Delivering our 2030 climate target

Social Climate Fund
(Provisional agreement)

15 February 2023

Context

European Green Deal, new ETS and SCF

- EU committed to climate neutrality by 2050 and **-55% greenhouse gas emission reduction target by 2030**
- Transformational change required across our economy
- **Mix of complementary policies –** the best (most cost-effective) approach addressing all barriers
  - ✓ EU-wide carbon pricing for buildings, road transport and additional sectors through a new emissions trading system (new ETS)
  - ✓ Renewable energy, energy efficiency policies, transport emission standards and fuel policies revised
  - ✓ National policies (and coverage under Effort Sharing Regulation)
  - ✓ Complementarity with the Energy Taxation Directive, which focuses on the energy content
- **Social Climate Fund (SCF) as integral part of the new ETS to ensure its fairness and address its social impacts**
- Alternative measures would have **similar distributional impacts, but without the benefit of raising revenues**.

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Summary

- **Purpose:** to address the social impacts arising from the new emission trading system for buildings and road transport **on vulnerable groups in the EU, especially those affected by energy or transport poverty**

- **Targeted at vulnerable groups**
  - ✓ Vulnerable households
  - ✓ Vulnerable transport users
  - ✓ Vulnerable micro-enterprises

- **Period:** 2026-2032
  - ✓ The Fund would start operating before the new ETS kicks in

- Financed through **auction revenues** (50 million EU ETS allowances in 2026 and then new ETS), initially in the form of external assigned revenues

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What is the size

- SCF will provide **EUR 65 billion** of funding to Member States.
- With Member States' national contributions of up to 25% of the total estimated costs of the Plan, the Fund would mobilise **EUR 86.7 billion** for a socially fair transition.
- Member States can use their **auction revenues** from the new ETS to also finance parts of their national contributions.

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What can be financed

- **Measures and investments** intended to
  - ✓ Increase energy efficiency of buildings and carry out building renovation, decarbonise heating and cooling of buildings, including the integration of energy from renewable sources
  - ✓ Finance the uptake of zero- and low-emission mobility and transport, including public transport and shared mobility solutions
  - ✓ Actions that do no significant harm to the nature and climate and aim to reduce fossil fuel dependency

- **Temporary direct income support** to vulnerable households and transport users
  - ✓ Pending the impact of investments – temporary and decreasing over time
  - ✓ In Social Climate Plans, Member States have to indicate the criteria for the identification of eligible final recipients as well as the indication of the envisaged time limit
  - ✓ Maximum of 37.5% of the total estimated costs of each plan

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How it will work

- **Policy-based:**
  - ✓ Consistency with other EU instruments and programmes, e.g. updated integrated national energy and climate plans, European Pillar of Social Rights Action Plan, cohesion policy programmes, territorial just transition plans, Recovery and Resilience Plans, Modernisation Fund, building renovation plans…
- **Plan-based:**
  - ✓ Social Climate Plans to be submitted by Member States after stakeholder consultation
  - ✓ Assessment and decision by the Commission
- **Performance-based:**
  - ✓ Payments to be made after the Member States prove achieved milestones and targets

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How it will be distributed

- An allocation key directly linked to the objectives pursued by the Fund to tackle **energy and transport poverty challenges**
- In order to contribute to achieving adequate concentration of funding, the resulting contribution of certain variables is set up to a maximum level and an adjustment for the relative prosperity of each Member State by the respective national GNI per capita is also applied.
- Minimum share from the Fund per Member State
- **All Member States will benefit**, **lower-income Member States benefit more**

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How it will be managed and paid

- **Agreement:** between each Member State and the Commission after the positive Commission assessment of the Plans
- **Direct management** by the Commission (with elements of shared management)
- **Pre-condition for payment**
  - ✓ Member States must prove achieved milestones and targets as agreed in their Plans
- **Procedure:**
  - ✓ Member State to submit to the Commission a justified request for payment
  - ✓ Commission disbursement decision in case of positive assessment
  - ✓ Suspension of payment – possible in case milestones and targets are not fulfilled
- Possibility of **transferring to the SCF resources from the cohesion policy programmes under shared management** (subject to conditions set out in Regulation (EU) 2021/1060) and **15% of the resources from the SCF to funds under shared management**

Thank you