



BRIEFING - OCTOBER 2024

Social leasing: a key measure for national Social Climate Plans

A targeted support to promote access to electric vehicles for middle and low income households

Summary

Social leasing is a support measure for middle and low-income households, designed to facilitate access to an EV. Included in the national social climate plans, it will be a key measure in making the EV market more democratic and speeding up the move away from fossil fuels.

Addressing the social barrier in the EV transition

Social leasing is designed to make EVs accessible to lower- and middle income groups by offering affordable monthly leasing options. It aims to democratise EVs market, and accelerate the shift away from fossil fuels. While EVs are expected to reach price parity with combustion vehicles by 2028, targeted measures are needed to address the barrier from higher EV prices and accelerate EV uptake in middle and low income categories. Social leasing can support the most vulnerable categories which would be most impacted by carbon pricing mechanisms like the EU's ETS2 (Emissions Trading System) starting in 2027.

Social leasing in France: a promising initiative

France initiated its social leasing program in December 2023, making EVs available for €49-150 per month, combining public subsidies with leasing to target the bottom half of the population in income. The program saw strong demand, with over 90,000 applications and 50,000 accepted, doubling initial expectations. Most beneficiaries were younger and had lower incomes compared to typical new EV buyers. The scheme is set to continue in 2025 with adjustments to improve efficiency and transparency.

Key recommendations for implementation in EU member states

- EU member states are strongly encouraged to integrate social leasing in their Social Climate Plans, which need to be submitted by June 2025. These plans will be supported by the Social Climate Fund (SCF) and revenues from ETS2.
- The schemes should prioritise low and middle income, car-dependent households, focusing on those who rely on cars for work or travel long distances annually.
- Eligible models should be compact, affordable, and have low environmental impact, with a preference for models made in Europe. A price cap of around €25,000 for segments A and B is suggested to maximise the effectiveness of public spending.

1. Context: Addressing the social barrier in the EV transition

1.1. EV prices are the main barrier to the transition

One of the main pillars of the EU's climate and industrial strategy is the transition away from polluting combustion cars towards electric vehicles (EVs). This transition brings numerous benefits but also some challenges, notably on the social side.

The key challenge over the coming years will be to democratise EVs and make them accessible to the low and middle classes that are relying on cars in their everyday life.

Today, the limited availability of affordable EV models¹ on the European market means the majority of private EV buyers are from affluent social classes. Available EV models which are mostly in the large and premium segments are unaffordable for many drivers. The median price that all EU respondents are willing to pay for a new or used BEV is €20,000. However, according to T&E analysis², the average price of a BEV has increased from €40k to €45k since 2020. As a result, EV prices are the main barrier to EV adoption and 65% of people view price as a barrier³.

Plus, 80% of Europeans buy their vehicle on the second hand market which still lacks electric models given the EV transition is still in its infancy⁴. This creates a risk that the transition to EVs only benefits the higher social classes while other categories are left behind.

Despite the current higher purchase price for EVs, it is expected that all electric models will reach purchase price parity with combustion cars by 2028 at the latest⁵ thanks to scaling up of EV and battery production scaling up and technology costs continuing to go down. However, without appropriate policy action, this shift will not happen fast enough to ensure wide availability of affordable new and second hand models to all groups of drivers.

1.2. Leaving nobody behind in the EV transition

With the introduction of the ETS2, petrol and diesel car drivers will pay a carbon price from 2027. This is likely to increase the price of car mobility for European drivers, and would have a disproportionate impact on low income, car-dependent drivers, who spend a larger share of their available income on mobility.

Furthermore, addressing this social barrier in the transition to EVs is important in order to convince

¹ Electric cars are mainly sold in the more expensive premium and large segments. See [T&E study](#)

² T&E (2024) Stagnation and growth: the European EV market. [Link](#)

³ EAFO (2024) Consumer Monitor 2023. [Link](#)

⁴ 80% of EU citizens buy their car second-hand cars (and around 90% of low and middle income citizens). Source: Vanherle, K. and Vergeer, R. (2016). [Link](#). But less than 2% of EVs on the road are electric;

⁵ BloombergNEF. (2023). *Electric Vehicles Outlook 2023*. [Link](#).

people of the benefits of this transition. Leaving nobody behind in the EV transition is key to ensure that EVs don't become the object of a cultural war in a context of rising populism.

Ultimately, the transition to EVs will have a positive impact on household purchasing power, thanks to overall lower operating costs, by reducing dependence on fossil fuels and vulnerability to fuel price variability.

National policymakers have the appropriate financial tool to address this challenge. They will receive revenues from the ETS2 as of 2026, which the European Commission strongly recommends spending on social transport measures. For part of those revenues - those sitting in the Social Climate Fund - social spending is mandatory. Member States are required to submit national Social Climate Plans, which will outline concrete measures that Member States will finance with the fund, to the European Commission by June 2025.

1.3. Social leasing: a targeted subsidy to bridge the financial barrier

In this context, T&E supports the general principle of a social leasing scheme to address the social barrier in the EV transition.

Social leasing can be described as a tool to provide targeted EV subsidies to vulnerable social groups (typically low and middle income, car-dependent drivers) to grant these categories access to a low price EV via an affordable monthly payment (e.g. 100-150 euros/month). Social leasing, or more generally socially targeted subsidies for EVs, have great potential in effectively contributing to a just and therefore socially accepted transition towards EVs.

The purchase of EVs has been supported in several European countries via subsidies granted unconditionally. As the EV market penetration increases, the cost of such subsidies can put increasing pressure on public finances. As a result, a number of countries have reduced or stopped the subsidies, the main example being Germany.

Social leasing is socially targeted to encourage a fair transition; it is based on leasing, rather than purchase, to better overcome the obstacle of purchase price. By bridging the financial barriers preventing low and medium income drivers from accessing the new car market, social leasing helps address the temporary lack of 2nd hand affordable EVs.

Finally, social leasing is a solution to support the decarbonisation of the car fleet that will complement other solutions aimed at reducing the mobility budget and its environmental impact, such as the deployment of active and shared mobility or the improvement of public transport.

Social leasing is a practical solution for helping the middle and lower classes, car-dependent drivers to switch from fossil vehicles to electric vehicles, thereby removing social barriers to the transition and accelerating the adoption of EVs in these categories.

1.4 Social leasing drives the market towards small, affordable EVs

Finally, social leasing creates visible and predictable demand for small, affordable EVs. These models are particularly under-represented on the market today (64% of EV sales are large and premium cars⁶). Yet they are essential for expanding the EV market and speeding up the shift to EVs. Social leasing can also be a smart industrial policy as it incentivises the supply of smaller, more affordable EVs by giving carmakers a clear signal with multi-annual demand on this segment.

These affordable EVs are in high demand. As shown by a polling commissioned by T&E in 2023⁷, when being offered an EV costing around 25,000 euros, intentions to buy an EV rise from 25% to 35% among respondents. Taking an estimate of 10 million annual car sales in the EU, this means an additional 1 million electric cars sold annually replacing petrol and diesel sales. In total, 22% of all the car buyers in Europe would be interested in a small affordable BEV in any case. Moreover, almost half (48%) of the initial EV buyers would opt for the small affordable EV instead of a larger and bigger one if they had the choice. This gap in the supply of affordable EVs has been illustrated in the case of France, where the social leasing initiative has highlighted the lack of segment A and B electric models on the market today.

In 2023, T&E demonstrated that social leasing had the potential to create and secure additional demand for affordable EVs until 2030⁸. Consequently, the broad introduction of this measure would guarantee car makers that a minimum demand level for smaller EVs will be met, thus accelerating the production and supply of affordable EVs.

In short, social leasing is a measure with high social and industrial potential, making it a key measure for a successful transition to EVs.

2. Social leasing in France: a promising initiative

2.1 Description of the scheme

The French social leasing program was launched in December 2023. The aim is to help middle class and low-income households switch from petrol or diesel to an electric vehicle.

Public subsidies are used in combination with leasing to overcome the extra cost of buying a new electric vehicle by offering low monthly payments.

⁶ Transport & Environment, *Why EV prices have risen in Europe despite big drop in battery prices*, October 2024, [Link](#).

⁷ Transport & Environment, September 2023, *Small and profitable: why affordable electric cars in 2025 are feasible*. [Link](#).

⁸ Transport & Environment and Iddri, May 2023, *Propositions pour un mécanisme social et industriel innovant et écologique*, [Link](#).

The social criteria for eligibility to the scheme were as follows:

- **Income criteria:** a reference tax income per unit of less than 15,400 euros (deciles 1 to 5).
- **Car dependency criteria:** living more than 15 km from their place of work or driving more than 8,000 km/year.

A web platform (monleasingélectrique.fr) allowed everyone to access information on eligibility criteria and available vehicles and to apply for the scheme. In addition the scheme was promoted by decision makers, given sufficient visibility to the scheme and the platform.

The prices recorded between the end of December and February were between €49/month and €150/month. Some twenty vehicles were offered, in segments A (Fiat 500, e-up!), B (Twingo, 208, Zoé, Corsa) and C (Megane, Leaf), B SUV (Opel Mokka, Jeep Avenger, Hyundai Kona) and van (Kangoo).

The social leasing contracts are for a period of 3 years, with the possibility with or without a purchase option and with the possibility of being renewed.. Distributors had to make an advance payment for the subsidy before requesting a reimbursement to the national public authority.

To implement this measure, the government has agreed contracts directly with OEMs and leasing companies. For this first edition of the social leasing, the subsidy has been set at 13,000 euros per car. This amount includes the usual bonus (set at 7,000 euros for the lower 50% of the population by income), plus an additional subsidy of €6,000.

The commitment of OEMs and leasing companies as well as the conditions for their support have been defined by decree⁹, published on December 14th, 2023. The conditions in the decree have been negotiated in advance between the government and the companies. OEMs had to offer at least one vehicle for €100 per month, and the maximum monthly rental charge was set at €150.

As for the EV bonus, the social leasing is conditional on complying with the environmental eco-score¹⁰, which sets a minimum environmental performance level for vehicle production and effectively renders models produced in China ineligible. Other criteria on the vehicle's side include a maximum purchase price of €47,000 and a maximum curb weight of 2,400 kg.

2.2 Results and lessons learned

The outcome of the first year of social leasing in France gives a general overview of the beneficiaries. The Ministry's analysis takes into account the first half of the files actually validated

⁹ Décret n° 2023-1183 du 14 décembre 2023 relatif à la mise en place d'une aide à la location, pour une durée supérieure ou égale à trois ans, d'une voiture particulière électrique, [Link](#).

¹⁰ The environmental score is one of the eligibility criteria for the ecological bonus, the conversion premium and the leasing scheme for new electric passenger cars. [Link](#).

and paid for (delivery of the vehicles takes until the end of September). The main figures are as follows:

- 61% of beneficiaries have a reference annual income¹¹ of between 10,200 and 15,400 euros (decile 4 and 5).
- 40% of beneficiaries have an income of less than 10,200 euros net (decile 1 to 3).
- The average age of the first 25,000 beneficiaries is around 40, i.e. 9 years younger than the average for purchasers of new electric passenger cars in 2023 (and 14 years younger than the average for purchasers of new passenger cars as a whole).
- Vehicle ranges: 52% compact, 48% family models
- Type of contracts: 37% with purchase option after 3 years, 63% without purchase option.

According to the French Ministry, the initial results “*show that (social leasing) has made it possible to give access to new electric vehicles to new profiles of households, younger and more modest, thus contributing to the democratisation of this transition*”.

This information combined with T&E’s assessment of the scheme has allowed us to draw several important lessons from this first social leasing initiative and formulate recommendations for the renewed scheme in 2025.

Social leasing has been successful thanks to strong demand.

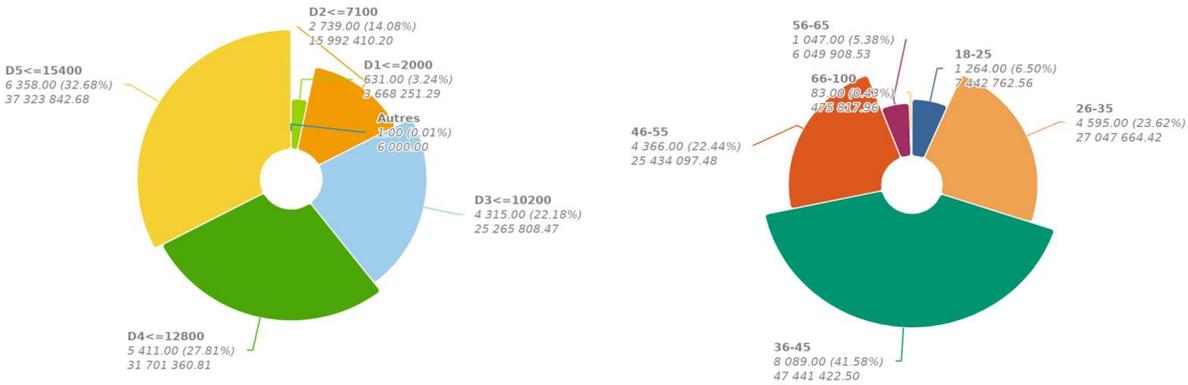
Although the budget was set for 25,000 beneficiaries, over 90,000 applications were registered on the national platform in just a month and a half. In the end, 50,000 applications were accepted, more than double what had been forecast. President Macron quickly announced the end of the scheme at the beginning of February 2024. The system is closed for 2024 and will reopen in 2025, even if the scheme is subject to evolve.

The success of social leasing proves that French drivers, including the middle and low income classes, are ready and willing to switch to electric cars if the conditions and prices are right. This confirms that there is strong demand for EVs, especially when made affordable, as highlighted by T&E in the past¹². Today it is possible to say that social leasing reaches its targets.

Distribution by age category of applications approved by the French national agency of payment on June 30, 2024 (based on 25,000 validated applications - Source Ministry of the ecological transition).

¹¹ Revenue for tax purposes = net taxable income + certain income exempt from tax or subject to a withholding tax at source + certain allowances and charges deductible from income.

¹² <https://www.transportenvironment.org/articles/europes-electric-car-sales-stagnating-as-china-gains-foothold>



Social leasing can boost EV sales

Thanks to social leasing the [EV market](#) performed well in France in January and February, whereas the market was stagnating in most other European countries. This shows that social leasing has the potential to bring additional electric cars on the road. The lesson is very clear: industrial strategies must focus on small and affordable BEVs to facilitate the transition to electric vehicles and support mass market adoption of EVs.

Also, the fact that some EVs were offered for 49 euros per month highlights a healthy level of competition between carmakers to bring down the price.

Governments needs to be vigilant of the cost effectiveness of the scheme

The total costs for the French scheme (for 50,000 vehicles) are estimated at around 650 million euros, twice as much as initially planned. This cost is directly linked to the high level of subsidy (€13,000 per unit in total) which is now widely considered too high and inappropriate in the light of the success of the scheme and the strong demand.

Transparency and obligations for leasing companies are important

In the French scheme, the agreement between OEM leasing companies and the government does not include any transparency obligation. As a result, the evaluation of the first version of the scheme is difficult. Furthermore, leasing companies - who manage contracts and programs - should be required to respect the program's social criteria through selection criteria that are as transparent as possible.

The governance of the scheme, which involves not only the French government but also all players in the industry, is a key issue. Monitoring and evaluation are essential to its efficient operation.

The 2024 French social leasing scheme was an innovative scheme. As such it is expected and normal that there are adjustments and improvements to make as the scheme is renewed. The 2nd

edition of the French social leasing in 2025 should evolve to become more efficient, impactful and transparent. Under these conditions, the plan should be maintained¹³, and extended to 100,000 beneficiaries as early as 2025.

Recommendations for social leasing in Spain

In 2023, T&E conducted a [study](#) on how to implement the social leasing scheme in Spain, alongside ECODES, Athesis Lavola and the Gabinet d'Estudis Econòmics.¹⁴ The main conclusions were:

- A social leasing scheme in Spain could allow low income households to access an electric car for 90 euros per month and 70,000 units per year.
- Individuals would commit to paying monthly instalments for a minimum period of 4 years and a maximum of 8.
- Such a program could cover 25% of private new vehicle buyers and users who are among the lowest income deciles 1-4 if deployed over a period of 12 years.

3. Recommendations for the introduction of social leasing in EU member states

3.1. Incorporate social leasing in national social climate plans

By June 2025, Member States need to submit their national Social Climate Plans to the European Commission. In these plans, EU states need to put forward social measures they plan to implement to support vulnerable households. Such measures would be supported by the dedicated Social Climate Fund (SCF) and more widely by the revenues by the ETS2 carbon pricing.

As shown in this policy briefing, social leasing is an ideal measure to support low and medium income drivers that will be most affected by the likely increase in fuel price linked to ETS2. As such T&E strongly recommends EU member states to incorporate social leasing in their national Social Climate Plans and finance them with their broader national ETS2 revenues. The European

¹³ “[Leasing social, bonus écologique, prime à la conversion : quatre associations appellent à maintenir un niveau d'aides suffisant pour soutenir les ménages qui en ont le plus besoin](#)”, Octobre 2024.

¹⁴ Transport & Environment. (2023). *Impulsar el leasing social permitiría acceder a un coche eléctrico por 90 euros al mes*. [Link](#).

Commission also refers to social leasing as a [good practice](#) for Social Climate Plans¹⁵ and provides a list of national [bodies responsible](#) for the Social Climate Plans¹⁶.

While national governments should have the flexibility to adapt the design of the social leasing to their national context and specificities, T&E has identified design elements and criterias which should be applied when implementing social leasing at national level. Naturally, the relevance and design of social leasing should be adapted to the various national contexts.

Social leasing should be financed via ETS2 revenues, including the Social Climate Fund. The SCF starts in 2026, one year before the ETS is extended to cover buildings and road transport (the so-called “ETS2”). Over the entire 2026-2032 period for which the ETS2 has been agreed, the SCF will amount to a total of €86.7 billion.

However, in 2026 - the first year of the SCF - the amount is capped at €4 billion and could be even less. To address this gap, T&E recommends to front load some of the ETS2 revenue to 2025 and 2026 by allowing member states to borrow into the future revenue. This is justified by the need to deploy measures like social leasing in advance of the start of the ETS2 road fuel pricing mechanism which starts in 2027.

Even in the absence of any early ETS2 revenues, governments should already start setting up social leasing schemes from 2025. The experience from France shows that improving the scheme over the years based on past learnings is important. Member States can still benefit from Recovery and Resilience Facility (i.e. Covid-19 recovery fund), until the end of 2026 and should use part of this remaining money to bridge the gap until ETS2 revenues ramp up.

¹⁵ European Commission (2024). Good practices for the Social Climate Plans. [Link](#)

¹⁶ European Commission (June 2024). List of Member States authorities responsible for the preparation of the Social Climate Plans. [Link](#)

The role of new EU Commission: a European platform for affordable European-made electric vehicles

The European Commission should launch an “Affordable European EV” platform to support, inform and guide member states in setting up national social leasing policies, inspired by the existing initiatives. The participation would be voluntary and national governments would tailor the measures to the specific national context while benefiting from EU support, which is key for smaller member states.

The platform should pre-identify pan-European projects for affordable low price social leasing of EVs in a streamlined way. It would provide guidance and templates for easy policy set-up, and aggregate pan-EU demand for small made-in-EU models. Member States could then benefit from this service by selecting projects they want to fund under the SCF and ETS2 revenue (the platform could offer several projects to ensure competition and diversity in the choice). Funding, management, strategic orientation and approval of social leasing schemes would still take place at national level.

Such a platform would drastically reduce the administrative burden for countries to set up individual social leasing schemes and would allow smaller Member States, with lower administrative capacity and negotiation power to also implement social leasing schemes.

Importantly, the EU would hold negotiations with OEMs to secure better agreements as the smaller Member States will have much less negotiating power than large ones. This would ensure OEMs and leasing companies offer competitive offers in all countries. At the same time negotiations would ensure that carmakers and leasing companies commit to a certain volume of affordable EVs at a given price point. Plus, there should be a requirement for projects to cover a minimum number of EU countries to provide appropriate geographic diversity.

The platform should be launched already in 2025 and rely on front-loaded revenue from the ETS2 and remaining RRF funds, thus allowing for a clear demand signal for European made affordable EVs already next year.

3.2 Targeting populations based on income and car-dependency

Social leasing schemes should carefully target the right population to best address the categories in need of support while avoiding free rider effect from those that don't need it as much.

Selection of the beneficiaries should be based on two important social criteria: income, coupled with a car dependency, such as distance travelled to work.

In particular, T&E suggests:

- Targeting deciles 1-4 as it would be most effective although this can vary per country.
- Addressing car users that have an obligation to use their private vehicle for work and/or those that drive more than a certain distance per year (e.g. more than 12,000 km per year, which is typically the average distance driven per year in Europe). Targeting frequent drivers will also maximise emissions reduction.
- Consider adapting the level of subsidy to the different social categories.
- Making participation dependent on scrapping an old ICE.

When relevant, the scheme should also prioritise commuters that live close to or travel through low- or zero-emission zones (in addition to being car dependent).

3.3 Environmental criteria for vehicle models

On the vehicle model side, priority should be given to electric cars which are least expensive and have the best environmental performance.

T&E suggests to use a European eco-score metric¹⁷ to target vehicles which have the lowest environmental impact and carbon footprint. In the absence of an applicable EU eco-score, the models eligible should be segment A and B and should be made in Europe. In some cases segment C could be eligible for families (excluding C-SUVs). Governments could also set a price ceiling to maximise the use of limited public spendings (e.g. €25,000 for A and B models).

Social measures should go hand in hand with working with the car industry to secure their commitments to accelerate the production of the eligible compact and affordable BEV models in line with the demand.

¹⁷ Transport & Environment (2024). Making EVs fit for the future [Link](#)

Further information

Marie Chéron

Responsible for Vehicle policies - French Office

Transport & Environment

marie.cheron@transportenvironment.org

Mobile: +33(0)7 44 40 33 53

Lucien Mathieu

Cars Director

Transport & Environment

lucien.mathieu@transportenvironment.org