

Social Climate Fund

2021/0206(COD) - 14/07/2021 - Legislative proposal

PURPOSE: to establish a Social Climate Fund in order to fairly spread the costs of tackling and adapting to climate change.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the European Green Deal launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy. The [‘European Climate Law’](#) has made the EU's climate neutrality target by 2050 legally binding.

The Commission has presented a **complementary and interconnected set of proposals as part of the 2030 Climate and Energy ‘Fit for 55’ package** to achieve the greenhouse gas emission reduction target of **at least 55% compared to 1990**. This ‘Fit for 55’ legislative package is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution.

Increasing the 2030 target for EU greenhouse gas reductions will impact many sectors across the EU economy and coordinated action as well as financial support at the EU level is therefore indispensable.

The increase in the price for fossil fuels will have significant social and distributional impacts that may disproportionately affect vulnerable households, vulnerable micro-enterprises and vulnerable transport users who spend a larger part of their incomes on energy and transport and who, in certain regions, do not have access to alternative, affordable mobility and transport solutions. Such impacts on vulnerable groups differ between Member States, and price impacts are likely to be felt more strongly in Member States, regions and population with lower average income. As corollary to the fuel price increases through carbon pricing, the emissions trading generates revenues, which can be used to alleviate the burden on the vulnerable groups.

CONTENT: with this proposal, the Commission proposes the creation of a **Social Climate Fund for the period 2025 to 2032** to provide Member States with funding to address the social impacts of the extension of the Emissions Trading Scheme (ETS) to road transport and construction on vulnerable households.

Each Member State should submit to the Commission a Social Climate Plan. Those Plans should pursue two objectives:

- 1) they should provide vulnerable households, vulnerable micro-enterprises and vulnerable transport users the necessary resources to finance and carry out investments in energy efficiency, decarbonisation of heating and cooling, in zero- and low-emission vehicles and mobility;

- 2) they should mitigate the impact of the increase in the cost of fossil fuels on the most vulnerable and thereby prevent energy and transport poverty during the transition period until such investments have been implemented. The Plans should have an investment component promoting the long-term solution of reduce fossil fuels reliance and could envisage other measures, including temporary direct income support to mitigate adverse income effects in the shorter term.

The financial envelope of the Fund is EUR 72.2 billion (EUR 23.7 billion for the years 2025-2027 and EUR 48.5 billion for the years 2028-2032). The Fund would be financed from the EU budget which corresponds in principle to **25%** of the expected revenues to be accumulated from the auctioning of allowances within the emissions trading for buildings and road transport. Member States should contribute to at least **50%** of the total estimated costs of the plan. For that purpose, they should inter alia use the revenues from auctioning of their allowances under the emissions trading for the two new sectors.

The Commission will propose a targeted amendment of the Regulation for the multiannual financial framework for the years 2021 to 2027 to accommodate an additional Union spending of an amount of EUR 23.7 billion for the period 2025-2027. The spending should be frontloaded to precede and accompany a smooth introduction of the new ETS.

The amount of EUR 48.5 billion for the period 2028- 2032 is subject to the availability of the funds under the annual ceilings of the applicable multiannual financial framework for which the Commission will make a proposal before 1 July 2025.