

Non-paper – EU Emissions Trading for road transport and buildings Clarifications on the voucher scheme financed from the Social Climate Fund

How vouchers can compensate ETS2 costs for basic heating and road transport fuel needs for households

A key aim of the proposed vouchers is to compensate additional costs from the introduction of ETS2. The vouchers would be equivalent to a discount on the carbon price and should target the (equivalent of) basic heating and basic road transport fuel needs for households, at least up to a certain household income level. Member States would be required to provide for such vouchers in their Social Climate Plans. They would, however, define the share of Social Climate Fund (SCF) support available for the vouchers, the eligible households as well as the potential uses of the voucher. Ideally vouchers would provide support for generating structural investments in emissions savings to reduce costs not only in the short, but mid- to longer term. Vouchers could be used to purchase goods and services saving energy or promoting sustainable mobility, but also direct financial compensation/ income support.

With the start of ETS 2, the carbon price will only be one limited component of the fuel price, expected to add 11 to 12 ct per litre on average to the transport fuel bill with a carbon price of EUR45, the average price assumed for SCF calculations. Theoretically full compensation would be possible if 100% of the revenues would be used this way. However, to keep an incentive to reduce emissions, and to remain socially balanced, a focus on compensation of only basic needs is important. Until which household income level such basic needs should be compensated should remain a Member State choice, as the social situation differs considerably per Member State.

We focus on the role vouchers can play in this as **mandatory tool for using the resources from the SCF**. Vouchers would be a **visible and targeted** EU instrument to address social impacts of ETS2. Naturally, the effectiveness of a voucher scheme regarding compensating the impact of the ETS2 carbon price depends on the overall size of the Social Climate Fund, the corresponding national share as well as the amount of that share actually used for the vouchers. However, it is worth noting that an SCF of EUR 144.4 billion as in the Commission proposal (EUR 72.2bn + matching co-financing), with a 25% share used for vouchers, and an SCF of EUR 59 bn as per the Council's General Approach, assuming 50% co-financing, and with 40% of SCF used for vouchers would provide for a comparable budget.

The **basic needs per household for fossil fuel heating** to be compensated is estimated at an equivalent of 300 cbm of natural gas on average over the 2026-2030 period. **This represents annually 0.64tCO₂ and a carbon cost of EUR 29** with a carbon price of EUR45.

This value is based on three elements: Firstly, the average energy consumption per household was equivalent to around 800 cbm of natural gas in 2020. Secondly, to achieve the EU target of at least -55% GHG emissions, fossil energy use to heat homes will have to decrease by around 50% by 2030 compared to 2020. Therefore, household energy use for heating should on average be equivalent to 440 cbm of natural gas over 2026-2030. Thirdly, basic heating needs are defined as half of the average dwelling energy use. The 300 cbm estimate would be slightly higher than that at around two thirds of the average 440 cbm energy use for heating of all households over 2026-2030.

Basic road transport fuel needs for small cars are equivalent of 500 litres of petrol on average over the 2026-2030 period. **This represents annually 1.17 tCO₂ and a carbon cost of EUR 53.** Importantly, the poorest households often do not own a car so they would not be affected by these costs.

This value is based on three elements: Firstly, this energy consumption would be equivalent to driving for 10,000 km each year a small car with a fuel mileage of 5 litres/100km. Secondly, fossil energy use for cars will have to decrease by around 14% by 2030 compared to 2020 and should represent on average the equivalent of 750 litres of petrol in the period 2026-2032. Thirdly, the estimate for basic need would represent two thirds of the average energy use of private cars for all households over 2026-2032.

Based on these estimates, the carbon cost associated with basic needs for heating and car use is estimated at EUR 82 annually and EUR 574 per household over the 2026-2032 period.

This means that **compensating 80% of households for the carbon costs linked to their basic heating needs (0.64tCO₂ per year) over the seven-year period** would correspond to a **budget of EUR 32 billion.**

For road transport, considering that there are around 75 million small cars in the EU (30% of 250 million cars) and assuming that around 20% of those cars are owned by households in the first four income deciles, **compensating the basic fuel needs for small cars owned by these households over the same seven-year period would require a budget of EUR 5.5 billion.**