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Zukunft KlimaSozial
Institute for Social Climate Policy

Policy Brief
Examples of socially just climate policies in Europe

Why are socially just climate policies necessary?

On the road to climate neutrality in the EU by 2050, there is still a **discrepancy between** the targets and the projected emissions as the most recent EU Climate Action Progress Report has shown. While emission reductions in the electricity and industry sectors are on track to reach at least the 2030 climate targets, the progress in the building and transport sectors is still too slow. In these sectors, households in particular will need to reduce their emissions. The **social impact of climate policy** is therefore becoming more tangible for people and is shifting into focus.

A key element for achieving climate targets in these sectors is the **second emissions trading scheme** for buildings and transport (ETS2) at European level, which will start in 2028. The ETS2 alone has a social imbalance, as richer households tend to be less burdened by a carbon price. In addition, they are more likely to have the means to reduce their emissions by switching to an electric vehicle or a heat pump. For a socially just transition, it is therefore important to complement the carbon price with socially differentiated subsidies, infrastructure expansion, regulation and a targeted direct income support. In order to provide targeted support to vulnerable households that are particularly affected by the carbon price and do not have a high income, the **Social Climate Fund** has been introduced in 2026.

Policy measures are needed that reduce emissions while ensuring social fairness. These **socially just climate policies** are already being implemented in many European countries. As the EU enters the implementation phase of ETS2 and the Social Climate Fund, it is worth taking a look at which instruments have been implemented already in Europe and what we can learn from them. Mutual learning from these experiences can help designing and implementing more effective and socially fair policy measures complementing the ETS2. Here we highlight seven European examples of socially just climate policies in the buildings and transport sector (see Figure 1).

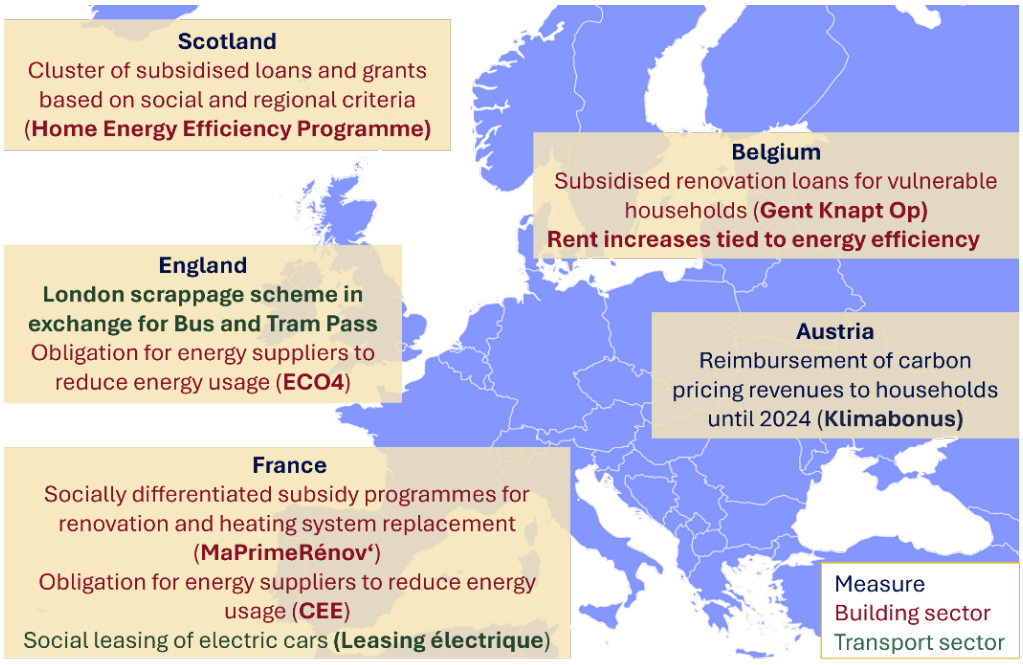

Figure 1: Own illustration. Selected examples of socially just climate policies in Europe.

Socially just climate policies for renovation and heating system replacement

1. Socially differentiated subsidies for renovation and heating system replacement: MaPrimeRénov' (France)

MaPrimeRénov' is a subsidy programme for homeowners who want to renovate their house or replace their heating system. The subsidy amount depends on income, the number of people living in the household and whether the home is located inside or outside Paris: the subsidy covers up to 80 per cent for the lowest income category and up to 10 per cent for the highest. The subsidy requires that the energy efficiency performance of the building is improved by at least two classes and a higher subsidy is granted if the performance increases by three classes. Anyone who is subsidised is obliged to make use of a renovation support service offered by a central agency. The costs for this are fully refunded for people with low incomes.

WHAT CAN WE LEARN FROM THIS?

Households with lower incomes receive a larger subsidy for renovation and heating system replacement. This enables them to participate in the transformation. Renovation is good for the climate, but it also combats energy poverty, contributes to a higher living comfort and reduces health risks from mould in winter and heat in summer.

Households are supported in their renovation efforts by a central agency and a renovation support service.

2. Affordable renovation loans for vulnerable households (Belgium, Scotland)

The **Gent knapt op** programme in the Belgian city of Ghent supports low-income households living in poorly renovated houses and lack the capital for renovations. These vulnerable households can apply for a renovation loan of up to 45,000 euros under the programme. The loan only has to be repaid if the house is sold or rented out.

Low-income households in Scotland can also obtain low-interest loans for renovation costs. The **Home Energy Efficiency Programme**, which combines various subsidy programmes, provides targeted support for renovation and offers the option of a 0% interest loan for the remaining costs. The *Scottish Index of Deprivation* is used to identify areas where particularly large numbers of people live in poorly renovated houses. They receive targeted support.

WHAT CAN WE LEARN FROM THIS?

Low-interest loans, which only become due when the property is sold or rented out, enable households without capital to renovate. Loans can be combined with subsidies.

Area-based subsidies can provide targeted support to neighbourhoods where many households are affected by energy poverty. This also allows the potential of serial renovation to be utilised better.

3. Obligation of energy supply companies to save energy (UK and France)

In many European countries, such as the UK and France, there have been systems in place for a long time that oblige energy supply companies to save energy. The companies can trade in savings certificates (also known as **white certificates** or **certificats d'économie d'énergie**, CEE) and decide for themselves how they do this and which energy efficiency measures they implement for their customers. The revenues from the savings are usually distributed among all customers. The social impact depends on the specific structure of the system. In France and the UK, energy-poor households in particular benefit from the energy savings. In France, the **Slime** programme is financed through this scheme. It supports and assists households suffering from energy poverty in identifying problems and finding individual solutions. The programme operates at local level. In the UK, the current phase of the **energy company obligation ECO4** programme focuses on households with very poor energy efficiency and those affected by energy poverty. Systems that require energy savings are also proposed in the EU's Energy Efficiency Directive and are financially cost-neutral.

WHAT CAN WE LEARN FROM THIS?

- Energy efficiency trading systems can support the implementation of the European Energy Efficiency Directive.
- The programmes can be designed in such a way that households affected by energy poverty in particular benefit from them.

4. Rent increases tied to energy efficiency (Belgium)

During the energy crisis, the possibility of increasing rent in Belgium was tied to the energy efficiency of the building. For very poorly renovated houses, the rent could not be increased in line with inflation, as it is usually the case. The measure had two objectives: Firstly, it protected households that were particularly affected by high energy prices from further rising costs. Secondly, it offered landlords an incentive to renovate energy-inefficient houses. As a result, the number of renovation applications increased. The measure was limited to one year during the energy crisis.

WHAT CAN WE LEARN FROM THIS?

- Connecting the possibility of rent increases to the energy efficiency of a flat in tenancy law provides an incentive for landlords to renovate and protects low-income households, who often live in the least energy-efficient homes, from cost increases.

Socially just climate policies for transport

5. State-subsidised leasing of electric vehicles: Leasing Electrique (France)

A state-subsidised leasing model for electric vehicles with fixed monthly rates for households with low and middle incomes (**Leasing électrique** or **social leasing**) was introduced in France at the beginning of 2024. Citizens with an income below the median who commute to work were entitled to participate. After the first round in 2024, which was capped at 50,000 participants, a second edition of the same size was introduced in 2025 with slightly adjusted conditions. In the first round, fully electric small vehicles manufactured in Europe could be leased with rates between 49 and 150 euros per month. In the second round, leasing rates were higher at 100 to 200 euros per month, reflecting reduced subsidy rates per car compared to 2024. The measure addresses climate, social and industrial policy objectives. Initial evaluations of the second round by the French government show that as many as 45 per cent of the people who received the subsidy belonged to the lower three income deciles, compared to 40 per cent in the first round. The measure complements other subsidy programmes for the transformation of the transport sector towards electric mobility. An important instrument is a bonus-malus system that makes the purchase of a combustion car more expensive and an electric car cheaper, as well as an exchange premium. These could be combined with the leasing programme. Following the French example, other countries are in the process of introducing similar electric vehicle subsidy programs for lower- and middle-income households, such as Sweden and Germany.

WHAT CAN WE LEARN FROM THIS?

- Subsidised and income-based leasing can make an electric vehicle affordable even for lower and middle incomes. Experience from purchase subsidies for electric vehicles shows that if the measure is not targeted to lower- and middle-income households, it is mainly richer households that benefit from the subsidies, as was the case with an earlier programme in Germany.

- In France, the weighted reference income takes the number of household members into account for the income calculation. Not all countries have comparable figures available in the income assessment. Therefore, the number of household members may also have to be requested additionally.

- As an alternative to the requirement of commuting to work, the subsidy could also be linked to the availability of public transport that is often limited in rural areas. This would mean that only households that are unable to switch to public transport would benefit.

6. Public transport ticket in exchange for old combustion engine car (Great Britain)

Londoners who own a car that does not meet the criteria of the low emission zone could hand in their car and receive an annual public transport ticket and a bonus in return. Alternatively, they could receive a higher bonus, which is lower than the value of the public transport ticket and bonus combined. The programme was in place between 2023 and 2025.

WHAT CAN WE LEARN FROM THIS?

- The scrappage programme facilitates the switch and provides a financial incentive for alternative modes of transport to motorised individual transport, making them more attractive. Similar programmes could work in European cities with good public transport and low emission zones and have been implemented in some cases already, such as in the German cities of Marburg and Frankfurt.

Cross-sectoral socially just climate policies

7. Reimbursement of carbon pricing revenues: the climate bonus (Austria)

Carbon pricing affects poorer households more than richer ones because they spend a higher share of their income on energy. If the revenue is reimbursed to households in the form of a climate dividend, this effect can be offset and poorer households actually receive more money overall. In Austria, the revenues from the national carbon pricing scheme have been reimbursed to all citizens as a "**climate bonus**" from 2022 to 2024. The amount of the climate bonus varied from region to region: the poorer the public transport connections in the municipality, the higher the climate bonus. In 2024, the bonus ranged from 145 euros for urban municipalities to 290 euros for very rural municipalities. Children receive half the amount. People with limited mobility always received the maximum amount. Since 2024, the climate bonus has been taxable for high incomes, thus achieving additional social differentiation according to income. The bonus was transferred directly to the account once a year. If no account details were available, it was sent as a voucher. The climate bonus was discontinued in 2024 as part of fiscal consolidation efforts.

WHAT CAN WE LEARN FROM THIS?

Austria has set up a payment channel within a year and reached all households via alternatives to bank transfers for people without an account. A service centre allowed citizens to ask questions. Other countries can learn from Austria when it comes to the specific implementation of a targeted direct income support scheme.

In the case of regional differentiation, the additional administrative costs should be weighed up against the benefits that may also be achieved through other support measures in rural areas.

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