

To: Mr. Wopke Hoekstra, European Commissioner for Climate, Net Zero & Clean Growth;
Mr. Dan Jørgensen, European Commissioner for Energy and Housing;
Ms. Teresa Ribera, Executive Vice-President for a Clean, Just and Competitive Transition;
Ms. Roxana Mînzatu European Commissioner for Social Rights and Skills, Quality Jobs and Preparedness.

Subject: Open letter on protecting the Social Climate Fund, following the suggestion to postpone ETS2

Dear Commissioners,

The 43 undersigned organisations and coalitions are writing to you with concern regarding the latest developments around ETS2, and their potential implications on the Social Climate Fund. The Council's and Parliament's positions on the 2040 climate target both call for a 1 year postponement of ETS2¹, which we strongly oppose.² Delaying the introduction of ETS2 will postpone critical climate action and raise prices in 2028, while costing Member States €50 billion in lost auction revenues. **This creates uncertainty as to whether the Social Climate Fund will be affected/cut.**

We share the concern of 19 Member States that vulnerable households and microenterprises will shoulder an increasing burden for decarbonisation. **We therefore call for the strong protection, and enhancement of the role of the Social Climate Fund**, through the following approaches:

- **Ensure that the Social Climate Fund begins in full-size in 2026 as planned**, leveraging additional ETS1 revenues, frontloading additional ETS2 revenues and increased co-financing by Member States.³ The most effective way to stabilise ETS2 prices is to implement ambitious place-based decarbonisation policies in the buildings and transport sectors targeted at vulnerable households who cannot react to the price signal, as soon as possible.
- **Apply Social Climate Fund spending principles to the upcoming Frontloading Facility.** The Frontloading Facility can boost financing for Social Climate Plans and strengthen support to vulnerable households, by allowing Member States access to the lending facility to finance their planned investments after approval by the Commission.⁴

¹ Council of the European Union, 2025. [Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation \(EU\) 2021/1119 establishing the framework for achieving climate neutrality - General approach](#); European Parliament, 2025. [EU 2040 climate target: MEPs want 90% emissions reduction in EU climate law](#).

² Carbon Market Watch, 2025, [Open letter on MSR2 reform and suggestion to postpone ETS2](#)

³ Carbon Market Watch, 2025, [Joint letter to establish an EU lending facility for ETS2 revenue for member states](#)

⁴ Carbon Market Watch, 2025, [Joint letter to establish an EU lending facility for ETS2 revenue for member states](#)

- **Ensure that Member States submit ambitious Social Climate Plans (SCPs) in time.** Many countries are yet to present a full public draft SCP, such as Denmark which currently holds the presidency of the Council, and major countries, like France and Germany (who also have a very strong leverage in determining the future prices of ETS2). Civil society has been tracking and rating the public Social Climate Plans,⁵ offering transparency, and encouraging increasing ambition. Timely submission of the plans is also important to maximize synergies with the National Building Renovation Plans and secure funding for renovations with a focus on vulnerable households. The Commission should work closely with civil society, representatives of vulnerable households, researchers, and the renewables industry, to ensure that the SCPs are ambitious, tailored to beneficiaries, and effective.⁶
- **Encourage Member States to top up their Social Climate Plans with progressive fiscal policies.** This includes, inter alia, redirecting fossil fuel subsidies, taxes on aviation, wealth and the profits of fossil fuel companies. To make the energy transition more socially just, Member States must address adverse distribution impacts by aligning their fiscal systems with redistributive goals.⁷
- **Conduct an impact assessment of all the SCPs**, to take stock of the number of vulnerable households, transport users, and micro-enterprises, whose needs remain unaddressed.

Further adaptations in the context of the post 2030 financial framework

- **Uncap the Social Climate Fund and link it to actual carbon revenues**, to ensure that the proportion of funding available to provide support for the most vulnerable increases as ETS2 price increases. We recall that the Social Climate Fund is one of the most effective instruments to safeguard vulnerable households and micro-enterprises, as well as a key instrument to stabilise ETS2 prices.
- **Extend the Social Climate Fund beyond 2032**, as a permanent instrument dedicating a share of ETS2 revenues to vulnerable people.

We call on the Commission to clearly and publicly communicate that the Social Climate Fund will not be impacted by a potential delay in ETS2. Instead, the Social Climate Fund should be expanded and extended. This is a vital tool to protect vulnerable households, ensure social acceptance of the transition, and hedge against potential ETS2 price increases.

⁵ REScoop.eu, 2025, [Social Climate Fund Tracker](#)

⁶ Recent analysis by over 46 civil society organisations of 19 SCPs showed that Member States are progressing, but that there is still an ambition gap; REScoop.eu, 2025, [Race to the top: Reform and investment proposals for the Social Climate Plans](#).

⁷ Taking into account inequalities in energy, resource, and carbon footprints.

Signed:

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