

Social Climate Fund

2021/0206(COD) - 23/05/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Employment and Social Affairs adopted the report by David CASA (EPP, MT), Esther DE LANGE (EPP, NL) on the proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund.

The proposal aims to establish a **Social Climate Fund** for the period 2025 to 2032 to provide Member States with funding to address the social consequences of the extension of the Emissions Trading Scheme (ETS) to road transport and construction on vulnerable households.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Purpose, scope and objectives

The general objective of the Fund is to **contribute to a socially fair transition** towards climate neutrality that leaves no one behind, in particular by addressing the social impacts of the inclusion of greenhouse gas emissions from buildings and road transport in the Emissions Trading System (ETS).

The specific objective of the Fund is to **support vulnerable households, vulnerable micro-enterprises, and vulnerable transport users**, especially those in energy poverty or mobility poverty through temporary direct income support and through measures and investments intended to:

- increase energy efficiency of buildings, decarbonisation of heating and cooling of buildings, including the integration and storage of energy from renewable sources, and;
- grant improved access to efficient and affordable mobility and transport, with the objective to phase out gradually and not prolong fossil fuel dependency and avoid carbon lock-in.

Members established an EU definition of **energy poverty** and introduced a definition of **mobility poverty**. This definition covers vulnerable households, vulnerable micro-enterprises, vulnerable SMEs and transport users who have few or no adequate and affordable alternatives to fossil fuels in the building and transport sectors.

Social climate plans

Each Member State would be required to present a social climate plan, after consulting local and regional authorities, economic and social partners and civil society. These plans should contain a coherent set of measures to tackle energy and mobility poverty, in particular the effects of the transition to climate neutrality.

Measures and investments to be included in the estimated total costs of social climate plans

Temporary direct income support measures (including a reduction in energy taxes and charges) would be funded to absorb the increase in road transport and heating fuel prices. According to Members, such support would be limited to a maximum of 40% of the total estimated cost of each national plan for the period 2024-2027 and would be **phased out by the end of 2032**.

Member States should include the costs of the following measures and investments with lasting effects in the estimated total costs of the plans, provided that they aim to:

- support quality, cost- and energy efficient **building renovations** and for those occupying worst-performing buildings, with a special attention to tenants and social housing;
- ensure access to affordable and energy-efficient housing, in particular by providing sufficient energy-efficient and affordable housing stock, including social housing;
- contribute to **cost-effective decarbonisation** (covering the costs of connection to smart grids and any other measures that contribute to energy savings but also to connection to district heating networks, such as vouchers, subsidies or interest-free loans for investments in products and services aimed at increasing the energy performance of buildings or integrating renewable energy sources in buildings);
- provide targeted information, support, capacity building and training necessary to implement the energy efficiency renovation solutions and grant access to zero- and low-emission mobility and transport services;
- provide **financial support or fiscal incentives** to improve access to zero- emission vehicles, while maintaining technological neutrality, and to **bicycles**, including incentivising access to, and the further development of, the second-hand zero-emission vehicles market, including financial support or fiscal incentives for their purchase, for appropriate public and private infrastructure, including for recharging and refuelling for support concerning the purchase of zero-emission vehicles.

According to Members, eligible measures and investments should not exceed **25%** of the total estimated costs of the social plan and should be limited.

Budget

The financial envelope for the implementation of the Fund for the period until 2027 should be at least EUR 11 140 000 000 in current prices. The Fund should be supplemented by revenue resulting from the auctioning of 150 million allowances in accordance with the ETS Directive [EUR 5 250 000 000 indicative amount] for this period which would represent a total amount estimated by the Parliament at **EUR 16.39 billion**.

Additional allocations would be made available to ensure that the appropriations available for the Social Climate Fund in the EU budget **increase in line with the carbon price**.

Pre-financing

In order to ensure that the aid provided for in the plans can be effectively implemented from the first years after the entry into force of the Social Climate Fund, the Commission should be able to pre-finance **up to 13%** of the Member States' financial contribution on the basis of an application submitted by a Member State together with the Social Climate Plan.

Parliament also made a number of improvements to the Commission's proposal, including:

- a specific focus in the plans on the **socio-economic challenges faced by islands and outermost regions**;
- the fact that Member States should promote the role of **renewable energy communities and citizen energy communities** and consider them as eligible beneficiaries of the Fund;

- the need to ensure the consistency of the Fund both with national energy and climate plans and with cohesion policy programmes with similar priorities;

- a reminder that the Fund should only support activities and beneficiaries that respect applicable EU and national law on **social and labour rights**, and that Member States must respect **fundamental rights**, including the rule of law, in order to benefit from EU funds.