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“JUST DECARBONISATION”: AN OPPORTUNITY FOR EU–US COOPERATION

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In 2022, climate justice moved from the fringes towards the centre of global policy debates. The IPCC’s Sixth Assessment Report was notable for its framing of “equity” and “justice”.¹ COP27 was hailed as a win for climate justice, having concluded with a landmark announcement of a “loss and damage” facility. This briefing provides a review of the varied ways in which this shift is reflected in recent climate and energy legislation in the US and the EU.

Both the Inflation Reduction Act (IRA) and the Fit for 55 legislative packages acknowledge the need to protect vulnerable communities and help them transition to clean energy. Notwithstanding their differing contexts, the US and EU can learn from the strengths and weaknesses in each other’s approach, taking us beyond current transatlantic finger pointing towards synchronised and just decarbonisation.

Progress on “justice”, but more to do

The new US and EU decarbonisation policies show definite progress on centring “justice”. However, they differ in legacy, language, and content. We’ve set this out in Table 1.

¹ Time, March 2022, [The IPCC is finally using the right words to talk about climate change inequality and justice](#)

Table 1. A comparison of how the Fit for 55 package and the IRA integrate equity and justice.

	Fit for 55 (EU)	Inflation Reduction Act (US)
Purpose / aims	Package of policy proposals to reduce the bloc’s greenhouse gas emissions by at least 55% compared to 1990 levels.	Climate and energy provisions to stimulate clean energy production and manufacturing, while lowering emissions.
Money for disadvantaged communities	€86.7bn to create a Social Climate Fund to help vulnerable households and microenterprises take part in the clean energy transition. ²	<p>\$60bn funding for environmental justice, according to optimistic estimates. (More cautious analysis suggests around \$40bn.³)</p> <p>This includes \$3bn in block grants for disadvantaged communities, safe and affordable transportation, and to reduce air pollution.</p>
Language relating to equity & justice	<p>Discourse framed around “leaving no-one behind”.⁴</p> <p>Narrowing of “just transition” debate to compensating workers and regions dependent on fossil fuels.</p> <p>However, pushing to a more positive discourse about the potential of climate action to drive a “socially fair” transformation.</p>	<p>Recognises intersections of climate vulnerabilities, race, and identity⁵</p> <p>Does not specify the criteria for selecting “vulnerable” or “disadvantaged” communities.</p>
Legacy the policy builds on	Labour rights and social protection movements.	Environmental justice movements.

There is some confusion with respect to nomenclature, with terms like just transition, climate justice, and fairness being used interchangeably. Both pieces of legislation back up their rhetoric with financial provisions, of similar size and scope, to support disadvantaged communities through the transition.

² European Parliament, December 2022, **Deal on establishing the Social Climate Fund to support the energy transition**

³ Just Solutions, 2022, **Our analysis of the Inflation Reduction Act**

⁴ European Commission, July 2021, **Social and distributional aspects Factsheets**

⁵ Bloomberg, 2022, **Was the Climate Law a win for Environmental Justice? It’s complicated**



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The Social Climate Fund is the EU's first ever fund that specifically targets energy and mobility poverty. The IRA allocates tax credits for building clean energy infrastructure in disadvantaged communities. Despite the progress, neither legislation does enough to reduce the exposure of vulnerable groups to fossil fuels and the associated public and planetary harms.⁶

The IRA is a clear step forward from previous climate laws that paid little attention to environmental justice. However, its provisions do not go far enough on addressing a legacy of pollution.⁷ There are specific provisions that would expand oil and gas leasing and drilling, much of which could be located in low-income communities of colour, already overburdened by pollution from fossil fuel infrastructure and production.

Meanwhile, the size of the EU's Social Climate Fund is not proportionate to its ambitions. Indeed, a provisional agreement between EU legislators towards the end of last year saw the size of the fund shrink, limiting which groups it can protect and leaving others locked into extended fossil fuel dependency. Negotiators' reluctance to boost the size of the fund, while simultaneously allocating twice the amount in polluting permits to industry, is a severe setback to the bloc's just transition efforts.⁸

Limits to delivery – a learning opportunity

The differing approaches to delivery provide opportunities for the US and the EU to learn from each other. Both jurisdictions will take an overwhelmingly centralised approach to distributing the new funds, though more so in the EU than the US. This means local authorities face major obstacles in accessing the funds. However, local and city governments play a crucial role in ensuring funds are spent in a climate-smart way and end up in communities where they are most needed.

In the US, the onus is on local leaders and organisations to apply for money that is largely distributed to states. In the EU, cities do not have direct access to EU funding and are constrained by conditions imposed by national governments.

⁶ Fossil Fuel Non-Proliferation Treaty, 2022, **International health organisations call for fossil fuel non-proliferation treaty to protect lives of current and future generations**

⁷ Bloomberg, 2022, **Was the Climate Law a win for Environmental Justice? It's complicated**

⁸ WWF, December 2022, **EU negotiators must ensure the Social climate Fund excludes fossil fuels**



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This makes delivery more challenging in contexts where pro-climate local governments stand in opposition to more conservative state⁹ or national¹⁰ ones.

In the coming months, the EU should watch how a more decentralised system of fund distribution plays out in the US. The federal government has made provisions for a small share of the climate and infrastructure dollars to go directly to cities, enabling accelerated and strategic local delivery.

Similarly, as Americans grapple with defining and allocating funds to vulnerable communities,¹¹ they can look to the EU for inspiration in harmonising definitions of vulnerability, particularly of energy and mobility poverty, which will form the basis for targeted support across the Fit for 55 package. This could help the IRA overcome one of its blind spots in terms of dedicating funding and support to frontline communities and prevent the perfect from being the enemy of good.

Greater transatlantic cooperation to centre justice

Despite their shortcomings, these high-level climate and energy policies represent the biggest opportunity to date for EU–US collaboration on more equitable climate action.

Instead of solely managing trade tensions,¹² as is currently the case, the US and the EU should collectively shape a positive agenda on “just decarbonisation” that benefits the most vulnerable populations on both sides of the Atlantic.

For this to happen, ongoing transatlantic dialogue and exchange forums must happen at all levels, from the highest and most technical to the local – with all affected stakeholders. They must cover not only industrial and trade policy but also equity-driven transition pathways.

In addition to funding and compensation, which is often too transactional in nature, such pathways should also include how disadvantaged groups will have increased agency in the transition.¹³ This is an issue that neither piece of legislation delves into and needs further investigation.

⁹ The New York Times, April 2022, **The Texas group waging a national crusade against climate action**

¹⁰ **Pact of Free Cities** (website), accessed February 2023

¹¹ The New York Times, January 2023, **Leveling the (green) playing field**

¹² E3G, December 2022, **The Inflation Reduction Act (IRA) and the EU**

¹³ IEA, 2021, **Recommendations of the Global Commissions on people-centred clean energy transitions**



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2023 will show whether the two long-standing allies can move past green protectionism to initiate an upward cycle that keeps equity and justice front and centre on the decarbonisation agenda.

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About E3G

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E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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