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EU Unlocks €3 Billion to Accelerate Decarbonisation of Buildings and Road Transport

Key policies: *EU Emissions Trading System 2 (ETS2), Social Climate Fund, European Green Deal, EU Climate Law, Fit for 55 Package, European Investment Bank (EIB), National Social Climate Plans*

The European Investment Bank (EIB), in cooperation with the European Commission, has approved a new **ETS2 Frontloading Facility** that will make **€3 billion** available to Member States to accelerate investments in the decarbonisation of buildings and road transport.

The facility allows participating Member States that have transposed the ETS2 Directive into national law to access financing before the new emissions trading system for buildings and road transport becomes operational in 2028. By providing funding in advance of future ETS2 revenues, the initiative aims to accelerate climate investments while ensuring a socially fair transition.

The funding represents an important step in supporting the early deployment of clean technologies, reducing energy consumption and lowering transport emissions across the European Union.

Accelerating the clean transition

The ETS2 Frontloading Facility is designed to support investments that reduce greenhouse gas emissions while lowering energy costs for households and businesses.

Priority investment areas include:

- Cleaner heating and cooling systems
- Building energy efficiency improvements
- Reduced household energy demand
- Low-carbon transport solutions
- Sustainable mobility infrastructure

By accelerating these investments ahead of the introduction of ETS2, the Commission aims to ensure that citizens can benefit from lower energy consumption and reduced emissions before carbon pricing is applied to these sectors.

Supporting households through a socially fair transition

A central objective of the facility is to ensure that the transition to cleaner buildings and transport systems remains affordable, particularly for vulnerable households.

Future investments will primarily benefit:

- Low-income households
- Middle-income households
- Building owners undertaking energy renovations

This project is supported by the Interreg Danube Region Programme co-funded by the European Union.

- Citizens adopting cleaner transport solutions

The initiative complements the objectives of the **Social Climate Fund** and national Social Climate Plans by helping make clean technologies more accessible while reducing household energy and transport costs.

According to the Commission, early investment is essential to ensuring that climate policies deliver both environmental and social benefits.

Investing in cleaner heating and buildings

A significant share of the funding will support measures that improve the energy performance of Europe's building stock.

Eligible investments include:

- Installation of heat pumps
- Energy-efficient heating systems
- Low-carbon cooling technologies
- Building renovation measures
- Improvements in energy efficiency

These investments are expected to reduce greenhouse gas emissions while lowering long-term heating and cooling costs for households across the EU.

Promoting sustainable mobility

The facility will also finance measures aimed at reducing emissions from road transport by encouraging cleaner mobility options.

Supported actions include:

- Expansion of electric vehicle incentive schemes
- Deployment of charging infrastructure
- Development of alternative refuelling infrastructure
- Promotion of e-bikes
- Support for public transport
- Shared mobility solutions
- Improved multimodal transport connections

The objective is to accelerate the uptake of zero-emission transport while providing affordable alternatives to conventional fossil fuel vehicles.

Complementing the Social Climate Fund

The ETS2 Frontloading Facility forms part of a broader package of measures designed to ensure the successful implementation of the new emissions trading system for buildings and road transport.

By providing early financing, the initiative complements the Social Climate Fund, which will use future ETS2 revenues to support vulnerable households and micro-enterprises affected by the extension of carbon pricing.

The Commission expects the combination of early investment and long-term financial support to facilitate a smoother transition towards cleaner energy and mobility systems.

Preparing for the launch of ETS2

The ETS2 will extend carbon pricing to emissions from buildings, road transport and additional fuel sectors, creating new incentives to reduce fossil fuel consumption.

The frontloading facility allows Member States to begin implementing climate investment programmes well before ETS2 revenues become available.

There is also the possibility of increasing the size of the facility in the future should additional financing be required to support the transition.

Background

The EU Emissions Trading System 2 (ETS2) forms part of the **Fit for 55** legislative package and expands carbon pricing to emissions from buildings, road transport and selected additional sectors.

The new system is scheduled to become operational in **2028**, with revenues helping finance the **Social Climate Fund**, which supports vulnerable households, micro-enterprises and transport users during the transition to a low-carbon economy.

To bridge the financing gap before ETS2 revenues are generated, the European Commission and the European Investment Bank have established the **ETS2 Frontloading Facility**, providing €3 billion in advance financing for Member States that have implemented the necessary legislative framework.

By accelerating investments in energy efficiency, clean heating and sustainable mobility, the facility supports the European Union's broader objective of achieving climate neutrality by 2050 while ensuring that the clean transition remains economically efficient and socially inclusive.

Source: https://climate.ec.europa.eu/news-other-reads/news/unlocking-eu3-billion-investment-opportunities-decarbonisation-buildings-and-road-transport-2026-02-04_en