

# Reforming with purpose:

## A checklist of reforms and investments for the EU's national social climate plans



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### Introduction

National social climate plans are a critical component of the EU's efforts to ensure a fair and equitable transition to climate neutrality, helping to counterbalance the adverse impacts of the EU's new Emissions Trading System on the most vulnerable. The process of preparing the plans is now in full swing, with most EU Member States having organised at least one public event. As the June 2025 submission deadline looms, managing authorities in many EU countries are currently drafting preliminary reforms and investments to be included in the plans.

Over the past five years, the EU has saved EUR 59 billion in avoided fossil-fuel imports due to new wind and solar projects.<sup>1</sup> An accelerated shift to renewable energy sources will not only strengthen the EU's prosperity and competitiveness, but also deliver substantial economic benefits. In fact, aligning the transition with the 1.5 °C Paris Agreement target is projected to generate a massive EUR 1 trillion in co-benefits for the European economy by 2030.<sup>2</sup>

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<sup>1</sup> Chris Rosslowe, Beatrice Petrovich, [Ember European Electricity Review 2025](#), Ember, 23 January 2025.

<sup>2</sup> Climate Action Network Europe, [Bold climate action: new report reveals potential €1 trillion savings for EU](#), Climate Action Network Europe, 15 January 2024.

Energy security – a central theme of Poland’s Presidency of the Council of the European Union – can and should be built on homegrown renewable energy sources while contributing to the EU’s reindustrialisation ambitions. At the same time, this shift to renewables must prioritise small businesses and vulnerable groups, helping to tackle energy poverty. Additionally, the reforms and investments must be carefully designed to alleviate the impact of the EU’s second Emissions Trading System on the most affected social groups while supporting structural decarbonisation solutions.

The following checklist is based on best practices from various existing funding and policy instruments across Member States, including territorial just transition plans, national recovery and resilience plans, cohesion policy operational programmes, and national energy and climate plans.<sup>3</sup> The checklist is also supplemented with inspiring examples of community-based projects that align with the goals of the Social Climate Fund. These include tackling energy poverty among households and micro-businesses by, for example, promoting clean energy and transport solutions. This dual approach ensures that the 10 proposals outlined here are not only actionable, practical and effective, but also sufficiently ambitious.

Encouragingly, successful projects addressing energy and transport poverty are already underway across Member States – whether through ongoing reforms and investments under existing funding instruments or through community-based initiatives. Therefore, to maximise the impact of the national and social climate plans, managing authorities should build on these initiatives by working closely with social partners to ensure that funding delivers tangible benefits on the ground.

## Reforms and investments: An actionable checklist

### Reforms

#### 1. Ensure application processes are accessible and simple

Access to the Social Climate Fund should be straightforward enough not to burden microenterprises and vulnerable households, while managing authorities must have enough capacity to facilitate the process. To this end, applications should be offered in both digital and physical formats. Social partners, such as non-governmental organisations, established fieldwork and community networks, housing associations and federations of energy communities, can help with the efficient and expedient distribution of funds.

#### 2. Redirect fossil-fuel subsidies

The EU is set to miss its 2025 target for phasing out inefficient fossil-fuel subsidies, a policy failure that contradicts the goals of the second Emissions Trading System, distorts market prices, and locks households into cycles of poverty and dependence. However, Member States can leverage their national social climate plans to outline a credible, time-bound strategy for redirecting these subsidies towards renewable heating, transport and electricity investments.<sup>4</sup> Global experiences

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<sup>3</sup> Article 6 of the Social Climate Fund Regulation requires Member States to demonstrate how their national social climate plans align with all of their other national funding instruments.

<sup>4</sup> Article 17 of the Energy Performance of Buildings Directive prohibits all subsidies for new fossil-fuel boilers from 2025 onwards. See: European Parliament, Council of the European Union, [Directive \(EU\) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings \(recast\) \(Text with EEA relevance\)](#), *EUR-Lex*, 24 April 2024.

demonstrate that phasing out fossil-fuel subsidies while protecting vulnerable households is feasible, for example, by reinvesting freed-up budgets into social programmes and public infrastructure, including energy efficiency and public transport initiatives.<sup>5</sup>

### 3. Regulate and incentivise energy sharing

As called for by the EU's revised electricity market design, energy sharing should be regulated and incentivised.<sup>6</sup> In tandem, collective approaches to heating and cooling can be used as an effective tool to tackle energy poverty. In fact, energy communities across Europe are already providing free electricity to vulnerable households and small businesses.

Additionally, Member States should simplify procurement processes<sup>7</sup> to enable municipalities to easily grant energy communities access to public spaces like rooftops. For example, in the Brussels region of Belgium, the Brupower energy community is collaborating with various municipalities to install solar panels on public rooftops for local energy sharing.<sup>8</sup> A portion of the energy they produce is provided either for free or at a reduced cost to vulnerable households. In Lisbon, Portugal, the Telheiras energy community has partnered with their local municipality to implement an energy sharing project that provides clean energy to 17 of its members, including 3 vulnerable households.<sup>9</sup>

Similarly, heating and cooling projects led by energy communities can reduce consumer bills, allow them to control price-setting, and offer democratically controlled and more inclusive thermal energy – all while keeping these benefits within the local community. Today there are over 650 community-led heating and cooling initiatives across the EU, with more than 1.92 million connections to district heating systems and heat pumps managed by energy communities.<sup>10</sup>

### 4. Incentivise clean flexibility in the energy system

While fossil assets still dominate balancing markets,<sup>11</sup> Member States must rapidly scale up clean sources of flexibility, including storage and demand response. This entails creating the right regulatory framework to allow for citizens and energy communities, as well as small and medium-sized enterprises to participate in flexibility schemes.

Investments should be directed towards helping these stakeholders acquire smart appliances and the software necessary to manage them effectively. For instance, Spain has utilised funding from its recovery and resilience plan to support energy communities in promoting demand response,<sup>12</sup>

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<sup>5</sup> Andrés Lukács, '[Abolish fossil fuel tax breaks](#)', *The Ecologist*, 27 March 2023.

<sup>6</sup> See also: European Commission, '[Commission Notice: Guidance on the Social Climate Plans](#)', *European Commission*, 38, 5 March 2025.

<sup>7</sup> The ongoing revision of the EU's Public Procurement Directive is an important opportunity to harmonise procurement processes across all Member States.

<sup>8</sup> Brupower, '[Energy sharing](#)', *Brupower*, 2024.

<sup>9</sup> Miguel Macias Sequeira, Evandro Ferreira, João Pedro Gouveia, '[Telheiras Renewable Energy Community – \[2021–2025\]](#)', *FireflyLab*, accessed 7 March 2025.

<sup>10</sup> REScoop.eu, '[Guidelines on Community Heating and Cooling](#)', *REScoop.eu*, 11 October 2023.

<sup>11</sup> Roni Bishop, Daniel Böhmer, '[Capacity remuneration mechanisms in Europe](#)', *Aurora Energy Research*, January 2025.

<sup>12</sup> REScoop.eu, '[Following the frontrunners: a public financing guide for Managing Authorities](#)', *REScoop.eu*, 11 September 2024.

including funding the costs for software and equipment for real-time measurement of energy production and consumption data. Across Europe, various energy communities are already carrying out demand-response projects with promising results.<sup>13</sup>

## 5. Leverage regional one-stop shops

EU Directives,<sup>14</sup> including the Revised Renewable Energy Directive and the Energy Performance of Buildings Directive, are increasingly mandating the establishment of one-stop shops to help citizens navigate the opportunities and challenges presented by the energy transition. To be effective, these one-stop shops should be combined with established social service programmes and community centres to ensure they reach vulnerable households. Many households exposed to structural vulnerabilities lack the financial means and time to commute to urban offices for advice on the Social Climate Fund.

To ensure their specific needs are met, regional one-stop shops should be co-managed by local groups, including local authorities, energy communities, and (energy) poverty network organisations. For instance, Greece's recovery and resilience plan<sup>15</sup> outlines the establishment of a 'technical assistance contact point', which will provide technical as well as legal guidance to new energy communities, complemented by open workshops and awareness campaigns to support local residents.

## Investments

### 1. Couple structural energy-saving measures with temporary financial support

Households can permanently break free from cycles of energy poverty and fossil-fuel dependence by combining structural energy-saving measures with temporary financial aid. These measures provide health benefits, enhance thermal comfort, and empower citizens to actively shape the energy transition.

For example, a measure being considered in Estonia's draft national social climate plan proposes coupling direct financial assistance for vulnerable households with home energy efficiency vouchers. Eligible applicants receive these vouchers to fund insulation upgrades, renewable energy installations, and other improvements. For apartment buildings, the scheme helps cover loan repayments for energy efficiency renovations, reducing costs for low-income residents.<sup>16</sup>

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<sup>13</sup> Demand Response – Residential Innovation for a Sustainable Energy System, [DR-RISE project](#), *Demand Response – Residential Innovation for a Sustainable Energy System*, accessed 7 March 2025.

<sup>14</sup> See also: European Commission, [Commission Notice: Guidance on the Social Climate Plans](#), *European Commission*, 31, 5 March 2025.

<sup>15</sup> Council of the European Union, [Annex to the Council Implementing Decision amending Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Greece](#), *Council of the European Union*, 263, 9 July 2024.

<sup>16</sup> Kirils Gončarovs, Janno Järve, Anneli Kährik, Valdur Lahtvee, Merlin Rehema, Kaidi Tamm, [Sotsiaalse Kliimafondi sihtühma ja neile sobivate meetmete kaardistamine Rahandusministeeriumile](#), *Stockholm Environment Institute Tallinn Centre, Estonian Centre for Applied Research CentAR, University of Tartu*, 11 December 2024.

## 2. Support community-led renewable energy projects

Community-led renewable energy projects can help foster social cohesion while reducing energy costs. In Belgium, for example, the draft social climate plan for the Brussels region includes pre-financed grants for energy communities to implement energy-sharing projects that prioritise people living in social housing, particularly vulnerable tenants. The Czech Republic's national social climate plan proposes a subsidy for municipalities to establish energy communities that provide free or low-cost energy to vulnerable households through local renewable projects. It also recognises energy communities as focal groups that can promote collective housing renovations, ensuring large-scale improvements in efficiency.

## 3. Support the renovation of apartment buildings and individual homes for low-income households

To make energy efficiency improvements accessible to low-income households, support schemes should combine higher subsidy rates, upfront payments and technical assistance. In the Czech Republic, the New Green Savings Light Programme<sup>17</sup> – funded by the national recovery and resilience plan – offers subsidies of up to EUR 6300 for various energy efficiency improvements. Eligible applicants can receive up to 100 per cent of the subsidy in advance, enabling vulnerable households to cover the initial investment costs.<sup>18</sup>

Additionally, the Czech Republic's social climate plan proposes a comprehensive renovation programme prioritising vulnerable households. It aims to facilitate increased energy efficiency, the switch to clean heating systems, and the installation of on-site renewable energy generation infrastructure such as rooftop solar panels, while also providing advice and technical assistance.

Similarly, in Belgium, the draft social climate plan for the Brussels region includes pre-financed grants and interest-free loans for housing renovations. Conditionalities are also included to prevent rent increases by landlords as well as a capital repayment cause in cases where properties are sold.

In addition to technical assistance and accessible financing instruments, energy efficiency interventions should target deep renovations<sup>19</sup> to ensure genuine energy savings and thermal comfort for residents.

## 4. Expand safe, reliable, and efficient public transport systems

Several EU countries, including Spain, Bulgaria, and Belgium, have used their recovery and resilience plans to improve their urban transport systems – for example, by procuring electric buses

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<sup>17</sup> State Environmental Fund of the Czech Republic, [New Green Savings Programme](#), *State Environmental Fund of the Czech Republic*, accessed 7 March 2025.

<sup>18</sup> Christophe Jost, [Financing the Renovation Wave: How to align EU funding with new building legislation](#), *CEE Bankwatch Network*, 6 September 2024.

<sup>19</sup> The French government offers a grant that helps homeowners finance major renovations of their homes, including the provision of technical assistance. See: Bercy Infos, [MaPrimeRénov' Parcours accompagné: tout savoir sur cette aide](#), *Ministry of Economics, Finance and Industrial and Digital Sovereignty of France*, 10 December 2024.

and charging infrastructure – and strengthen regional railway infrastructure.<sup>20</sup> The Netherlands' draft social climate plan is exploring various measures to stimulate sustainable public mobility.<sup>21</sup> This includes expanding cycling infrastructure and providing financial support in the form of a regional public transport ticket valid for buses, trams, metros and trains. The plan is also considering a trade-in scheme, which would involve low-income households receiving a subsidy to exchange their petrol or diesel car for a second-hand electric vehicle.

In Estonia, the draft social climate plan includes support for demand-responsive transport, aiming to assist local governments and regional transport centres in developing flexible transport solutions in rural areas. The measure is expected to improve mobility for vulnerable groups, reduce transport poverty, and decrease reliance on private vehicles. Funding could also be used to establish demand-responsive transport services, acquire environmentally friendly vehicles, and promote community ride-sharing solutions.

## 5. Assist households in phasing out fossil-fuel-based heating

Denmark's national energy and climate plan sets out a clear strategy to accelerate the phase-out of oil and gas furnaces in households. This includes an overarching carbon dioxide tax supported by grants and green loans to support the switch to heat pumps or district heating.<sup>22</sup> Interestingly, energy cooperatives dominate Denmark's district heating sector, holding a 65 per cent market share.<sup>23</sup> However, any shift towards clean heating should be integrated into broader deep renovations of the targeted buildings, include those belonging to microenterprises.

Slovakia is also investing in the modernisation of district heating systems through various funding schemes. For example, Slovakia's territorial just transition plan includes investments in renewable heat production and energy storage solutions. Among other key investments, the plan seeks to support the establishment of new geothermal energy sources for district heating.<sup>24</sup>

## The way forward: Leveraging best practices

Authorities drafting national social climate plans do not have to reinvent the wheel. Many best practices already exist, drawn from national recovery and resilience plans, national energy and climate plans, and even some of the draft measures in various national social climate plans. These examples demonstrate applicable and efficient solutions that can be adapted to national contexts. To ensure that national social climate plan measures are truly effective, they should build on and expand existing programmes, many of

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<sup>20</sup> Spain is mobilising over EUR 1.5 billion from its recovery and resilience plan to expand urban rail transport and build new railway infrastructure within the core corridors of the Trans-European Transport Network. Bulgaria's recovery and resilience plan allocates EUR 510 million for the purchase of 42 suburban and 20 intercity electric trains. Belgium's recovery and resilience plan outlines the procurement of over 150 new electric buses across all its regions, alongside the expansion of public charging infrastructure.

<sup>21</sup> Overheid.nl, [Social Climate Fund](#), *Overheid.nl*, accessed 7 March 2025.

<sup>22</sup> Government of Denmark, [Final update of Denmark's National Energy and Climate Plan for the period 2021-2030](#), *Directorate-General for Communication of the European Commission*, 1 July 2024.

<sup>23</sup> REScoop.eu, [Guidelines on Community Heating and Cooling](#), *REScoop.eu*, 11 October 2023.

<sup>24</sup> CEE Bankwatch Network, [Following the Money: Slovakia | What is the Just Transition Fund going to finance?](#), *CEE Bankwatch Network*, 18 December 2023.

which are already being implemented by social partners, such as housing associations and federations of energy communities.

While carefully designing the national social climate plans is an important first step, successful implementation requires ongoing oversight and feedback. This is why we recommend that all Member States establish monitoring committees to oversee their plans. These committees should include a diverse range of socially oriented stakeholders, including labour unions, anti-poverty networks, local authorities, and civil society organisations.

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