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# POLICY BRIEF

## MAKING GREEN POLICY ALSO JUST



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### Key Messages

- A faster EU climate transition must prioritise public interest over corporate profits, **ensuring citizen participation, democratic planning, and socialised investment** for sustainability.
- **Green industrial policies must prioritise global justice over national competitiveness** to transform unjust economic structures, with economic decolonisation and fairness central to achieving both climate and fairness goals.
- The **EU has pioneered a laudable “just finance” policy** - however, this is limited and, effectively insufficient, whilst it creates questions about intergenerational justice.

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# Introduction



*The climate is changing: it's up to governments to act, urgently, supported by citizens and other actors, to reduce carbon emissions. This long-term crisis should not be put-off because of other policy emergencies. In the long-term, all humanity will benefit from the green transition towards a low-carbon economy. In the short-term, unless the green transition is also a just one, there will be "winners" and "losers". A green transition must be also just in order to be morally right and embraced by all society.*

*Climate change affects different parts of the world in different ways. Concurrently, green policies can have different costs for different segments of society. For example, policies to reduce fossil fuel dependency disproportionately affect jobs in mining communities. No surprise that the just transition movement emerged from that sector! Added to this, some of the poorest countries on the planet lack the resources to finance a green transition.*

*How can we make the green transition also a just one? There can be no single "blueprint" to be rigidly imposed, top-down. Policy seeking to make the green transition just will have to consider generational, spatial, and socio-economic justice. Just transitions, then, are complex, and will need designing taking into account these varied and often overlapping*

*characteristics. Stakeholders will need to be involved, bottom-up, in the design of these just policies, and sufficient finance will be required to fund them.*

*Despite being complex and context-dependent, just transitions have some core, common elements. The European Union (EU) has been at the forefront of making policies to drive a green transition. The European Green Deal (EGD) includes several policies that support a just transition, captured by its objective to leave "no-one behind", as well as tools including the Just Transition Mechanism. EU green policies consider several dimensions of justice, including: distributive justice – allocating costs and benefits; procedural justice – how decision-making is done; and recognitional justice – respect for diverse cultures and perspectives.*

*In this policy brief, we explore just transitions in three key EU policy domains: Energy and Climate; Green Industrial Policy; and Green Finance. We end with some thoughts on how EU policy on the green transition could be further improved.*

# Making Green Energy and Climate Policy Just

*In the era of multiple crises the EU is facing, tough choices need to be made. One of them implies staying on the course of previous accomplishments and objectives, including those set out in the European Green Deal. Yet, EGD objectives have been lately faced with 'greenlash', and significantly watered down and translated into controversial policies (such as the Clean Industrial Deal) to increase EU competitiveness and favour large industries. The European Commission's (EC) focus on "competitiveness through simplification" to increase efficiency at the same time takes a short-sighted and unsustainable approach of prioritising shareholders, rather than citizens who support innovation to increase resilience and expect bolder action against the climate breakdown.*

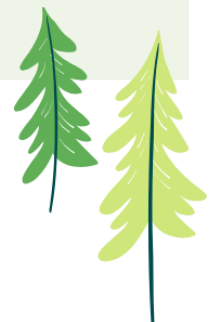
*Still, recent surveys show that European citizens support reaching climate neutrality in the near future. However, this popular support is not reflected in the policy-shift made by the EU; on the contrary, there are voices who raise concern that the EC has diverted from this*

*direction and focused on a new austerity wave to ensure higher competitiveness by favouring the interests of big businesses. While the Draghi report indeed recognizes the need for increased capital to drive renewable energy and decarbonisation in Europe, it also calls for deregulation of the EU's key social, environmental, democracy and human rights protection standards, as it appears that the EC aims to prioritise financial support for private companies against improving public services and fostering climate action<sup>1</sup>.*

*Ensuring the EU's sustainability and competitiveness to avoid the so-called 'slow agony' of gradual economic decline must not result in short-sighted reduction in sustainability rules, as suggested in the EU's Competitiveness Compass published in early 2025<sup>2</sup>. Slashing 90 percent of the European Union's global warming contribution by 2040 has to be first of all beneficial to the EU citizens, not only to those large corporations that assume they will be supported and subsidised by the EC.*

“

**The EU must balance sustainability and competitiveness, avoiding short-sighted deregulation that prioritises corporations over citizens and climate action ”**



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# Making Green Industrial Policy

## Just

*'Green' industrial policy has emerged as a promising approach to addressing climate change while fostering economic development. However, current implementation reveals stark global inequalities. The United States, the European Union and China are engaged in a geopolitical race to dominate green technologies and markets. Their massive subsidies, protectionist measures, and foreign policy manoeuvres aim to position their domestic industries advantageously in the transition to a low-carbon economy.*

*The EU's Green Deal Industrial Plan, the US Inflation Reduction Act and China's Made in China 2025 represent competing frameworks that have provided substantial state support to domestic industries (Aiginger, 2024<sup>3</sup>). Nevertheless, while framed as climate solutions, these policies – including Europe's strategies – prioritises national or regional competitiveness over tackling the climate emergency (Wigger, 2024<sup>4</sup>).*

*For Global South countries, this dynamic creates severe challenges. Many resource-rich nations that supply critical minerals for green technologies – such as the Democratic Republic of Congo (cobalt), Chile (copper and lithium) and Indonesia (nickel) – find themselves relegated to the role of raw material suppliers. When these nations attempt to develop their industries through measures like Indonesia's ban on raw nickel exports, they face punitive actions from Global North powers, as evidenced by the EU's WTO complaint and threatened retaliatory tariffs against Indonesia.*

*The systemic disadvantages are profound. While the IRA package provided an estimated \$370 billion in renewable energy subsidies (currently in doubt after Donald Trump*

*acceded to national office in the US) and the European Investment Bank committed €45 billion in support for the Green Deal Industrial Plan, most Global South countries struggle under the weight of \$3 trillion in debt. This debt, often due to predatory lending practices and harmful policy prescriptions from international financial institutions, severely constrains their fiscal capacity to implement sovereign green industrial policies.*

*The rhetoric of 'win-win' partnerships between Global North and South masks a more troubling reality. The EU engages in "Raw Materials Diplomacy" with countries like Argentina and Zambia. Still, these partnerships are often undermined by binding provisions in trade agreements that limit policy space for domestic industrialisation. Meanwhile, the extraction of critical minerals from Global South countries constitutes less than 1% of the total value chain, with most economic benefits accruing to powerful economies that control processing, manufacturing, and end-product stages (IEA, 2021<sup>5</sup>. World Bank, 2023<sup>6</sup>).*

*This approach represents a continuation of colonial economic relations, now repackaged as green development. The same mechanisms that have historically disadvantaged the Global South – unfair trade rules, burdensome debt, and technology dependencies – are being reinforced rather than dismantled in the green transition.*

**“Green industrial policies prioritise competitiveness over true ecological transformation, reinforcing global inequalities and limiting the Global South's green development amid debt burdens.”**

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# Making Green Finance Just

Green finance has become a core means of investing in the green transition as calls for climate action increased around the world. The EU can be credited as pioneering this movement, with the European Green Deal Investment Plan (EGDIP) from 2019, followed by Japan's Green Growth Strategy and South Korea's Green New Deal from 2020, the UK's Net Zero Strategy and Australia's Net Zero Plan from 2021, and the US Inflation Reduction Act from 2022 (which may be repealed under Trump 2.0).

The EGDIP is ambitious, aiming to make the EU the world's first, major climate-neutral bloc by 2050. Multi-dimensional and complex, it claims to also incorporate a "just" approach associated with leaving "no-one behind". It also includes a growth strategy. Overall, the EGDIP will mobilise at least €1 trillion in the decade to 2030 with the aim of promoting a climate-friendly, inclusive, resource-efficient and competitive transition.

The EGDIP investment plan involves significant financial changes in the EU institutions<sup>7</sup>. First, half of EGDIP finance will come from at least 25% of the EU Budget (€503 billion for Climate and Environment between 2021-2030). This will be complemented by nationally co-financed Structural Funds (€114 billion) providing aid and grants. Second, the EU launched InvestEU, an investment framework managed by the European Investment Bank Group (EIB), to leverage over €279 billion of public and private investment between 2021-2030

towards the green transition.<sup>8</sup> Third, a central part of the EGDIP is the "Just Transition Mechanism", which addresses the social and economic effects of the transition, seeking to ensure "no-one is left behind".

The Just Transition Mechanism, contributing €143 billion between 2021-2030 from the EU budget and the EIB, and implemented by the EIB, has three pillars. First, the "Just Transition Fund", financed via the EU budget's structural programme (€30-50 billion). Second, the "InvestEU Just Transition Scheme", whereby the EIB blends private and public investment into regions defined as just transition territories (€45 billion). Third, Public Sector Facilities, blending EIB loans with EU budget funds into just transition territories (€25-30 billion). Though very laudable, experts have claimed this finance is insufficient and unjust from an inter-generational perspective.

## The EIB: the world's first Climate Bank

**In the context of the EGDIP, the EIB positioned itself as the EU Climate Bank.**

**This led to three main changes as regards supporting the European Green Deal:**

Alignment of all financial operations, from 2021, with the principles and goals of the Paris Agreement.

Increasing financing in climate action to over 50% of annual loans (a target it exceeded, reaching nearly 60% across 2022-2024).

Support for €1 trillion of investment in climate action from 2021 to 2030 within a wider EU sustainable finance framework.



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# Policy Implications and Recommendations



## Climate and Energy Policy

*EU accomplishments, including those set out in the European Green Deal, have been recently significantly watered down, by policy such as the Clean Industrial Deal, to increase EU competitiveness and favour large industries. The EC's focus on "competitiveness through simplification" while trying to increase efficiency, takes a short-sighted approach which prioritizes shareholders over citizens.*

*Avoiding gradual economic decline must not result in short-sighted reduction in sustainability rules, as suggested in the EU's Competitiveness Compass, published in early 2025. The EC needs to build new alliances that respond to the key concerns of EU citizens: decreasing costs of energy transition, developing compensation mechanisms through public funds, and creating jobs aligned with climate policies.*

*To make the Clean Industrial Deal more just, the EU should address economic and gender disparities and balance public and private investments with democratic oversight and clear social and environmental conditions. While relying on electrification with renewables and circularity, the deal should not prioritise energy intensive industries and continue to ignore pollution.*

*Energy bills need to become affordable and decrease the energy poverty that affects many EU member states. A successful Affordable Energy Action Plan will accelerate wind and solar energy deployment and build necessary grid infrastructures, but will also promote community led-action and energy communities. The EU's Renewable Energy Directive (RED) sets a clear policy for promoting renewable energy sources, establishing a 2030 target of 42.5%. However, a coherent plan to decrease and ultimately phase out fossil fuel subsidies<sup>9</sup> still needs to be put in force.*

*Despite falls in domestic emissions, current progress towards climate neutrality is insufficient. EU policy that aims to curb consumption-related emissions must be further strengthened (such as the Carbon Border Adjustment Mechanism) by putting a price on imports of certain non-EU industrial goods<sup>10</sup>.*

*The Social Climate Fund needs to be reinforced to ensure that the most affected vulnerable groups are not left behind<sup>11</sup>. EU Member States must promote public participation to adequately address citizens' concerns.*



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# Industrial Policy

To advance genuinely just and green industrial policy, several systemic changes are necessary:

1. **Debt Justice and Climate Finance:** Implement comprehensive debt cancellation for Global South countries, particularly those vulnerable to climate impacts. Replace conditional lending with unconditional climate finance that enables sovereign industrial development.
2. **Reform of Trade and Investment Rules:** Overhaul WTO regulations and investment treaties to allow Global South countries to implement export restrictions, local content requirements, and other industrial policy tools without facing punitive actions from powerful economies.
3. **Technology Transfer and Capacity Development:** Establish mandatory frameworks for genuine technology transfer, beyond the vague promises in current 'strategic partnerships'. This should include removing intellectual property barriers to clean technology and supporting indigenous innovation systems.
4. **Regional Integration and South-South Cooperation:** Support efforts by Global South countries to build regional industrial strategies and supply chains that reduce dependency on Global North markets and finance.
5. **Democratic Public Ownership:** Promote public ownership models in critical mineral sectors and green manufacturing, ensuring benefits flow to local communities rather than being captured by multinational corporations.
6. **Consumption Reduction in the Global North:** Implement policies to dramatically reduce resource consumption in wealthy countries, including shifting from private to public transport systems, extending product lifespans through right-to-repair, and prioritising sufficiency over growth.



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# Finance Policy

The EGDIP and the emergence of the EIB as the EU Climate Bank are laudable efforts, and remain ambitious at the international level. However, real improvements could be made:

1. Green, just financial policy in the EU is still constrained, particularly by the fact that the EU budget remains a small proportion of EU annual GDP (around 1 percent).
2. Following from this, finance is being targeted to make the transition more just, but criticism has been made that finance is focusing on workers, communities and regions negatively and *directly* affected, and not on those who are negatively but indirectly affected.<sup>12</sup> More finance is required to reach more regions which are also vulnerable, albeit indirectly, to the green transition.
3. Another major concern is that much of the finance around climate mitigation is done through EU long-term debt. This raises questions about the fairness of

intergenerational redistribution. The EU and its Member States can use long-term debt to improve the social and economic dimensions around the green transition, making it more just for specifically affected territories, industries, workers and communities. However, this has consequences. By applying debt-financed climate mitigation, the financial burden of the transition is shifted to future generations. Though inheriting the debt, the future generations stand to benefit from reduced exposure to climate change risks, a preserved environment, and technological advance, but more could be done to rebalance potential intergenerational injustices stemming from this approach.



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# GreenPaths Project

- **GreenPaths** is a three-year project supported by the European Commission under the Horizon Europe program. It is led by the University of Cantabria and implemented by a consortium of 13 partners from 10 countries.
- The main objective of **GreenPaths** is to foster **more integrated and impactful policy making**, driving environmental sustainability and enhancing social well-being both within Europe and globally.

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