
EU Parliament: Fit for 55, plenary gives green light to Social Climate Fund

(Strasbourg) With 487 votes to 81 and 75 abstentions, the European Parliament, during its plenary session in Strasbourg, adopted the rules for the new EU Carbon Border Adjustment Mechanism (CBAM), which aims to incentivise non-EU countries to “increase their climate ambition and to ensure that EU and global climate efforts are not undermined by production being relocated from the EU to countries with less ambitious policies”. The new mechanism includes iron, steel, cement, aluminium, fertilisers, electricity, hydrogen as well as indirect emissions under certain conditions. The new legislation will require companies importing goods covered by the ETS into the EU “to pay any price difference between the carbon price paid in the country of production and the price of carbon allowances in the EU”. The deal with EU governments to set up an EU Social Climate Fund (SCF) in 2026 “to ensure that the climate transition will be fair and socially inclusive” was adopted with 521 votes in favour, 75 against and 43 abstentions. According to Parliament, “vulnerable households, micro-enterprises and transport users who are particularly affected by energy and transport poverty will benefit from this”. When fully in place, the Social Climate Fund will be funded from auctioning ETS II allowances up to an amount of €65 billion. The texts adopted now also have to be formally endorsed by Council.

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