

ANALYSIS
April 2026

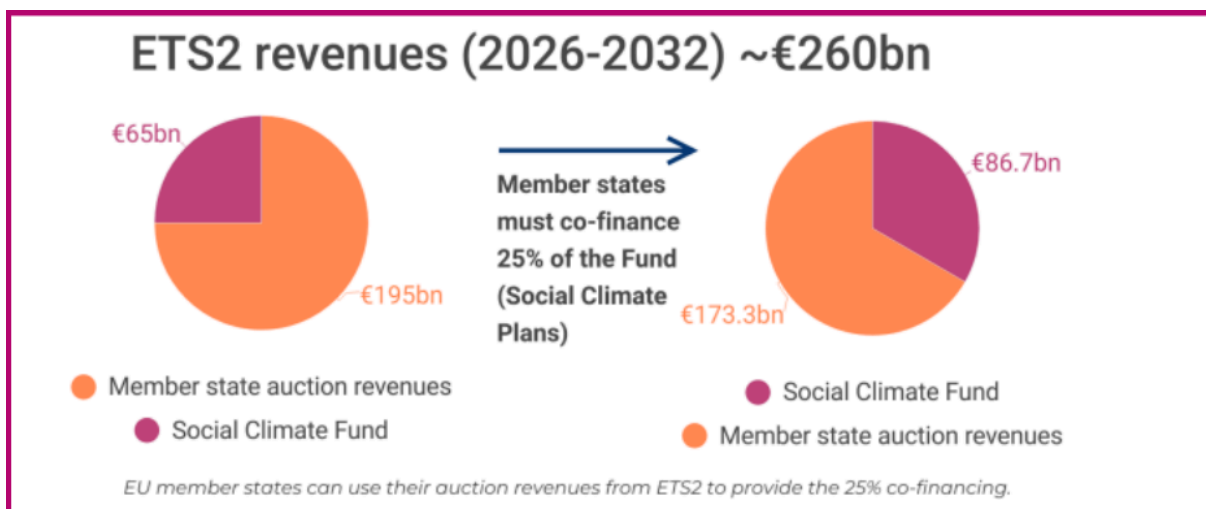
Social Climate Plan

What does it contain and what is missing?

The Czech proposal for the Social Climate Plan represents a key instrument for mitigating the social impacts of the introduction of the ETS2 system, which is set to extend carbon pricing to building heating and road transport from 2028. The plan rightly emphasizes investments in energy efficiency, housing renovations, and the development of public transport, thereby addressing the structural causes of energy and transport poverty. At the same time, however, it reveals some of its weaknesses—particularly the absence of direct short-term support for the most vulnerable households and insufficient justification for certain investment priorities. The analysis shows that without the addition of effective compensation mechanisms and a stronger role for municipalities, there is a risk that the otherwise valuable plan will fail to achieve its main objective: ensuring a socially just transition towards a low-carbon economy.

A new emissions trading system for heating buildings and road transport, known as ETS2, is to be introduced in all EU Member States by 2028¹. The proceeds from the auctioning of these allowances are expected to serve as the primary source of funding for the Social Climate Fund (SCF), which was established in response to the insufficient addressing of the social impacts of EU climate policy. In addition to this source of up to €65 billion for the EU by 2032, Member States must also contribute at least 25% from their own budgets.

The adoption of the ETS2 system and the establishment of the Social Climate Fund are therefore two inseparable pillars of the EU's social and climate policy, and one cannot exist without the other. Although the Czech Republic has an obligation to transpose ETS2 into national legislation as part of its commitments to the EU which it previously approved, the current government has stated that it refuses to do so.^{2,3} For the Czech Republic, transposing ETS2 would represent a significant source of funding – while part of the revenue from the system is intended to finance the SCF, the remaining revenue will be distributed among the Member States, as is the case with the current ETS1. The exact amount will depend on the price of the allowances, however, it is clear that the Czech Republic's total revenues from the scheme would be several times higher than the amount allocated to it from the SCF.⁴



Source: T&E

¹ The European Parliament decided to postpone it by one year in February 2026: <https://www.europarl.europa.eu/news/en/press-room/20260205IPR33620/eu-climate-law-a-2040-emissions-reduction-target-of-90-for-the-eu>

² In addition to the Czech Republic, several other countries have also refused to implement the system, see <https://www.ieta.org/ets2-tracker>

³ Source:

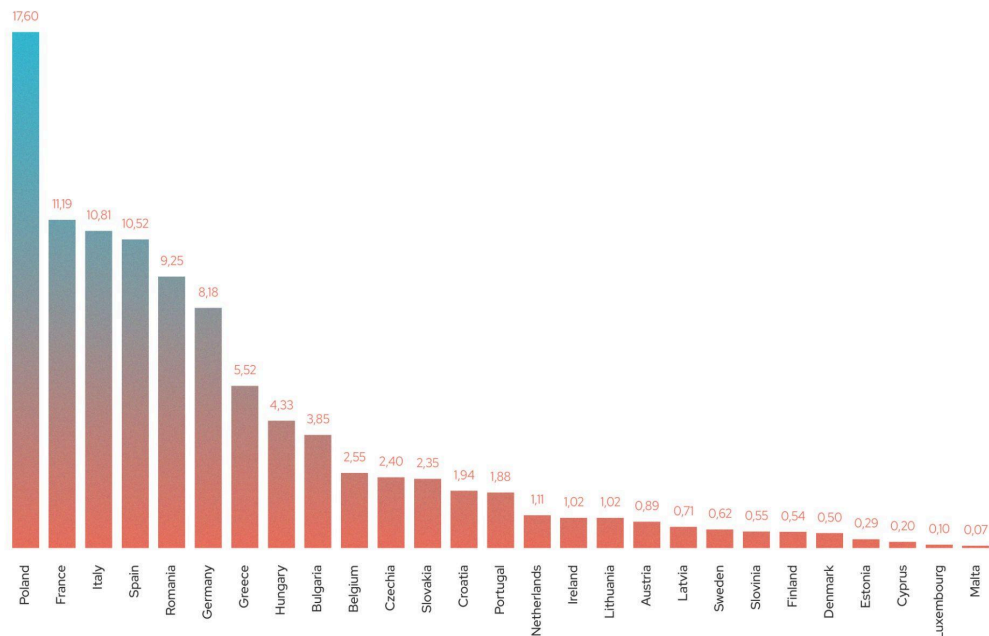
https://vlada.gov.cz/vlada/programove-prohlaseni/programove-prohlaseni-vlady-224629/#zivotni_prostredi

⁴ Fakta o klimatu estimate that, at an allowance price of €60, the Czech Republic could receive an additional approximately CZK 200 billion into its national budget. <https://faktaoklimatu.cz/explainery/emisni-povolenky-ets-2>

The Social Climate Fund will operate on the principle of solidarity between Member States. The distribution key takes into account criteria such as the proportion of the population at risk of energy poverty or carbon dioxide emissions from household fuels. Poland will receive the largest share of the Social Climate Fund (17.6%), followed by France (11.2%) and Italy (10.8%). The Czech Republic ranks 11th with a share of 2.4%. In total, the Czech Republic is expected to receive approximately CZK 40 billion from the Fund, complemented by roughly CZK 10 billion in national co-financing.

Financial allocation of the Social Climate Fund

for the years 2026 - 2032 (in percent)



The specific measures and investments that will mitigate the negative effects of increased fuel prices are defined in the Social Climate Plans (SCPs). The preparation of these Plans is a precondition for accessing the Fund and takes place at the level of the Member States, which subsequently submit them to the European Commission for approval.⁵ The Regulation establishing the SCF requires Member States to propose funding measures that will benefit vulnerable households, vulnerable micro-enterprises and vulnerable transport users in their Social Climate Plans, including measures to improve energy efficiency, promote decarbonisation of heating and cooling, and support zero- and low-emission mobility.

⁵ Source: <http://data.europa.eu/eli/reg/2023/955/oj/ces>

In particular, the Plan should take into account the impact of increased fossil fuel costs on the most vulnerable and provide protection during the transitional period until structural investments take effect, for instance through direct compensation. The current draft of the Czech SCP was published in December 2025, and an inter-ministerial consultation process was launched at the same time. Nevertheless, although the consultation was formally closed later that month, the comments⁶ have not yet been addressed.

Analysis of the Czech Social Climate Plan

The Drafting Process

The current version of the Czech SCP was developed over approximately two years. Discussions on its content have been taking place since 2024 within thematic working groups established by the Ministry of the Environment for the areas of buildings (1) and transport (2). Through the Government Council for NGOs, two members from the Green Circle network of environmental organisations and two members from the Association for Democracy Assistance and Human Rights (DEMÁS) were nominated to participate in these groups. In addition, a preparatory Social Climate Fund Platform was also established, with the representation from non-governmental non-profit organisations as well.⁷

Within these platforms, information and suggestions were exchanged and comments on working versions of the plan could be submitted. However, during the preparation of the SCP, it became clear that the sensitivity of ETS 2 affected the functioning of the participatory mechanisms and led to political decisions taken outside of expert frameworks. Effective cooperation and expert discussion would have benefited significantly from the timely sharing of analytical materials and the outputs of the Technical Support Instrument (TSI), as many of these were only shared with group members at the very end of the preparation process. Although the public could only access the Social Climate Plan after the official inter-ministerial consultation process had begun, the Ministry of the Environment regularly published minutes and presentations from the meetings on its official website.⁸

⁶ There was also a change of government at the turn of the year. The SCP was drafted under Prime Minister Petr Fiala, whereas the current mandate has since been assumed by Prime Minister Andrej Babiš.

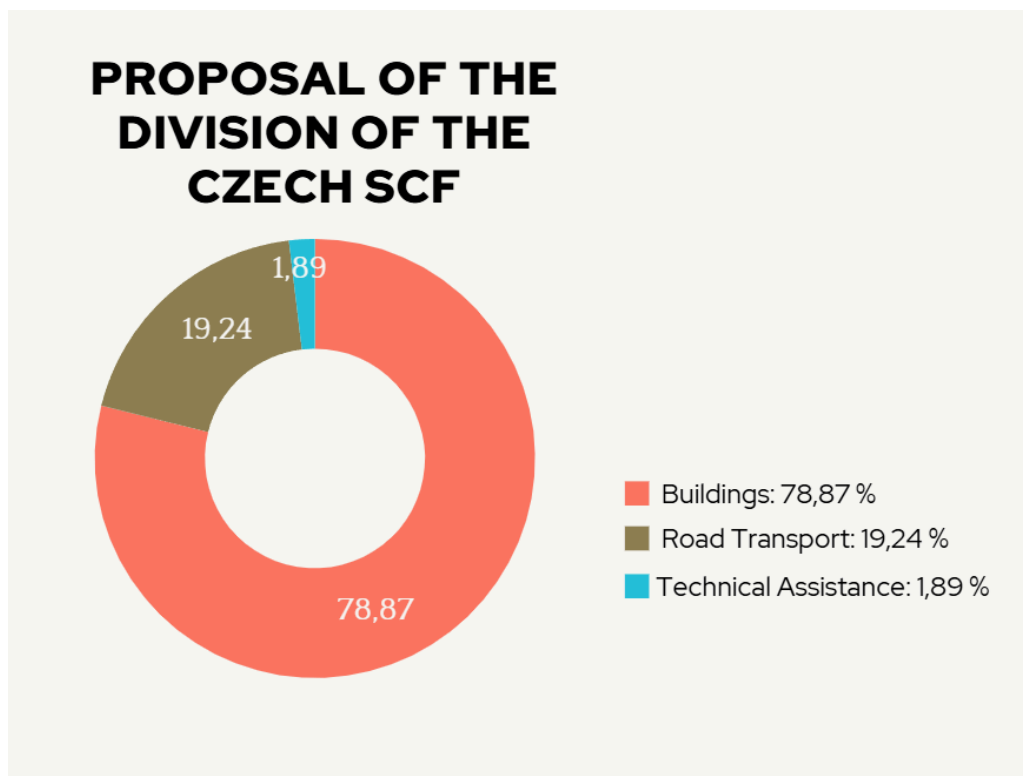
⁷ List of members here:

https://mzp.gov.cz/system/files/2026-01/OFDE-seznam_clenu_Platformy_SKF-20251002.pdf

⁸ <https://mzp.gov.cz/cz/agenda/prehled-dotaci/socialni-klimaticky-fond>

Content and Targeting of the Plan

The current Czech draft Social Climate Plan proposes to divide the Social Climate Fund between the buildings sector (78.87% of the total allocation for the Czech Republic), the transport sector (19.24%), and technical assistance (1.89%). However, it is not entirely clear from the Social Climate Plan which analytical data underpinned this distribution, nor which allocation methodology was applied.



Buildings sector (total €1,640,000,000)

- Renovation of single-family homes owned and occupied by vulnerable households (€640,000,000)
- Construction of rental housing for vulnerable households (€560,000,000)
- Conversion of residential hostels occupied by vulnerable households (€80,000,000)
- Renovation of multi-apartment buildings occupied by vulnerable households (€280,000,000)
- Consulting services (€80,000,000)

- Road transport sector (total €400,000,000)
 - Integrated demand-responsive transport projects complementing existing public transport services (€360,000,000)
 - Purchase of zero-emission public transport vehicles (€40,000,000)

For the Fund to achieve maximum impact, it is necessary that a functional definition clearly delineating the target group must be applied. The Plan works with a "broader" concept of vulnerability and a "narrower" concept of energy poverty.⁹ The aim is to direct support to those most in need; however, in practice, the precise wording of the eligibility criteria under the individual calls will be crucial.¹⁰ It will also depend on how the fact that the impacts will be highly diverse (depending on the ability to renovate a dwelling, income level, heating method, mode of transport, etc.) is reflected in the specific design of the measures, while the background materials often refer to the impacts of ETS 2 in terms of the average amount per household.

The Czech Plan takes a relatively minimalist approach to transport poverty. The regulation relies solely on the geographical classification of municipalities according to their level of

⁹ Definition of energy poverty and vulnerable households from the Social Climate Plan: A household is energy poor if it does not have sufficient disposable income and access to basic energy services necessary to meet its basic needs, such as heating, hot water, cooling, lighting and energy for powering appliances, as a result of at least one of the following factors:

- high energy costs, or
- high energy intensity of housing.

Indicators:

Mandatory indicator: Households with an equivalised net monthly income in the lowest three income deciles.

Elective indicators:

- A high share of energy expenditure in household income – defined as energy expenditure exceeding twice the national median (2M); for the purposes of the SCF, a minimum energy expenditure share of 15%; or CS 20 CS
- The energy performance of the dwelling corresponds to energy class D or worse.

To meet the definition of energy poverty, the mandatory indicator must be fulfilled together with at least one of the elective indicators.

Vulnerable households

Definition: Vulnerable households are those experiencing energy poverty, or households – including low- and lower-middle-income households (up to the sixth income decile) – that are significantly affected by the price impacts resulting from the inclusion of greenhouse gas emissions from buildings within the scope of Directive 2003/87/EC and that lack the financial means to renovate the building they occupy.

¹⁰ The SCP states that the specific group of eligible beneficiaries will be specified in greater detail for each individual investment measure. However, in all cases, eligible beneficiaries will constitute a subset of vulnerable households.

public transport accessibility.¹¹ While this is undoubtedly an important factor, it is not the only one. The Plan does not take into account the economic situation of the individual households in this context. In other words, under the definition of transport poverty in the SCP, a low-income family living on the remote outskirts of a large city whose centre is well served by public transport would not fall within the defined parameters.

Buildings

The measures in the buildings sector are structured in an appropriate manner that addresses the underlying causes of energy poverty. The proposed investments increase access to energy efficiency and resilience by providing financial and advisory support for deep renovations targeting low-income households.

In the case of measures to renovate single-family homes owned and occupied by vulnerable households, it is important that support will primarily be provided to energy-poor households and, once the absorption capacity of this group has been reached, gradually extended to the sixth income decile. This measure also includes the installation of renewable energy sources, including battery storage, but only in combination with thermal insulation measures.

The Social Climate Plan refers in several places to the New Green Savings Programme, which many experts consider to be a successful example of good practice in household decarbonisation solutions. In the case of multi-apartment building renovations, it is important that the Plan focuses on supporting low-income and vulnerable groups (in some forms of the New Green Savings Programme, the primary beneficiaries were middle-income households or affluent seniors). The linkage to bonus schemes for renovations of multi-apartment buildings occupied by vulnerable households is also favourable, as it serves as an effective incentive to support low-income households in rented accommodation. However, it should be added that, in order for the amount of support to remain sufficiently attractive in relation to

¹¹ In the Czech Republic, this concerns:

(1) persons living in a municipality from which there are 13 or fewer **pairs of direct connections (return services)** to the municipality with extended powers to which the municipality belongs; or

(2) persons living in a part of a municipality from which there are 13 or fewer pairs of connections **with no more than one transfer** to the municipality with extended powers within whose administrative district the municipality falls.

The Czech SCP defines transport poverty as **“a situation in which individuals or households are either unable, or only with difficulty able to cover the costs of private or public transport, or in which they have no or only limited access to transport necessary to access essential socio-economic services and activities, taking into account national and territorial contexts.”**

other available subsidy schemes and the applicants' needs, it will be necessary to regularly evaluate and, if necessary, adjust the calls for proposals.

Experience with the New Green Savings Programme has also shown that homeowners' associations show significantly greater interest in this type of support compared to municipalities. Social policy experts propose addressing this imbalance, for example by strengthening the regional offices of the State Environmental Fund of the Czech Republic to improve cooperation with municipalities, or by supporting the construction of new municipal apartment buildings in the passive standard. The SCP includes the expansion of advisory services for municipalities and also proposes to incentivise municipalities by fully supporting the renovation of municipal apartment buildings used for social housing, while for other apartment buildings support is planned to be provided according to the share of vulnerable households in the building.

In addition to thermal insulation, the supported measures include the replacement of heating systems and other accompanying measures in combination (domestic hot water system, photovoltaic installations including energy storage and energy sharing, ventilation systems with heat recovery, heat recovery from waste water, etc.).

Transport

Investments in public and demand-responsive transport are essential for addressing transport poverty, and their expansion and greater availability have undeniable decarbonisation benefits.¹² Nonetheless, it should be noted that the proposed investments are systemic and structural in nature and will not be disbursed directly to vulnerable transport users – this component therefore does not address the immediate impact of the implementation of ETS 2, and those who need support may have to wait several years to see its effects.

Demand-responsive transport measures offer a suitable service in areas where public transport is inadequate or inefficient. Flexible demand-responsive transport can usefully and effectively densify the transport network, particularly in sparsely populated areas. According to the SCP, this support will require a so-called Territorial Transport Service Plan. It will be important for these plans to be inclusive and to prioritise the needs of vulnerable groups. The preparation of these documents can be expected to entail a significant administrative burden, for which regional authorities will be primarily responsible, in cooperation with local municipalities and private transport service providers. The SCP anticipates that activities related to both the planning and delivery of these services will be financed from the technical

¹² Source, e.g.:

<https://www.rescoop.eu/toolbox/green-solidarity-guiding-principles-for-a-truly-just-social-climate-fund>

assistance component. It is not clear from the SCP whether these funds will actually be sufficient to meet the increased administrative demands placed on the authorities, nor according to which allocation criteria they will be distributed. For this measure to work effectively, it will therefore be essential to specify how the relevant public administration bodies – whose capacities are already severely strained and underfunded – will be supported.¹³

While public transport is undoubtedly important, the question remains if the proposed measure to purchase zero-emission public transport vehicles genuinely addresses transport poverty, and to what extent it merely supplements existing or planned public transport funding schemes, the only distinction being that the vehicles must be zero-emission. The SCP states that each supported line on which a vehicle exchange takes place must run predominantly through stops located in transport-poor areas. However, this does not appear to constitute a sufficiently strong argument for prioritising this measure, which could instead be replaced, for instance, by support for school bus services, senior taxi schemes or fare discounts for clearly defined groups. At the same time, in the context of transport decarbonisation, it is necessary to address the question of how such measures will be sustained in the future once revenues from emissions trading are no longer available.

Direct Compensation Mechanism

European legislation allows Member States to finance temporary direct income support from the SCF up to 37% of their total national allocation. However, the Czech Republic has decided not to use this compensation mechanism and instead to channel the funds exclusively into investment measures – a course of action many experts warn against.¹⁴ The Czech SCP therefore fails to address the immediate negative impact on households that are unable to respond flexibly to price fluctuations. In this respect, the most vulnerable will be dependent on the social benefits system, fare discounts for vulnerable groups in public transport, and commuting allowances.

Nevertheless, social policy experts point out that the ongoing social benefit reform, which introduces a so-called "super benefit" and merges housing, subsistence, child and care

¹³ Source, e.g.: <https://www.smocr.cz/cs/novinky/a/obce-chteji-stavet-a-renovovat-dotaznik-odhalil-konkretni-potreby-pro-socialne-klimaticky-fond> or <https://www.cde-org.cz/cs/blog/energeticke-uspory-v-praxi:-zkusenosti-a-potreby-obci-a-mest/2824>

¹⁴ Source, e.g.: <https://eeb.org/en/library/why-direct-payments-are-essential-to-make-household-carbon-pricing-work-in-the-eu/>

allowances into a single payment, is unlikely to provide an effective response to rising energy costs.¹⁵ A uniform energy allowance does not adequately reflect the needs of households experiencing energy poverty and poses risks, for example, to single parents, disability pension recipients and other vulnerable groups. The absence of robust immediate support mechanism for the affected group therefore represents one of the most problematic aspects of the Czech SCP proposal. It is understandable that the Ministry of the Environment, aware of its limited budgetary resources, has opted for a systemic approach that addresses the structural causes of poverty rather than its consequences. In that case, however, this shortcoming will need to be remedied in close cooperation with the Ministry of Labour and Social Affairs, and alternative solutions will need to be identified. Such a solution, according to experts from the Centre for Public Finance and PAQ Research, could consist of compensating through an increase in the taxpayer allowance and an increase in the energy allowance. The combination of these two instruments would significantly support the most affected households while preserving the incentive effect of the transition to lower-emission energy sources.

Conclusions and Recommendations

The submitted Social Climate Plan is a high-quality document that provides a solid basis for the use of resources from the SCF, the subsequent specification of calls for proposals, and further strategic discussion on social and climate benefits. The proposed measures are both socially and climatically beneficial and offer solutions to energy and transport poverty. They are also fully in line with European legislation and the main objective of the Fund. Specific strengths of the Czech SCP proposal include:

- support for decarbonisation through investment measures in the operational phase of buildings, with an emphasis on deep renovations and energy savings for vulnerable groups, as well as support for the involvement of vulnerable households in energy sharing
- addressing improvements in the quality of rental housing for vulnerable groups and taking into account the role of municipalities; proposed measures include increasing the housing stock through municipal acquisition of energy-inefficient properties, the conversion of hostels, and the construction of low-energy social and affordable housing, as well as improving the energy efficiency of rental housing
- improving transport service provision through support for demand-responsive transport

¹⁵ <https://socialnibydeni.org/publikace/davkova-reforma-hlavni-problemy-a-rizika>,
<https://socialnibydeni.org/publikace/souhrnna-analyza-najmy-energie-dane-davky-verejna-vystavba-reseni-krize-bydleni-existuji>

The benefits of the SCP will, of course, depend on the final design of the calls for proposals and also on the mechanisms for their monitoring and revision. There are certain areas that the submitted document does not adequately address or fails to consider in sufficient depth.

These include:

- the absence of short-term immediate support for those who are unable to respond flexibly to energy price fluctuations, whether in connection with transport or energy poverty
- the need for specific and substantial strengthening of municipal capacities, given their key role in addressing the housing crisis, transport poverty and the energy transition
- a clearer justification of the need to purchase zero-emission public transport vehicles from SCF and a more detailed specification of the measure's added value

In order to meet its climate commitments, the Czech Republic needs to maintain and strengthen the highly effective EU Emissions Trading System (ETS)¹⁶ and to implement ETS 2. In addition to sending a clear signal and providing a predictable investment environment for companies, both systems also offer a partial remedy to the stalemate where the costs and negative impacts of air and environmental pollution are borne not by the actual polluters, but by society as a whole. Supportive decarbonisation funding instruments, such as the Social Climate Fund, and their appropriate design are necessary to ensure that the transition to a low-carbon economy does not exacerbate existing social inequalities. All revenues from emissions trading shall be earmarked for social and climate measures and, for example, part of them should be used to increase the overall envelope of the Social Climate Fund.

While subsidies for cleantech solutions are important for improving social stability, it is not a panacea. This is a complex policy area which, in addition to well-designed financing instruments, requires a broad range of complementary reforms. The social dimension of decarbonisation would be significantly strengthened by tax reforms in the area of labour taxation, the introduction of a tax on investment properties, the setting of clear rules for fossil fuel subsidies,¹⁷ stronger support for municipalities in their efforts to improve energy efficiency, and measures to ensure high-quality and affordable rental housing, among others. Nevertheless, the effective implementation of ETS 2 is essential to ensure that the Social

¹⁶ Source, e.g.:

<https://www.bruegel.org/analysis/europes-emissions-trading-system-ally-not-enemy-industrial-competitiveness>

¹⁷ Source: https://www.cde-org.cz/media/object/2818/policy_brief_fosilni_dotace.docx_1.pdf

Climate Plan translates into concrete action rather than remaining a purely theoretical exercise of the Ministry of the Environment.

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