

Open letter: NGOs urge Council to agree on a comprehensive, bold and transformative Social Climate Fund

Dear Minister of Environment,
Dear Minister of Finance,
Dear Minister of Budget,
Dear Minister of Social Affairs
Dear Permanent Representative,

21 June 2022

With energy and food prices on the rise, energy and mobility poverty - already highly problematic before the current geopolitical and economical crisis - are an increasing problem across the EU. Without targeted investment and redistributive policies, the climate transition risks creating a two tier society. If wealthier households transition faster than those on low and middle incomes, inequalities will increase and public support for the transition will be at risk. That is why the Social Climate Fund (SCF) is a highly needed and indispensable part of the Fit for 55 package. The Fund should go beyond mitigating the social impacts of the new Emissions Trading System for buildings and road transport (ETS BRT) and aim to end energy and mobility poverty. In the meantime, it is essential to prevent and counter the unequal impacts that a new carbon price for these sectors will have in different member states.

We - the undersigned organisations - therefore urge you to protect and improve the integrity of the Commission's Social Climate Fund proposal and to negotiate the best possible design, implementation, and monitoring of the Social Climate Plans. Moreover, we are extremely concerned by reports of attempts by some member states to weaken the SCF, to limit it to only certain member states and to limit its size and scope in the Council. More concretely, we ask that the SCF:

- Has a minimum annual budget that corresponds to at least 25% of the ETS BRT revenues and increases proportionally if ETS BRT prices are higher than modelled by the Commission to determine the SCF starting budget. A budget that does not increase when carbon prices increase would generate unacceptable risk of societal harm and related backlash;
- Explicitly excludes support for fossil fuels in line with the exclusions in the Just Transition Fund (EU 2021/1056). We cannot accept that the SCF would support investments in so-called 'low-emission' technologies, only to lock low-income households into a carbon price for longer;
- Is open to all Member States with a climate neutrality target in national law, in order that they address, in a systematic and coordinated manner, the social impacts of carbon pricing and the transition on vulnerable households through the development of Social Climate Plans;

- Only supports additional measures to tackle energy and mobility poverty, as the challenges presented by the ETS BRT have the potential to exacerbate these issues and current efforts remain far from sufficient¹;
- Is built on binding Social Climate Plans with EU aligned energy and mobility poverty indicators and transparent and public monitoring and reporting on all of its elements;
- Mandates a balanced mix between financial compensation and investment support for low-income households. Investments are the key to unlocking a just transition, but will take time to ease families' energy bills and reduce energy and mobility poverty. Direct income support must therefore be put in place to bridge this time gap. As there is no 'one-size-fits-all' split between the two categories, the Commission should analyse the needs in each member state and advise a balanced split;
- Respects and adheres to the Partnership Principle by ensuring meaningful participation of all affected stakeholders, including the most vulnerable, in the shaping of Social Climate Plans and the split between income and investment support. This will contribute towards better tailoring the Plans to their needs and fostering greater public ownership and societal acceptance.
- Starts multiple years before the ETS BRT price kicks in. This can be financed by frontloading the ETS BRT revenues, based on the Commission's modelling to determine future prices.

We thank you for your consideration and remain at your disposal for any further exchange on the issue.

Your sincerely,



¹ Where measures address impacts of national carbon pricing systems which will be replaced by the EU-wide ETS BRT, we would suggest a recital is added to confirm that these measures would not be considered existing once the ETS BRT enters into force.