



EUROPEAN COMMISSION

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C(2022) 5777 final*

*Mr Roberto FICO  
President of the Camera dei Deputati  
Piazza Montecitorio  
IT 00100 ROMA*

*Dear President,*

*The Commission would like to thank the Camera dei Deputati for its Opinion on the proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund {COM(2021) 568 final}.*

*The proposal forms part of the Commission's 'Fit for 55' package, which includes a set of interconnected and integrated proposals designed to cut net greenhouse gas emissions in the European Union by at least 55% by 2030. It also paves the way to achieving climate neutrality by 2050, in line with the binding objective set out in the European Climate Law<sup>1</sup>. The proposed actions respond to the need to ensure a just, inclusive and robust green transition where no one is left behind.*

*The Social Climate Fund proposes to address the social impact of the proposed emissions trading for buildings and road transport on vulnerable households, vulnerable micro-enterprises and vulnerable transport users. At the same time, the mechanism through which the Social Climate Fund would work is even more relevant in view of the pre-existing energy poverty issues.*

*The Commission carefully analysed the Camera dei Deputati's Opinion and appreciates its favourable assessment. As regards the points to which the Camera dei Deputati has drawn the Commission's particular attention, the Commission would like to make the following comments.*

*On the necessity for a **careful assessment of the effects and appropriateness of the Social Climate Fund**, the Commission would like to mention that the proposal for establishing the Fund is based on two relevant impact assessments regarding the Climate Target Plan (CTP IA)<sup>2</sup> and the revision of the Emissions Trading System Directive (ETS*

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<sup>1</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law').

<sup>2</sup> SWD(2020) 176

IA)<sup>3</sup>. The CTP IA found that an increase of the 2030 emission reduction target to at least 55% increases the share of energy related household expenditures by around 0.7 to 0.8 percentage points. The ETS IA refines this analysis, finding that emissions trading for buildings will not affect households equally, but would likely have a regressive impact on disposable income, as low-income households, in particular in low-income Member States, tend to spend a greater proportion of their income on heating. With regard to road transport, the CTP IA recognised the central importance of investments and the ETS IA found that it is typically the lower-middle and middle parts of the household income classes where the proportion of spending on transport is highest. The ETS IA concludes that, while carbon pricing reduces carbon emissions and increases energy and transport costs for consumers, at the same time it raises revenues which can be used to address social impacts.

Moreover, together with the proposal for a Council Recommendation on ensuring a fair transition, the Commission put forward a Staff Working Document<sup>4</sup> which summarises current trends and expected impacts of the measures under the 'Fit for 55' package and the impact of policies to overcome potentially unintended effects, with a particular focus on the EU labour market and distributional – or welfare – aspects.

As regards the size of the Fund, taking into account the analysis made, the Commission considers that the Fund provides an adequate amount to protect vulnerable groups from cost increases due to the new emission trading for buildings and road transport. The size corresponds in principle to an amount equivalent to 25% of the expected revenues from the new emissions trading, matched by an equivalent share of national contributions. Total spending on addressing the social impacts of the new carbon pricing should, therefore, correspond to around half of projected emissions trading revenue.

It also has to be noted that the proposal provides for an evaluation of the Social Climate Fund by the Commission by July 2028, including of its financial envelope. If needed, the Commission can propose amendments.

Where the Camera dei Deputati points to **resources to be directed towards income support measures** together with other measures and investments for the weakest sections of society, the Commission agrees that well targeted direct income support for the most vulnerable would help the just transition. However, the Commission made it clear in its proposal that such support should be a temporary measure accompanying the decarbonisation of the housing and transport sectors. It would not be permanent as it does not address the root causes of energy and transport poverty challenges, which can only be achieved through structural investments to reduce vulnerable groups' fossil fuel consumption and, in turn, energy bills.

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<sup>3</sup> SWD(2021) 601

<sup>4</sup> SWD(2021) 452

*The Commission shares the opinion of the Camera dei Deputati that the proposed Fund should have **strong synergies with all other possible financial resources and programmes** to implement the green transition. In accordance with the Commission proposal, Member States should foster synergies and ensure effective coordination between the Fund and other European Union programmes and instruments, including the InvestEU Programme, the Technical Support Instrument, the Recovery and Resilience Facility, and the cohesion policy programmes. The Social Climate Plans should be coherent with the reforms planned and the commitments made by the Member States in their updated integrated national energy and climate plans under the Governance Regulation, as well as in other relevant European Union legislation and programmes, in particular the Energy Efficiency Directive, the Energy Performance of Buildings Directive, Recovery and Resilience Plans, the European Pillar of Social Rights Action Plan, the European Social Fund Plus and the territorial just transition plans.*

*On the consideration of the Camera dei Deputati for **extending the range of beneficiaries of the Fund**, the Commission agrees that some groups might be more exposed to carbon pricing measures. As indicated in the proposal, women are particularly affected by carbon pricing as they represent 85% of single-parent families. Single parent families have a particularly high risk of child poverty. Gender equality and equal opportunities for all, and the mainstreaming of those objectives, as well as questions of accessibility for persons with disabilities should be taken into account and promoted throughout the preparation and implementation of plans to ensure that no one is left behind. Notably, the proposed definitions of vulnerable households, vulnerable transport users and vulnerable micro-enterprises are sufficiently broad to allow Member States to identify the specific groups, including for instance persons with disabilities or single parents, which would be significantly affected by the new carbon pricing in the specific national context.*

*The points above reflect the initial proposal presented by the Commission, which is currently in the legislative process involving both the European Parliament and the Council. The Camera dei Deputati's Opinion has been made available to the Commission's representatives in the ongoing negotiations and will inform these discussions.*

*The Commission hopes that the clarifications provided in this reply address the questions raised by the Camera dei Deputati and looks forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Adina-Ioana VĂLEAN  
Member of the Commission*