

FEANTSAs RESPONSE TO THE CLEAN INDUSTRIAL DEAL

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Executive summary

The Clean Industrial Deal (CID) sets a framework for Europe's industries' clean transition, emphasising industrial competitiveness and sustainability. However, while the plan spells out how EU public funding will serve large industry players, industrial decarbonisation must not come at the expense of the EU budget, which should serve households. We urge the Commission to build the European industry's competitiveness on a decarbonisation strategy that leaves no one behind and brings the benefits of the transition to the most vulnerable. Our response highlights key gaps and necessary improvements to ensure an equitable transition.

Access to Affordable Energy

The CID refers to the **Action Plan on Affordable Energy** in terms of energy costs, but the focus of the latter is mostly on industry and businesses while neglecting **households**. Solid biomass, a key energy source for millions in energy poverty but also the industry and the energy sector, is overlooked despite its rising costs. **EU-level monitoring of biomass prices**, like electricity and gas, should be implemented. **Price protection mechanisms** and structural measures to **reduce energy demand** are essential to prevent further energy poverty.

Clean Supply and Demand

The CID aims to **stimulate demand for clean technologies** but making them truly accessible requires **more than lower costs**. Many **low-income households** live in **substandard housing** and need financial, technical, and administrative support to accommodate green technologies. Industries benefiting from demand growth should **allocate part of their profits to support clean and affordable technologies** for vulnerable communities through **Corporate Social Responsibility (CSR) programs**.

Public and Private Investment

Large-scale investments in industry must not come at the expense of **Cohesion Policy funding**, which is critical for **household energy renovations, job training, and social equity**. Funding for industrial transformation should be mirrored by **equal investment in vulnerable households and workers**, ensuring that the benefits of the transition are shared across society.

Current allocations **fail to bridge the household energy transition gap**, leaving millions in **unfit housing**. Cohesion funding must be **protected and expanded**, prioritising **renovation, workforce training, and job creation** in disadvantaged regions.

Additionally, **a share of industry profits from public investments should be reinvested into low-income households**, making clean energy and employment opportunities accessible to all. A just transition requires balancing industrial growth with **social and territorial cohesion**.

Powering the Circular Economy

The CID's focus on **securing critical raw materials** and promoting circularity is welcome. However, **circularity must serve a social purpose**—ensuring reclaimed materials improve **low-income housing** rather than becoming a **luxury market**. The **Critical Raw Materials Act (CRMA)** must strengthen **worker protections** in the battery supply chain, where conditions remain precarious. Circular economy measures must **reduce housing costs and improve affordability** for those in energy poverty.

Global Markets

We strongly support the Clean Industrial Deal's role in ensuring CBAM's effective implementation, particularly as Emissions Trading System 2 (ETS2) imposes carbon costs on households, making it essential that major polluters also contribute. To ensure a fair transition, **CBAM revenues should be directed toward supporting vulnerable households** through an expanded Social Climate Fund. Additionally, we urge policymakers to resist delaying CBAM implementation, as **free allowances have already cost the EU billions**, and further delays would additionally reduce revenues available from carbon pricing for social investments.

Skills and Quality Jobs for a Just Transition

The CID highlights **skills and job creation**, but **Cohesion Funding and training programs** must prioritise **long-term unemployed and vulnerable workers**. Investments in **renovation and construction training** can directly **improve energy-inefficient housing** while creating **green jobs**. The **Fair Transition Observatory** and Just transition mechanism should adopt a broader focus, track **distributional impacts**, and ensure funding and benefits **reach low-income households in the least affluent regions**.

Social Leasing and Energy Poverty

The CID promotes **social leasing of clean products** (e.g., EVs, heat pumps) via the **Social Climate Fund (SCF)**. However, the SCF was **designed to combat energy poverty**, not to **subsidise industrial demand**. Without **prior home upgrades**, clean technology adoption won't reduce **energy costs** for the poorest households. **Industrial policy or CSR programs** should fund **social leasing**, while the SCF remains focused on structural home improvements.

Conclusion

The Clean Industrial Deal offers an **important industrial strategy**, but **social fairness measures must be strengthened**. By providing further public funding to industry without mirroring its amount with targeted social interventions, **low-income households risk falling further behind** in the green transition, exacerbating already existing distributional unfairness and threatening the competitiveness of the EU. EU policymakers must ensure that **affordable energy, clean technology, circularity, and green jobs** benefit all—not just industry and businesses.

1. INTRODUCTION

The **Clean Industrial Deal (CID)** plans to decarbonise and revitalise European heavy industry. This includes lowering energy prices, increasing demand and investment, boosting the circular economy, fostering global partnerships, and re- and upskilling workers. However, the CID dedicates less than two pages to skills and social issues, focusing primarily on ensuring that the industry has access to a skilled workforce.

We are responding to the CID because industrial decarbonisation must not come at the expense of households. This risk arises in several ways: rising prices for renewable raw materials that vulnerable households rely on for heating, the continued allocation of free allowances to major polluters while urgently needed Emissions Trading System (ETS) revenues could instead support those most in need, and the acceleration of critical raw material supply chains without adequate protections for workers. As FEANTSA advocates for the most vulnerable in the energy transition, we are providing feedback on the CID to urge the Commission to build European industry's competitiveness on a decarbonisation strategy that leaves no one behind and provides opportunities for communities that have long been excluded and good conditions for workers.

2. ACCESS TO AFFORDABLE ENERGY

The CID underlines the need to deliver an Energy Union that benefits all, and refers to the Action Plan on Affordable Energy, adopted the same day as the Industrial Deal, which includes short-term measures to lower energy bills for industries, businesses and finally households along with necessary structural measures. However, the Action Plan on Affordable Energy is heavily industry- and business-focused, and households are left on its margins. [See our joint press release with the Right to Energy Coalition.](#)

The Clean Industrial Deal and the Action Plan on Affordable Energy overlook the role of bioenergy and within that primary solid biofuel in Europe's energy landscape, and how the price of firewood evolved. However, solid biomass is used by industry, households and the energy sector. Solid biomass is accounted as renewable energy, and it is the major contributor to the renewable energy production. So, [its use increased by 13.4% between 2012 and 2021](#). And [so did the price of firewood](#). Across Europe, especially at its Eastern margins, [millions of households living at risk of poverty rely on firewood, bearing](#) the dramatic impact of increasing firewood prices due to increased interest in renewable energy production among others.

EU-level monitoring of solid biofuel prices for different sectors (industry, energy, households) should be implemented similarly to electricity and gas prices. There is price volatility of biomass due to increased demand by industry, the energy sector and fuel switching in households. Price mechanisms should be installed to protect households and should be coupled with structural interventions to reduce energy demand.

3. CLEAN SUPPLY AND DEMAND

The **CID** aims to stimulate demand for clean technologies by creating lead markets and setting the necessary conditions for this transition. The Deal seeks to position the EU as a global leader in clean industries, emphasising that **lead markets drive economies of scale, reduce costs, and make sustainable alternatives more accessible to consumers and businesses alike**. Increased demand will also encourage industries to adopt cleaner production methods, **reinforcing both environmental and economic benefits**.

However, making sustainable alternatives truly accessible requires more than just lower prices. The uptake of clean technologies, especially in energy use, should go hand in hand with planning and improvements in housing conditions among households living in unfit or low-performing homes (see point 7.3 on social leasing). It also demands **tailored financial, technical, administrative, and social support for households facing housing difficulties**.

To **guarantee equitable access to clean technologies**, industries benefiting from increased demand should contribute to the adoption of clean and affordable technologies among the most vulnerable communities, that would otherwise be left behind. A portion of the resulting profits should be allocated through **Corporate Social Responsibility (CSR) programs**, helping to make homes more energy-efficient and ensuring that all households, regardless of income, can afford to run these technologies.

4. PUBLIC AND PRIVATE INVESTMENT

The CID proposes significant financial investments to facilitate the economy's transition towards sustainability. In this context, FEANTSA urges European policymakers to ensure that these investments do not jeopardise the essential funding required for the clean energy transition of society, particularly for low-income households.

Address the Household Energy Transition Funding Gap: While industrial transformation is crucial, the energy transition needs of households, especially those with low incomes, must be addressed with equal seriousness. Comprehensive home renovations, including structural improvements and system upgrades, are essential for these households to benefit from clean energy solutions. However, the current funding allocation may cover only a fraction of the costs required for deep energy renovations and is not reaching the least affluent population. Therefore, the upcoming EU budget should do its best to bridge this gap, ensuring that the benefits of the green transition are accessible to all segments of society.

Maintain and Improve Robust Cohesion Policy Funding: It's imperative that Cohesion Policy funds remain strong and are not diverted. Social earmarking is necessary along with territorial targeting to prioritise individuals and regions unable to afford the green transition through private means. This includes direct funding for renovating inadequate housing and facilitating the decarbonisation of vulnerable groups in less affluent areas as the SCF will not be sufficient to cover these needs. Such measures are vital for reducing regional disparities and promoting economic, social, and territorial cohesion across the EU. A robust Cohesion Policy serving vulnerable groups and areas can serve the CID by delivering green renovation and technologies to groups who otherwise would not have access to them, and by offering green jobs training for vulnerable groups, thus providing a new pool of workers for the industry that can also deliver the on renovation and energy efficiency measures.

A share of profits generated from public investments in the industry should be reinvested into society, specifically to support low-income households that otherwise cannot afford the necessary changes, thanks to public support should be reinvested into socially targeted measures.

By implementing these measures, industrial growth will be balanced with social equity.

5. POWERING THE CIRCULAR ECONOMY: SECURE ACCESS TO MATERIALS AND RESOURCES

The CID proposes that Europe be more strategic about procuring critical raw materials to prevent supply disruption. Placing circularity at the core of our decarbonisation strategy seeks to improve the **affordability of essential materials** but also reduces our dependencies as materials are recovered, reused, recycled, and kept within the economy for longer.

We embrace the plan to support circularity to make products that are essential for decarbonisation more affordable and to reuse materials for as long as possible. Inadequate housing is causing the European economy and public sector high costs and is impeaching competitiveness: billions of euros in public health care, days lost at work due to illness, and children underachieving in education. Millions of homes across Europe are unfit, unhealthy and energy-wasting. A circular economy could facilitate the replacement of drafty windows and doors, where **the cold whistles in and the heat escapes**, so that millions of households can benefit from finally living in decent and sustainable homes. Circular economy should serve a **social purpose**, ensuring good quality reclaimed materials **reach those who need them most to reduce the energy need of their homes, by increasing the energy efficiency of homes and appliances.**

The CID should harness the potential of circular economy principles in the building sector while preventing that they drive up housing costs.

5.1. FAST IMPLEMENTATION OF THE CRITICAL RAW MATERIALS ACT

To secure access to critical raw materials for the twin transitions from third-country suppliers, the Commission sets out to prioritise the implementation of the Critical Raw Materials Act. The **EU Critical Raw Materials Act (CRMA)** includes sustainability and social responsibility principles, but enforcement mechanisms remain weak. Moreover, the Act does not refer to the **environmental burden put onto countries and workers within the EU** that are in the **battery supply chain**. In 2022, Hungary and Poland produced almost 40% of the batteries imported by Germany alone. There are concerns over the lack of occupational health and safety measures protecting these workers. Workers on the assembly line only reach a living wage by overtime and bonuses and many are employed via **Temporary Work Agencies**, with high job insecurity. These workers are in the EV supply

chain and embody the backbone of the green transition, but they **lack most aspects of what is deemed good employment**. The battery sector receives [massive state aid](#) but enforcement of workers' protection is weak.

5.2. CIRCULAR ECONOMY

The Commission aims to identify actions and measures that would allow transformation steps towards circularity and ensure that products containing valuable and scarce materials are (re-)used efficiently and for as long as possible before they become waste. For that purpose, the Commission will adopt a Circular Economy Act in 2026 which will accelerate the circular transition by enabling the free movement of circular products, secondary raw materials and waste. We caution that the **recycling of e-waste**, particularly batteries, while valuable and a way to reduce the impact of the battery supply chain, must be accompanied by **strict provisions on improved working conditions and environmental safeguards** to not reproduce the same conditions as in the production of batteries from primary raw materials.

Second, the Commission will review **the rules on the second-hand scheme contained in the VAT Directive** as part of a green VAT initiative to address the issue of embedded VAT in second-hand products.

We embrace the idea to address the issue of embedded VAT. The goal should be for reused products to remain affordable. Industry **should lead in reusing existing materials** to make renovation more affordable. Circularity must not become a **luxury service** for those who can afford high-end upcycled products.

6. GLOBAL MARKETS

CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

Energy-intensive industries have long received free allowances under the EU Emissions Trading System (ETS1) to prevent "carbon leakage"—the risk of companies relocating outside the EU to avoid paying for emissions. The Carbon Border Adjustment Mechanism (CBAM) was introduced to address this gap by pricing the carbon content of imported goods and gradually phasing out these free allowances.

First, we strongly support the CID elaborating on the effective implementation of the CBAM. We believe that, especially in the context of ETS2 imposing carbon costs on households, the CBAM is an effective tool to also make the big polluters pay. We also believe that to support a truly fair transition, the revenue generated from CBAM should be used to support households that lack the financial means to reduce their emissions, that is, be channelled into expanding the Social Climate Fund.

Second, when conducting the reviews of the CBAM proposed in the present

plan, we urge policymakers to resist calls to delay CBAM implementation. [Free allowances cost the EU €226.7 billion in the period of 2021-2030, with €40 billion lost on free allowances in 2023 alone— that is nearly two-thirds of the Social Climate Fund's total six-year budget.](#) A two-year delay in phasing out free allowances would significantly reduce available decarbonisation funds, cutting €20 billion from the Innovation Fund alone.

7. SKILLS AND QUALITY JOBS FOR SOCIAL FAIRNESS AND JUST TRANSITION

As the Clean Industrial Deal says rightly, 'every person, community and business should benefit from this transition' and commits to 'deliver quality jobs, empower people and promote social cohesion and equity across regions'. We are looking forward to seeing how the plan will deliver on these areas. Therefore below, we outline some recommendations that will help to deliver firmly on these aspects and strengthen the justice and fairness aspects of the transition.

7.1. SKILLS AND QUALITY JOBS

The Union of Skills and Quality Jobs Roadmap is a step in the right direction. The focus on skills, adult learning, vocational and education training and access to training is the right direction.

To truly deliver on its promise of social and territorial cohesion, the CID must ensure that training and jobs go to the right people in the right places the right way. Cohesion funding too [often fails to reach those who need it most, benefiting more affluent households or wealthier regions.](#) By delivering quality training and green jobs to the least affluent areas and vulnerable people, especially for people temporarily or permanently out of the formal labour market, the CID can effectively improve social and territorial equity. The Council [Recommendation on the Integration of the Long-Term Unemployed](#) provides a strong model for action. By applying its principles—personalised support, skills development, and employer engagement—the EU can better connect long-term unemployed individuals with quality jobs in clean industries.

This means investing in targeted training programs, incentivising employers to hire and train these workers, and involving national employment services in providing active labour market services. These measures can ensure that vulnerable people can access jobs and by activating people, the industry can access a new pool of workers for a place-based delivery of the green transition to the transition. A key opportunity lies

in the renovation and construction sectors: training workers in vulnerable regions and giving them hands-on practice can directly contribute to upgrading the least-performing homes and constructing truly affordable homes. These measures can also help deliver the Affordable Housing Plan in a place-based way. Cohesion funding should actively contribute to the activation of the workforce to provide sufficient and well-trained capacity to deliver the transition, and this will improve social cohesion and deliver green [With every €1 million invested in energy renovations creating an average of 18 jobs](#), this is a win-win for workers, communities, and the climate. [Every €3 invested in fixing housing inadequacies would be paid back in one and a half years. Money invested in setting disadvantaged children on the path to a successful career by supporting them in their school-carrier would bring 10-15-fold returns during the adulthood of the person, mostly through tax payment.](#)

We call on EU policymakers to ensure that the CID delivers for vulnerable regions and people quality skills training and jobs, applying proven strategies to break the cycle of long-term unemployment. Delivering jobs to the right people and places is the best way to achieve real social and territorial cohesion—while driving forward Europe’s green and fair transition.

7.2. SUPPORTING WORKERS IN THE TRANSITION

We welcome that CID underlines that ‘Investments should combine income protection and active labour market policies (ALMPs) to support workers during the transition, including job placement services, training and reskilling opportunities, and entrepreneurial support, including support for vulnerable groups.’ We hope that the Quality Jobs Roadmap will use a rather broad approach and bring meaningful opportunities for vulnerable groups, including groups facing discrimination in the labour market or in temporary or long-term unemployment, [and those who lost their employment due to the previous wave of economic transition.](#) Providing tailored employment opportunities for people with experience of homelessness is another way of effective support for vulnerable groups. [The Igloo France](#) project for more than a decade helped people experiencing homelessness and severe housing exclusion by combining **access to housing with employment opportunities in construction and renovation**. Through **social enterprises and integration programs**, participants receive training and jobs while contributing to **energy-efficient and sustainable housing**. This approach demonstrates how **vulnerable populations can be actively involved in the green transition**, supporting both **social inclusion and the goals of the CID**. We welcome the **Fair Transition Observatory** and improvements to the **Just Transition Mechanism**, particularly the focus on **reskilling, social responsibility, and skills conditionalities for public funding**. These steps can help workers in transition, but **a just transition is about more than jobs**.

Low-income households face higher energy costs, limited access to funding, and exclusion from clean energy benefits, while wealthier groups reap the rewards.

The CID Action Plan aims to ensure that all Europeans benefit from the

clean transition without adverse distributional effects. To deliver on this, the **Fair Transition Observatory must expand its scope** beyond employment to track **larger distributional impacts** of the transition and to feed into the design of fair energy transition policies. Problems to address could include distributional aspects of **access to renovation, clean energy, and financial support**, to understand whether these are reaching those most in need. A stronger **Just Transition Mechanism** could enlarge its territorial scope to the least affluent regions to help a larger share of workers.

7.3. SOCIAL LEASING FOR CLEAN PRODUCTS.

The ClD Action Plan aims to ensure that all Europeans benefit from the clean transition without adverse distributional effects. As part of this, the ClD proposes to stimulate demand for clean products—such as electric vehicles and heat pumps—by providing financial assistance to citizens through the Social Climate Fund (SCF).

While we support the recognition that certain groups need help accessing clean industrial products, and social leasing can be an ideal tool for that, the SCF was designed to address the root causes of energy poverty. It should not be repurposed to drive demand for clean products or support green industrial growth.

The SCF is the first fund entirely dedicated to tackling energy poverty, offering a crucial opportunity to address its root causes—particularly inadequate housing conditions. While social investments may eventually enable households to adopt clean technologies, once their homes are insulated and electrical systems upgraded—the fund's primary focus must remain on supporting energy-poor households. Building renovations are repeatedly highlighted in the SCF Regulation as a key measure for this purpose.

Firstly, social leasing has clear limitations that make it unsuitable for addressing the root causes of energy poverty. While it is suitable for discrete green transition products, it cannot be used for essential structural upgrades (e.g., building renovations). In the least performing homes, where vulnerable households are overrepresented, heat pump installations require prior upgrades (e.g., wiring, insulation, roof/windows repair). Without addressing structural investment needs, vulnerable households may face increased electricity costs, while only a limited portion of the SCF is allocated for direct income support. Ireland's [caravan loan scheme](#) shows that without addressing structural deficiencies in the sites where these vehicles are used, leasing alone does not resolve structural issues (e.g., energy poverty). This problem translates well to the deployment of heat pumps in houses with structural deficiencies.

Secondly, the SCF is far from being enough to cover HPs and EVs for energy-poor households. Assuming that Europe has 48 million households in energy poverty, even if the entire SCF were allocated solely to enabling EV and HP adoption among the energy poor, it would amount to approximately **€2,000 per household**. This would hardly be enough. In France, the EV social leasing scheme provided subsidies of €13,000

per vehicle. This does not account for the administrative costs. However, even with this relatively high subsidy, households in the lowest-income decile in France made up 3.6% of the beneficiaries of [the social leasing scheme](#), followed by 14.3% in the second decile. The majority of uptake was in the 3rd-5th decile, which is lower-middle to middle-income earners.

To conclude, **we must avoid repeating the mistakes of the Recovery and Resilience Facility**, where [resources were diverted to industrial and corporate interests](#) rather than directly benefiting vulnerable households. Stimulating demand for Heat Pumps or EVs is an Industrial Policy Goal. Facilitating the deployment of these technologies among lower income groups is good- but since the SCF is very limited, funding should prioritise necessary structural updates and community services. Social leasing could fall under industrial policy instruments or corporate social responsibility programs.

8. CONCLUSION

We would be happy to see a mirroring of ambitious and systematic funding plans for the decarbonisation of households. To ensure that the entire society is decarbonised, without dramatic social costs, **relevant EU funds should be earmarked along with ETS revenues to reduce the energy needs of leaky homes of low-income groups and make decarbonisation affordable for them.**

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