

## Environmental and Social Data Sheet

### Overview

Project Name:	<i>ETS2 FRONTLOADING FACILITY</i>
Project Number:	2025-0548
Country:	<i>Regional - EU countries</i>
Project Description:	<i>Frontloading investments in the housing and transport sectors to improve affordability of low-carbon solutions, stemming from ETS2 legislation, for low- and middle-income households as well as micro, small and medium-sized enterprises. The facility will provide funding ahead of ETS2 auction revenues for Member States.</i>
EIA required:	To be determined

The need for an EIA will be determined by the competent environmental authority for investments under each sub-operation.

Project included in Carbon Footprint Exercise<sup>1</sup>: No

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

### Environmental and Social Assessment

#### Environmental Assessment

The purpose of the Facility is to frontload, ahead of the proceeds from auctioning allowances under the EU's Emission Trading System 2 (ETS2), investment in the housing and transport sectors that expands the availability, accessibility and affordability of low-carbon solutions for low- and middle-income households as well as micro-, small and medium-sized enterprises.

EU Member States (MS) will be invited to submit to the EIB their proposed social-climate investment programmes for each sub-operation, which may include:

- 1) MS Social Climate Plan: the MS uses its Social Climate Plan as the basis for its investment programme and indicates which measures in it would be put under the Facility.
- 2) MS social-climate investments: the MS proposes an investment programme consisting of other measures meeting the overall objective and eligibilities defined for the Facility (see below).
- 3) Combination: MS proposes an investment programme consisting of the two components described above.

Eligible investments under the Facility would correspond to the intended use of Emission Trading System 2 (ETS2) revenues, as foreseen in the EU ETS Directive and the Social Climate Fund (SCF) Regulation. Eligible measures are those that expand the availability, accessibility and affordability for low- and middle-income households, transport users and

<sup>1</sup> Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.

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Micro-, small and medium-sized enterprises (MSMEs), of measures in the housing/building and transport sectors.

An indicative list of housing/building and transport/mobility investments is included below.

Building sector:

- Renovation and construction of energy-efficient social housing
- Energy Efficiency renovations of homes, apartments, commercial buildings
- Heat pumps, standalone or within a hybrid system
- Integration of renewable energy supply and storage on site
- Renewable energy (and heat supply) communities (including citizen communities)
- Connections to sustainable district heating and cooling networks as well as smart grids
- Developing appropriate funding mechanisms in line with the goals of the SCF (see SCF Regulation<sup>2</sup>, Art. 8.1.e)
- Information, education and advice on measures available to support building renovations and energy efficiency (see SCF Regulation, Art. 8.1d).

Transport and mobility sector:

- Zero-emission rolling stock, including its components
- Supply side support for on-demand and shared mobility services
- Infrastructure for public transport (rail, metro, tram, road)
- Zero- and low-emission mobility solutions, i.e., bicycles/e-bikes and zero emission/electric vehicles of all kinds, and social leasing schemes of electric vehicles
- Development of second hand zero-emission vehicles markets (see SCF Regulation, Art. 8.1f)
- Walking and cycling infrastructure
- Electric recharging infrastructure and hydrogen refuelling stations, including grid connections, and projects supporting intermodal mobility.

Through the implementation of the type of investments listed above, the sub-operations under the Facility are expected to lead to a significant reduction of Greenhouse Gas (GHG) emissions from buildings and from the transport sector in those MS responding to the Facility. Overall, the ETS2 is designed to cap GHG emissions in 2030 at a level that is 42% below the level in 2005.

The requirements of the applicable EU environmental acquis will be checked during the appraisal of sub-operations. Where relevant, the compliance with the Do No Significant Harm principle will be verified using technical guidance on applying the principle under the Social Climate Fund Regulation.

The Facility has been assessed for Paris alignment and is expected to be aligned on both low-carbon and resilience goals. However, both types of alignment will be assessed in more detail during the appraisal of each sub-operation.

Finally, the Project will contribute substantially to the Bank's objectives of Climate Action by supporting investments that contribute to reducing carbon emissions.

## Social Assessment

EIB's Environmental & Social Standards will apply to the sub-operations.

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<sup>2</sup> Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060

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The main objective of the Facility is to enhance affordability, accessibility and availability of energy-efficient solutions for housing/buildings and sustainable transport options for low- and middle-income households as well as for micro-, small and medium-sized enterprises (MSMEs). Through these investments the Facility will help to reduce energy and transport poverty across Europe while supporting households and users to switch to greener options ensuring an inclusive climate transition.

## **Public Consultation and Stakeholder Engagement**

The competent environmental authority is expected to decide on the need for an Environmental Impact Assessment as well as on the need to organise a public consultation.

## **Conclusions and Recommendations**

Signature of the loans with individual MS under the Facility will be contingent on having transposed the ETS2 Directive into national legislation.

MS will report to the EIB on the use of Funds. The EIB will verify the correct use of funds, and any use of ETS2 prefinancing for non-eligible purposes will have to be promptly reimbursed.

MS wishing to extend the loan tenor in line with the economic life of the sub-operation undertake that the sum of the outstanding EIB loan and the ETS2 revenues earmarked for the investment does not exceed the total investment cost at any time.

Further conditions and undertakings will be assessed at the level of each sub-operation as appropriate.

With the proposed condition and undertakings in place and to be developed for each sub-operation, the Facility is considered to be acceptable for EIB financing from an environmental and social perspective.