

EUROPEAN ECONOMIC AREA

CONSULTATIVE COMMITTEE

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RESOLUTION AND REPORT

on

the social dimension of the fit for 55 package

Rapporteurs:

Ms Nora Hansen (EFTA Consultative Committee, Workers – Norway)

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RESOLUTION
on
the social dimension of the fit for 55 package

The Consultative Committee of the European Economic Area (EEA CC):

- Having regard to the Agreement on the European Economic Area (EEA Agreement), and in particular Article 96 thereof,
- Having regard to the European Commission Communication ‘Fit for 55’: delivering the EU’s Climate Target on the way to climate neutrality of 14 July 2021,¹ the European Commission Communication on the European Green deal of 11 December 2019,² the European Commission proposal for a Directive amending the EU ETS of 14 July 2021,³ the European Commission Proposal for a Regulation establishing a Social Climate Fund of 14 July 2021,⁴ and the European Commission Proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality of 14 December 2021,⁵
- Having regard to the Paris Agreement which takes into account the imperative of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities,⁶ the 2015 ILO Guidelines for a Just Transition,⁷ the 2018 Solidarity and Just Transition Silesia Declaration,⁸ and

¹ “Fit for 55’: delivering the EU’s Climate Target on the way to climate neutrality”, [European Commission](#), 14 July 2021

² “The European Green Deal”, [European Commission](#), 11 December 2019

³ Proposal for the revision of EU ETS, [European Commission](#), 14 July 2021

⁴ Proposal establishing the Social Climate Fund, [European Commission](#), 14 July 2021

⁵ Proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality, [European Commission](#), 14 December 2021

⁶ Paris agreement, [United Nations](#), 2015

⁷ Guidelines for a just transition towards environmentally sustainable economies and societies for all, [International Labour Organisation](#), 2015

⁸ Solidarity and Just Transition Silesia Declaration, [COP24 Katowice](#), 2018

the 2021 COP26 Declaration supporting the conditions for a just transition internationally,⁹

- Referring to previous resolutions and reports of the EEA CC, especially the Resolution and Report on ‘The European Green Deal’ of 18 September 2020,¹⁰ Resolution and report on ‘Benefits of 25 years of the EEA Agreement of 23 May 2019’,¹¹ Resolution on ‘The EU’s New Industrial Strategy and the EEA’ of 18 September 2018’,¹² Resolution and Report on ‘Investing in quality jobs for sustainable growth’ of 5 June 2015,¹³
- Having regard to position papers of EU social partners, and in particular the European Economic and Social Committee’s (EESC) opinion on the Revision of the EU Emissions Trading System (EU ETS), including maritime transport and Market Stability Reserve adopted on 8 December 2021,¹⁴ Opinion on the Social Climate Fund adopted on 9 December 2021¹⁵, Opinion on ‘Fit for 55’: delivering the EU’s 2030 Climate Target on the way to climate neutrality for the Plenary session on 23-24 February 2022,¹⁶ and Opinion on the Carbon Border Adjustment Mechanism (CBAM) on 8 December 2021,¹⁷
- Acting in accordance with its Rules of Procedure, and in particular Article 2(2) thereof,

While:

⁹ Supporting the conditions for a just transition internationally, [COP26 Glasgow](#), 2021

¹⁰ Resolution and Report on The European Green Deal, [EEA Consultative Committee](#), 18 September 2020

¹¹ Resolution and Report on Benefits of 25 years of the EEA Agreement, [EEA Consultative Committee](#), 23 May 2019

¹² Resolution on The EU’s New Industrial Strategy and the EEA, [EEA Consultative Committee](#), 18 September 2020

¹³ Resolution and Report on investing in quality jobs for sustainable growth, [EEA Consultative Committee](#), 5 June 2015

¹⁴ Opinion on the revision of the EU Emissions Trading System (ETS), including maritime transport and Market Stability Reserve, [EESC](#), 8 December 2021

¹⁵ Opinion on the Social Climate Fund, [EESC](#), 8 December 2021

¹⁶ ‘Opinion on Fit for 55’: delivering the EU’s 2030 Climate Target on the way to climate neutrality, [EESC](#), 23 February 2022

¹⁷ Opinion on Carbon Border Adjustment Mechanism (CBAM), [EESC](#), 8 December 2021

- A. Acting in accordance with its mandate to enhance the awareness of the economic and social aspects of the growing interdependence of the economies of the EEA States and of their interests, as laid out by Article 96(1) of the EEA Agreement;
- B. Emphasising the highly important role of the EEA social partners for the good implementation of the EEA Agreement;

Has adopted the following Resolution, by which it:

1. Welcomes the initiatives proposed to mitigate the negative social and economic impact of the proposed legislation in the Fit for 55 package and the support measures that have been presented including the Social Climate Fund and the Council Recommendations on ensuring a fair transition towards climate neutrality. The EEA CC recognises the importance of credibly fighting energy and mobility poverty and ensuring a well-managed just transition towards an environmentally sustainable economy which contributes to the goals of decent work for all, social inclusion and the eradication of poverty. The EEA CC furthermore acknowledges the importance of following up the task of transforming the economy and realises the opportunity to build a new economic model for innovation and investments and jobs.
2. Realising the importance of raising the ambition level of efforts to reduce greenhouse gas (GHG) emissions to comply with objectives set in the European Climate Law and the European Green Deal and fully supports the overarching objective of producing a 55% GHG reduction by 2030 and a carbon neutral economy by 2050.
3. Emphasises the monumental societal and economic effects the Fit for 55 package will have, not only on the EU Member States, but also on the EEA EFTA States that are fully integrated in the Single Market and are expected to adopt a large share of the proposed legislation.

4. Notes that although the EEA EFTA States are highly likely to transpose the revision and extension of the EU ETS and other Fit for 55 legislation, it is not yet clear whether the proposed Social Climate Fund is considered EEA relevant and is mindful of the possibility that the EEA EFTA States might not partake in the Social Climate Fund.
5. Echoes the opinion of the EESC that warned that the Social Climate Fund might not provide sufficient financial support to companies and households to adapt to the socio-economic effects of expanding the carbon pricing to new areas such as transport and housing, and that additional accompanying measures and resources therefore would be required. If the carbon price expansion is implemented across the EEA, there is a risk it might cause price hikes which would adversely affect vulnerable groups in society.¹⁸ Reminds that the increase in energy prices in 2021 and 2022 has shown the adverse effect of such price hikes even as the EU ETS carbon price was only one of several factors and not the major contributor to the high energy prices.¹⁹
6. Recognises that the high energy prices have adversely affected European economies and standards of living, leading to high inflation, and reiterates the call of the EESC²⁰ for a reassessment of the "Fit for 55" package to improve the capacity to deal with energy price volatility and problems following from emergencies, including war and the introduction of appropriate provisions to deal with such situations in a way that avoids negative effects on end users.
7. Considers that the auctioning of allowances under the EU ETS, including in the case of an expanded EU ETS, provides the participating EU Member States and EEA EFTA States with revenues which can be redistributed towards the mitigation of social and economic impacts and the realisation of a just transition depending on each

¹⁸ As was reflected in the [EESC Opinion](#) on the Social Climate Fund, adopted 8 December 2021

¹⁹ As was identified in ACER's preliminary assessment of Europe's high energy prices and the current wholesale electricity market design, [ACER](#), 15 November 2021

²⁰ TEN/760 What conditions are needed for the energy and low-carbon transition to be socially acceptable?

country's needs and priorities, independently of the establishment of a Social Climate Fund.

8. Emphasises that if there is to be widespread support for these policies amongst the population and civil society it is vital to be mindful of the economic and social impact of these policies on financially weaker households, medium-, small- and micro-enterprises and users of certain modes of transport. Underlines also that additional investments need to be mobilised to address the economic and social challenges faced by countries, regions, sectors and citizens across Europe. There is a risk of serious protests across the EEA, similar to that of the “yellow vest” movement, if adequate measures are not implemented to safeguard the interest of those most vulnerable. This risks the sustainability of important policies for jointly tackling the dire problem of climate change.
9. Welcomes the approach presented by the European Commission in the Social Climate Fund that gender equality and equal opportunities for all are pursued and promoted when developing and implementing policies to counteract potential adverse effects of the planned carbon pricing. The Committee further notes that the planned carbon pricing particularly affects women, who make up 85% of single parents. In families in a vulnerable situation, including single-parent families, the risk of child poverty is especially high.²¹
10. Refers to the close cooperation of Iceland, Norway, and the European Union on the common goal of reducing GHG emissions and thereby combatting climate change. Iceland, and Norway, and the European Union in 2019 agreed to joint fulfilment of their climate targets.²² Iceland and Norway have incorporated the Effort Sharing Regulation, LULUCF, and EU ETS and other EU policies into the EEA Agreement and continue to align its policies to reach the overarching goal of 55% emission reduction by 2030. Liechtenstein takes part in the EU ETS and adopts environment,

²¹ [EESC Opinion](#) on Universal access to housing that is decent, sustainable and affordable over the long term, adopted on 18 September 2020

²² Climate Action: closer EU, Iceland and Norway cooperation, [European Commission](#), 25 October 2019

energy, and transport acts. This also means that by taking part in the extension of the EU ETS financially weaker households, small- and micro enterprises in Iceland, Liechtenstein, and Norway might be similarly affected as those within EU Member States.

11. Recognises that to ensure a fair transition and guard vulnerable groups, the national governments of the EEA and the private sector must focus efforts on creating conditions for increasing climate ambitions without costs being disproportionately born by the financially disadvantaged.
12. Underlines, that the EEA should work towards the objective of climate neutrality, while ensuring global competitiveness and security of energy supply at affordable cost for businesses and citizens. Ensuring the competitiveness of Europe should go hand in hand with ensuring that EEA competitors adhere to the highest environmental and social standards. Strengthening carbon leakage protection against third country imports is essential to ensure environmental integrity as well as social acceptance of EU climate policy²³.
13. Points out that the EEA and Norway Grants have made a positive and important contribution towards alleviating social inequalities within the EEA. They play an important role in various projects in EU Member States related to achieving the objectives of the European Green Deal.²⁴ In the budget period of 2014-2021, the Grants contributed more than EUR 450 million to such projects in the fields of the environment and ecosystems; renewable energy, energy efficiency, and; climate change, mitigation, and adaptation. The application of the EEA and Norway Grants has also created positive and strong bilateral ties between EEA EFTA States and beneficiary EU Member States. They also tie in with EU's ambitions of becoming the first climate neutral continent by 2050.

²³ NAT/843 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality

²⁴ How the EEA and Norway Grants contribute to the EU Green Deal, [EEA and Norway Grants](#), 1 June 2021

14. The EEA CC encourages the EEA and Norway Grants and the EEA EFTA States to continue to allocate funding to address these important projects under the umbrella of the European Green Deal and, in particular, to projects that simultaneously alleviate the potentially negative economic and social impacts of climate policies on vulnerable groups.
15. Encourages the involvement of social partners and civil society actors of the EEA in the adoption and implementation of the proposed legislation relating to the social dimension of the Fit for 55 package into the EEA Agreement. The EEA social partners and civil society actors represented in the EEA CC have a deep and granular knowledge of the effects of the proposed legislation on social and economic dimensions of the Fit for 55 package.
16. Points out the importance of involving, supporting and encouraging the regional and local levels, and acknowledges the crucial role of these levels in ensuring a just transition.
17. Notes that of the legislative proposals presented in the package, most, 10 out of the 13, are considered EEA relevant. Of the three exceptions, two relate to aviation.²⁵ The most notable for the purpose of this resolution is accordingly the exception of the proposed Regulation establishing the Social Climate Fund, which has not been marked as EEA relevant by the European Commission.
18. Stresses the importance of upskilling and reskilling to counter the possible adverse social and economic impact on workers within EEA societies. This applies to all relevant authorities, at the European, national, and regional levels. Funding in the Social Climate Fund may not be available to EEA EFTA States and actors therein. There is also a lack of certainty surrounding funding allotted to education, training, and social protection systems.

²⁵ See further information in Annex I.

19. Notes the relationship between how climate issues are dealt with at the European and global level. The proposed Carbon Border Adjustment Mechanism (CBAM) of the EU aims to create increased climate ambition worldwide and avoid the risk of carbon leakage, i.e., while the EU increases climate ambition the polluting industries will just move elsewhere. It is of importance that there are no divergences in climate policies that put the EEA enterprises and industries at a disadvantage.
20. Echoes the opinion of the EESC which welcomes the proposal to set a CBAM with the aims of raising awareness on EU climate ambition, establishing a level playing field within the Single Market and contributing to the avoidance of industrial CO₂ emissions worldwide, however also warns of the risk of failure of the CBAM in conjunction with the EU ETS as the complete abolition of existing carbon leakage avoidance mechanisms with the introduction of the CBAM could lead to job losses in the EEA. It is important that the CBAM succeeds in avoiding the risk of carbon leakage, and its introduction must not in any way lead to deindustrialisation.
21. Refers to the fact that the EEA EFTA States take part in several EU programmes that have been included in protocol 31 of the EEA Agreement by decision of the Joint Committee. The programmes are normally implemented in periods of 7 years corresponding with the Union's multiannual financial frameworks (MFF). The EEA EFTA States have decided to participate in 13 EU programmes in the 2021-2027 programming period, either fully or partially, including Horizon Europe, Erasmus+, ESF+/EaSI.²⁶ This participation takes place outside the four freedoms of the Single Market. It would not be unfounded to allude to the possibility of EEA EFTA States' association to the Social Climate Fund, based on this precedence, if deemed of interest to the EU and the EEA EFTA States.
22. Recognises that there is a serious and increasing problem of energy poverty within parts of the EEA with rising energy prices for individuals which can further be

²⁶ EU Programmes with EEA EFTA Participation, [EFTA Secretariat](#)

exacerbated by the extension of the EU ETS to the heating of buildings. Both European and national policy makers should be mindful of this issue and its connection to the policies of the Fit for 55 package.

Report
on
The Social Dimension of the Fit for 55 Package

1. Introduction and context: Fit for 55 Package

- 1.1. The European Green Deal strategy the European Commission presented on 11 December 2019 is a roadmap intent on making the European Union’s (EU) economy sustainable. From its inception there has been an impetus on “turning climate and environmental challenges into opportunities across all policy areas and making the transition just and inclusive for all.”²⁷
- 1.2. On 4 March 2020 the Commission proposed a European climate law to ensure a climate neutral EU by 2050. Later that year, in September the Commission presented the 2030 Climate Target Plan. The Commission proposed to increase the EU’s climate targets and introduced a plan to raise the EU’s binding target for the reduction of net emissions by at least 55% by 2030.
- 1.3. On 11 December 2020, the European Council endorsed the Commission target and emphasised the importance of fairness and solidarity.²⁸ In May 2021 the European Council again reaffirmed its conclusions and asked the Commission to present a legislative package coupled with an in-depth analysis of environmental, economic, and social impact at EU Member State level.²⁹ On 14 December 2021 a Council Recommendation on ensuring a fair transition towards climate neutrality was proposed.³⁰
- 1.4. On 14 July 2021 the European Commission adopted the *Fit for 55 package*, a set of legislative proposal that aim to deliver the EU objective of a minimum of 55%

²⁷ “The European Green Deal”, European Commission, 11 December 2019

²⁸ European Council conclusions, 10-11 December 2020, [European Council](#), 11 December 2020

²⁹ European Council conclusions, 24-25 May 2021, [European Council](#), 25 May 2021

³⁰ Proposal for a Recommendation on ensuring a fair transition towards climate neutrality, [European Commission](#), 14 December 2021

reduction in greenhouse gas emissions by 2030, as enshrined in the European Climate Law and the Conclusions of the European Council. The Fit for 55 package provided both an update to existing legislation on climate and energy and proposed new legislation to reach the targets. Among the key component of the package is the policy goal to ensure a just transition. The measures presented in the EU's package will lead to massive social and economic changes in all EEA societies. It is relevant to both the EU and EEA EFTA States since much of the legislation presented in the package has been deemed EEA relevant by the European Commission and will likely be transposed by the EEA EFTA States.

- 1.5. The Fit for 55 package includes a variety of interconnected legislative proposals and policies to revise climate, energy, and transport-related legislation. The legislation can be divided into these four broad categories: A) Carbon Pricing, B) Setting more ambitious EU and national targets, C) Rules (standards), D) Support measures. An overview of the proposals can be found in Annex I to this document. Some of the proposals are more important to cover in detail in this report than others. It is worth noting that these are not the only policy proposals the EU has or will present to reach its climate objectives but given the vast scale and importance of these proposals they are worth a closer look.
- 1.6. The most important for our purposes is to understand the interlinkage between the dimension of social fairness and the revised Emissions Trading Scheme (EU ETS) of the EU, and the newly proposed Social Climate Fund.
- 1.7. The situation in Ukraine will likely further exacerbate the current energy crisis. To contain the negative impacts of this crisis on the economies of the EEA States, it is necessary to take concrete steps to advance on strategic autonomy reducing energy dependence.
- 1.8. The upcoming years will be crucial to advance on the green transition. Further integration of the EU energy market will play an important part in enhancing the affordability and the security of energy supply. Progress towards a real Energy Union should be strengthened, and citizens and consumers should be at the

centre of energy transition, in particular through the support of community energy and local ownership.

2. Fit for 55 package and social fairness

- 2.1. The Commission has underlined solidarity as a defining principle of the European Green Deal. That means solidarity between; generations, Member States, regions, rural and urban areas, and all different parts of society. The Commission's Communication on the Fit for 55 package, in this light devotes a special chapter on the importance of a *socially fair transition*. There, it stated that the green transition can be seen as an opportunity to reduce inequality. The argument presented is that a carbon pricing instrument can be used to raise revenues that in turn can be reinvested to address energy poverty and mobility challenges for vulnerable groups and to spur economic growth and tackle unemployment. The Commission, in the document, concedes that some groups of society might be disproportionately affected by the green transition.
- 2.2. In the framework of the revision of the Emissions Trading Scheme Directive (EU ETS Directive) it has been suggested by the Commission to strengthen and expand the system to more sectors of the society. Most notably for the social dimension of the package is the extension of the ETS to buildings and road transport sectors that should be introduced through separate but an adjacent emissions trading system.
- 2.3. Other Fit for 55 policies that could have a bearing on the social dimension of climate action include the Effort Sharing Regulation, which is the basis of the individual contribution of Member States in the fight against climate change, seeks to recognise the varying capacities of Member States to reduce emissions by differentiating targets based on their GDP per capita. This is done to ensure fairness in the transition.
- 2.4. Finally, it is worth pointing out that the proposed Carbon Border Adjustment Mechanism (CBAM), if implemented in an efficient and well targeted manner, might have a social function. It is deeply intertwined with the EU ETS and aims to

ensure that businesses located in the Single Market will not be disadvantaged from the increase in the price of carbon by putting a corresponding carbon price on imports to the Single Market. The CBAM is also intended to avoid carbon leakage, i.e., to avoid that polluting manufacturing does not simply shift from EEA States to elsewhere in the world. From 2026 the corresponding revenue will be collected by Member States for the EU budget, seemingly to be used for climate purposes domestically or abroad although the funds have yet to be earmarked for specific purposes.

- 2.5. The European Commission in conjunction with its Fit for 55 package has proposed a *Social Climate Fund* to “address the social and distributional impacts on the most vulnerable arising from the emission trading for the two new sectors of buildings and road transport”. This fund is meant to mitigate the price impact of the new carbon pricing and should provide funding to EU Member States to support policies to address the social impacts of such emissions trading on vulnerable households, vulnerable micro- and small-enterprises , and vulnerable transport users. The Commission estimates that energy poverty affects up to 34 million individuals in the EU.
- 2.6. The Social Climate Fund will utilise and complement already existing solidarity mechanisms. It is expected that it will provide around 72.2 billion EUR in current prices for the period 2025-2032 in the EU budget from the new Emissions Trading System. The funds of the Social Climate Fund are provided to EU Member States to temporary income support and strengthen their measures and investments intended to reduce reliance on fossil fuels through increased energy efficiency of buildings, decarbonation of heating and cooling of building and granting improved access to zero- and low-emission mobility and transport to the benefit of vulnerable consumers and users. According to the proposed regulation on a Social Climate Fund, each EU Member State is expected to establish a Social Climate Plan to be submitted at the same time as the EU Member States’ National energy and climate plans (NECPs).

- 2.7. The social dimension of the Fit for 55 package is further intertwined with existing or emerging EU mechanisms meant to ensure a just transition. Among these, the Just Transition Mechanism is central. It operates under the Cohesion Policy Framework of the EU and consists of three pillars. The first pillar is the Just Transition Fund which will be equipped with a total of 17.5 billion EUR from the EU's 2021-2027 budget and the European Recovery Instrument to leverage investment in territories that will be most affected by the climate transition. The second pillar is a dedicated just transition scheme under the InvestEU programme. The third is the Public Sector Loan Facility which will combine grants from the EU budget with loans from the European Investment Bank to mobilise public investment for public entities to finance projects that are not viable to be financed commercially. Finally, in addition to these programmes, new instruments such as the European Social Fund Plus will impact the social dimension of European emissions reductions. The EEA EFTA States take a part in the Social Fund Plus.
- 2.8. It is worth noting that the Commission's proposal to extend the EU ETS to housing and road transport could ultimately raise energy bills for consumers in the short run. The political backlash from individuals could be severe to this development as has been illustrated by the "Yellow Vest" Movement (*Mouvement des gilets jaunes*) in France due to the rise of crude oil prices in 2018 among other policies of the French government. Not all are convinced that the proposed Social Climate Fund and other proposed measures by the European Commission will do enough to address the social disparities that can arise from this change in policy.

3. Climate cooperation and the EEA EFTA States

- 3.1. To understand the effect of the Fit for 55 package on the EEA as a whole – and more specifically the possible social impact on all EEA citizens – it is important to understand and disentangle the participation of the EEA EFTA States: Iceland, Norway, and Liechtenstein in the climate cooperation framework that has been set up by the EU.

- 3.2. To begin with it is worth noting that the EEA Agreement signed in 1992, included provisions on the Environment (Chapter 3 under Horizontal Provisions Relevant to the Four Freedoms), Energy and Transport, but it did not specifically reference climate cooperation. Development within the EU has since then been robust in the direction towards increased European collaboration to tackle climate change; with both the joint implementation of Kyoto I and II with Joint Effort sharing and the setting up of an Emissions Trade Scheme that presented national caps for emissions from industry. Iceland and Norway have taken part in the EU Emissions Trading System (EU ETS) since 2008. Much of the EU climate action legislation has since then been adopted by the EEA Joint Committee given that it is a part of the EEA-relevant policy areas such as environment, energy, and transport.
- 3.3. In October 2019, the European Union, Iceland, and Norway agreed to intensify their cooperation in climate action by incorporating two key decisions in the EEA Joint Committee: Effort Sharing Regulation and the Regulation on Land, Land-Use Change and Forestry (LULUCF). By doing so the EU, Iceland and Norway agreed to extend their cooperation to reduce greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels. It is foreseen that Iceland and Norway will continue to adopt joint commitments with the EU to implement international climate commitments. The Joint Committee Decision (JCD No 269/2019) to incorporate the two pieces of EU legislation amended Protocol 31 to the EEA Agreement which is on the cooperation in specific fields outside the four freedoms. Liechtenstein opted not to take part in this cooperation on the voluntary joint fulfilment but do participate in the EU ETS and adopt acts in areas such as environment, transport, and energy. In a declaration which was related to the JCD on the joint fulfilment, it is stated that Iceland and Norway would on a voluntary basis develop national plans describing how they intend to fulfil these commitments. They will make them available to EU Member States, the European Commissions and the EFTA Surveillance Authority, and the public.

- 3.4. As has been described the Fit for 55 package is the EU's way to make its policies fit for reducing greenhouse gas emissions by at least 55% by 2030 and delivering on its climate ambition goals. Iceland and Norway have decided to take part in the EU's climate action objectives by adopting the Effort Sharing Regulation, LULUCF, and taking part in the EU ETS. Environment, energy, and transport are also an integral part of the EEA Agreement, so it goes without saying that the package is highly relevant for the EEA EFTA States.
- 3.5. Out of the 13 legislative proposals that were presented in the Fit for 55 package most of the proposed legal acts, or 10, were marked as EEA relevant by the European Commission itself see further detail in Annex I: Overview of Fit for 55 proposals and EEA relevance. There are however three exceptions. Two of them relate to aviation.³¹ The most notable exception for the purposes of this report is however the proposed Regulation establishing the Social Climate Fund.
- 3.6. The reason for this is not clear at this point, but it could have to do with the linkages between the Multiannual Financial Framework (MFF), the forthcoming Own Resources Decision of the EU and the financial envelope of the Social Climate Fund, which in principle should be commensurate to amounts corresponding to 25% of the expected revenues from the inclusion of building and road transport into the scope of the EU ETS in the period of 2025-2032. The proposed regulation furthermore states that: "Member States should make those revenues available to the Union budget as own resources." What might further complicate the matter is that the Multiannual Financial Framework of the Union, might have to be reopened, which is controversial to some EU Member States. At the time of writing this report, the proposal has been transmitted to the European Parliament and the Council for examination. The Council has established the Ad hoc Working Party on the Social Climate Fund to work on the examination of the proposal. ENVI and EMPL and BUDG Committees of the European Parliament work in close cooperation in the proposal.

³¹ Directive to phase out free emission allowances for aviation and a Decision to align with the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSA).

- 3.7. The EEA relevance of the proposed legal act depends on exactly how the revenue for the new ETS enters the Fund and on whether the Social Climate Fund regulation continues to not be considered EEA relevant. It is still an open question whether the EEA EFTA States will participate in the Fund. If not, it remains to be seen what the revenues from the ETS, or similar schemes, will be used for where it extends to the EEA EFTA States.
- 3.8. It is worth noting that the EEA Agreement does allow for the participation by the three EEA EFTA States (Iceland, Norway, and Liechtenstein) in many of the EU programmes. Article 78 of the Agreement states that the EU and the EEA EFTA States, “shall take the necessary steps to develop, strengthen or broaden cooperation on matters falling outside of the four freedoms, where such cooperation is considered likely to contribute to the attainment of the objectives of [the] Agreement, or is otherwise deemed by the Contracting Parties to be of mutual interest”. EU programmes are normally implemented in periods of 7 years corresponding with the Union’s multiannual financial frameworks (MFF). The EEA EFTA States have decided to participate in 13 EU programmes in the 2021-2027 programming period, either fully or partially.
- 3.9. The EEA EFTA States are highly likely to continue its participation in the extended EU ETS system that includes the heating of houses and transport. It is however unclear whether the participation of the EEA EFTA States in the Social Climate Fund will be secured.

4. EEA and Norway Grants and social dimension of climate change

- 4.1. The EEA and Norway Grants represent the contribution of Iceland, Liechtenstein, and Norway to reducing the economic and social disparities within the EEA and strengthening bilateral relations with 15 EU countries. One might say that it is the equivalent to the EU’s cohesion funds. Norway provides around 95% of the funding to the Grants.
- 4.2. For the period of 2014-2021, 2.8 billion EUR were set aside under the Grants. They support development projects in priority areas such as environment and

climate change, health and childcare, research and education, social dialogue, and civil society, among other areas. The Grants are also contributing to strengthening fundamental European values such as democracy, tolerance, and the rule of law.

- 4.3. Given the context of the European Green Deal and the Fit for 55 package, it is worth noting that the EEA Norway Grants contribute funding to 13 EU member states on projects relating to the targets laid out in the European Green Deal. In the budget period of 2014-2021, the Grants contributed more than 450 million EUR to pertinent projects. The projects are in the fields of the environment and ecosystems; renewable energy, energy efficiency, and; climate change, mitigation, and adaptation. The funding ties in with EU's ambitions of becoming the first climate neutral continent by 2050.
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ANNEX I:

Table 1 Fit for 55 proposals and EEA relevance

Fit for 55 proposal	Considered EEA relevant
COM(2021) 551 Directive on the revision of the EU Emission Trading System	Marked as EEA relevant by the EU
COM(2021) 552 Directive to phase out free emission allowances for aviation	Possible EEA relevance
COM(2021) 567 Decision to align with the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)	Possible EEA relevance
COM(2021) 555 Revised Effort Sharing Regulation	Marked as EEA relevant by the EU
COM (2021) 554 Revised Regulation on Land Use, Forestry and Agriculture	Marked as EEA relevant by the EU
COM (2021) 557 Renewable Energy Directive	Marked as EEA relevant by the EU
COM (2021) 558 Energy Efficiency Directive	Marked as EEA relevant by the EU
COM (2021) 556 Stronger CO2 emissions standards for cars and vans	Marked as EEA relevant by the EU
COM (2021) 561 ReFuelEU Aviation Initiative	Marked as EEA relevant by the EU
COM (2021) 559 Revised Alternative Fuels Infrastructure Regulation	Marked as EEA relevant by the EU

COM (2021) 562 FuelEU Maritime Initiative	Marked as EEA relevant by the EU
COM (2021) 564 Carbon Border Adjustment Mechanism	Marked as EEA relevant by the EU
COM (2021) 568 Regulation on Social Climate Fund	Possible EEA relevance