



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

ON:

"SOCIAL CLIMATE FUND - CHALLENGES AND PROSPECTS"

(developed by own-initiative)

**Sofia,
June 2022**

The Activity Plan of the Economic and Social Council for 2022 includes the preparation of an own-initiative opinion on the topic "Social Climate Fund - Challenges and Prospects".

The opinion was distributed to the Commission on Sustainable Development, Agriculture, Environment and Regional Policies.

The following were appointed as rapporteurs: Aleksander Zagorov - Group II from Labour Confederation Podkrepa, and Ina Agafonova – Group III, VPF (Via Pontica Foundation).

At a meeting on 14.06.2022, the Commission on Sustainable Development, Agriculture, Environment and Regional Policies adopted the draft opinion.

At its plenary session held on 29.06.2022, the Economic and Social Council adopted this opinion.

1. Conclusions and Recommendations

- 1.1. The ESC has not expressed a positive opinion on the new carbon trading and pricing schemes in their current form, but in principle welcomes the idea of creating a Social Climate Fund (proposed in Regulation 2021/0206 (COD) of the European Parliament and of the European Council), to mitigate the negative social and economic impact of this and to provide funds to Member States to support measures to address the social impact of this emissions trading on financially weaker households, micro-enterprises and transport users.
- 1.2. ESC expresses serious concerns that the new emissions trading scheme for the building fund and transport will mainly affect energy-poor families in Bulgaria. Given the poor technical condition of the country's housing fund, the expansion of emissions trading would lead to a deepening of social divisions and the risk of homelessness. The inclusion of emissions trading in road transport will also inevitably lead to an increase in the cost of transport, which is a significant part of the value of all products and services delivered to the final consumer, and will have an extremely adverse impact on consumer purchasing power, especially the vulnerable. The expansion of emissions trading in this area will also have a negative impact on the financial situation of micro, small and medium-sized enterprises in the transport sector.
- 1.3. The establishment of an emissions trading scheme for buildings and road transport in emissions trading and the expected social and economic impact of heating and fuel price increases on financially weaker households, medium, small and micro enterprises and transport users is a good thing to do planned and phased. First of all, the measures should cover state and municipal buildings and transport, and then citizens.
- 1.4. In this regard, the ESC considers that it is necessary to thoroughly analyse the impact of the new scheme for buildings and road transport on product prices and the additional administrative burden in its implementation. This requires a concrete assessment of the impact of the creation of the Social Climate Fund in our country, bearing in mind the different social and economic situation of the member states.
- 1.5. The ESC recommends introducing a lump sum payment to redistribute emissions trading sales revenue based on household size, as this would have a positive impact on the welfare of people in the lowest cost decile of the Union population as a whole, and would significantly reduce the negative consequences for all other spending classes. As also pointed out in the impact assessment of the Plan in relation to the 2030 climate target, as a specific policy a redistributive mechanism may be significantly more targeted to the needs of people in the lower deciles income/expenses. This would allow a higher degree of compensation and support for households in need at any level of revenue generated by carbon emission pricing.

- 1.6. In the event that it is agreed to include emissions from buildings and road transport in European Greenhouse Gas Emissions Trading Scheme (EGGETS), the ESC considers that the efforts of the state administration should be directed to developing measures to ease the necessary transition for financially weak households and vulnerable groups. To achieve this objective, Member States should, inter alia, use their expected revenues from emissions trading for buildings and road transport under Directive 2003/87/EC. Proper targeting of direct income support to the most vulnerable would help make for a more just transition.
- 1.7. The ESC considers that the replenishment of the fund by the Member States should not come from additional taxes or charges from the energy sector or from electricity bills. Also, funds from other programs under the Multiannual Financial Framework (MFF) supporting electrification and decarbonisation projects or cohesion policies should not be diverted.
- 1.8. The ESC welcomes the benefits mix approach in the development and implementation of the Integrated National Energy and Climate Plan (e.g. gender equality and equal opportunities for all, accessibility issues for people with disabilities, etc.) to ensure that no one to be abandoned, a dialogue of the authorities with the social partners and other non-governmental organizations is necessary.
- 1.9. The ESC recommends that the update of the plan be launched after the approval of the Strategy for Sustainable Energy Development of the Republic of Bulgaria. As soon as possible, a discussion should be initiated with the participation of the social partners and other interested groups, so that they are not isolated when the European Commission also participates in the dialogue.
- 1.10. ESC recommends to include in the scope of potential beneficiaries of the Social Fund for Climate and small and medium-sized enterprises, and not only micro-enterprises. In 2020, SMEs provide over 74.3% of employment in Bulgaria and, similarly to households, they face the same, even in some cases, greater difficulties and risks in terms of energy costs. In addition, SMEs can be an essential driver for the effective implementation of the investments falling under the scope of the Social Climate Fund, thereby achieving a more tangible synergistic effect and a just transition.

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Zornitsa Roussinova

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL