



STUDY BRIEFING

# People Behind the Policy

Social impacts of EU ETS2 in Bulgaria,  
Czechia, and Poland

This policy briefing serves as a summary of the key messages of the study “People Behind the Policy: Social impacts of EU ETS2 in Bulgaria, Czechia, and Poland”

Study by Oeko-Institut e.V.

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# People Behind the Policy: Social impacts of EU ETS 2

The aim of this study is to analyse which social groups are likely to be most affected by the EU ETS2, examine the current drafts of national Social Climate Plans, and identify policy gaps in three countries of the region of central and eastern Europe: Bulgaria, Czechia and Poland. The study provides answers to two key questions:

## Q1

Which groups are likely to be most affected by the ETS2?

## Q2

What are the policy gaps of National Social Climate Plans?

## EU ETS 2, SCF and NSCPs

As part of the EU's "Fit for 55" package, a second emissions trading system (EU ETS 2) will be introduced in 2027. Covering the buildings and road transport sectors, the ETS2 effectively puts a carbon price on fossil fuels used for heating and transport. The aim is to set up a market instrument at EU-level that will incentivise improvements in energy efficiency and switches to zero carbon or less carbon-intensive technologies.

To support those most affected by resulting price increases, the Social Climate Fund (SCF) was established. It targets vulnerable groups and households already facing energy and transport poverty, who may struggle to afford energy efficiency upgrades. The SCF Regulation sets out how funds are distributed among member states, defines eligible households, and requires each state to submit a National Social Climate Plan (NSCP).

# Vulnerable groups

Groups which are most likely to be vulnerable to price increase due to the ETS2.

## Households reliant on fossil fuels for heating

Households reliant on fossil fuels for heating are particularly vulnerable to price increases under ETS2. Coal is an important source of heating for single-family homes (SFH) in rural areas, while fossil gas is used in both single- and multi-family buildings and its use is more evenly distributed between urban and rural areas.

## Low income households

Low income households usually do not have the financial or other capacities to undertake significant retrofitting and other low-carbon investments. Financial and institutional support will be needed to help these families move away from fossil-fuel heating sources, make energy efficiency improvements, or use low-carbon transport.

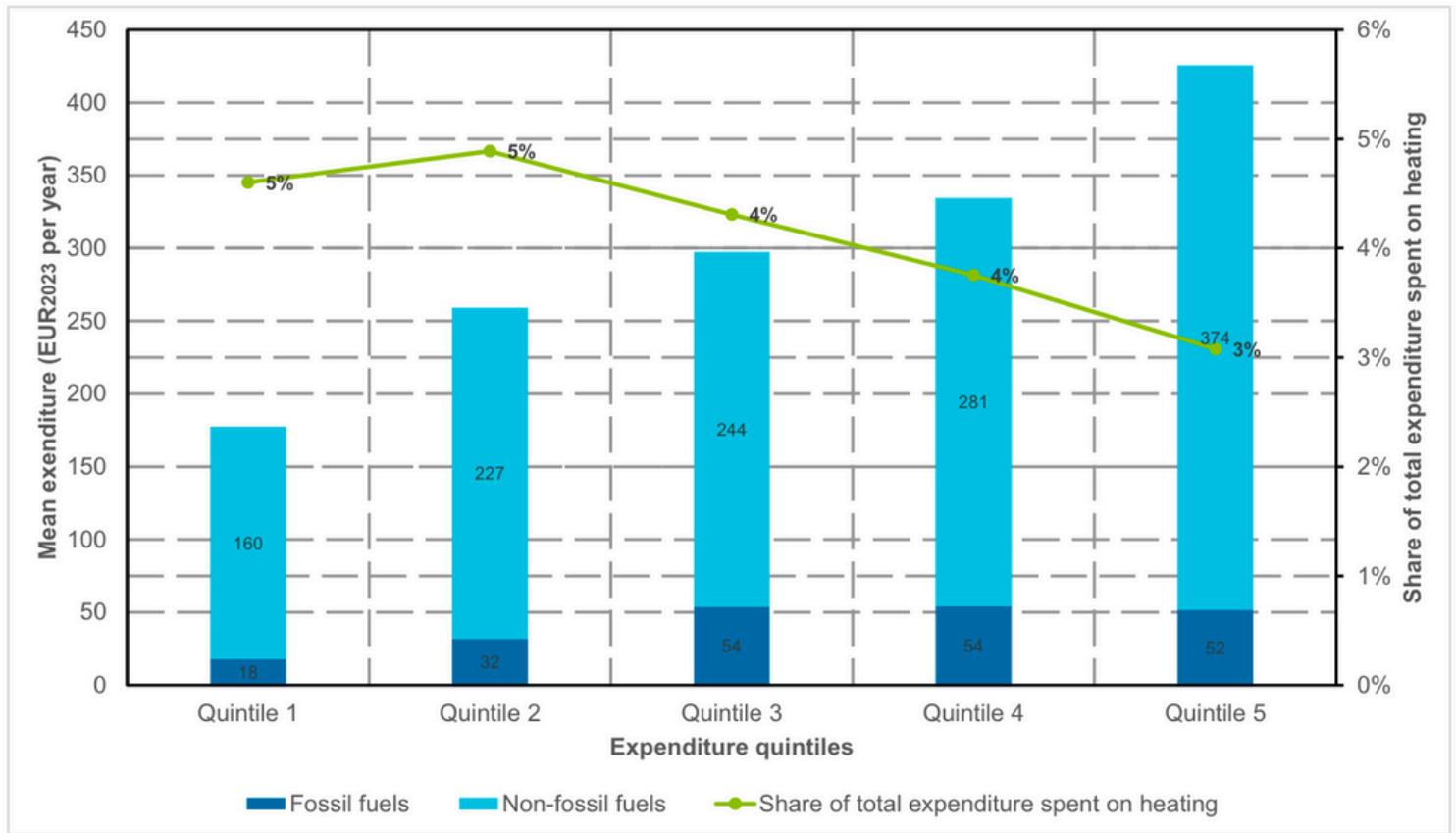
## Households living in multi-family houses and/or as tenants

Large building size comes with additional challenges such as higher costs and longer renovation periods. Moreover, tenants are dependent on their landlords to undertake retrofitting measures.

## Energy or transport poor households

These are already experiencing energy-related hardship and increases in energy prices (direct or indirect) are a significant additional burden.

**Figure 2-1: Heating expenditures by expenditure quintile in Bulgaria**



Source: Oeko-Institut's own calculations based on EU HBS 2015 microdata. Notes: The expenditure data is inflated to 2023 levels using the average monthly Eurostat Harmonised Consumer Price Indices (HICP) for Bulgaria. Fossil fuels include gas, oil and coal. Non-fossil fuels include biomass and heat energy.

# Bulgaria

## Current state

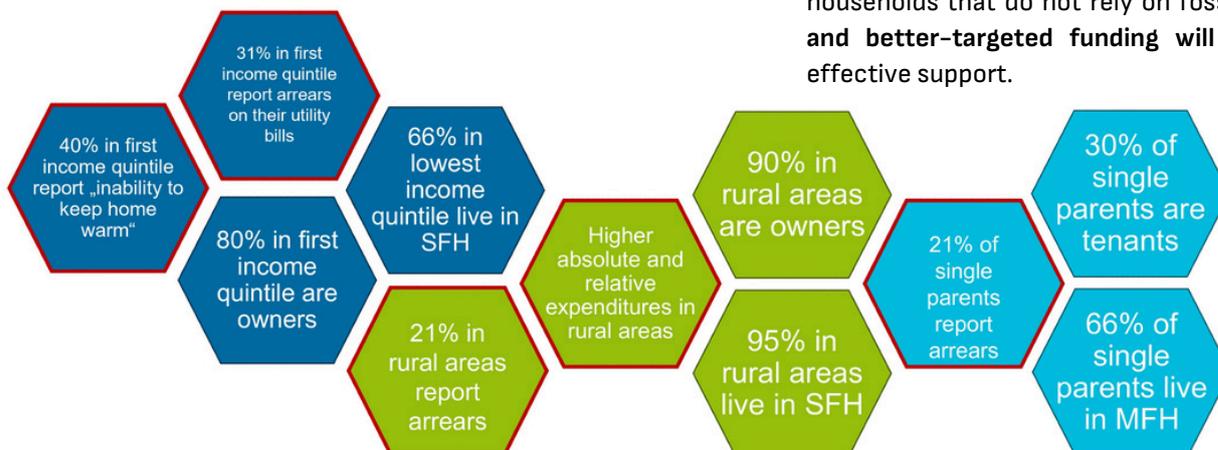
In Bulgaria, the **reliance on fossil fuels** among energy-poor and low-income households is **relatively low**, which means that the direct impacts of ETS2 will be limited. However, **indirect effects are expected**, since both fossil gas and firewood prices are closely linked to electricity costs.

**Levels of energy poverty are high overall** relative to other European countries, with low income rates being a significant driver. Low-income groups are slightly more likely to be tenants, but the share of homeowners is still high, and they are more likely to be living in **single-family homes** than apartments.

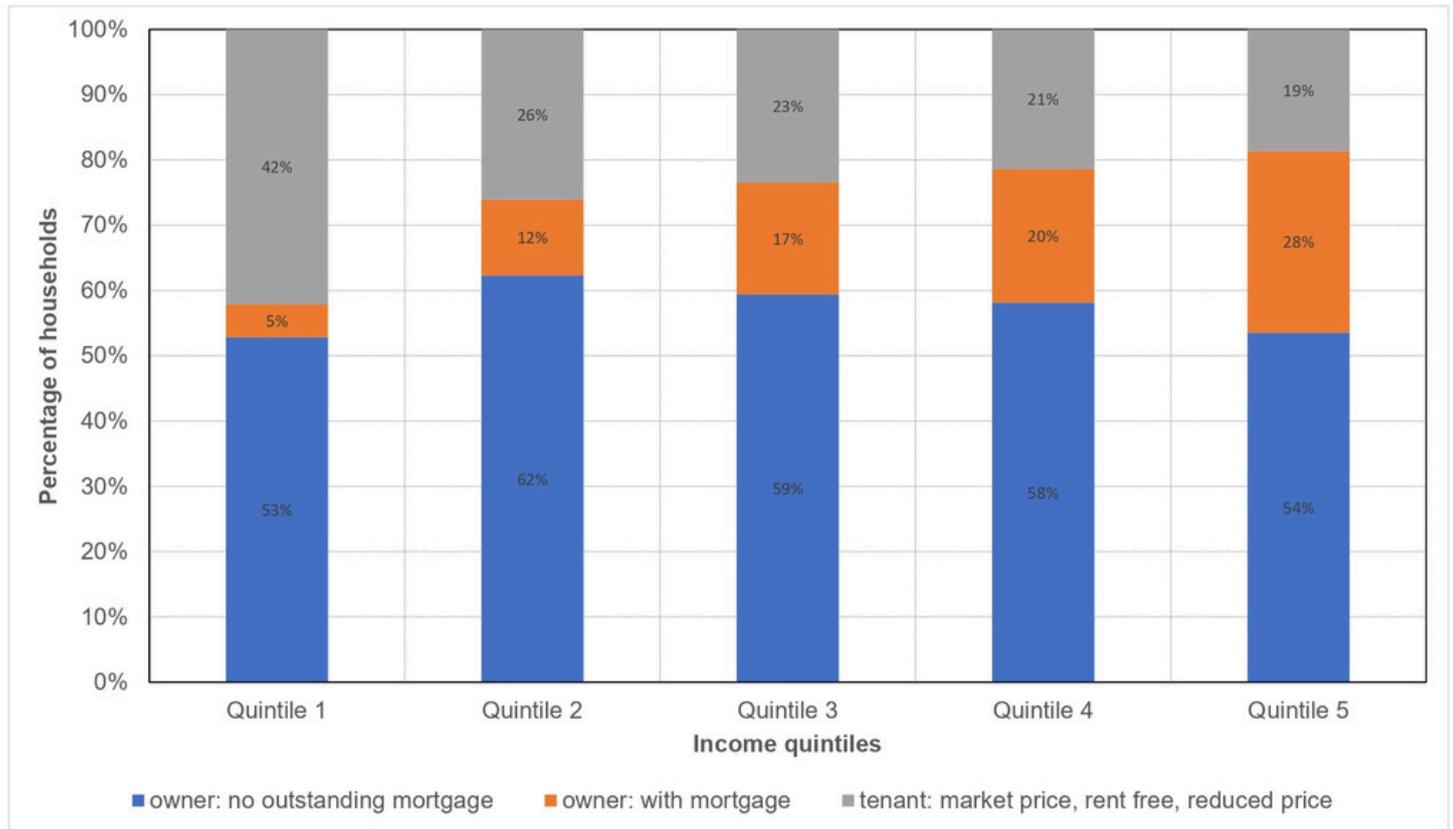
## NSCP gaps

NSCP includes energy-poor households as a target group. There is, however, **no further differentiation of vulnerable groups** that guides targeting of the planned programs. Direct income support is only planned for low-income households reliant on fossil fuels, and retrofitting programs **prioritise multi-family homes (MFH)** even though most vulnerable households are in single-family houses.

**Funding for single-family buildings** through the Warm Homes Program is **very limited**, and **no measures address tenants**, who may be left behind in the transition. Moreover, there is little clarity on how income support will benefit energy-poor households that do not rely on fossil fuels. Overall, **additional and better-targeted funding will be necessary** to ensure effective support.



**Figure 2-5: Tenure status by income quintiles in Czechia**



Source: Oeko-Institut's own calculations based on EU-SILC 2023 microdata.

# Czechia

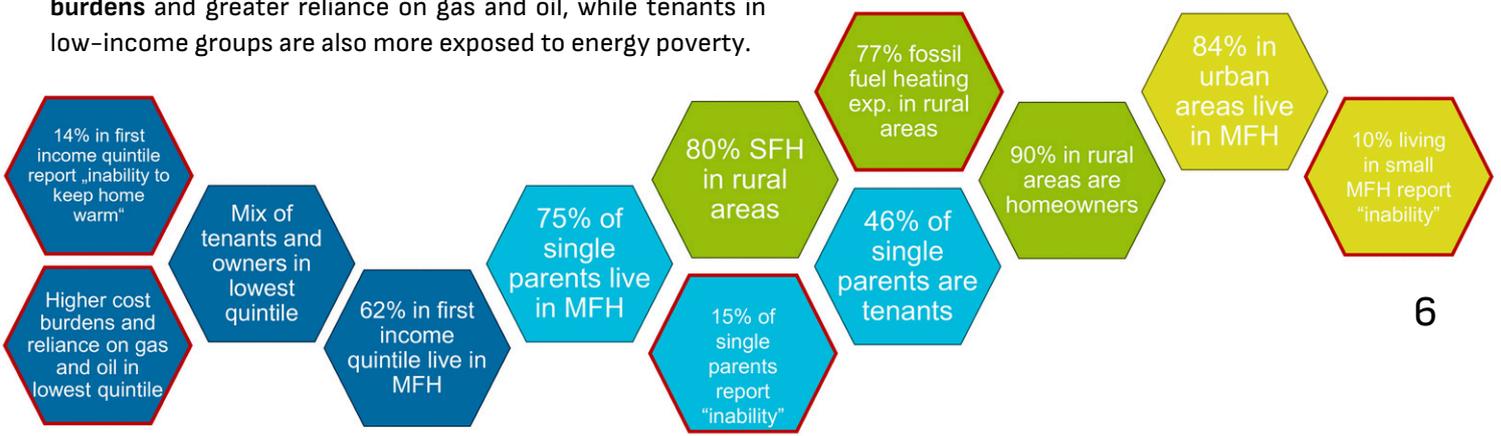
## Current state

In Czechia, **rural areas** are expected to be most strongly affected by ETS2, as rural households rely more heavily on fossil fuels for heating and often lack access to district heating networks common in urban areas. While the housing landscape is dominated by **single-family homeowners**, vulnerable groups are spread across all types of housing, making it **important to target both single- and multi-family homes and to support tenants as well as owners**.

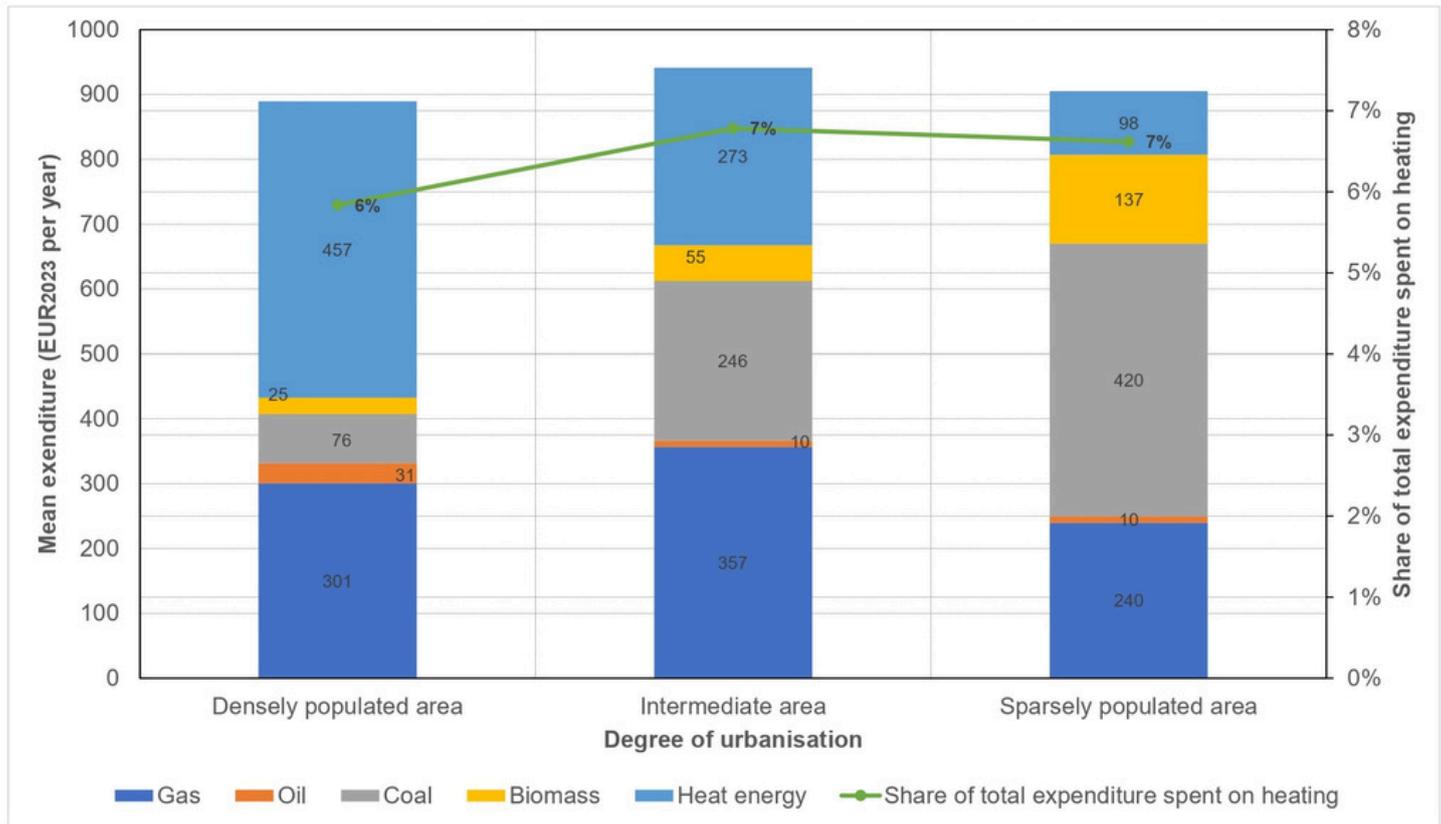
Low-income households, residents of small multi-family homes, and single parents emerge as particularly vulnerable groups. These households often face **higher heating cost burdens** and greater reliance on gas and oil, while tenants in low-income groups are also more exposed to energy poverty.

## NSCP gaps

**Tenants** are identified as a policy priority in the draft National Social Climate Plan, and programs like the **New Green Savings Light** are designed to **support a wide range of households**. However, there is **no specific targeting of rural households**, and it remains unclear whether current measures will be sufficient for the deep renovations that are needed. Although the plan includes a positive focus on social and rental housing, details are still lacking. Past experience during the energy price crisis showed a strong demand for support programs, highlighting the importance of financial readiness and the role of ETS2 revenues in scaling up assistance.



**Figure 2-7: Energy expenditures by degree of urbanisation in Poland**



Source: Oeko-Institut's own calculations based on EU HBS 2015 microdata. Notes: The expenditure data is inflated to 2023 levels using the average monthly Eurostat Harmonised Consumer Price Indices (HICP) for Poland.

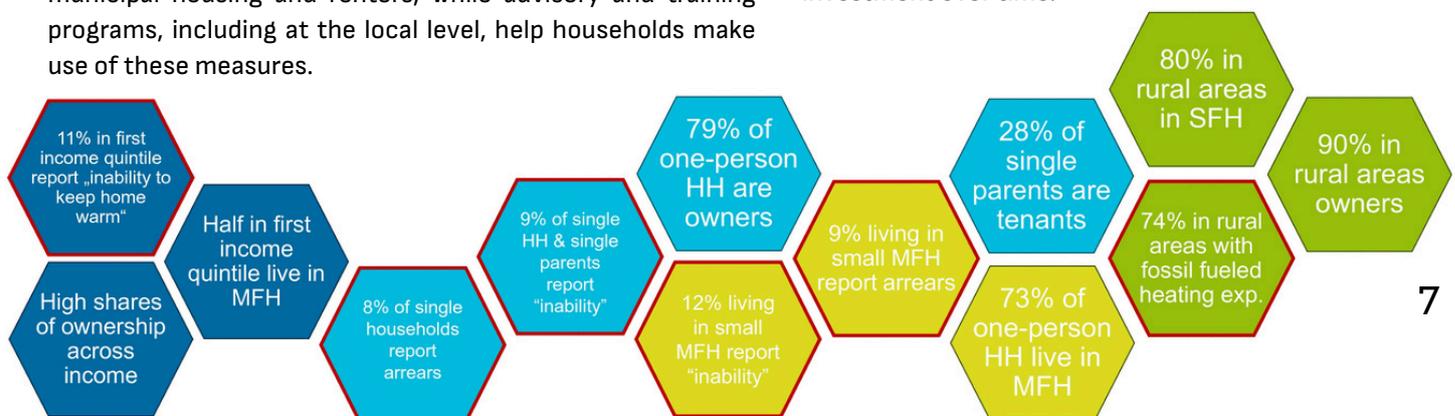
# Poland

## Current state

In Poland, low-income households are particularly affected by energy poverty, facing very **high energy cost** burdens. **Reliance on coal and gas** for heating is much higher in **rural regions**, where **single-family homes dominate**. **Single parents** and **one-person households** are especially vulnerable, with a third of single parents being tenants and most one-person households owning apartments. The flagship measure of the National Social Climate Plan is the **Clean Air Program**, which provides extensive financial support for retrofitting **single-family homes**, primarily targeting homeowners. Complementary initiatives focus on municipal housing and renters, while advisory and training programs, including at the local level, help households make use of these measures.

## NSCP gaps

Homeowners in **multi-family housing** are **not considered** in the current policy design, and no measures are included for the private rental sector. Planned direct-financial payments are limited to a **narrow group**, leaving out other households that may require support. While municipal housing and renters are addressed, many vulnerable groups such as low-income households in both SFH and MFH, fossil-fuel reliant rural households, and single parents or one-person households are **not adequately targeted**. For programs like "Clean Air" **stable long-term funding is necessary**, as significant changes to the building stock require sustained investment over time.



# Recommendations to address policy gaps

## Funding targeted at vulnerable groups.

Funding through the SCF is and should be targeted at vulnerable groups and energy poor households. A focus on the identified policy gaps in the individual countries can be addressed with ETS2 revenues, as well as focusing on areas with high savings potentials, such as Worst-Performing-Buildings.

## Support of long term transformation.

While direct financial payments are important to ensure that vulnerable households are not further burdened with unreasonable energy costs, investments that ensure long-term transformations in the buildings sector towards climate neutrality are key. The focus should remain on improvements in energy efficiency and investments into low and zero-carbon technologies.

# Deep renovations are needed.

Overall, deep renovations are needed to ensure noticeable reductions in energy costs due to the low energy efficiency standards in the three member states. As ETS2 prices rise, higher energy efficiency standards and technological switches in heating will be needed to avoid high costs. The focus therefore must remain on providing extensive funding for deep retrofitting measures. Additional funds from the ETS2 revenues and funding beyond the timeline foreseen for the NSCP will be necessary.

# Funding is used effectively and where it is needed most.

Within the buildings sector, policy design needs to consider the housing situations that vulnerable households are in. This includes determining a focus on SFH or MFH or whether to allocate funds to support tenants and is essentially a question of adequate targeting. ETS2 revenues should be funnelled into programs that address the policy gaps identified.



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