Brussels, April 2023

Why adopting the Social Climate Fund is the right choice for the EU

The Social Climate Fund (SCF) is the **first EU Fund specifically dedicated to provide financial support to vulnerable households, transport users and micro-enterprises** in the transition towards sustainable mobility and energy consumption in buildings. Its adoption represents a milestone towards a more systematic integration of a social dimension into EU climate policies, even as some weak points remain.

The Fund's spending rules strike the **right balance between financing structural investments and providing temporary direct income support** to households in need, as a new carbon price is introduced in 2027 by the new ETS for road transport and buildings (ETS2). The investments will enable vulnerable citizens to renovate their homes, to adopt energy efficient technologies, and to access renewable energy and sustainable transport modes. This will reduce their dependence on fossil fuels in the medium to long-term, while direct income support will mitigate potential negative effects in the short-term.

Starting in 2026, the Fund should channel in total 86 billion euros to these purposes[1]. We welcome the decision of co-legislators to employ the revenues from the auctioning of 50 million allowances under the existing ETS for the SCF, as well as the decision to not allocate revenues from ETS2 to the Innovation Fund.

We welcome the requirement for governments to **consult sub-national administrations and civil society organisations** when developing their Social Climate Plans (SCPs). We hope that the good practices developed in drafting the Plans to help the energy and transport poor will be rapidly expanded to other sources of EU finance, to make sure everyone can benefit and take part in the transition to renewable energy - and not just those who can afford it. We also welcome the inclusion of a **definition of transport poverty** in the SCF as it is a first in EU legislation. It will guide member states in the identification of transport poor eligible for support under the Fund.

However, **we regret that co-legislators reduced the amount originally allocated to the Fund** in the Commission's proposal and that the national co-financing of the Social Climate Plans (SCPs) was reduced from 50% to 25% of their estimated value. The SCF budget is likely to be insufficient to significantly contribute to cover the investment and social compensation needs in road transport and buildings. The reduction of the SCF budget is only partially compensated by the obligation for member states to spend all the revenues from the ETS2 not allocated to the SCF on climate action.

The organisations listed below support the statement:

Transport & Environment

Carbon Market Watch

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[1] If the ETS2 starts with a 1-year delay (article 30k of the ETS directive) the SCF budget will amount to 68.25 billion.

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Climate Action Network - Europe

WWF EPO

Bond Beter Leefmilieu - Belgium

Ecodes - Spain

Eco-Union - Spain

European Anti-Poverty Network

European Heat Pump Association

Fundacja Promocji Pojazdów Elektrycznych (Electric Vehicles Promotion Foundation) - Poland

Germanwatch - Germany

Institut Zielonej Gospodarki (Institute of Green Economy) - Poland

Polish Ecological Club Mazovian Branch- Poland

Social Platform

Solidar

Next Energy Consumer

Focus Association for Sustainable Development