

Deal on establishing the Social Climate Fund to support the energy transition

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

On Saturday night, Parliament and Council reached a provisional agreement to set up a new fund to help vulnerable citizens most affected by energy and transport poverty.

Negotiators agreed to establish the Social Climate Fund (SCF) to benefit vulnerable households, micro-enterprises and transport users that are particularly affected by energy and transport poverty. Only measures and investments that respect the principle of ‘do no significant harm’ and aim to reduce fossil fuel dependency will receive support.

Focus on tackling energy and transport poverty

EU countries will have to submit “Social Climate Plans”, after consulting with local and regional authorities, economic and social partners as well as civil society, which will cover two types of initiatives.

Firstly, the Fund will finance temporary direct income support measures to tackle the increase in road transport and heating fuel prices - with a limit of up to 37.5% of the total estimated cost of each national plan. It will also cover long-lasting structural investments, including buildings renovation, decarbonisation solutions and integration of renewable energy, purchasing and infrastructure for zero- and low-emission vehicles, as well as the use of public transport and shared mobility services.

Timeline and financing

At Parliament’s request, the SCF will start in 2026, one year before [the Emissions Trading System](#) (ETS) is extended to cover buildings and road transport (the so-called “ETS II”). If energy prices are exceptionally high, the ETS extension may be postponed by one year.

In the beginning, the fund will be financed through the revenues obtained from auctioning 50 million ETS allowances (estimated at around €4 billion). Once the ETS extension enters into force, the SCF will be funded from auctioning ETS II allowances up to an amount of €65 billion, with an additional 25% covered by national resources (amounting to an estimated total of €86,7 billion).

An [online press conference](#) with EP negotiations on the outcome of the ETS and SCF provisional agreements will take place on Monday, 19 December 2022, at 10.30 CET.

Quotes

Co-rapporteur [Esther de LANGE \(EPP, NL\)](#) said: "With this agreement we aim to ensure a fair energy transition for everyone. The Social Climate Fund will help vulnerable households in the energy transition, for instance with insulation vouchers or moving towards greener transport options. For Parliament, it was important that the fund would not be a blank cheque for member states. I am very happy we managed to ensure that the money will reach the most vulnerable under the right conditions."

Co-rapporteur [David CASA \(EPP, MT\)](#) said: "With this agreement on the Social Climate Fund, we are the closest we have ever been to ensuring that the climate transition will be fairer and more socially inclusive. In the pipeline are billions available to member states to invest in the energy needs of millions of households and small businesses. This is positive for our energy needs, for the climate, and for our citizens."

Next steps

Parliament and Council will have to formally approve the agreement before it can come into force.

Background

The Social Climate Fund is part of the "[Fit for 55 in 2030 package](#)", which is the EU's plan to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels in line with [the European Climate Law](#). MEPs have already negotiated agreements with EU governments on [CBAM](#), [CO2 cars](#), [LULUCF](#), [Effort Sharing](#) and [ETS aviation](#).

Further information

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