

Europe's path to climate neutrality and resilience

Presentation to GRANULAR project

30 January 2026



Outline

- Progress on climate action: A stocktake
- Opportunities and challenges
- Implementation across diverse rural and urban contexts:
ETS2 and the Social Climate Fund

Progress on climate action: A stocktake



Without action on climate change...

the EU could face the following impacts:

Heat

90,000 annual deaths due to heatwaves.

Drought and water scarcity

65 million people living in areas with water resources under stress.

Flooding

Nearly €50 billion/year in economic losses due to increased flooding frequency & severity.

Economics

Annual welfare loss in the EU representing 1.4% of GDP (currently €238 billion).

Wildfires

24% increase of number of people exposed to high-to-extreme fire danger levels.



What is the EU doing to achieve climate neutrality?

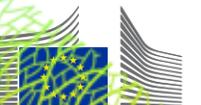
The European Climate Law sets binding targets for the EU to reduce net GHG emissions by at least 55% by 2030 compared to 1990 levels and reach net zero emissions by 2050.



2040 Climate Target

The Fit for 55 package will reduce emissions in the EU by at least 55% by 2030, but what about between 2030 and 2050?

- The EU is setting a legally binding climate target of 90% reduction in net greenhouse gas (GHG) emissions for 2040
- The deal includes the possibility to use up to 5% of high-quality international credits to reach the target
- The agreed target provides certainty to investors and businesses to drive forward the EU's clean transition, industrial competitiveness, energy security and independence



The Clean Industrial Deal

for competitiveness and decarbonisation



Key objectives:

- Stay the course on Green Deal goals: decarbonisation and the 2040 target
- Bring down energy prices
- Support industrial competitiveness and resilience
- Secure the future of European manufacturing
- Create quality jobs

We are firmly on track to achieve our 2030 target to cut emissions by at least 55%. This is the power of the European Green Deal. And we must stay the course on our climate and environmental goals. The science is crystal clear. And the economic and security case is equally compelling. In fact, this transformation is central to our push for independence.

Ursula von der Leyen
President of the European Commission, 2025



Challenges and opportunities



Transition presents challenges, but also opportunities

- **Fairness:** How can we ensure the transition is socially fair?
- **Finance:** How is the transition paid for?
- **Diversity:** How to implement climate policy across diverse rural and urban contexts?



**Implementation across diverse
rural and urban contexts**
ETS2 and the Social Climate Fund



Emissions trading – a key tool for meeting climate targets



- **Cap:** A system where total emissions by certain sectors are capped, reduced every year.
- **Trade:** Companies can trade emissions permits and buy more if they emit more.
- **ETS1** applies to large emitters (industry, electricity production, maritime), started in 2005
- **ETS2** will apply to **fuel suppliers** in the **buildings** and **road transport** sectors **from 1 January 2028**

Why emissions trading for buildings and transport?



Reduce dependence on imported fossil fuels



Tackle 36% of EU total emissions



Secure multiple benefits: lower energy bills, air quality, congestion



Generate revenues for climate action



Social Climate Fund: a socially fair transition

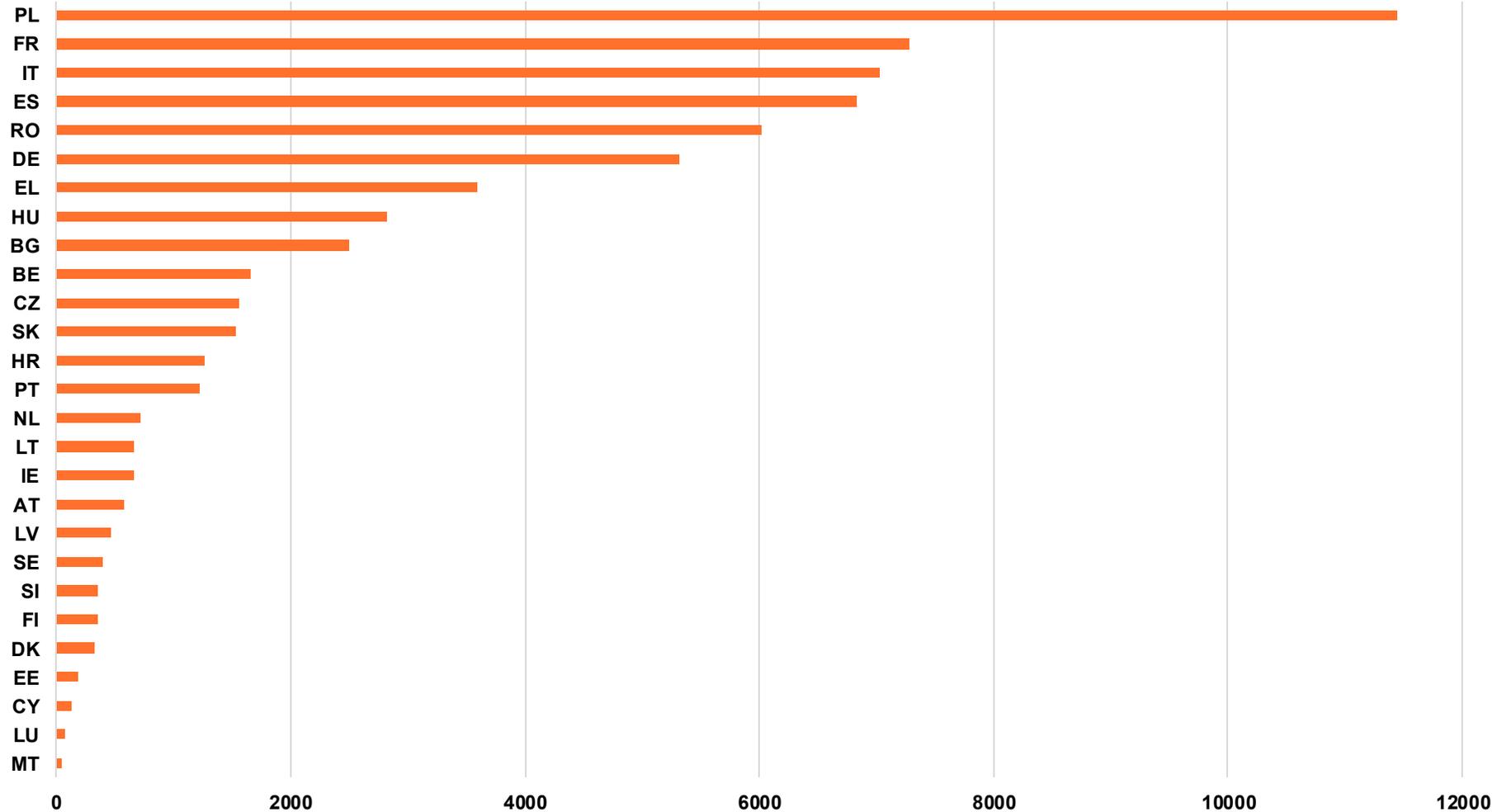
Some of the revenue from the EU ETS will go to a new Social Climate Fund, supporting the most vulnerable and affected EU citizens with EUR 86.7bn over 2026-2032 period.

It will help mitigate the costs of ETS2 for those most exposed to changes, to ensure that the transition is fair and leaves no one behind.



How will the SCF be distributed?

Total SCF allocation per Member State (in EUR million, current prices)



What will the Social Climate Fund support?



Investments in energy efficiency, renewable energy, clean heating & cooling



Finance zero- & low-emission mobility & transport, including public transport



Optional: limited, targeted & temporary direct income support

SCF is supporting rural areas in the transition



- **Transport poverty** has a strong geographical dimension – and is often more pronounced outside of urban areas.
- **Investments** that specifically address rural transport poverty can be included in Social Climate Plans: e.g. supporting affordability of EVs (grants, social leasing), building charging infrastructure, strengthening public transport, on-demand transport, mobile health and social services.
- **Sweden's** EV premium: €532 million to support 115k low- and lower-middle income households to buy or lease EVs.
 - Eligibility: Residing in rural municipality or area with limited access to public transport.



Thank you

[Delivering the European Green Deal | European Commission \(europa.eu\)](#)



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