

**To: Energy Ministers of EU Member States**  
**Cc: Commission President, Executive Vice-President for the European Green Deal and Commissioners for Environment, Transport, Energy, Industry; the DG of DG Climate; the Chairs of the European Parliament Environment Committee; Industry, Research and Energy Committee; Economic and Monetary Affairs Committee; and Budgetary Control Committee; and Energy Attachés in Permanent Representations to the EU**

**Re: Input to the Extraordinary TTE (Energy) Council Meeting, Luxembourg, 26 October 2021**

Brussels, 20 October 2021

Dear Minister,

Ahead of the Extraordinary TTE (Energy) Council on 26 October in Luxembourg, we would like to express our concerns on the short and long-term implications and consequences of the current EU debate on the increase in energy prices and the adoption of the toolbox by the European Commission on 13 October. **The current energy prices emergency in Europe is a wake-up call for more climate action, not less.**

While financial measures to tackle energy poverty and protect vulnerable energy consumers are necessary, these must be accompanied by the right push and pull instruments to drive change in national energy policies and influence the choices and behaviours of economic actors in the first place (energy and energy-intensive industries) and citizens as final consumers, with the aim to fully decarbonize the EU's energy sector as soon as possible and hence reduce fossil-fuel dependency and risks of price impacts, and support both household and national budgets by reduced bills.

There is no doubt that the heavy fossil-based EU's energy mix and its dependency on oil and gas imports is the main cause of the energy price hike in a global market led by speculation and volatility.

It is also a fact that during last year's Covid lockdown the EU's gas and electricity markets reported huge loss of profits and EU Energy Ministers called for quick action to make up for this. Moreover, the nature of the energy market dominated by the merit order and coal/gas price setting is clearly an obstacle to reap the full benefits of renewables penetration and uptake.

However, despite this well-known economic and regulatory context, some are still trying to instrumentalise the price hike to argue that the European Green Deal and the Fit for 55 Package – which is not even yet agreed upon and will not be enforced for at least two years - are to blame for the current energy price hikes. This political stance should be resisted at all costs.

The energy prices spike comes at a time when Europe has agreed to strengthen its policy measures and instruments to contribute to avoid the worst impacts of climate change on our life on the planet. It also comes in the aftermath of the Covid crisis, which has shown the correlation between the degradation of our environment and the uptake and spreading of new diseases and has urged all governments to rebuild their economies in a more resilient and sustainable way.

The IPCC 6<sup>th</sup> scientific Report on Climate published last August has reminded us that we are dangerously heading for a +3°C or more increase of global temperature by mid-century, which would be catastrophic for our survival and nowhere near the 1.5°C which is the safety threshold to limit the worst climate impacts on our life on the planet.

There will be no economy on a planet where the living conditions are no longer guaranteed due to heavy climate impacts. We are already suffering the social and economic losses of climate change. The last climate episodes in Europe and elsewhere have shown that society and the economy are already paying the price of climate change. Energy and transport infrastructure, agriculture and food production, and other commercial activities have been hit hard by the floods, fires and other climate events last summer.

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Domestic heating, private transport and the energy and energy-intensive industry, like all other economic sectors, need to become climate-proof and fossil-fuel-free. Delaying the transition means contributing to making prospects worse for everyone. It will also backfire politically, undermine the EU's position at the UNCCC COP26 in Glasgow and risk weakening the chances of global commitments to 1.5°C we need.

The EU must make the most of the funds that are there, exceptionally strengthened by the Next Generation EU recovery plan and the related National Recovery and Resilience Plans (NRRPs). Other new economic and financial instruments such as the Carbon Border Adjustment Mechanism which, if well designed, can support more climate ambition both in the EU and outside, the Climate Social Fund and a revised Energy Taxation Directive internalising environmental costs can support the economic and social transition.

The EEB has undertaken key studies and put forward many recommendations on how to speed up the decarbonization of the energy sector while addressing the social and economic impacts.

Our vision and modelling of the EU's energy future in our [Paris Agreement Compatible Energy Scenario](#) for the EU shows that 100% renewables electricity supply is possible and will get us fully independent of fossil fuels, with supply and demand matched through energy efficiency, circular economy measures, renewables, smart grids and battery storage. These are measures that will benefit citizens by fostering energy savings and cutting their energy bills.

Targeted spending and support can address energy affordability and poverty and are urgently needed given that the EU is [70 billion Euro away from making renewable heating affordable for all](#).

Meaningful carbon pricing and the internalisation of the costs of pollution, which are still lacking across most of the EU, are key to enforcing the “polluter pays principle” and can help incentivise the transition. They can also raise funds for the radical transformation of the energy sector while leaving no one behind.

In parallel to these measures, the EU must stop subsidising fossil fuels in all forms — especially in EU funding (through the EU Budget and the National Recovery and Resilience Plans and the future Social Climate Fund) and public funding through hidden subsidies (energy taxation schemes amongst other) and the State Aid rules (CEEAG and GBER), which still support gas as a transition fuel and even coal in certain circumstances.

Regarding [hydrogen](#), we call for a limited, sustainable and targeted use of a resource that could further contribute to increase energy prices while other less expensive sustainable options, such as electrification, are already commercially viable.

#### **Therefore, we call on you to:**

- Accelerate your commitments to and spending on energy efficiency, building restoration, and changes in domestic heating towards renewable energies using NRRPs funding, MFF support and additional national funding;
- Support a transformative energy and climate agenda at EU and national levels to reduce and eventually stop dependency on fossil-fuels, risk of price impacts on consumers and burdens on domestic and national budgets;
- Embrace the opportunities in the Fit for 55 package to push for a future where decarbonisation is the norm, fossil-fuel dependency is history and no citizen is left behind;
- Secure the Social Climate Fund and make this the flagship programme to decarbonise European homes by 2040 at the latest, first and foremost through structural upgrades of our buildings and heating systems;
- Implement the Social Climate Fund in a way that ensures sufficient money to quickly flow to citizens facing fuel hardships and enable them to improve the energy efficiency performance of their homes and reduce their energy demand and hence energy bills (*given the importance of the Social Climate Fund, see Annex 1 for details of the EEB's asks*);

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- Use already-existing resources, such as the Just Transition Fund and the Modernisation Fund, to fund zero-carbon and zero-pollution projects, and not to perpetrate fossil gas lock-ins;
- Support a renewable energy target of at least 50% and an energy efficiency target of 45% by 2030;
- Call for these targets to be achieved through binding targets at national level;
- Make the most of the economic and financial opportunities in the Next Generation EU recovery plan and the Fit for 55 Package (Energy Taxation Directive, CBAM, ETS) to drive the changes needed;
- Stop subsidising fossil fuels in any form and reform fiscal measures to internalise the costs of pollution, make renewable heating and cooling cheaper than fossil heating and generate funding for addressing the social impacts.

Beyond any doubt, the climate catastrophes we are all experiencing are not something we can live with or adapt to, and decision-makers must do whatever it takes to slow the current climate trend. You are in the driving seat and have a moral responsibility to lead the change we need for safeguarding our future.

Thank you in advance for your consideration of these points which support the need for citizens and the EU get through the current price crisis through supporting the ambitions of the European Green Deal and Fit for 55 Package. This will help catalyse progress towards a more sustainable future – helping address the climate, reduce lock-in to volatile fossil-fuel prices and improve the ability of citizens and the economy to meet energy demand through progressive and timely solutions.

Yours sincerely,



Jeremy Wates  
Secretary General

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## Annex 1: Regulation establishing a Social Climate Fund

The Social Climate Fund is an essential tool to support low-income households, counterbalance impacts from increased consumer prices for home heating and car fuels and support investments for 2025-2032. It is to be part-financed through EU own resources (revenues from the ETS extension form ~25%) and complemented by Member State revenues. Each Member State is required to submit a Social Climate Plan together with updated National Energy and Climate Plans. However, given the scale of fuel poverty, the amount currently proposed (72.2 billion EUR EU contribution and 144.4 bn EUR with 50% national contribution) is far short and also at risk from the potential non-agreement on the ETS extension. Currently, the social fund adopts mainly a 'compensation based' approach rather than investing into empowering citizens to cut their electricity and heating bills. Furthermore, energy poverty is highly gendered, hitting women harder than men in many countries given the particular challenges of single parents and those above retirement age, who are on average more likely to be women.

### ***We therefore call upon Member States to:***

- Explicitly engage citizens across Europe and within Member States to explore and understand the social challenges they face in the climate and ecological transformation – from energy poverty, to access to services (e.g. mobility and heating) – and how best to support them to make the transition (e.g. to be able to invest in renovation and insulation, changing heating systems) and feed this into the political discussions on the Fit-for-55;
- Invest in clear communications and knowledge-building to avoid misinformation on price impacts of the EGD measures and hence social risks of advancing progressive policies; target fake-news that seeks to undermine the EGD;
- Assess whether the estimated financial envelope is sufficient to address widespread social impacts of general rising energy prices as well as those specifically linked to new Fit-for-55 measures;
- Improve the definition of redistribution criteria across Member States to take into account differences in those providing funds and those receiving funds to ensure fairness;
- Add other conditionalities to avoid that money under the Social Climate Fund flow is misused, ensuring that there is no funding for fossil fuels investments - e.g. no support for coal to gas boilers;
- Consider also the gender aspects of social impacts with an intersectional lens – given the higher incidence of fuel poverty among women, there should be specific targets and measures for women;
- Enlarge the definition of energy poverty and vulnerable households to capture the diversity of realities across Europe;
- Accompany financial instruments with measures to tackle the root causes of energy poverty.

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