

# THE EU SOCIAL CLIMATE FUND

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BE READY TO LEVERAGE THIS  
FUND AT LOCAL LEVEL

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The proposed regulation creating the Social Climate Fund (SCF) has been adopted by the European Commission on the 14th of July 2021 as part of the “Fit for 55” legislative package, emanating from the EU Green Deal. The package included a revision of the Emission Trading System (ETS) directive to extend emissions trading to the building and road transport sectors, and accelerate decarbonization. **The SCF is expected to address the social impacts deriving from the higher cost of carbon but also to finance measures to reduce emissions in these sectors.**

## A FUND TO TACKLE ENERGY AND TRANSPORT POVERTY

On the 18th of December 2022, the European Parliament and the Council of the EU reached a provisional agreement on the Social Climate Fund to support the energy transition and to help vulnerable citizens affected by energy and transport poverty. This agreement was endorsed on the 8th of February 2023 and consists of three main measures:

- EUR 86,7 billion in funding made available for projects that help the most vulnerable Europeans
- National “Social Climate Plans” to address energy and transport poverty
- Investments in energy efficiency, decarbonization, and sustainable transport

The institutions agreed that the funds should benefit vulnerable households, micro-enterprises, and transport users. The projects funded must respect the “do no significant harm” principle and should help reduce fossil fuel dependency.

**To draft the “Social Climate Plans”, Member States will have to consult with local and regional authorities, economic and social partners, and civil society.** These plans can fund temporary direct income support measures against the increase in road transport and heating fuel prices up to 37.5% of the total cost of each plan. They could also include long-lasting structural investments like building renovation, decarbonization solutions, integration of renewable energy, development of zero and low-emission vehicles, as well as public transport and shared mobility services.

## WHERE WILL THE MONEY COME FROM?

The agreement foresees that the SCF will be available from 2026 to 2034 and will be included in the EU budget. First, it will be funded by the estimated revenues of EUR 4 billion, from the auctioning of 50 million ETS allowances. In 2027 the new Emissions Trading System should be applied to buildings and road transport (ETS II). From then on, the SCF will be funded by auctioning ETS II allowances up to EUR 65 billion, with an additional 25% covered by national resources (estimated around EUR 86,7 billion).

## AN OPPORTUNITY TO FUND CONCRETE LOCAL PROJECTS

It is not clear yet when the drafting of the National Social Climate Plans will take place as the agreement has not been endorsed by the Council and the Parliament yet. It is essential to follow up on the approval of this new fund and be ready to focus on the development of the National Social Climate Plans. **These plans are great opportunities for regional and local authorities to finance their transition. We must ensure that this new fund is translated into tangible projects at the local level.**



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