

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 (ETS₂) 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 ETS₂?

The new ETS₂ 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 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

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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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 ETS₂ 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 vulnerable households, vulnerable micro-enterprises, and vulnerable 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

The Fund focuses on three key areas: energy efficiency and decarbonisation of buildings; promoting clean mobility, and temporary direct income support. Importantly, the SCF's emphasis on targeted support is a fundamental principle that must be upheld across all key areas.

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

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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- ensuring a timely approval. Payments may be requested twice a year, with the first payments eligible in 2026.
- The Plans must be fully operational by 2026 before the ETS₂ comes into force in 2027.

There are two important considerations for the development and delivery of national SCPs:³

- **Identifying national vulnerabilities:** The first consideration 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 SCPs. 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 ETS₂ carbon price. Specific definitions are provided for identifying 'vulnerable households,' 'vulnerable transport users,' and 'vulnerable micro-enterprises.'
- **Developing and implementing targeted measures:** The second consideration requires designing and implementing measures that align with national priorities, ensuring that the available financing generates long-term benefits for vulnerable groups. The SCF focuses on three key areas:
 - energy efficiency and decarbonisation of buildings (measures should aim to improve building energy efficiency, reduce carbon emissions, and alleviate energy poverty by supporting insulation upgrades, renewable energy installations, and efficient heating, cooling, and cooking systems for vulnerable households and micro-enterprises).
 - promoting clean mobility (measures should focus on expanding access to sustainable transport, promoting affordable public transport, shared mobility, and active travel options, reducing transport poverty and enhancing access to essential services).
 - and temporary direct income support (Member States can offer temporary income support to vulnerable groups affected by ETS₂, phasing it out as structural measures take hold).

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.

To ensure national commitment, Member States must co-finance at least 25% of their national SCPs in addition to funding from the SCF. In addition to revenues from ETS₂ allowance auctions, government can use funds from national, regional, or local budgets. The European Commission will assess the proportionality and alignment of these contributions to ensure SCPs effectively support vulnerable

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.

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households, micro-enterprises, and transport users while integrating into broader climate and social policies.

To assist Member States with planning, the Commission has published technical guidance notes on:

- [Good practices for cost-effective measures and investments](#)⁴
- [Guidance on the Social Climate Plans](#)⁵
- [Technical guidance on applying the 'do no significant harm' principle under the Social Climate Fund Regulation](#), and [Annexes](#)⁶

In accordance with [Regulation \(EU\) 2023/955](#) and as per the European Commission's [Notice on Guidance on the Social Climate Plans](#) (C(2025) 881 final), Member States should incorporate the following in their national SCPs:⁷

- 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)).
- Milestones and targets for the eligible measures and investments covering the following areas: energy efficiency, building renovations, zero-/low-emission mobility and transport, greenhouse gas emission reductions, and reductions in the number of vulnerable households (Article 7(2)). 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. SCP measures should not only provide short-term financial relief for vulnerable groups but also drive long-term systemic change, ensuring that households, micro-enterprises, and transport users can shift towards fossil-free alternatives. Member States must demonstrate how SCP interventions will contribute to the phasing out of fossil fuel dependence, preventing investments that prolong the use of high-emission energy sources. Temporary direct income support may also be provided to 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). Where relevant, local and regional measures should also be incorporated (Articles 4(4) and 6(1a, d)).

⁴ 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.

⁵ European Commission. (2025) *Commission Guidance on the Social Climate Plan (C/2025/881)*. Available at: https://climate.ec.europa.eu/document/download/9fbce2e3-5052-4d61-874a-54af0c7dbf55_en?filename=c_2025_881_part_1_en.pdf. Accessed 11 March 2025.

⁶ European Commission. (2025) *Commission Delegated Regulation (EU) 2025/880: Guidance on the Social Climate Fund and Do No Significant Harm Principle*. Available at: https://climate.ec.europa.eu/document/download/2f3269ea-fb02-4481-a1d5-3453ba3172ea_en?filename=c_2025_880_part_1_en.pdf. Accessed 11 March 2025.

⁷ Eden et al. (2023).

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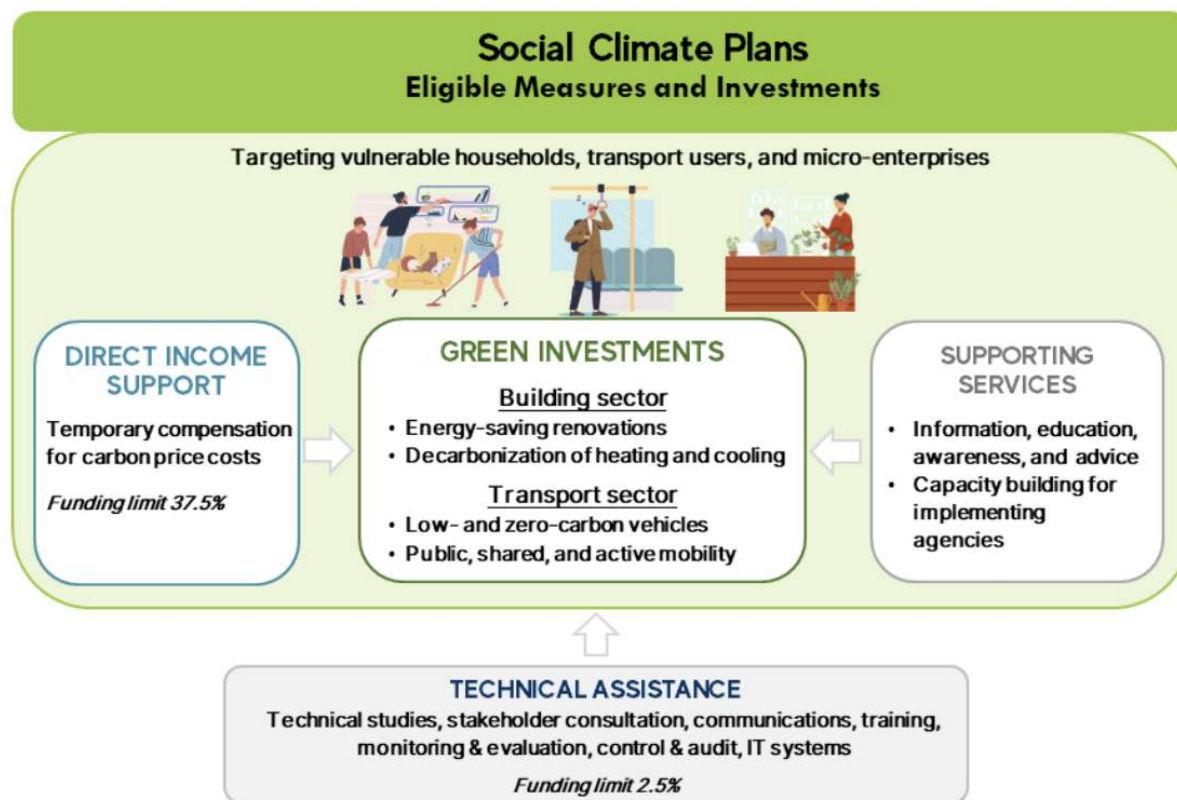
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- An estimate of the effects of energy price increases due to the introduction of ETS2 on energy and transport poverty (Articles 6(1d) and 6(1e)).
- The estimated number of vulnerable households, vulnerable transport users, and vulnerable micro-enterprises, 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 from national public sources and how the national co-financing is allocated across measures and investments (Article 15).
- Justifications demonstrating that the proposed measures are additional to existing national efforts and do not replace recurring budgetary financing (Article 13(2)). Funds must finance new measures or expand existing programmes, rather than replace national expenditures. This ensures resources are directed toward new climate and social initiatives rather than pre-existing policies.
- A clear breakdown of funding sources to prevent double funding and an explanation on how double funding from other EU sources (e.g., Recovery and Resilience Facility, Cohesion Policy) will be avoided (Article 6(1)(c)).
- Criteria for determining the eligibility of final recipients for temporary direct income support, its justification, along with a clear timeline for the phasing out of such supports (Article 6(1)(j)).
- Detail on how the measures and investments aim to tackle gender inequality and enhance gender equality and social inclusion (Article 6(1)(q)). Plans should include gender-specific energy and transport poverty impacts.
- A framework for tracking implementation and effectiveness through targets, quantifiable indicators and milestones (Article 6(1h)). Plans should specify how progress will be reported to the Commission through biennial assessments.

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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).



Measures and investments should align with the "Do No Significant Harm" (DNSH) principle as defined in Regulation (EU) 2020/852 and as per Article 6(1)(I) and Article 7(3) of the SCF Regulation. This means that SCP investments must exclude fossil fuel infrastructure or any activities that extend reliance on greenhouse gas emission energy sources. Failure to comply with the DNSH principle can result in the rejection of SCP funding and delays in plan approval, limiting Ireland's ability to access essential EU financial support.⁸ To ensure compliance and environmental integrity, SCP measures should proactively

⁸ European environmental NGO's have raised a number of concerns regarding the effectiveness and robustness of the DNSH framework. Concerns have been raised by climate organisations, including CAN Europe, about inconsistent implementation and ambiguous definitions within the framework. CAN Europe has emphasised the need for a uniform and science-based approach across all EU funds to avoid loopholes that allow environmentally harmful projects to be classified as DNSH-compliant. For example, the inclusion of hybrid heating systems and low-emission vehicles as eligible SCP investments could inadvertently lock vulnerable households into long-term fossil fuel

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align with the highest environmental standards, ensuring investments do not contribute to fossil fuel lock-in or undermine long-term EU climate objectives.

Is there a need for compatibility with other EU Climate and Social Policies?

As per Article 6(3) of the SCF Regulation, the SCP must align with a Member State's existing social, economic, and climate commitments under key EU policies and national strategies. This includes adherence to the EU State-Aid rules, the European Pillar of Social Rights Action Plan, as well as integration with cohesion policy programmes, recovery and resilience plans, and territorial just transition plans. Additionally, the SCP must support national efforts under the Energy Performance of Buildings Directive and align with the updated National Energy and Climate Plan (NECP) to ensure a coordinated approach to decarbonisation, social inclusion, and economic resilience.

The SCP must be compatible with the European Pillar of Social Rights to ensure it safeguards fundamental social needs, particularly housing, transport, and social inclusion (Article 6(3)(a)):

- Specifically, Principle 20 guarantees access to essential services, including energy and transport, while Principle 19 advocates for quality social housing and financial support to improve energy efficiency and reduce costs for low-income households.
- Additionally, SCPs must address Principle 11, which focuses on poverty protection for disadvantaged communities, particularly as the ETS₂ could lead to rising energy and transport costs.
- SCPs should support sustainable and quality jobs in building renovation, energy efficiency, and clean mobility, aligning with the EPSR Action Plan, which seeks to reduce poverty and social exclusion for at least 15 million people by 2030.

What are the public participation requirements?

The SCF Regulation (Article 5(1)) requires Member States to:

- carry out early public consultation 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 submitting their SCP, in accordance with their national legal framework;
- provide a summary of the input received during the consultation; and

dependency. Additionally, unclear definitions, such as what constitutes a “considerable share of renewable energy” in hybrid heating systems, create opportunities for misinterpretation and weakened climate ambition. The European Commission has been urged to establish strict, measurable criteria to prevent DNSH assessments from becoming a box-ticking exercise that lacks enforceability. See Climate Action Network (CAN) Europe. (2024) *Contribution on the Do No Significant Harm principle in the Social Climate Fund (SCF)*. Available at: https://caneurope.org/content/uploads/2024/09/CAN-E_Contribution_DNSH_SCF.pdf. Accessed: 11 March 2025.

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- using a standardised template, detail 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.⁹ 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.

For a more detailed overview on the public participation requirements, read EJNI's briefing: *Public Participation and Ireland's Social Climate Plan (2025)*, available [here](#).

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.¹⁰ 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 March 2025, no further clarification on the timeline for the public consultation has been issued.

⁹ 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.

¹⁰ 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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