A decorative graphic on the left side of the page, consisting of several overlapping, tilted rectangular and trapezoidal shapes outlined in black, creating a grid-like pattern.

Social Climate Fund



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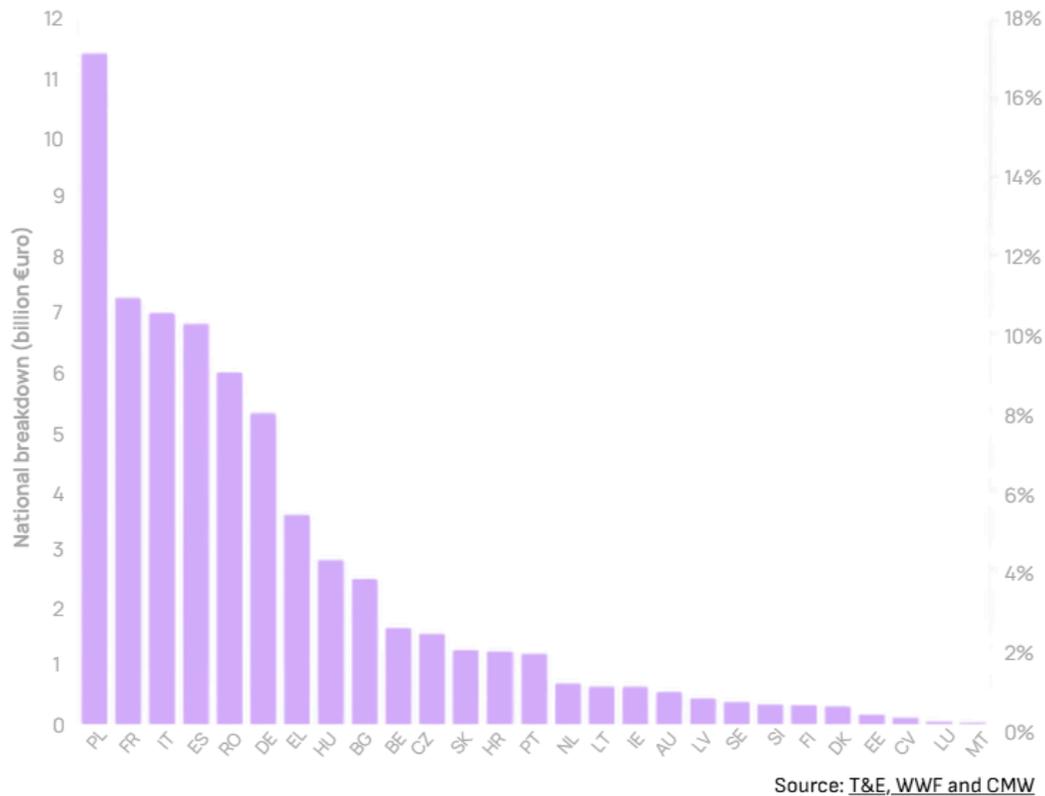
Financing the Social Climate Fund

As a result of the increased fuel and transport costs posed by ETS2, the SCF was created as a response to any negative socio-economic impacts caused by ETS2 on vulnerable households. The SCF is the first EU fund developed with the explicit purpose of alleviating potential energy and transport poverty occurring from the transition away from fossil fuels. From 2026–2032, the fund will channel €65 billion in targeted support to all EU member states. As the SCF starts to disperse funds from 2026, one year before ETS2 begins, the SCF is financed by 50 million EUAs from ETS1 and 150 million EUAs from ETS2, up to the value of the cap at €65 billion. 25% of the financing of projects within the Social Climate Plans must come from member states, bringing available SCF funding to €86.7 billion in total. Member states are free to co-finance the plans using ETS2 revenue and to increase the co-financing rate beyond 25%.

Allocation of the SCF

Each member state receives an allocation of the SCF based on an assessment of need that considers the percentage of the population at risk of poverty in rural areas, CO₂ emissions from fuel in homes, houses at risk of poverty with arrears on utility bills, total population, and GNI per capita. As a result, Poland (17.6% of the SCF's budget), France (11.2%), Italy (10.8%), Spain (10.5%), and Romania (9.3%) will receive the most funding. There is an inbuilt solidarity mechanism in the SCF as member states with a higher need will receive proportionately more funding in comparison to the ETS2 price they pay. For example, Bulgaria is a net beneficiary of the fund, receiving a bigger allocation of funding relative to their share of emissions.

Figure 10. SCF revenues (national breakdown and respective share)



Spending the Social Climate Fund

The SCF can be spent on green investments to increase the affordability and accessibility of emissions reductions. Green investments can include energy saving renovations, decarbonisation of heating and cooling systems, zero carbon vehicles, and participation in energy communities. Member states can fashion fiscal incentives or financial support to enhance the affordability of zero emission vehicles and bicycles, or to modernise infrastructure. The SCF Regulation specifically mentions the development of a second-hand zero-emission vehicles market, incentivising the use of affordable and accessible public transport and supporting private and public entities to provide sustainable mobility on demand, shared mobility services and active mobility options.

A limited amount, up to 37.5% of the fund, can be spent on temporary direct income support, as many investments, such as the renovation of a home, or the improvement of a public transport line, can take multiple years. Over that time, vulnerable households dependent on public support for those investments are exposed to the carbon price, and monetary support may be needed.

A further 2.5% is available for undertaking public consultation, communications activities, conducting studies or providing technical assistance and capacity building for implementing bodies. This category can cover training to ensure the proper management of the fund and the achievement of its objectives or the creation of 'one stop shops' to help citizens overcome difficulties in benefiting from government schemes relating to home renovation.

Social Climate Plan process

Member states can access the SCF funds through the submission of national Social Climate Plans, which were due in June 2025, a deadline met only by Sweden and Latvia. The SCPs must be approved by the Commission, following a mandatory consultation process with local and regional authorities, representatives of economic and social partners, civil society, and youth organisations, as well as other stakeholders. Once submitted, the Commission has two months to seek additional information or make observations and then the member state may revise the plan if needed. Plans are assessed based on their relevance, effectiveness, efficiency, and coherence. A final decision is made within five months of submission.

A positive assessment leads to a Commission act outlining all the information related to the implementation of the SCP, including the maximum financial allocation and the national contribution. The disbursement of the funding is conditional on the achievement of milestones and targets outlined in the plan. Member states can request payments twice per year, with first payments starting in 2026. Member states are required to amend their SCPs if they are no longer achievable or require significant adjustment. The Commission can reject the amended plan after giving the member state the opportunity to report its findings and provide explanation for discrepancies.

The Social Climate Plan for each member state must include:

- An estimate of the anticipated effects of price increases resulting from the introduction of ETS2, particularly in relation to energy and transport poverty.
- Estimated number and identification of vulnerable households, micro-enterprises and transport users (across public transport and private vehicles).
- Concrete policies and investments planned to reduce the negative effects of the price increase on these target groups, including temporary income support and long term decarbonisation measures.
- Milestones, targets and indicators to track implementation and completion by mid-2032.
- Costs of the plan, and an explanation of how cost efficiency is ensured.
- Explanation of how the plan fulfills the 'do no significant harm' principle.
- Information detailing the public consultation processes used to create the plan. A public consultation with local and regional authorities, representatives of economic and social partners, relevant civil society organisations, youth organisations and other stakeholders must be undertaken. The plan itself must contain a summary of such consultations, which will be considered in the Commission's assessment.

Publishing information

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