

INVESTING IN CLIMATE-NEUTRALITY AND SOCIAL INCLUSION

Supporting innovation of
social enterprises in a fair
transition for climate neutrality



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INTERVIEW

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INVESTING FOR IMPACT

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1. Which are, in your perspective, the key-elements leading to a successful just transition towards climate-neutrality?

The EU's ambition to become the **first climate-neutral continent** by 2050 is at the heart of the European Green Deal presented by the Commission in December 2019. The plan is to make the EU's economy sustainable by turning climate and environmental challenges into opportunities, and making the transition just and inclusive for all. Three main elements could lead to a successful just transition towards climate-neutrality:

1 Firstly, we need to develop a **cross-sectoral policy approach** that boost transformational changes while making the best use of digitalisation. Let me mention some of our actions.

Climate Law Regulation¹

- In March this year, the Commission put forward a proposal for a **Climate Law Regulation**, which aims to enshrine into EU law the 2050 climate-neutrality target agreed by EU leaders and set the direction of travel for all EU policies.
- To put the EU on a balanced pathway to reaching the 2050 target, we also presented in September a plan to reduce EU **greenhouse gas emissions by at least 55% by 2030**, compared to 1990 levels.²

Industrial Strategy & Circular Economy Action Plan

- Also in March, the Commission also announced its **Industrial Strategy and Circular economy action plan**.
- The two strategies will help make our economy fit for a green and digital future, strengthen our competitiveness while protecting the environment and giving new rights to consumers.

The EU Strategy for Energy Integration, European Clean Hydrogen Alliance, Renovation Wave

- Energy plays a central role in the transition to climate-neutrality. The **EU Strategy for Energy System Integration**, unveiled in July, comprises measures to achieve a more efficient and circular system.
- The new hydrogen strategy and the new formed **European Clean Hydrogen Alliance** addresses the role of hydrogen in this shift.
- The upcoming '**Renovation Wave**' initiatives will address the energy performance of buildings and will ensure that our building stock play its role in the decarbonisation of our economy.

2 Secondly, we also need to set up the **right tools and incentives to achieve these ambitious objectives**. Actions should focus on pursuing the development of green finance schemes, promoting the greening of national budgets and sending the right price signals. Research and fostering innovation has to be a priority for European and national agendas (*i.e. HorizonEurope*).

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Therefore, all stakeholders have to be fully part of this change that needs to be just and inclusive. Among these stakeholders involved in the transition, social enterprises are key. Some of the best performing innovative green solutions at regional and local level are renewable energy cooperatives, local and decentralised energy grids running on blockchain technology, carbon capture through collective urban horticulture, alternative transportation solutions, or passive housing projects in cities and rural areas just to name some of them.

3 Thirdly, I am of the opinion that a successful just transition towards climate-neutrality **will not be achieved by Europe acting alone**. The drivers of climate change and biodiversity loss are global and are not limited by national borders. The EU will continue using its green, climate and energy diplomacy and the full spectrum of its external policy instruments to enhance the ambition level of its partners and accelerate the global transition to climate neutrality.



1 https://ec.europa.eu/clima/policies/eu-climate-action/law_en

2 https://ec.europa.eu/clima/policies/eu-climate-action/2030_ctp_en

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2. What are the main (financial and non-financial) tools the EU institutions use in supporting social enterprises to switch towards innovative activities and to create a more collaborative economy?

First, it is important to state that social economy is not a niche in our economy, our industry or the internal market. As the majority of social enterprises are SME's, we need to highlight that many SME policy tools are also accessible and useful for them. This might be forgotten by them that are solely looking for social economy specific support. Let me mention some examples that can be helpful:

- 1. Sustainability Advisors** will be appointed within the existing Enterprise Europe Network to help SMEs with wenvironmental and social challenges and improve access to skills.
- 2. Up to 240 Digital Innovation Hubs** will advise SMEs on how to integrate digital innovations into their products, business models and processes;
- 3. The new European Innovation Council (EIC)** will make available 300 million as of next year to encourage break-through innovations delivering Green Deal objectives.
- 4. The European Cluster Collaboration platform (ECCP)**, now merged with **the European Resource Efficiency Knowledge Centre (EREK)**, which gathers 1043 self-registered industry clusters, including **250 clusters producing green technologies and circular economy** and **80 EU, environmental local and national agencies, NGOs** and audit companies, will also provide support to companies, notably SMEs to save resources and implement circular economy solutions.
- 5. Additionally, it is crucial to mention the many grants that are supporting local business.** Such grants might be coming from the **European Social Fund** for digital transition of staff trough skills development as well as green infrastructure grants for SME's under ERDF programs.



The European Action Plan on social economy, will help the sector to grow by promoting digital & green transition.

Beyond the main and traditional SME tools, the Commission also developed specific instruments to support social enterprises that focus on their specific needs and characteristics.

The most known is the **European Programme for Employment and Social Innovation**, which is a programme **providing investment capital for social enterprises** that have difficulties in access to investment capital on the regular financial market. Besides investment capital, the EaSI programme provides also regularly grant support for social economy organisations for capacity-building or helping them scale-up.

In terms of **non-financial support**, the Commission conducts research activities and released many studies aiming at boosting exchange of best practices and success stories in the field of social enterprises. This month (October 2020), our Directorate General will publish a report on digital opportunities for social economy. This study helps understand the impact of digitalisation on social economy and how the sector can make the utmost of new tools for its development.

Next year, the Commission will announce a **European Action Plan on social economy**. This policy initiative will reinforce existing measures and help the sector grow by promoting digital and green transition.



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3. What is the role of the private sector, and social enterprises in particular, in the just transition beyond the financial contribution? How do they have to restructure their activities and strategies?

The private sector has an important role to play in the transition as climate change can have a negative aspect on company's growth. Businesses that adapt to climate change can gain a competitive edge. Through the development of responsible strategies, they can avoid costs, manage liabilities and build resilience.

Companies that rigorously assess climate change risks and opportunities and implement creative solutions that build long-term resilience will create business value while making important contributions to sustainable development and equitable green growth.

The role of social enterprise is to lead on this agenda, inspire others and demonstrate the radical alternative.



Social enterprises for instance can be leaders for this change. Their particular focus might be recycling, land management, regeneration or some other green mission – but they are all united in improving the natural environment in some way. In turn, they are helping build a new type of circular, sustainable and inclusive economy. It is also fair to say that most social enterprises are aware of taking positive action in terms of their environmental responsibilities, whatever their social mission or objectives are. The role of social enterprise is to lead on this agenda, inspire others and demonstrate the radical alternatives.



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4. How do the new policies regarding energy efficiency, digitalisation can affect the business model of SMEs, including social enterprises among the EU?

Here I would like to make clear that social enterprises have very similar issues and opportunities as regular SME's when discussing the many transitions ahead of them: lack of investment capital, innovation capacity and skills to mention of few.



However, the coronavirus crisis has put even more pressure on social economy organisations. In our economic analysis of the social economy ecosystem, we have seen that many of them had very limited reserves, could not continue business due to the many personal contacts inherent to the activity, or are depended on volunteers. This makes it today even harder to adapt and invest in sustainable targets and adapt business models accordingly.

"[...] social enterprises have the characteristic to embed systematically sustainable values in their business model."

On the other hand, social enterprises have the characteristic to embed systematically sustainable values in their business model. Often this is even the core of their activity. That makes many of them more appreciative for policy measures supporting sustainable transition, for example the energy cooperatives, the clean mobility and delivery enterprises, the local food hubs and platforms and the many re-use and circular social enterprises.

Within the Commission, and in cooperation with many of those enterprises, we have been developing for one year a specific tool

that has as objective to visually and analytically highlight the business model balance obtained according to a triple bottom-line principle. This is the objective of **the social economy Canvas**.

The canvas shows to what extend many social enterprises are delivering on social environmental and economic added value. This canvas is still in progress and tests can be carried out with stakeholders that are interested.



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