

FSR Climate Annual Conference 2022 – 8th edition

Friday 2 December

10:00-12:15 | Session – Emissions trading

Presenter: Johanna CLUDIUS (Öko-Institut)

Title: *An ETS-2 for buildings and road transport: Impacts, vulnerabilities and the role of the Social Climate Fund*

Abstract:

In July 2021, the European Commission published its proposal for setting up a separate ETS covering the building and road transport sectors in EU member states. Along with this proposal, the Commission also proposes to set up a Social Climate Fund (SCF) mobilizing €72.2 billion for the period 2025-2032 and addressing adverse distributional impacts arising from this new system. It is well known that the burden of carbon pricing falls disproportionately on countries, regions and households with low incomes and a high consumption of fossil fuels (e.g. commuters, those living in inefficient buildings). The proposed Social Climate Fund addresses these concerns by redistributing part of the funds to member states with a lower income level. In its definition of vulnerable households, it goes beyond the classic categories of low vs. high income households. Rather than distributing funds as lump-sum payments, the proposal text emphasizes the need to facilitate low-carbon investments for vulnerable households and consumers. In this paper, we investigate the following research questions: What are the expected impacts of the ETS-2 on households and member states and can the Social Climate Fund address these impacts? How can more complex vulnerability indicators help in identifying the most vulnerable? What is the role of the Social Climate Fund in facilitating low-carbon investments for the most vulnerable thus going beyond lump-sum payments?

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Webpage and programme [here](#)