



Zukunft  
**KlimaSozial**

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# **Securing a socially just and climate-neutral future**

**11 Insights for a Social Climate Policy**

Summary

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# Imprint

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## Preface

We are entering a new phase in the transition to carbon neutrality of our lives and our economy. Until now, climate policy in Germany has focused mainly on the energy sector and industry. But that is changing. All sectors need to contribute to climate neutrality by 2045. The necessary transformation of the building and transport sectors directly affects private households, as do necessary changes in food, health and social services. Climate policy is no longer only a matter of a few thousand companies subject to emissions trading, but about 84 million people and around 40 million households in Germany. This requires a stronger focus on distributional questions and a socially just transition.

Effective climate policy and social justice are often opposed in political arguments. This is not helpful, as climate policy and justice belong together. Progress in one area must not come at the cost of setbacks in the other area. Climate policies cannot replace social policy and should not be held to that standard. Climate policy should aim to reduce emissions. But climate policy cannot be designed without considering social policy. Social policy should reduce poverty and inequalities, safeguard against risks in life and promote social cohesion. In doing so, social policy must however not make it more difficult to protect the climate.

The prominence of the social dimension of climate policy and of concepts for social compensation provide the starting point and motivation for our work at Zukunft KlimaSozial. Our aim is to promote socially just climate policy that considers climate and social policy in an integrated fashion.

In eleven short insights, we outline the cornerstones of a socially just and future oriented Social Climate Policy for Germany in the European context. Private households are at the centre of attention and how we can enable these to positively contribute to the transition. The insights are intended to provide the basis for a discussion about Social Climate Policy.

## Securing a socially just and climate-neutral future – 11 insights for a Social Climate Policy



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### Insight 1: Social justice has many dimensions

Social justice depends on value judgments. A socially just climate policy must therefore be based on political and societal debate. Beyond the dimensions of income and wealth distributions, other factors also matter - work, health, access to public services and political participation: All these determine how climate change affects different households, who contributes to climate change and what effects the transition will have on different people. Further categories include socio-cultural differences (gender, migration status), spatial differences (urban versus rural as well as East versus West Germany) and different generations.

### Insight 2: The rich contribute more to the climate crisis

Rich people produce more climate-damaging emissions. This is especially true in the areas of mobility, buildings and consumption. The lower deciles of the income distribution have already reduced their emissions stronger in relative terms than the upper income groups, although the latter have more resources to adopt climate-friendly behaviours. Moral appeals are not enough, a regulatory framework is needed on the path to climate neutrality.

### **Insight 3: The poor suffer more from climate change**

The climate crisis has material and health consequences that are distributed unevenly. The effects depend on structural and individual factors, such as individuals' financial resources and health. Vulnerable and poorer groups suffer more from heatwaves, air pollution and severe weather events. Severe weather events can strongly compromise health systems and public order. All of society will have to shoulder the rising costs of climate adaptation.

### **Insight 4: Climate policy to date has furthered inequity**

Climate policy in Germany to date has focused on raising prices on energy and carbon emissions as well as financial subsidies, all of which have led to a considerable reduction in emissions. Prices on energy and carbon emissions have acted as consumption taxes that disadvantage lower and middle-income households with their regressive distributional impact. Few compensation mechanisms have been introduced. Subsidies mainly profit wealthy households. In sum, climate policy to date has not been socially balanced.

### **Insight 5: Social Climate Policy creates opportunities for all**

A socially just transition toward climate neutrality can help contain the climate crisis and reduce the risk of extreme weather events. This can prevent human suffering and destruction. Ambitious climate policies can positively affect health outcomes and save lives by increasing air quality, promoting active mobility and healthy diets. A stronger focus on the social dimension of climate policy, especially in the transport and building sectors, can produce other positive outcomes by making infrastructure more inclusive for different groups and generally the quality of life of many. Climate protection can therefore also improve our health and increase public participation.

### **Insight 6: Social policy can protect the climate**

Discussions to date mainly consider the social impacts of climate policy, whereas the climate effects of social policy are often ignored. Integrating climate and social policies means making social policy climate neutral without compromising on social outcomes - for example, when designing the infrastructure for social services such as hospitals, care services and day care centres. Thus, decentralizing health care centres could help jointly achieve social and climate policy objectives.

### **Insight 7: The EU provides important impetus for future Social Climate Policy**

The EU's European Green Deal provides an ambitious climate policy agenda. A fundamental principle of the Green Deal is to leave no one behind. Strong conditions for the disbursement of incomes from carbon pricing, the establishment of a social climate fund and reporting requirements all create impetus for a more social climate policy in Germany. This impetus now needs to be actively taken up.

## **Insight 8: Climate policy measures require a social check**

Each climate policy measure, whether a ban, a subsidy or a tax, has a distributional impact in different dimensions of social justice. Each of these needs to be analysed precisely, both across and within income deciles. Each climate policy measure should therefore be subject to a social check prior to being introduced. Beyond that, all climate policy measures should be subject to regular review of their social impacts. A solid evidence-base of data and indicators is required to ensure a meaningful social check and successfully monitor progress.

## **Insight 9: The four pillars of a socially just transition: infrastructure, targeted subsidies, regulation and climate dividends**

To design a socially just transition it is essential that no one is overburdened by rising costs and demands. Rather, as many as possible should be able to contribute to the transition. The four pillars of a socially just transition are.

- 1) establishing climate-friendly public infrastructure and public services,
- 2) targeted subsidies for technology switch for low and middle incomes,
- 3) regulatory policy and
- 4) redistributive use of revenues from carbon pricing via a climate dividend. In a first step, the climate dividend can start as per-capita payments before focussing on vulnerable households.

## **Insight 10: A modern state promotes Social Climate policy**

In order to differentiate climate dividends and subsidies by income, we need information about household incomes. To avoid non-take-up of means-tested subsidies especially by less educated households, information on households' income should be automatically available to bodies responsible for subsidies. In a modern welfare state based on digital structures, the tax administration can provide this information. This would reduce bureaucracy and make public administration more accessible.

## **Insight 11: A Social Climate economy is necessary**

Our economy faces many challenges. Next to coping with climate change, we also face demographic change, digitalization of work as well as geopolitical changes. The question arises, who will pay for the costs associated with confronting these challenges. On the path to climate neutrality our social market economy therefore requires an ecological and social renewal. A new vision of a Social Climate economy reconciles climate protection, economic freedom and social security.

## **Our vision and mission**

Our vision is a climate-neutral and socially just future. This means well-being and participation for all.

We want to contribute to this future with our expertise, ideas and concepts. We integrate climate and social policy from the outset and develop new solutions. We base our work on a solid evidence-base, show different options and introduce these to the public debate.

