Social Climate Fund

2021/0206(COD) - 22/06/2022 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted by 479 votes to 103, with 48 abstentions, **amendments** to the proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund.

The matter was referred back to the competent committee for inter-institutional negotiations.

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 main amendments adopted in plenary are as follows:

Purpose, scope and objectives

Parliament specifies that the measures and investments supported by the Fund will benefit vulnerable households, micro-enterprises and transport users who are particularly affected by the impact of the transition to climate neutrality, including carbon pricing, in particular households in energy poverty and citizens in mobility poverty, paying particular attention to those living in rural, island, peripheral, mountainous, remote and less accessible areas or in less developed regions or territories, including less developed peri-urban areas, the outermost regions and carbon-intensive regions with high unemployment.

Members introduced a definition of '**mobility poverty**', referring to households with high transport costs or limited access to affordable public or alternative modes of transport needed to meet basic socio-economic needs.

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

Member States should include the costs of measures providing temporary **direct income support**, including reduced taxes and charges on electricity, as a transitional measure for vulnerable households and transport users affected by energy and mobility poverty, to absorb the increase in road transport and heating fuel prices.

According to Members, this 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, accessible and affordable information, education, awareness and advice on cost-effective measures and investments and available support for building renovations and energy efficiency;

- provide financial support or fiscal incentives to improve access to zero-emission vehicles and bicycles, including promoting access to the market for second-hand zero-emission vehicles, and in particular financial support or fiscal incentives for their acquisition as well as for appropriate public and private infrastructure, including for charging and refuelling encouraging the use of affordable and accessible low and zero emission public transport.

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 complemented 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**.

The financial envelope for the implementation of the Fund for the period 2028-2032 would be established after a revision of the Regulation, subject to the amounts available within the annual ceilings of the applicable multiannual financial framework and to the assessment and, if appropriate and if the conditions are met, the targeted revision of the ETS Directive.

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.