline could signal a lack of ambition and commitment, though the reasons are complex and include political instability in some countries or electoral calendars in others. Nevertheless, this pattern reveals the low

level of priority assigned to just transition by national governments and the EU Commission's limited power to provide clear guidelines and to compel Member State compliance. This lack of ownership is also evident in the NECPs, where social impacts are addressed only superficially, lacking strong data and operational definitions – not even for key issues such as skills or energy poverty. Therefore, the delayed SCP submissions and deficient NECP content expose a critical absence of comprehensive vision. Diagnosis analyses and statistics are incomplete, target groups poorly identified and measures often fragmentary. Most countries appear focused on fulfilling Commission obligations without a sense of ownership and without translating them into coherent action plans. While NECPs were expected to provide guidance for the SCP, most plans that reference it instead use the SCP as a justification for avoiding comprehensive socio-economic impact assessments of their respective climate and energy policies in the NECPs.

The second issue concerns the SCF's **funding level and management structure**. Member states, the Council, and the European Parliament held divergent positions on allocating EU ETS₂ revenues, with some member states advocating for more ambitious funding and others for less. The final amount and design of the SCF represent a compromise among these positions with a maximum of €65 billion coming from the EU ETS allowance revenues and a 25% national co-financing requirement but concerns were raised about whether the fund will be sufficient to provide adequate support. Management structure was equally contested, with some states advocating for direct, centralised fund management similar to the European Recovery and Resilience Plan, while others favoured a more decentralised management based on cohesion fund experience. The outcome of the discussions is that the Social Climate Plans are to be drafted at national level and are supposed to be consulted with sub-national authorities.

Third, a fundamental tension exists regarding the **use and purpose** of the SCF: should it support the

incomes of vulnerable households facing price increases due to carbon pricing, or should it invest in structural measures that protect people from price increases in the long term? Here, another compromise emerged: no more than 37.5% of total SCF may be dedicated to temporary income support for vulnerable households and transport users, while the bigger share of it must fund structural measures. Concerns persist that this allocation will be insufficient to address the distributional effects of climate action, whether short-term or long-term.

Finally, a fifth critical gap concerns the **degree, quality and efficiency of the consultation process**. Most local actors responsible for implementing just transition measures report that their voices are not heard. The majority of these actors across Europe were either not consulted during the planning and drafting processes or, if consulted, cannot determine how or whether consultations results were integrated into final documents (Stapper et al. 2026). In most NECPs, the consultation process lacks transparency, and outcomes remain unclear. The SCP consultation process remains similarly opaque, particularly regarding engagement with local actors who are essential partners in achieving a just transition¹³.

If the just transition is not more firmly institutionalised and recognised as a foundational pillar of climate and energy policies on equal footing with energy security and industrial competitiveness, there is a significant risk of creating « sacrifice zones » (Lerner 2010) that could fuel social and political discontent. This in turn could pave the way for political forces that may abandon climate policies in the name of social justice, undermining the interests and expectations of Europeans. A 2023 European Investment Bank survey¹⁴ reveals that 68% of Europeans believe the transition's success depends on governments' ability to simultaneously address low-carbon transformation and inequality. Yet 62% express concern and mistrust towards governments' ability to deliver a just transition highlighting the expectations of citizens in this respect.

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Footnotes

- 1 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DCo640>
- 2 https://ec.europa.eu/commission/presscorner/detail/fr/speech_19_6749
- 3 https://enlargement.ec.europa.eu/news/speech-president-von-der-leyen-european-parliament-plenary-new-college-commissioners-and-its-2024-11-27_en
- 4 <https://publications.jrc.ec.europa.eu/repository/handle/JRC126047>
- 5 Initially planned in 2027, it should become fully operational in 2028 as decided during the discussions on the European Climate Law.
- 6 <https://www.bruegel.org/policy-brief/making-best-new-eu-social-climate-fund>
- 7 Other important frameworks concern for example the Just Transition Mechanism specifically aiming to mitigate the distributional effects of the transition in the most affected regions by promoting targeted investment in clean sectors to diversify the regional economies. It includes three pillars: the Just Transition Fund (see Sandman et al. 2024), the InvestEU "Just Transition" Scheme and a new Public Sector Loan Facility (Stapper et al. 2026). The use of these funds requires the establishment and adoption of Territorial Just Transition Plans that are not considered in this short note.
- 8 <https://eur-lex.europa.eu/eli/reg/2018/1999/oj/eng>
- 9 https://commission.europa.eu/energy-climate-change-environment/implementation-eu-countries/energy-and-climate-governance-and-reporting/national-energy-and-climate-plans_en
- 10 <https://eur-lex.europa.eu/eli/reg/2023/955/oj/eng>
- 11 <https://carbonmarketwatch.org/wp-content/uploads/2024/07/Joint-SCF-briefing-080724.pdf>
- 12 https://employment-social-affairs.ec.europa.eu/policies-and-activities/funding/social-climate-fund/social-climate-fund-national-plans_en
- 13 <https://eurocities.eu/latest/eu-social-climate-fund-at-risk-of-mismanagement/>
- 14 <https://www.eib.org/en/surveys/climate-survey/6th-climate-survey/world>

