The Social Climate Fund (SCF) is proposed to address the social impacts arising from the proposed new emissions trading system for buildings and road transport (new ETS) on vulnerable groups. The new ETS is proposed to start in 2026 and the SCF to start operating one year before to prepare its smooth introduction. While financed via the own resources of the EU budget\(^1\), the Fund’s size would correspond in principle to 25% of the expected revenues from the new ETS. The new ETS and the SCF are therefore intrinsically linked.

There are clear advantages in the proposed budgetary design, i.e. expenditure predictability and earlier deployment of funds. It also ensures democratic scrutiny with the equal involvement of European Parliament and Council both as co-legislators and budgetary authority.

As underlined in the REPowerEU Plan\(^2\), there is a double urgency to transform Europe's energy system: ending the EU's dependence on Russian fossil fuels, which cost European taxpayers nearly EUR 100 billion per year, and tackling the climate crisis. The measures in the REPowerEU Plan, building on the Fit for 55 proposals, respond to this ambition, through energy savings, diversification of energy supplies, and accelerated roll-out of renewable energy in homes, industry and power generation. The Recovery and Resilience Facility, with the proposed targeted amendments, is at the heart of the REPowerEU Plan.

Besides, financing of targeted investments can already be available under cohesion policy funds and InvestEU\(^3\). Member States also use revenues from the existing EU Emissions Trading System to address social impacts. Further guidance can be found in the proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality\(^4\).

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\(^1\) Including the newly proposed own resource related to the new ETS.


\(^3\) The Commission will also offer higher flexibility for Member States to transfer resources to the Recovery and Resilience Facility from other funds, for more information: [https://ec.europa.eu/commission/presscorner/detail/en/FS_22_3135](https://ec.europa.eu/commission/presscorner/detail/en/FS_22_3135).