

The EU's Social Climate Fund and Social Climate Plan: Implications for Ireland

The [Social Climate Fund](#) (SCF) is part of the European Union's Fit for 55 package and is the first fund dedicated to counterbalancing the negative socio-economic effects of the extension of the Emissions Trading System (ETS 2) that will apply to the transport and heating & cooling sectors.¹ Social Climate Plans (SCPs) outline how Member States will allocate SCF resources and define programmes for the 2026-2032 period to address the social and distributional impacts of rising fossil fuel prices. EU Member States, are required to prepare, consult upon, and submit a national Social Climate Plan to the European Commission before June 30th, 2025. This briefing explains this important policy-making opportunity and aims to encourage advocacy and engagement for best practices and policies in Ireland's SCP.

What is ETS 2?

The new ETS 2 will regulate carbon dioxide emissions from fuel combustion in buildings, road transport, and additional sectors not covered by the existing EU ETS. It applies only to direct fuel combustion (e.g., oil and coal boilers) but excludes emissions from electricity and district heating, as these are already covered under the existing ETS.

It operates on a cap-and-trade principle, setting a limit on the total emissions from certain sectors. Fuel suppliers of coal, natural gas, heating oil, gasoline, and diesel will be responsible for purchasing and surrendering emissions certificates. Excess allowances can be traded, creating a market-driven mechanism to lower emissions cost-effectively. The number of allowances will decrease annually, with auctioning as the sole allocation method, generating revenue for Member States and the established Social Climate Fund (SCF).

Costs are expected to be transferred to consumers through increased fuel prices. The system will launch in 2025, with compliance requirements and allowance distribution commencing in 2027, when households

¹ European Union. (2023). *Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060*. Official Journal of the European Union, L130, pp. 1-22. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0955>. Accessed 27 Jan. 2025 and Council of the European Union. (n.d.). *Fit for 55: Social Climate Fund*. Available at: <https://www.consilium.europa.eu/en/infographics/fit-for-55-social-climate-fund/>. Accessed 27 Jan. 2025.

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and businesses will start experiencing the effects of carbon pricing. The carbon pricing under ETS2 will pose significant challenges for low-income households and small businesses, as they may struggle to absorb the increased costs or afford investments in renewable and electrified solutions like heat pumps or electric vehicles.

What is the Social Climate Fund?

While ETS 2 is designed to incentivise green investments and consumer behaviour changes, many low-income households and small businesses may struggle to afford such changes. Vulnerable groups risk being disproportionately affected by rising fuel prices without immediate alternatives.

The Social Climate Fund (created under Regulation (EU) 2023/955 of the European Parliament and of the Council establishing the Social Climate Fund (the SCF Regulation)), is designed to assist low-income and vulnerable households, micro-enterprises, and transport users by mitigating the socio-economic impacts of the transition to net zero. This is a targeted fund, focusing on providing both immediate support (e.g., income support) and long-term measures (e.g., structural renovations) to address energy and transport poverty as a result of the impact of ETS2. Its creation represents an important step in integrating a social policy and social justice aspect into EU climate policies, creates an opportunity to balance out the social cost of climate action as much as possible, and co-create reforms and investments by and for citizens.²

What is the Social Climate Plan?

- Under [Article 4\(2\) of the Social Climate Fund \(SCF\) Regulation](#), Member States must submit Social Climate Plans to the European Commission. These plans outline how they will allocate SCF resources and define programmes for the 2026-2032 period to address the social and distributional impacts of rising fossil fuel prices. Governments are also obligated to consult relevant stakeholders, including civil society organizations, during the development of their SCPs.
- Under Article 4(2) of the Social Climate Fund (SCF) Regulation, final SCPs must be submitted to the European Commission before June 30th, 2025. Before any disbursements are made, plans will be assessed and either approved or rejected by the Commission, depending on four principles: relevance, effectiveness, efficiency, and coherence. Ensuring good quality of Plans is key to ensuring a timely approval. Payments may be requested twice a year, with the first payments eligible in 2026.

² For additional information, also see, for example: Friends of the Earth Europe. EU Social Climate Fund Briefing, Sept. 2024, https://friendsoftheearth.eu/wp-content/uploads/2024/09/Final_EU-Social-Climate-Fund-briefing-1.pdf. Accessed 3 Oct. 2024 and also see, for example: European Environmental Bureau. Green Solidarity - Guiding Principles for a Truly Just Social Climate Fund, 2024, eeb.org/library/green-solidarity-guiding-principles-for-a-truly-just-social-climate-fund/ Accessed 14 Jan. 2025.

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- The Plans must be fully operational by 2026 before the ETS2 comes into force in 2027.

There are two important considerations for SCF implementation:³

- **Identifying national vulnerabilities:** The first step focuses on understanding and identifying national patterns of vulnerability. This includes determining where and to whom funds should be directed, monitoring progress, and evaluating whether the funds are effectively addressing the most critical needs. This analysis forms the essential basis for national Social Climate Plans. The SCF Regulation stipulates that eligible measures should primarily focus on supporting vulnerable groups. Vulnerability is defined in relation to the impact or burden of the ETS 2 carbon price. Specific definitions are provided for identifying 'vulnerable households,' 'vulnerable transport users,' and 'vulnerable micro-enterprises.'
- **Developing and implementing tailored measures:** The second step requires designing and implementing measures that align with national priorities, ensuring that the available financing generates long-term benefits for vulnerable groups. While the SCF Regulation outlines the scope, objectives, and eligible measures, the responsibility for tailoring and executing these measures rests with national governments in collaboration with local-level partners. Achieving the SCF's goals will necessitate a broad range of context-specific investments and initiatives.

Member States will be required to co-finance at least 25% of their national Social Climate Plans in addition to the funding provided by the SCF. To meet this requirement, they can allocate a portion of the revenues generated from auctioning allowances under ETS 2.

In accordance with Regulation (EU) 2023/955, Member States should incorporate the following in their national Social Climate Plans (SCPs):⁴

- A summary of the public consultation process, including stakeholder input and how it was considered in the plan's development (Articles 5(2) and 6(1n)).

³ Eden et al. "Putting the ETS 2 and Social Climate Fund to Work: Impacts, Considerations, and Opportunities for European Member States", 2023. https://adelphi.de/system/files/document/policy-report_putting-the-ets-2-and-social-climate-fund-to-work_final_02.pdf. Accessed 3 Oct. 2024.

⁴ Eden et al. (2023).

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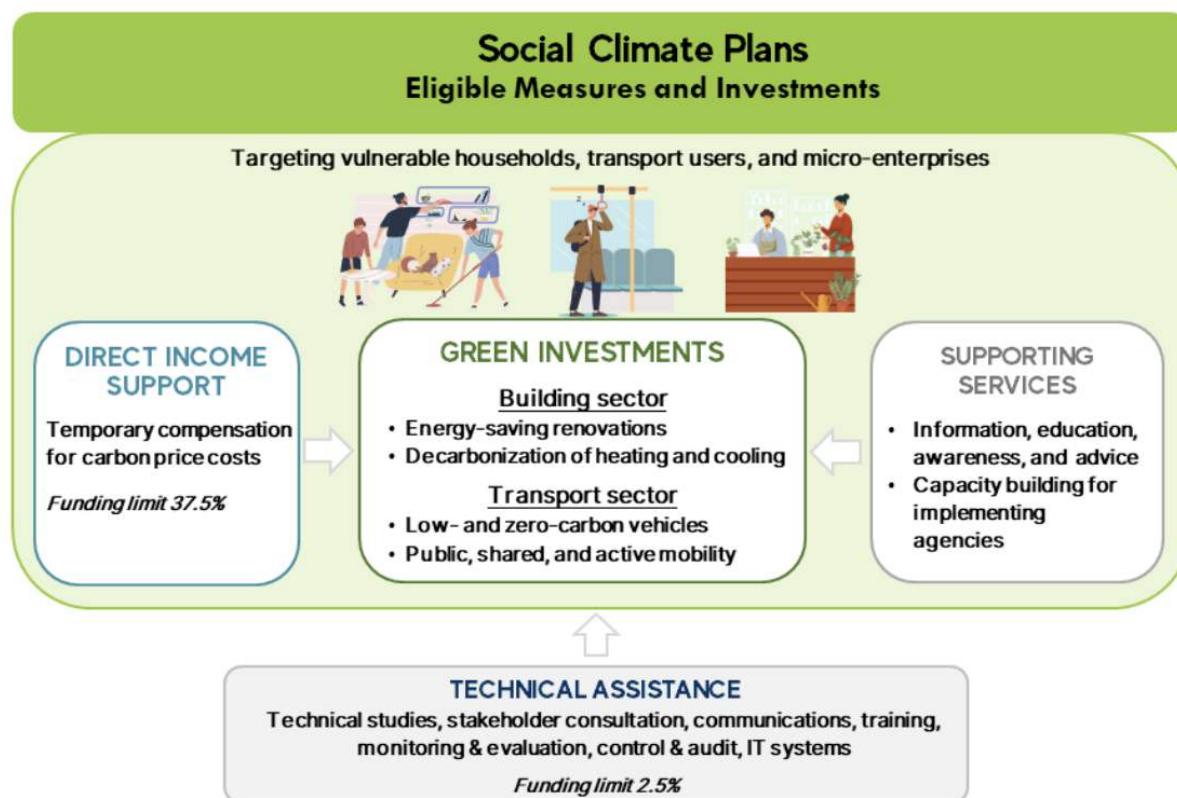
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- Details of specific new and existing national eligible measures and investments designed to alleviate the burden on households caused by the inclusion of buildings and road transport under the ETS Directive. Measures should address the social impacts of the carbon price, contribute to a fair transition, aim for structural solutions and avoid fossil fuel lock-in. Measures and investments should align with the "Do No Significant Harm" (DNSH) principle as defined in Regulation (EU) 2020/852. Where relevant, local and regional measures should also be incorporated (Articles 4(4) and 6(1a, d)).
- Prioritisation of green investments, focusing on measures and investments that reduce energy consumption among target groups. Temporary direct income support may also be provided to these groups as a complementary measure. This support should be viewed as transitional, gradually decreasing over time until the cost-saving benefits of energy-saving initiatives are realised. (See Fig. 1 below).
- An estimate of the effects of energy price increases due to the introduction of ETS 2, with a focus on energy and transport poverty, while considering national and regional specificities (Article 6(1d)).
- The estimated number of vulnerable households and transport users, including details on the process used to identify them and how the SCF definitions of energy and transport poverty were applied (Article 6(1e)).
- The total costs expected for implementing the plan, including the Member State's own financial contribution.
- Justifications demonstrating that the proposed measures are additional to existing efforts and do not replace recurring budgetary financing.
- Criteria for determining the eligibility of final recipients for direct income support, along with time limits for such support, its justification, and the role of these measures in reducing energy and transport poverty.
- Explicit targets, milestones, and an indicative timeline for the plan's implementation (Article 6(1h)).
- Ensure consistency with National Energy and Climate Plans and other relevant directives (Article 4, Annex V).

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Figure 1: The scope of potential measures, investments, and supporting activities eligible under the Social Climate Fund (Image source: [Eden et al., 2023](#)).



The Commission has [published a formal note on good practices for cost-effective measures and investments](#).⁵ The Commission will also issue technical guidance to help Member States apply the Do No Significant Harm principle within the scope and objectives of the Fund. Although a consultation was held in August 2024, this final guidance had not yet been published as of January 2025. [Draft guidance](#) (which informed the consultation) was published in mid-2024.⁶

⁵ European Commission: Directorate-General for Climate Action, Ludden, V., Laine, A., Vondung, F., Koska, T. et al., Support for the implementation of the Social Climate Fund – Note on good practices for cost-effective measures and investments, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2834/602067>. Accessed 14 Jan. 2025.

⁶ European Commission. (n.d.). *Technical guidance on the application of the 'Do No Significant Harm' principle under the Social Climate Fund*. Available at: https://climate.ec.europa.eu/document/download/d5e8c9e7-2c5b-4089-84f8-c577a4fe560e_en?filename=policy_scf_dnsh_guidance_en_0.pdf. Accessed 27 Jan. 2025.

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What are the public participation requirements?

The SCF Regulation (Article 5) incorporates public consultation obligations of Article 10 of the Governance Regulation, and the SEA Directive. Together, at minimum these require Member States to:

- Prepare a draft plan, and a draft strategic environmental assessment report (SEA-R) that outlines the environmental impacts of the plan and any reasonable alternatives.
- carry out early public consultation on the draft plan and draft SEA-R with the general public and targeted consultations with key stakeholders—such as local and regional authorities, representatives of economic and social partners, civil society organisations, research and innovation bodies, youth organisations, and social dialogue representatives—before finalising the SCP and SEA-R, in accordance with their national legal framework.
- The consultations should be conducted in a manner that supports engagement by both experts, the lay public, and marginalised groups.;
- The obligation to consult includes the public in a transboundary context, so a screening needs to be done to identify the transboundary impact of this key national climate planning tool, and which jurisdictions need to be consulted. At a minimum this would have to include the public in Northern Ireland. Notification should be made to the designated authority (DAERA) of the making of the plan, input sought from them, and they should be requested to carry out a consultation in Northern Ireland on the plan.
- provide the public with a report summarising the input received during the consultation and how it influenced the plan; and
- In the SCP, using a standardised template, detail the consultation process and how the consultation's outcomes have been integrated into the SCP.

The Commission has issued a [note to Member States](#) on good practices for public consultations.⁷ This guidance recommends that the process is inclusive by engaging a diverse range of stakeholders, including vulnerable groups, to adequately address their needs and concerns. To ensure transparency and accountability, Member States should make consultation materials, stakeholder inputs, results, and the integration of these inputs publicly accessible. Member States are advised to map and identify relevant stakeholders, focusing on those directly or indirectly impacted by the SCP and the SCF. The Commission [guidance note](#) to Member States issued previously on Article 10 of the Governance Regulation is also

⁷ European Commission: Directorate-General for Climate Action and Gelibolyan, K., Support for the implementation of the Social Climate Fund – Note on good practices of public consultation for the Social Climate Plans, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2834/49708>. Accessed 14 Jan. 2025.

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relevant here, as the requirements of Article 10 on public consultation are explicitly adopted in Article 5 of the SCP Regulation.

What do we currently know about the development of Ireland's Social Climate Plan?

In July 2023, the then [Minister for the Environment, Climate, and Communications stated](#) that the public consultation for the Social Climate Plan would build on ongoing efforts, including measures from the 2022 Energy Poverty Action Plan and the National Residential Retrofit Plan, and the redistribution of carbon tax revenues.⁸ The Minister also noted at that time that Ireland proposes to use existing platforms, such as the National Dialogue on Climate Action, as well as other methods for public engagement.

In [their assessment](#) of [Ireland's draft National Energy and Climate Plan](#), the European Commission noted several deficiencies relevant to the SCF and SCP, including the absence of crucial information regarding the governance of the Fund, the process for drafting the SCP, and the methodology for identifying potential beneficiaries, and other key elements vital for the Fund's effective implementation. The Commission emphasised the need for Ireland to strengthen measures to address energy poverty and social inequalities arising from climate policies and stressed the importance of using the SCF effectively to support households, micro-enterprises, and transport users who are most at risk of energy poverty.

As of 12 February 2025, no further clarification on the timeline for the public consultation has been issued.

⁸ Oireachtas. (2023). *Written answers – Social Climate Plan public consultation timeline*. 5 July 2023. Available at: <https://www.oireachtas.ie/en/debates/question/2023-07-05/58/>. Accessed 27 Jan. 2025.

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