



THE ITALIAN CLIMATE CHANGE THINK TANK

TOWARDS A SUSTAINABLE TRANSITION: THE SOCIAL CLIMATE PLAN

 POLICY BRIEFING
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Giulia Colafrancesco

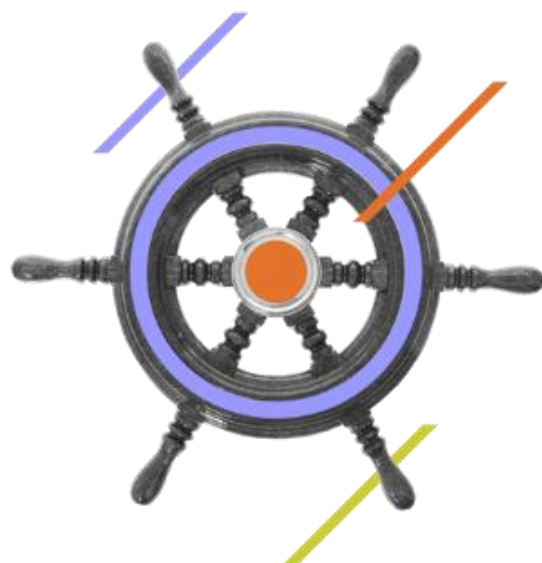


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EXECUTIVE SUMMARY

The Social Climate Fund and ETS2 transform a cost – that of CO₂ – into resources dedicated to supporting citizens and businesses in the transition. Delaying their implementation would cause direct harm to the country.

From 2027, ETS2 – the European emissions trading system – will come into force, extending the price of CO₂ to transport, residential construction and small and medium sized enterprises (SMEs).

Fossil fuel suppliers will have to purchase emission allowances, generating an estimated revenue in Italy of between **€21 and €55 billion by 2032¹**, to which indirect tax revenues will be added.

These resources are earmarked. In fact, they must finance policies to reduce fossil fuel consumption and support households and businesses in the transition.

Part of the funds will go to **the Social Climate Fund (SCF)**, with an allocation for Italy of **€9.3 billion (2026-2032)**, of which €7 billion will be allocated directly from the European fund.

Why the Social Climate Fund is important

ETS2 is not an additional tax. On the contrary, it is a tool that fully **returns the revenue collected to citizens, in the form of investments in energy efficiency, renewables and fiscal or financial support.**

The SCF **aims to make the transition fairer**, allowing vulnerable households and micro-enterprises to access clean technologies.

The estimated additional costs for vulnerable households (€0.6-1.3 billion/year, with a CO₂ allowance cost of €45-100/t) **are largely offset by the annual allocation of the Fund, amounting to €1.55 billion/year².** This allocation may be increased by Member States through higher ETS2 revenues in the event of higher allowance prices.

The risks of postponing the introduction of ETS2

In the European debate, several governments are questioning the need for ETS2. However, a delay in its implementation would mean:

- giving up guaranteed and earmarked revenues to support the transition;
- leaving households and businesses without adequate tools to face the transition;
- reducing Italy's allocation from the Social Climate Fund from €7.02 billion to €5.9 billion and weakening the country's ability to lead a just transition model that is pre-distributive and not based solely on compensation.

¹ Assuming CO₂ costs between €45 and €100/tCO₂.

² Estimate based on publicly available information regarding Italy's fund allocation to date.

1. INTRODUCTION

From 2027, [ETS2 \(Emission Trading System 2\)](#) will come into force, applying a price to CO₂ in the building and road transport sectors, as well as for SMEs.

Fuel suppliers will have to purchase ETS2 allowances, transferring costs to petrol, diesel and gas. The revenues will have to finance **policies to reduce fossil fuel consumption and support households and businesses**. Part of the revenue will go to the **Social Climate Fund (SCF)**, with a total budget of **€65 billion (2026-2032), of which €7.02 billion will be allocated to Italy, managed through national Social Climate Plans (SCPs)**.

ETS2 revenue must be **entirely returned to citizens** through direct measures and investments in energy efficiency and renewables. The SCPs allow for the definition of a **pre-distributive and sustainable model** that is accessible to all, **going beyond a purely compensatory logic**. The measures must be **additional** to existing social instruments.

In Italy, total ETS2 revenue is estimated to range between **€21 and €55 billion (2027-2032)**, assuming a CO₂ price between €45/tCO₂ and €100/tCO₂. This can be stabilised through the national implementation of a 'price corridor', which is further discussed in this study.

In August 2025, Italy, **Europe's third largest beneficiary of the SCF** announced that it had submitted its Social Climate Plan, with a total budget of **€9.3 billion** from European funds and national co-financing **for the period between 2026 and 2032, equivalent to €1.55 billion per year**.

The additional costs of ETS2 for the most vulnerable households, assuming the price corridor is implemented, are estimated at **€0.6-1.3 billion per year³** and are **lower than the annual allocation of the SCP (€1.55 billion per year)**. These resources finance **direct refunds and structural investments**, reducing energy expenditure and supporting micro-enterprises and citizens.

Even without a formalised price corridor, the total revenue from ETS2 (estimated at **€21-55 billion**) is sufficient to strengthen the SCP and maintain the **pre-distributive nature of the measures included**.

Based on the information available to date, the measures in Italy's Social Climate Plan have been reduced from 12 to 4, with a reallocation of resources that has profoundly changed the Plan's priorities compared to the versions submitted for public consultation. In particular, it is worth noting:

³ Estimate based on publicly available information to date regarding the allocation of the fund for Italy. Three million households benefited from the gas bonus in 2023. By multiplying the underlying consumption (estimated at approximately 2.9 billion cubic metres per year) by the expected increase in gas prices, €0.09 per cubic metre at a CO₂ price of €45/tCO₂, the resulting cost is around €280 million per year. This figure rises to approximately €623 million with a CO₂ price of €100/tCO₂. Similarly, at an ETS price of €45/tCO₂, the increase in fuel prices is €0.114 per litre. Assuming an average annual mileage of 15,000 km per household and vehicle efficiency of 6 litres per 100 km, the additional annual cost of fuel for this group of households amounts to around €330 million, rising to €713 million at a CO₂ price of €100/tCO₂.

- the strengthening of measures for the **energy upgrade of public residential buildings** and for the **support of vulnerable micro-enterprises**;
- **the removal of measures aimed at vulnerable families in private housing, linked to the subsequent National Renovation Plan provided for by the so-called '[Green Homes](#)' directive**;
- **an excessive allocation of funds to the *Bonus Sociale Gas Plus*, which does not guarantee additionality** compared to existing instruments.

This study outlines how to make **effective and redistributive use of the Social Climate Fund (SCF)**, highlighting the importance of the entry into force of [ETS2](#). If implemented correctly, ETS2 can have redistributive effects, offsetting price impacts on the most vulnerable groups.

In this regard, it is necessary to define the principles for **targeted and efficient public policies to support the transition, ensuring that available resources are used in a fair and focused manner**. This means enhancing the redistributive potential of ETS2 and its complementarity with the SCF, without replacing existing social support measures. The approach should be integrated with current policies and the broader fiscal framework, drawing on the experience of ETS1.

This study also brings together contributions from civil society and the Ministry of the Environment and Energy Security, providing guidance and considerations ahead of the forthcoming publication of Italy's final Social Climate Plan.

2. IS ETS2 A DISTRIBUTIVE POLICY?

One of the fundamental pillars of the European climate package is the CO₂ emissions trading system (ETS, Directive 2003/87/EC), which in 2023 was expanded with a separate system dedicated to the building and road transport sectors, as well as to businesses excluded from the scope of the 2003 Directive, primarily small and medium-sized non-energy intensive enterprises (ETS2).

ETS2 requires fuel suppliers, starting in 2027, to report and return a number of CO₂ allowances equal to the emissions from the previous calendar year. The allowances, whose availability decreases year on year due to decarbonisation targets, are purchased by operators at auction. This introduces a higher cost on fossil fuels, which suppliers will pass on to end consumers, i.e., citizens and businesses.

The auction revenues are then redistributed to Member States, **which must use them to finance investments in energy efficiency, renewables and fiscal or financial support for citizens.**

Therefore, despite a potentially regressive effect, the mechanism is intrinsically distributive. The targeted use of resources for the purposes specified in the regulation can mitigate the regressive impact of price increases, which disproportionately affect the most vulnerable sections of the population. This implies both direct support for low-income consumers to compensate for higher costs and measures that strengthen their capacity to transition to clean technologies, according to different economic conditions.

To assess the impact of the introduction of ETS2 on the most vulnerable consumers in the building and transport sectors, we can take as a reference the case of the 3 million households in Italy that benefited from the gas bonus in 2023. The estimated cost increases, net and gross of VAT, are shown in Table 1 and Graph 1.

Sector	Reference parameter	ETS2 cost (€45/tCO ₂)	ETS2 cost (€100/tCO ₂)
Heating	2.9 billion Smc gas	€280 million	623 million
Transport	15,000 km/year – 6 l/100km	€330 million	€713 million
Total direct impact		€610 million	€1,336 million
Additional VAT on heating		€47 million	€105 million
Additional VAT on transport		€66 million	€143 million
Total impact		€723 million	€1,584 million

Table 1 – Impact of the introduction of ETS2 on consumer costs for the most vulnerable consumers in the building and transport sectors

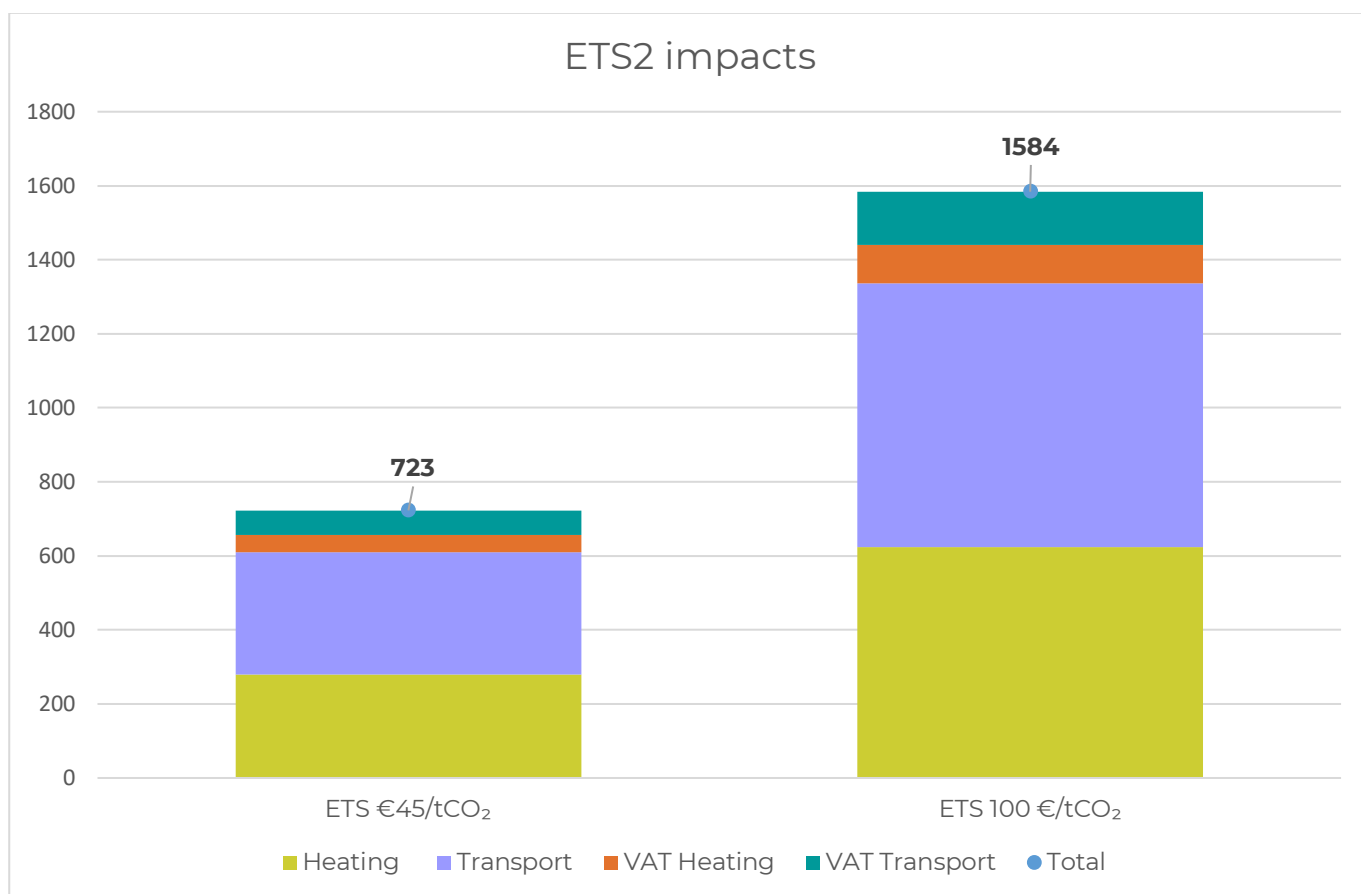


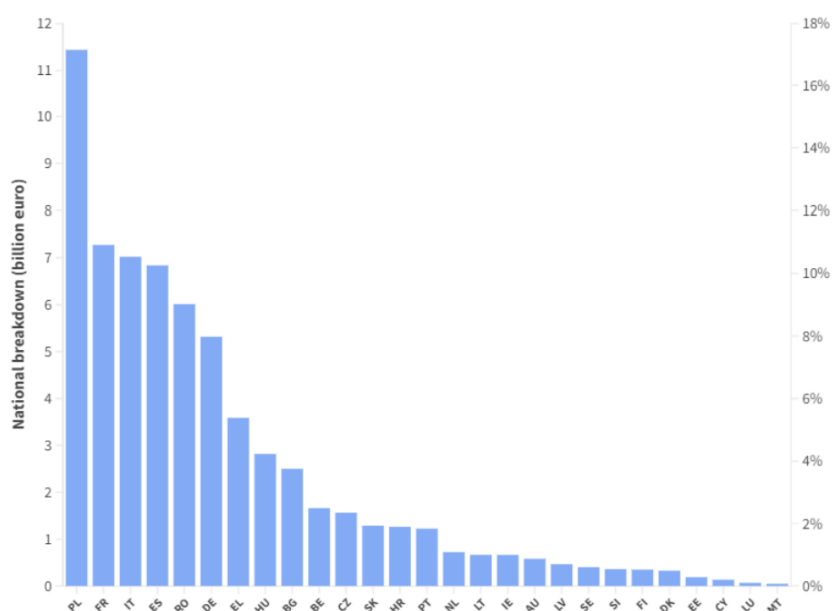
Figure 1 – Impact of the introduction of ETS2 on the most vulnerable consumers in the building and road transport sectors

3. THE ROLE OF THE SOCIAL CLIMATE FUND

The Social Climate Fund (SCF, Regulation (EU) 2023/955) is the main instrument provided by the EU to mitigate the impact of CO₂ pricing on households, micro-enterprises and vulnerable transport users. Between 2026-2032, the SCF foresees the allocation of almost **€87 billion** in targeted support to all Member States, of which €65 billion will come from the auctioning of emission allowances and €21.7 billion (equal to 25%) from mandatory co-financing by Member States, who can use additional resources from ETS2 for this purpose.

The funds have been distributed among Member States according to [criteria](#) designed to ensure fairness in the outcomes, taking into account total population, the share at risk of poverty in rural areas, households struggling to pay bills, the level of CO₂ emissions linked to domestic heating and transport, and other relevant factors⁴.

According to this logic, Italy is one of the countries that benefits most in absolute terms from the SCF, after Poland and France⁵.



Graph 2 – SCF resources

Source: Carbon Market Watch. [Frequently Asked Questions. Social Climate Fund](#)

Italy has been allocated €7.02 billion for the period 2026-2032, to which a minimum national co-financing of 25% must be added.

⁴ <https://www.bruegel.org/policy-brief/making-best-new-eu-social-climate-fund>

⁵ Although in absolute terms Italy is one of the main beneficiaries of the Fund, the algorithm used to allocate these resources among the various Member States favours the CEE (Central and Eastern Europe) countries, which are net beneficiaries of the Fund: Poland, for example, receives approximately twice as much in resources as it will lose in revenue from the sale of ETS2 allowances to the Fund. Italy, on the other hand, is a net contributor.

Table 2, page 29, https://ieep.eu/wp-content/uploads/2022/12/Can-polluter-pays-policies-in-buildings-and-transport-be-progressive_IEEP-2022.pdf

Table 1, page 10, https://ireform.eu/s/uploads/SCF_ENG_5_08.pdf

4. THE ITALIAN SOCIAL CLIMATE PLAN

In August 2025, the Ministry of the Environment and Energy Security announced that the Italian Plan will have a capitalisation of €9.3 billion, which is €500 million more than the minimum required by European regulations.

The average annual availability for Italy will be approximately €1.55 billion between 2026 and 2032.

Item	Amount (€)	Description
Europe		
Total EU SCF (2026–2032)	~87 billion	Total funds available for all Member States
Source: ETS2 (auctioned allowances)	65 billion	Share of European funding derived from the sale of emission allowances
Mandatory co-financing by Member States	21.7 billion	Equivalent to 25% of the total, can also be financed with national ETS2 resources
Italy		
Allocation to Italy (SCF)	7.02 billion	Italy's share of the EU fund
National co-financing (minimum 25%)	~1.76 billion	Mandatory co-financing by Italy
Total SCF Italy (minimum)	~8.8 billion	Sum of EU SCF and Italian co-financing
Average annual allocation for Italy	1.46 billion/year	Annual fund available in the period 2027–2032
Fund value announced by MASE	9.3 billion	As per MASE communication [link]
Average annual allocation SCF MASE	1.55 billion	Annual fund available in the period 2027–2032 as per MASE communication

Table 2 – Overview of the Social Climate Fund allocation at the European and Italian level

Spending from the Fund is officially set to begin in 2026, giving Member States the opportunity to activate the measures outlined in their national Plans before ETS2 enters into force. This allows them to plan ahead for both measures that mitigate potential disproportionate effects on energy prices and those that support the transition toward more efficient and cleaner solutions and technologies for households and businesses.

The strategy behind the creation of the SCF is pre-distributive, not merely compensatory. Most of the measures and investments must aim to promote structural interventions capable of permanently reducing energy consumption and household bills in the long term. As a result, when drafting their SCPs, Member States must be able to develop policies capable of efficiently allocating available resources to the most vulnerable groups.

The annual availability of the SCF is fixed, unlike the total revenue from ETS2, which varies according to the price of carbon. With the value of ETS2 allowances increases, Member States would nonetheless have greater revenues that they could use to supplement the measures in their SCPs with robust, complementary national social measures.

The availability of €1.55 billion per year makes it possible to finance both compensatory and pre-distributive measures at levels exceeding the costs incurred by low-income households, even under the €100/tCO₂ cost scenario. A maximum of 37.5% of the total Plan (i.e. €525 million), as provided for in the European regulation, may be allocated to finance temporary direct income support for the most vulnerable groups.

In order to maintain the pre-distributive characteristics of the Fund at allowance prices close to €100/t, this should be further supported by complementary measures financed through the additional resources deriving from the sale of allowances or through alignment with other welfare instruments, such as the inclusion of ETS2 costs in the existing gas bonus scheme.

The ETS Directive provides that, if the introduction of the ETS2 mechanism is delayed to 2028, the Fund's financial allocation will be reduced to €54.6 billion (€5.9 billion for Italy). This would jeopardise the possibility of implementing the full range of currently planned measures.

5. GUIDING PRINCIPLES FOR THE USE OF RESOURCES

The positive impact of the SCF could be even more effective if supported by complementary policies. These policies should be as structural as possible and financed on the basis of the Fund's budget and additional ETS2 revenues in an organic manner. It will therefore be essential to define the guiding principles for the fair and consistent use of resources from ETS2 revenues and those available to the SCF.

1. Priority setting – financing solutions for the most vulnerable

Resources must be allocated as a priority **to the most vulnerable groups, with particular attention to those already exposed to energy poverty and transport vulnerability.** These are the groups who are most likely to suffer the indirect effects of ETS2 on the increase in final energy prices, without the possibility of investing in solutions that protect them from such costs.

2. Pre-distributive logic – structural solutions

Moving beyond a purely compensatory, ex-post approach to mitigating cost impacts means embracing a pre-distributive perspective, **in which decarbonisation also becomes a lever for promoting greater social equity.** This involves using ETS2 revenues to finance **structural interventions** such as improving the energy efficiency of buildings, promoting the use of renewable energy, or decarbonising production sectors, which aim not to compensate but to prevent the need to pay the volatile price of fossil fuels and the cost of ETS2 itself. These interventions are therefore capable not only of reducing emissions, but also of fighting inequality and supporting the competitiveness of the national production system.

3. Complementarity and additionality – generating double dividends

The SCF cannot and must not be the only social protection tool in the transition process. **The Fund's resources must be complementary and additional to those already provided for by the national welfare system.** Italy will have to strengthen its social protection system without overlapping or replacing the resources for the transition with those meant for ordinary social policies. Only in this way will it be possible to ensure a fair and sustainable transition, capable of generating so-called **'double dividends'**, i.e., simultaneous benefits both in terms of the environment and in knock-on effects for the production system, as well as in social terms.

4. Scalability and policy coherence – supporting the middle class

The principles outlined should also be extended to households and micro-enterprises not classified as vulnerable. **The aim is to develop an incremental strategy with inclusive and complementary policies that progressively involve all social groups, based on relative impacts.** This will have to be built through a comprehensive review of energy taxation, which is currently at odds with social, environmental and fiscal objectives in the energy transition context.

6. EXTENDING THE APPROACH: COMPLEMENTARY POLICIES AND STRATEGIC USE OF ETS2 REVENUES

To systematically address the broader impacts of ETS2, beyond what is included in the SCF, it is essential to implement complementary policies and structural measures that can be financed, at least in part, through ETS2 auction revenues, which, according to our estimates⁶, range between **€21 and €55 billion**, assuming a quota price between €45 and €100/t.

Estimated ETS2 revenues for Italy in the period 2027-2032			
Average value of allowances 2027-2032	Estimated ETS2 revenue allocated to Italy	Value of the SCF allocated to Italy (2026-2032)	Total ETS2 resources available for financing decarbonisation policies (as of 2032, the year in which the SCF ends)
€45/t	€21 billion	€7 billion	€28 billion
€100/t	€55 billion	€7 billion	€62 billion

Table 3 – Source: ECCO estimates. According to the Directive, ETS2 ends in 2030, but the period considered extends to 2032 because that is the year in which the Social Climate Fund ends.

If well managed, this mechanism represents a strategic opportunity for Italy: aligning fiscal, energy and social policies towards shared objectives can generate greater overall efficiency, increase the country's energy security and reduce the economic burden on households and businesses. Conversely, any suspensions or revisions that distort ETS2 would risk slowing down the transition and increasing economic and social costs in the long term.

The approach proposed here, focused on the integration of redistributive measures and sectoral reforms, should therefore be extended to all ETS2 revenues. This would support green technology markets and strengthen the competitiveness of the Italian production system, helping to reduce social costs and increasing security for the country – which is linked inevitably to independence from fossil fuels⁷. This integrated use of SCF resources and other ETS2 revenues, particularly through structural interventions, can also have a significant impact on the middle classes ([Figure 3](#)).

The adoption of structural policies (i.e. those that directly invest in decarbonisation solutions) could be supported by instruments to mitigate the impact on prices in the event of an excessive increase in the price of allowances (values close to or above €100/tCO₂). These instruments

⁶ ECCO's estimates were based on several publications, including:

<https://www.agora-energiewende.de/publikationen/klimaneutrales-deutschland-studie>

<https://www.bruegel.org/policy-brief/how-finance-european-unions-building-decarbonisation-plan>

[https://about.bnef.com/blog/europes-new-emissions-trading-system-expected-to-have-worlds-highest-carbon-price-in-2030-at-e149-bloombergnef-forecast-](https://about.bnef.com/blog/europes-new-emissions-trading-system-expected-to-have-worlds-highest-carbon-price-in-2030-at-e149-bloombergnef-forecast-reveals/#:~:text=BloombergNEF's%20(BNEF's)%20EU%20ETS%20II,leading%20to%20significant%20emissions%20abatement)

[reveals/#:~:text=BloombergNEF's%20\(BNEF's\)%20EU%20ETS%20II,leading%20to%20significant%20emissions%20abatement](https://about.bnef.com/blog/europes-new-emissions-trading-system-expected-to-have-worlds-highest-carbon-price-in-2030-at-e149-bloombergnef-forecast-reveals/#:~:text=BloombergNEF's%20(BNEF's)%20EU%20ETS%20II,leading%20to%20significant%20emissions%20abatement)

⁷Carbon Market Watch, U-turn on EU's Emissions Trading System for road transport and buildings carries huge environmental, social and economic price tag <https://carbonmarketwatch.org/2025/01/24/u-turn-on-eus-emissions-trading-system-for-road-transport-and-buildings-carries-huge-environmental-social-and-economic-price-tag/#:~:text=As%20the%20cap%20tightens%20and,while%20delivering%20significant%20energy%2>

could include the adoption of a possible price corridor at the national level, in addition to the aforementioned complementary policies that could lower the carbon price by directly reducing demand for allowances at the European level. This approach is particularly relevant when considering the risk of politicisation in connection with the adoption of **energy taxation policies**, even those intended to be redistributive. For example, ETS2 is often linked to the risk of protest movements such as the *gilets jaunes*, which originated among the middle classes, particularly those living in rural areas.

The SCF, which allows Italy to redistribute more resources to the most vulnerable than the estimated impact of ETS2 (Table 1), **the complementarity of other policies and the adoption of direct return instruments of ETS2 revenues in the event of high quota prices are all elements that weaken the instrumental use of aversion to the transition, tied to the impacts on the less well-off and middle classes.**

Figure 3 is taken from a study conducted [by the European Institute for Environmental Policy](#) and shows how the combined use of SCF resources and remaining ETS2 revenues has a greater welfare impact, through structural reforms, for both the most vulnerable groups and, to a lesser extent, the middle classes (deciles 1 to 5, grey bar).

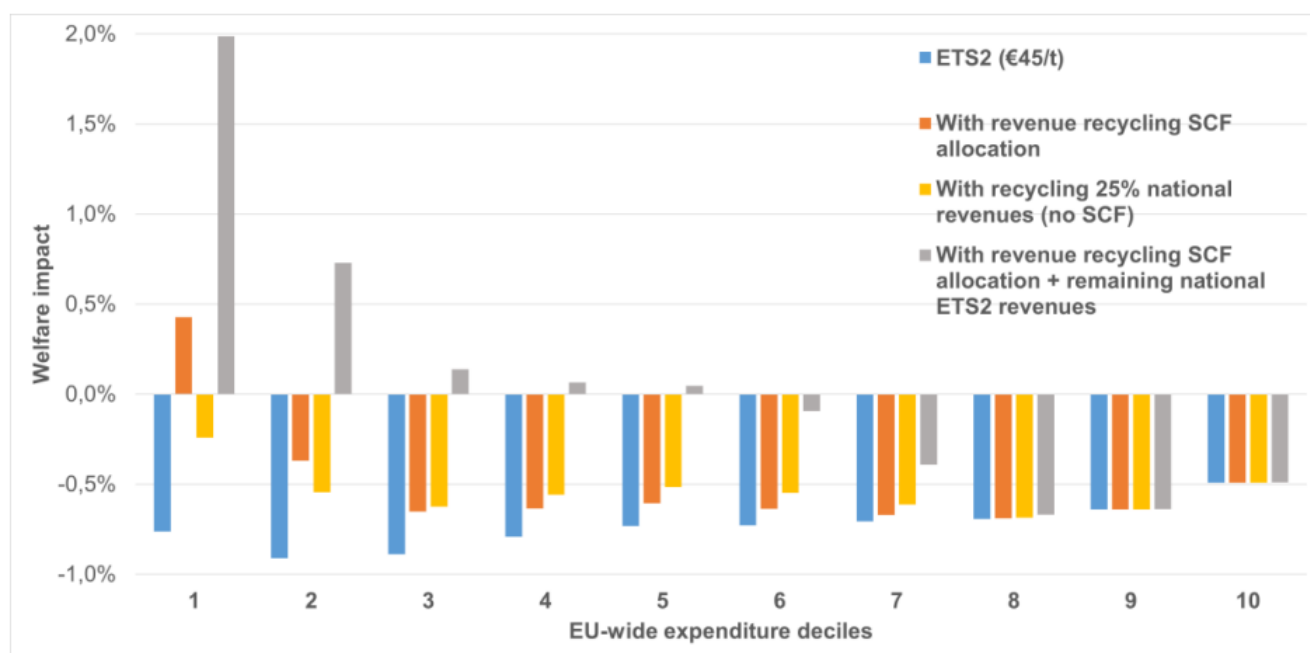


Figure 3 – Source: IEEP, *Can Polluter Pays policies in the buildings and transport sectors be progressive?* https://ieep.eu/wp-content/uploads/2022/12/Can-polluter-pays-policies-in-buildings-and-transport-be-progressive_IEEP-2022.pdf

To summarise, the impact on the final price of energy resulting from the introduction of ETS2 can therefore be effectively mitigated with strong complementary policies. In our paper '[ETS2 and energy costs: what are the benefits for consumers?](#)', we also show how the adoption of two additional measures can contribute significantly to this mitigation:

- Firstly, the entry into force of ETS2 must also be seen as an opportunity to **review the [energy taxation](#) system, as this instrument overlaps with existing tax structures, which must be better aligned with decarbonisation objectives.**

- Secondly, it is considered appropriate **to introduce a price corridor at national level, i.e. a minimum and maximum price ceiling within the ETS2 mechanism**, to ensure, on the one hand, predictability of revenues and consequently investments in green technologies (reducing the risks associated with price volatility), and on the other hand, a cap beyond which the cost of emissions cannot be passed on to end consumers. Once this threshold is exceeded, a direct compensation mechanism could be activated in favour of the most vulnerable.

7. TOWARDS A SOCIAL CLIMATE PLAN FOR ITALY

On 5 August 2025, the Ministry of the Environment and Energy Security announced the conclusion of the review process of the proposed Social Climate Plan. This follows a multi-stage public consultation process, which ended on 15 June 2025. The final phase was aimed at gathering contributions from institutional and civil society actors and fostered constructive dialogue with Ministry experts, who showed openness to integrating external proposals. However, **this technical willingness must be accompanied by a stronger political will, which is necessary to institutionalise multi-level participatory processes and permanent structures, such as working groups, capable of ensuring discussion, learning and continuity.** This appears even more relevant given that the communication of 5 August presents proposals that are profoundly different from those that mobilised various Italian civil society actors.

Compared to the draft measures and investments of the SCP made available by the Ministry in recent months, it was found that several elements proposed by ECCO, together with contributions from other parties, had been incorporated, and that there were both strengths and weaknesses. The Plan submitted to the Commission saw a reduction in the number of proposals from 12 to 4 compared to those in the public consultation and, therefore, an inevitable change in the distribution of funds and priorities among the various sectors, measures and investments.

Proposals submitted to the Commission (August 2025)
€3.2 billion for the energy upgrade of public residential buildings in energy classes F and G and those owned by micro-enterprises; - €1.375 billion for the extension of the '<i>Bonus Sociale Gas Plus</i>'; - 3.105 billion to finance public transport services and local mobility hubs in disadvantaged areas; - 1.74 billion for '<i>Il Mio Conto Mobilità</i>' (My Mobility Account), aimed at supporting public transport access for people experiencing transport poverty.
Proposals submitted for public consultation (June 2025)
Construction - A.1 Social TED for the climate: 120 million - M.2 ERP: 2.5 billion - M.3 Vulnerable households in private housing: 1.8 billion - M.4 Vulnerable micro-enterprises: 700 million - M.5 Energy income: 450 million - S.6 Esco Card 630 million Transport - A1 Eco-friendly mobility platform: 7.675 million - A2 Vulnerability map: 4.656 million - M.3 My Mobility Account: 1.44 billion - I.4 Social eco-bonus for new vehicles: 1.411 billion - I.5 Social eco-bonus for used vehicles: 529 million - I.6 Intermodal hubs: 185 million

Table 4 – Summary of proposals disclosed by MASE at the time of this paper's publication.

As of today, without access to the full text and details of the most recent proposals, it is premature to make a definitive assessment of the Plan based solely on the information contained in the MASE communication of August. However, some preliminary considerations are possible, especially with regard to the construction sector.

It appears that the measures for the energy upgrade of public residential buildings in energy classes F and G and for the support of vulnerable micro-enterprises have been merged, with an increase in the total allocated resources. **We hope that the Ministry's proposal will still provide 100% coverage of investments for public housing and vulnerable micro-enterprises in classes F and G and that the increased availability of resources will mean that the minimum requirement of 30% energy savings, considered insufficient for effective deep renovation, has been raised.** The effectiveness of the measure will also be determined by the level of coordination with other existing instruments, such as energy efficiency incentive mechanisms in the form of tax deductions (which have been reduced, reformed by the last budget law, and not replaced with other instruments), and by its inclusion in a comprehensive plan with clear and measurable objectives.

It should also be noted that support for vulnerable families in private housing is no longer provided for. It remains to be seen whether this decision is due to the coverage of this category through measures that will be included in the National Renovation Plan required by the European Commission⁸ (or whether a spending plan is already in place for additional resources deriving from ETS2 revenue) and, therefore, whether a high level of synergy and coordination between this plan and the SCP is also expected.

Regarding support for vulnerable micro-enterprises, it should be noted that Italian micro-enterprises (approximately 4 million) will be among those most affected by ETS2⁹. Estimates suggest an increase of up to 20% in energy bills. During the public consultation process, it was recommended that **the incidence of energy costs on gross operating margin (GOM) be used as a criterion, as it better reflects vulnerability, rather than relying solely on turnover. The GOM provides a more accurate measure of the target audience for the SCF measures, and details of this measure are awaited in order to understand which approach has been adopted in the Plan.** Furthermore, even for vulnerable micro-enterprises, it is hoped that the new proposal will provide **for greater consumption efficiency beyond the 30% energy efficiency assumed in the proposal.**

Finally, it seems difficult to justify the allocation of 1.375 billion to the expansion of the *Bonus Sociale Gas Plus*: the Bonus does not incentivise the transition to more sustainable structural measures, and it should be noted that with CO₂ prices estimated at €45/tCO₂ and €100/tCO₂, the cost of gas for the nearly 3 million households in Italy that benefited from the gas bonus in 2023 would be €280 million and €623 million respectively. Pending further details on this specific proposal, it nevertheless appears that the bonus has been allocated excessive funding and that the Plan's resources are being used to replace those already allocated to the current bonus (which, among other things, does not comply with the additionality principle laid down in the SCF Regulation). However, the bonus could be **strengthened by using resources from the Fund for those who will be excluded from efficiency measures in the short term.** In

⁸ EU Directive 2024/1275, known as EPBD (Energy Performance Building Directive)

⁹ ECCO analysis of the increase in energy costs based on different ETS2 price projections. The calculations are based on ARERA values for the first quarter of 2025, relating to the cost components of natural gas (raw material, transport, charges and taxes), integrated with the potential additional cost of ETS2. With a price equal to the soft ceiling, the increase in expenditure is estimated at around 7% for micro-enterprises; in scenarios with higher prices (up to €149/tCO₂), the increase could reach around 20%.

particular, the ISEE threshold for the bonus could be extended from €9,530 to €15,000, to be automatically activated if ETS2 prices exceed certain thresholds.

8. RECOMMENDATIONS

ETS2 and the Social Climate Fund offer Italy a **twofold opportunity**: to accelerate the ecological transition and strengthen social cohesion.

To seize this opportunity, it will be necessary to transform the available resources into instruments of structural change, capable of ensuring not only emission reductions, but also the possibility of doing so proactively, making all citizens an active part of the transition.

To this end, a combined action of these instruments is necessary, according to certain guiding principles:

- **Prioritising the most vulnerable** – Resources should be allocated as a priority to households and groups exposed to energy poverty and transport vulnerability, those most affected by the effects of ETS2.
- **Pre-distributive logic** – Moving beyond compensatory measures and focusing on structural solutions (energy efficiency, renewables, decarbonisation of production) that prevent future costs and strengthen equity and competitiveness.
- **Complementarity and additionality** – The Social Climate Fund must complement, not replace, existing welfare systems, so as to generate 'double dividends': environmental, social and economic benefits.
- **Scalability and consistency** – Measures must gradually include medium-sized and micro-enterprises, accompanied by a reform of energy taxation that is more consistent with social and climate objectives.

Finally, it is hoped that the collaborative process, both horizontal and vertical, initiated during the drafting of the Italian Social Climate Plan will continue in its implementation, enforcement and monitoring in the coming years, ensuring its effectiveness and alignment with Italian and European climate and social objectives.



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This policy briefing was edited by:

Giulia Colafrancesco, Senior Policy Advisor Governance and Just Transition, ECCO
giulia.colafrancesco@eccoclimate.org

With contributions from:

Francesca Andreolli, Senior Researcher Energy and Buildings, ECCO
francesca.andreolli@eccoclimate.org

Massimiliano Bienati, Head of Transport Policy, ECCO
massimiliano.bienati@eccoclimate.org

Chiara Di Mambro, Director of Strategy Italy and Europe, ECCO
chiara.dimambro@eccoclimate.org

The opinions expressed in this paper are solely those of ECCO – the Italian climate change think tank, the author of this research.

For interviews or more information on the use and dissemination of the contents of this paper, please contact:

Andrea Ghianda, Head of Communications, ECCO
andrea.ghianda@eccoclimate.org

+39 3396466985

www.eccoclimate.org

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