



Social climate action

All on board?

Social in Europe Interview with Louise Sunderland

In the other's skin



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For a long time, the issue of social justice in climate action lacked the urgency it has now gained. Today, in contrast to emissions reductions in energy supply systems or industrial companies, the urgently needed climate change mitigation actions in buildings and transport affect everyone. All of us have to play our part so that in these sectors, too, emissions fall at last, be it through insulating our housing, installing heat pumps or saying goodbye to combustion engine vehicles. Yet many are unable to afford such steps out of their own means. Public policy measures and grant schemes therefore need to be socially just.

Yet simultaneously these are times of tight budgets in which less funding is available from the state. It follows that climate action must become more efficient. In the past, financial support schemes were rolled out over and over again for people who actually had high incomes. We must now consider much more carefully how those people can be supported who can afford less. And it is high time to abolish the major subsidies granted to fossil fuels, for instance through the way tax allowances for company cars are granted.

You will find that in this issue we note that other countries are far ahead in socially just climate action – France is a good example. For instance: When a relative of mine here in Germany recently wanted to replace her broken-down gas heater with a heat pump, she had to cover the cost up-front. The grant came with much delay. How are people who lack financial reserves going to afford this? Something urgently needs to change in the terms under which such grants are awarded. In France, the state provides advance funding for energy performance upgrades or heating system replacements if households have low incomes.

We urgently need ways to ensure that people on low incomes are also able to finance electric vehicles and are spared the future burdens of escalating CO₂ prices. The same applies to small companies lacking financial reserves, such as mobile homecare services. And we need to consider more carefully what actually works for people. Grant programmes, for example, often overlook the situation of the less affluent. I sincerely hope that this issue of *eco@work* can make a small contribution to sharpening the focus.

Yours,
Anke Herold

CONTENTS

IN FOCUS | INTERVIEW

- 3 “Good ideas exist almost everywhere”**
Interview with Louise Sunderland

IN FOCUS

- 4 Not just a matter of money**
Social climate action
- 6 1, 2 or 3?**
Socially just instruments of climate action



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“Good ideas exist almost everywhere”

In France, social leasing makes electric vehicles more accessible to people who have little money to spare. In Ireland, lower-income groups are benefiting from wind power that would otherwise be dispatched down. Good ideas for effective social climate protection exist everywhere in Europe. In this issue of *eco@work*, we talk to Louise Sunderland, an expert in socially just energy policy at the NGO Regulatory Assistance Project, about effective ways to fight energy poverty.

Louise Sunderland, where do we stand regarding energy justice in Europe?

Energy poverty across Europe increased during the energy crisis – despite very significant spending by national governments on countermeasures. A new framework of energy policies has now been agreed that puts a much greater focus on alleviating energy poverty. But this framework now has to be implemented effectively to have a positive impact in people's lives.

Is the buildings sector particularly difficult when it comes to energy justice?

As I see it, energy justice can't be achieved by thinking sector by sector; it requires systemic thinking. But it is true that significant structural inequalities that cause energy inequity exist in the buildings sector. People with lower incomes disproportionately live in the worst performing homes. Investing in improving the quality of housing is a priority, of course, but this can compete with investment in new affordable housing. It's a complex issue that will now be addressed in the EU context by the first Commissioner for Housing.

What are the most powerful instruments to fight energy poverty in the buildings sector?

Building renovations reduce energy demand and therefore bills. Increasingly, we see that access to local renewable energy is another key tool – via rooftop solar or an energy community, for example – particularly for households that heat or cool with electricity. Another tool that is increasingly available is demand flexibility – in other words, access to cheaper electricity at certain times. With this tool, “when” we use energy as well as “how much” energy we use dictates our final bill.

In your opinion, how effective will the EU's new Energy Performance of Buildings Directive be in improving support for vulnerable households?

It includes some important new provisions, such as a requirement for renovations to focus first on the worst-performing homes in terms of energy efficiency, and one-stop-shops with dedicated services for low-income households. For full effect, however, the Directive should be implemented coherently with other instruments such as the Social Climate Fund and the Energy Efficiency Directive.

How could lower-income households participate in the profitable parts of climate protection?

Electricity markets are increasingly rewarding households that can leverage demand flexibility. This can already be achieved with existing assets like hot water tanks, electric heating and the ability of your home to hold heat. And of course, smart appliances, electric vehicles and heat pumps are other ef-

fective tools. Demand flexibility also supports an efficient electricity system.

Which European countries are already well ahead in fighting energy poverty?

Scotland and France have quite comprehensive measures to support households, particularly in the housing sector. Both countries have home renovation programmes that include priority schemes for low-income households but also offer something for every household. France has innovations like social leasing for electric vehicles, which makes clean private transport more accessible to people who can't afford to buy a car. But good ideas exist almost everywhere. I'm thinking, for example, of EnergyCloud – an Irish social enterprise that provides lower-income households with wind power that would otherwise be dispatched down.

Thank you for talking to *eco@work*.
The interviewer was Christiane Weihe.



Talking to *eco@work*:
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Not just a matter of money

Social climate action

Mitigating climate change means taking action. The upshot for many people is that they have to spend money – and they are concerned that they can't. In addition, the measures this implies are often cumbersome. They alter accustomed habits, and while they are carried out building sites abound – at home, on the railways and on the road. Moreover, climate action does not affect everyone equally. Not everyone can act at all, for

instance if they depend upon decisions taken by their landlords. On the other hand, inaction ultimately results in much higher costs. It follows, therefore, that climate action must be implemented in a way that is socially just and inclusive. The European Union has given particular attention to this in a number of acts of law. In Germany, too, there is a fresh focus on social climate action.

So what does it mean, actually – social climate action? What do we need to keep in mind in order that climate action becomes fair and socially just? Which stakeholders are called upon to act and on what scale? "Many people see the social question primarily as a financial one. Of course the question of what this all costs and whether one can afford it is vital. But there are other key questions of justice, such as: Can I do anything at all if I'm a tenant? How good is my access to mobility and can I reach important places such as the supermarket or the doctor? Or: Is my health impaired by a lack of climate action, for instance because I live on a road with lots of car traffic?" explains Dr Katja Schumacher, deputy head of the Oeko-Institut's Energy & Climate Division. In a study titled "Cornerstones of socially responsible environmental and climate policy" which the institute carried out together with the Forum Ökologisch-Soziale Marktwirtschaft (FÖS) economic think tank and the Institute for Social-Ecological Research (ISOE), the scientists explored these and many other aspects of just environmental and climate policy. Furthermore, everyone should be in a position to engage in climate-friendly investment or behaviour and to profit from it – micro photovoltaic systems for balconies are a good

example. "Moreover, those who suffer particular burdens should receive special protection and support. This applies not only to those on low incomes, but also older people who are no longer so mobile, or single parents who have to juggle very many tasks and responsibilities," Schumacher stresses. (*On specific instruments of socially responsible energy and climate policy see in detail our article "1, 2 or 3?" on page 6.*)

Katja Schumacher notes that it is mainly those who are responsible for a large proportion of greenhouse gas emissions who are the ones who should engage in climate action. Such people usually have a good income and can afford climate-friendly alternatives such as an electric vehicle, a heat pump or organic produce. "People who don't have to worry much about money don't respond particularly sensitively to price hikes such as those caused by carbon pricing. Here additional approaches are needed that revolve around the ancillary benefits of climate action – such as being a pioneer of innovative climate technologies, gaining independence through one's own energy supply from a heat pump, or gaining better security against burglars thanks to triple glazing that delivers good thermal insulation at the same time." The expert also points

out how important it is to assess social impacts from the outset when climate policy measures are introduced, to ensure that they are configured with social justice in mind or are introduced in conjunction with social policy support. On behalf of Germany's Federal Ministry for Economic Affairs and Energy (BMWE), and in cooperation with the Research Center on Inequality and Social Policy (SOCIUM), the Oeko-Institut's scientists are currently developing and testing a concept for the "Social monitoring of climate action". "In specific terms this means: We are exploring the possibilities and limits of such social monitoring. We're analysing diverse impact categories – such as regards income and property ownership, access to affordable housing, health and ownership of climate action – and we're developing indicators for each of these categories." Furthermore, the project team is analysing existing climate change mitigation schemes to verify its concept in the field.

A EUROPEAN FOUNDATION

"It is mainly thanks to the European Union that social climate action has become mainstreamed in policy-making and society at large in Germany. For it is

the EU that prompts its member states to become active – for instance through the Energy Efficiency Directive,” says Schumacher. “The Directive regulates that people affected by energy poverty should be prime beneficiaries of efficiency measures and requires that the member states take action to combat energy poverty.” Similarly, the EU Energy Performance of Buildings Directive places a firm focus on needy people. “It prioritises measures for those living in the worst performing homes.”

CLIMATE, SOCIAL

Moreover, a Social Climate Fund will be established from 2026 onwards in the course of the introduction of a new EU-wide emissions trading system for buildings and road traffic. The fund will assist particularly affected households and micro-enterprises in converting to climate-friendly alternatives or behaviours, and shall buffer the financial bur-

dens arising due to carbon pricing. “A part of the revenue gained from selling emissions trading certificates will go to this fund, from where it will be distributed among the member states. These are currently preparing social climate plans setting out concrete ideas for measures and investments in this target group.” Here, too, the Oeko-Institut is contributing its expertise in several projects. For instance, together with Fraunhofer ISI it is advising the German Ministry for Economic Affairs and Energy on the preparation of the German social climate plan in a project titled “Scientific support to climate policy and the programme of measures”. “We’re identifying and quantifying vulnerable groups, and analysing the potential burdensome impacts of carbon pricing.”

In a further project carried out for the European Union’s Directorate-General for Structural Reform Support (GD REFORM), a project consortium headed by Dutch consultancy Trinomics and

including the Oeko-Institut is assisting nine member states in the preparation of their social climate plans – among them Belgium, the Slovak Republic and the Czech Republic. “Here, too, the first step is to identify the vulnerable groups – to which micro-enterprises can belong – and build a data base on the prevailing energy poverty and mobility poverty,” says Nelly Unger, staff scientist at the Oeko-Institut. “The next step is to find out which measures are suited to providing assistance to these groups. These can be socially graduated grants for building retrofits or, for instance, social tickets for local public transport.” The Oeko-Institut will also analyse the concrete effects that such measures have upon the vulnerable groups. “Climate action benefits everyone and prevents high costs in the future,” notes Katja Schumacher, “but we must take care that its implementation does not cause those to fall by the wayside who already have a hard life.”

Christiane Weihe



In 2024,

6,3 %

of **German households** stated they could not heat their homes sufficiently.



1, 2 or 3?

Socially just instruments of climate action

How can I purchase an electric vehicle if there are no affordable offers on the second-hand market? What incentives does my landlord have to insulate the flat? Particularly for those who have little resources, targeted and socially just measures that help in making the move to climate-friendly alternatives are essential. In addition to financial

questions, there is much more to consider. The Oeko-Institut's scientists are carrying out numerous projects concerned with identifying the specific impacts of policy measures upon the different groups in society, and are developing solutions, notably in transport and housing, to assist particularly needy groups.

To gain a clear understanding of how policy measures impact upon households in Germany, it is important to distinguish between absolute and relative household expenditure. "Absolute expenditure is higher if income is higher. Those with more income often have more living space and generally run their car not only to travel to work, but also for leisure activities," says Nelly Unger, staff scientist at the Oeko-Institut. "However, if we look at relative expenditure, at the proportion of income, we find that lower-income groups usually bear much greater burdens." For instance, the highest income brackets spend one to two percent of their available income on heating costs, while low-income households have to spend five to seven percent.

The picture is different again if we look at expenditure on fuels and local public transport. This is borne out by the analysis titled "Transport poverty: defi-

nitions, indicators, determinants, and mitigation strategies" performed by the Oeko-Institut together with several project partners for the European Commission. "We found here that medium-income households spend a much larger proportion of their income on mobility than those with high incomes do. Lower-income groups spend, on average, a relatively small proportion of their income on fuels and public transport. However, this is because they are less likely to own a car and more likely to dispense with mobility altogether in order to save money." It also emerged that social aspects are very numerous and diverse. "An important question is whether one can be mobile at all. In other words: Is public transport available? Perhaps I have a physical impediment that makes it impossible for me to use public transport services? Or: How safe am I in transport systems?" The expert stresses that one has to look very closely at the details when analysing mobili-

ty. "There is no one-size-fits-all solution, for mobility differs enormously from region to region. Someone living in a mountainous landscape with lots of snowfall may not find a cargo bike particularly suited for travel to work."

THE SPECIFICS OF MOBILITY

For many, procurement of an electric vehicle can be a very high barrier. This is because the vehicles are simply too expensive for them. "Up to now there is not a sufficiently large second-hand market for electric cars. And only very few new vehicles are attractive to lower-income groups," notes Unger. Naturally there are options by which to assist these people. For instance, by expanding local public transport services and introducing rebated fares, installing cargo bike share schemes, and setting up on-call bus and on-demand shared

In the lowest income group **more than**

40%

of households have no car of their own, while in the highest group the figure is only

13%



taxi services in rural areas. The analysis titled "Socio-economic impact assessment of the projection report to 2023" carried out by the Oeko-Institut together with Fraunhofer ISI and IREES for the German Environment Agency (UBA) has shown that low-income households profit significantly more from the Deutschlandticket scheme, a subscription public transport ticket for all local public transport valid in the whole of Germany, than households with a high income. "Nonetheless, there will always be people who absolutely need a car," says Nelly Unger.

Social leasing can be a promising approach in such contexts, meaning that people on low or medium incomes receive grants to lease an electric car. In a study titled "How the EU can address the social barriers to the EV transition" conducted on behalf of Transport & Environment (T&E), the Oeko-Institut has shown that social leasing can exert relevant climate change mitigation effects – while also having a positive effect on the second-hand market for electric cars.

In the analysis conducted for the German Environment Agency titled "Environment and society: Interactions in selected areas of need, with a focus on the impacts of policy instruments", the Oeko-Institut, working together with the

Institute for Social-Ecological Research (ISOE) and the Forum Ökologisch-Soziale Marktwirtschaft (FÖS) economic think tank, has further shown that different instruments have different types of effects. "With a view to emissions, a vehicle tax graduated more strongly in line with CO₂ emissions is worthwhile. In social terms, strengthening rail transport – local and long-distance – has particularly positive effects." Expanding cycling infrastructure and promoting clean bus propulsion systems has positive effects for the environment and people alike.

THE SPECIFICS OF HOUSING

In the buildings sector, too, there is often social imbalance. Grants for building retrofits are often claimed by those who already own a lot. This is partly because they live in their own properties and are often better informed about the available options. "Of course it is important to provide grants and incentives in such constellations as well, in order that things get moving," says Katja Schumacher, scientist and deputy divisional head at the Oeko-Institut. "But a stronger focus must be placed on vulnerable households." The expert stresses the need to distinguish between the various players – tenants, owner-occupiers

and landlords – and develop approaches tailored to each group. Tenants are often not in a position to improve the efficiency of their own four walls by themselves – yet they bear the cost of poor insulation and outdated heating technology via the CO₂ price. "Of course one can save energy by means of better heating behaviour. But what really counts is energy performance upgrading of the building and modern heating systems." In the project titled "Socially just grants for energy performance upgrading of rental housing" conducted in cooperation with Averdung GmbH on behalf of Deutscher Mieterbund (DMB), the German association of tenants, the Oeko-Institut scientists have analysed ways to configure renovations in rental housing in a socially just manner. One proposal emerging from the study is to adjust the BEG federal grant scheme for efficient buildings, which up to now mainly benefits wealthy owners. "We consider it expedient to introduce a grant bonus for landlords coupled with a rent ceiling. In this way savings in energy costs would actually benefit households and would not be compensated by rent increases," notes Schumacher. A further purposeful measure in the view of the project team is to provide additional financial resources from the federal budget for social housing (sozialer Wohnungsbau), i.e. housing construction that receives public support in return for reduced

Less than

10%

of grant funding in the buildings sector currently benefits the third of the population with the lowest income.



More than three million households in Germany spend more than

40%

of their income on rent inclusive of heating and other ancillary costs.



rents over a fixed term. "This could help to preserve affordable housing or even create more of it."

In the study titled "Analysis and recommendations on reconciling affordable housing with climate action" the scientists show, together with the Institute for Ecological Economy Research (IÖW), how building owners can be motivated to improve their climate performance. The key is a balanced interplay of diverse measures that create incentives for the necessary transformation, improve cost-effectiveness and facilitate social balance. The CO₂ price is an important aspect, for it influences the cost-effectiveness of investment decisions. "Moreover, there need to be minimum energy efficiency standards for better guidance, and socially graduated grant schemes for heating system replacement and building retrofits," says Schumacher. "Low-income households should receive much stronger support, while those with high incomes don't really need support at all. In addition, in order to prevent tenants being burdened excessively, a new approach is needed in the way renovation costs are passed through to tenants." Conducted on behalf of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), the analysis underscores the relevance of advice and information – for tenants and owners alike.

"This involves providing energy advice and drafting individual retrofit schedules. One-stop shops that provide ongoing, comprehensive advice to homeowners throughout the energy upgrading process of their building have proven to be a highly effective instrument. For not every owner has the financial resources, the knowledge or the contacts to craftsmen that would be needed to handle everything themselves."

CLIMATE BONUS FOR ALL?

One option frequently discussed as a way to assist vulnerable groups in coping with rising costs due to CO₂ pricing is a climate bonus (Klimageld) – a direct payment to citizens that is financed by the revenues from CO₂ pricing. "For a brief period, this can certainly mitigate particular burdens," says Katja Schumacher. "A climate bonus for all, however, would not be prudent and could even amplify social inequalities. This money is better channelled into support for investment in climate-friendly alternatives." In their Policy Brief "Climate bonus? Only if socially graduated and time-limited", the Oeko-Institut scientists further stress that a climate bonus does not lead to fossil fuels being saved and therefore does not deliver a climate change mitigation

effect. "If at all, such a scheme should be time-limited and socially graduated for low-income households," notes Dr Katja Schumacher. The bulk, however, should be deployed for socially just climate action. In order to help those who don't have much. And to help the climate.

Christiane Weihe



Nelly Unger holds a bachelor's degree in social economics and a master's in macro-economics.

She joined the Oeko-Institut's Resources & Transport Division in 2022, where, among other things, she models distributional effects in the transport and buildings sectors and shapes participation processes for sustainable mobility. Her colleague Dr Katja Schumacher is deputy head of the Energy & Climate Division, which she joined in 2007. She analyses strategies and instruments of energy and climate policy, conducts economic analyses and explores social aspects.

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