



# 5-Point Plan

For a Fair and Effective Implementation of the EU Emissions Trading System for Buildings and Transport in Germany

## Objective

The EU Emissions Trading System (ETS-2) is set to launch in 2028- following a one-year postponement - introducing Europe-wide carbon pricing in the buildings and road transport sectors. From then on, fuel suppliers will need to purchase CO<sub>2</sub> certificates to cover their emissions. ETS-2 is intended to help achieve the EU climate target of reducing greenhouse gas emissions by at least 55% by 2030. However, higher CO<sub>2</sub> prices will likely lead to an increase in heating and transport costs.

At the same time, ETS-2 is increasingly coming under political pressure. Several Member States and political actors are calling for further delays, exemptions or weakening of the system, arguing that households and small businesses cannot absorb additional cost increases. This risks undermining both the climate effectiveness and the predictability of the instrument. Precisely because ETS-2 is contested, it becomes even more important to design it in a socially fair, effective and forward-looking way. The German government must act now to ensure this.

To achieve this, ETS-2 must be embedded in a comprehensive policy mix that reduces emissions while ensuring social fairness. This includes regulatory measures, investments in public infrastructure to create climate-friendly alternatives, and targeted support for vulnerable households to enable them to participate in the transition.

If the initial CO<sub>2</sub> price under ETS-2 falls below Germany's current minimum national CO<sub>2</sub> price, the federal government should maintain the latter to preserve the instrument's steering effect.

To accompany ETS-2 with social measures, the EU has created the **Social Climate Fund (2026–2032)**, financed by a share of ETS-2 revenues. Member States must submit **national Social Climate Plans** detailing how these funds will be used.

According to the regulation, the aim is to provide targeted support to vulnerable households particularly affected by energy and mobility poverty. The Social Climate Plan can therefore serve as an important blueprint for socially responsible climate policy.

Yet, for a successful transformation, ETS-2 revenues should also be strategically used to fund other socially just climate change mitigation measures, which should be permanently anchored in the federal budget to ensure long-term impact.

## The following points are essential for an effective and socially just ETS-2:

### 1 Accelerate decarbonisation in the transport and buildings sectors

Germany is responsible for nearly one quarter of EU-wide emissions in the sectors covered by ETS-2. Cutting emissions in these areas will significantly influence the EU-wide CO<sub>2</sub> price for heating oil, gas, gasoline, and diesel. The faster emissions fall, the lower the risk of price spikes.

CO<sub>2</sub> pricing alone will not suffice. Additional regulatory measures are therefore crucial to reduce emissions and accelerate electrification in the buildings and transport sectors.

This dual approach also helps protect vulnerable households from severe financial burdens. Many people are unable to switch quickly to climate-friendly alternatives due to limited resources, decision-making constraints, or insufficient infrastructure.

Beyond decarbonisation, improving energy efficiency in the buildings sector is essential to cut energy consumption and lower consumer costs over the long term.

The Council of Experts on Climate Issues has recently confirmed that Germany's current efforts in these sectors are insufficient.

Current measures are unlikely to be sufficient to meet national and EU climate targets in these sectors by 2030. The new federal government must therefore present a robust climate action programme within one year, with effective measures focused on transport and buildings.

### 2 Submit an effective national Social Climate Plan

By 30 June 2025, EU Member States were required to submit their national Social Climate Plans to the European Commission. This is a prerequisite for accessing funds the EU Social Climate Fund. To date, the German government has not submitted its plan.

The Social Climate Plan offers an opportunity to develop targeted measures that support vulnerable groups during the transition to climate-friendly alternatives – a challenge that is entirely new for many Member States. One of the federal government’s first priorities should be to ensure timely submission of Germany’s plan so that these funds can be deployed as quickly as possible.

The Social Climate Plan should include effective and additional support measures to ensure that the most affected target groups are actually reached and supported. Examples include a **nationwide social transport ticket** or **bonus incentives for renovating social housing**, which can simultaneously advance climate change mitigation and improve the quality of life for broad segments of society.

An ambitious national Social Climate Plan is an important first step toward socially just climate policy. However, these measures must be embedded in an overarching strategy to ensure lasting impact.

### 3 Accompany emissions trading system with social measures

Social aspects should no longer be seen merely as an add-on but as an essential component of climate policy – going beyond the measures outlined in the national Social Climate Plan. National revenues from ETS-2 should therefore be allocated based on both climate and social criteria. Low- and middle-income households cannot manage the transition to a climate-friendly lifestyle without government support. Yet, the current funding landscape is largely focused on individual adaptation and, due to necessary personal contributions to investments, primarily benefits higher-income groups.

To address this, **targeted and socially tiered support programs** are needed in the buildings and transport sectors to assist those with limited financial resources. It is also essential to **offset additional costs from CO<sub>2</sub> pricing**, particularly for low-income households. A **socially tiered climate allowance** can provide stronger and more targeted relief than a flat-rate payment, which fails to reach those most in need.

More broadly, climate change mitigation must be treated as a **public service**, for example when it comes to affordable public transport, access to climate-friendly housing, and climate adaptation measures. Social institutions also require dedicated government support for climate-related investments. To achieve this, **adequate funding beyond the EU Social Climate Fund and ETS-2 revenues** will be required.

## 4 Embed climate change mitigation requirements in social policy design

Achieving climate targets requires progress across multiple policy areas – including social policy. For low-income households and individuals relying on subsistence benefits, conditions must be created that enable participation in climate action and prevent a loss of prosperity. This calls for a **coherent mix of social measures**, such as supporting lower-income groups through minimum wage increases.

To make sure that people receiving subsistence benefits can participate in the socio-ecological transition, **reforms to social security systems** are essential – for example, revising the calculation of standard rates or integrating a stronger climate component into housing benefits.

## 5 Expand the EU Social Climate Fund

The EU Social Climate Fund serves as a solidarity instrument accompanying ETS-2, designed to reflect the diverse conditions across Member States. It aims both to **protect households most affected by rising CO<sub>2</sub> prices** and to **support countries with lower purchasing power and slower progress in decarbonisation**.

For 2026–2032, the Fund will provide up to EUR 65 billion, supplemented by a national contribution of 25%. To ensure planning security, Germany should advocate within the EU for the EUR 65 billion to be set as a **fixed base amount**, independent of CO<sub>2</sub> price fluctuations. This guarantees that social compensation measures can be implemented even if prices remain low.

Moreover, the Fund's size should **increase proportionally with the CO<sub>2</sub> price without a cap**, ensuring fair ETS-2 implementation across the EU. Without this adjustment, the Fund would neither secure EU-wide solidarity nor reflect Member States' varying responsibilities for the level of the CO<sub>2</sub> price.

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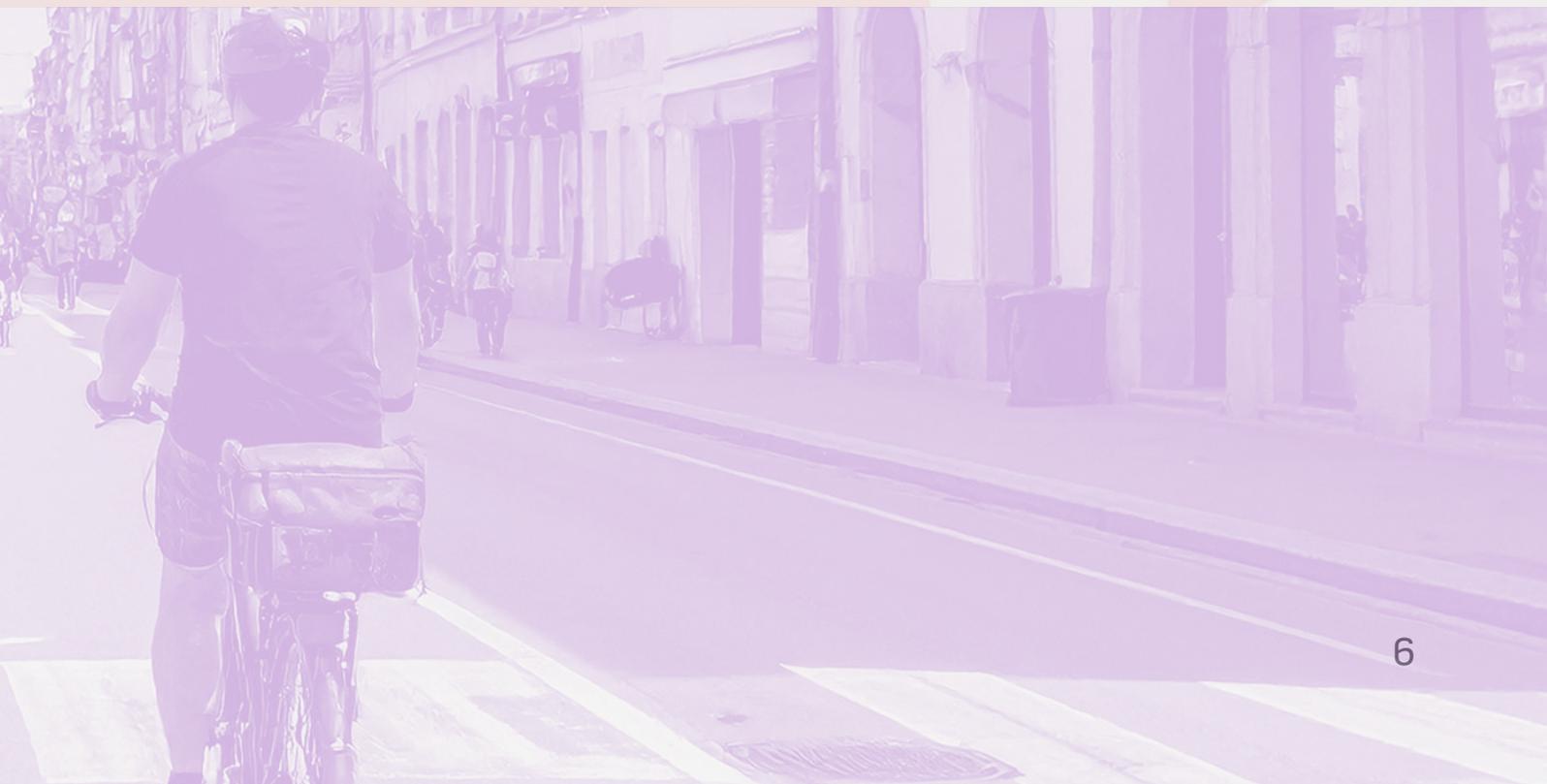
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