



Social leasing: how low-price EVs can help transport vulnerable drivers

Assessment of the potential of social leasing schemes in the EU's five main markets

BRIEFING - May 2025

Summary

In 2024, France introduced a subsidised low-price electric vehicle (EV) leasing scheme known as 'social leasing', to help overcome social barriers in the EV transition. Since then, social leasing has gained attention as a key tool to ensure a socially just EV transition. By the end of June 2025, Member States are required to submit their Social Climate Plans, outlining measures to support the most vulnerable transport users. To evaluate the potential of social leasing in the EU, T&E commissioned Öko-Institut to conduct a dedicated study to quantify [transport vulnerability](#). This briefing builds on analysis by quantifying available revenue from ETS2 and the Social Climate Fund (SCF) in order to estimate the potential of implementing social leasing schemes in the EU's five largest markets.

1. 20 million Europeans are vulnerable to fossil fuelled car dependency in the five big EU countries

Millions of Europeans, particularly in rural areas, remain dependent on fossil-fueled cars in their daily lives, which, on a limited income, makes them vulnerable to rising fuel prices. Öko-Institut finds that in the five largest EU countries - France, Germany, Italy, Spain, and Poland - around 20 million people are in a situation of transport vulnerability. T&E has defined transport vulnerability among the adult population as: owning a car, living in a rural area, and are in income deciles 1-4.

While public and active transport are essential for transport decarbonisation, cars will continue to play a central role in mobility outside cities. To ensure that the transport vulnerable populations mentioned above are not left behind, Europe must maintain ambitious CO₂ reduction targets for cars that push carmakers to roll-out smaller affordable EV models and introduce targeted support measures – most notably, social leasing schemes for affordable EVs.

2. Social leasing: a tool for inclusive electrification

Social leasing schemes provide electric vehicles to low- and middle-income households at subsidised lease rates. These schemes aim to make EVs accessible for those who would otherwise be unable to afford them, addressing the social inequities in the EV transition. France's 2023 initiative, which offered EVs from €100/month, was a major success, receiving 90,000 applications in just six weeks, showing the strong public demand.

3. Financing social leasing with ETS2 revenues: up to 3 millions social leasing contracts by 2032

The EU's Emissions Trading System 2 (ETS2), which covers emissions from buildings and road transport, is expected to generate substantial revenues. T&E estimates that, under a

proposed allocation model, €16 billion could be made available by 2032 to fund social leasing across the five largest EU countries.

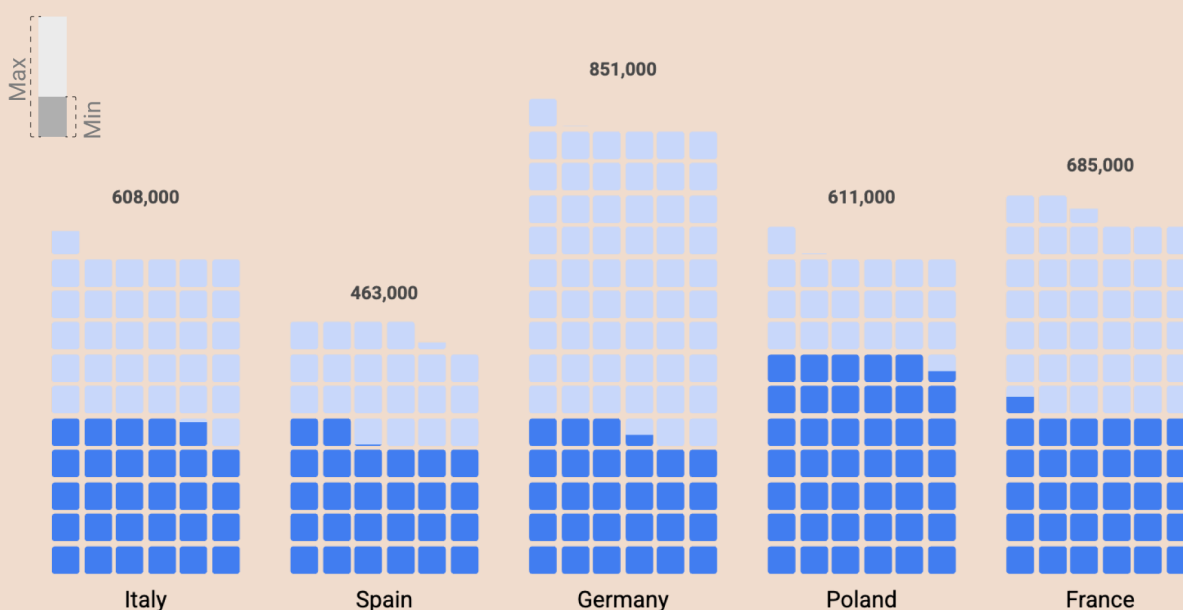
Assuming a €5,000 subsidy per vehicle, this funding could support 1.5 to 3 million leasing contracts, covering 6-14% of the targeted population, depending on the country. In comparison, BEV fleet penetration in the overall population by 2032 is estimated at 15%, meaning vulnerable transport groups would not be left behind on the EV transition thanks to social leasing.

Up to 3 million social leasing contracts by 2032

Under a proposed allocation model that sets revenues aside for financial support and targeted sectoral measures in buildings and transport - 1.5 million to 3 million contracts could be funded

■ Minimum ■ Maximum

Contracts ■ = 10,000



Source: T&E calculations, based on Öko-Institut (2024, 2025). • Assumes subsidy of €5000 per car. Number depends on the revenues allocated to social leasing, after having set aside revenues for financial support and other sectoral measures in transport and buildings



Well-designed policies enable low and middle-income groups to access affordable electric vehicles (EVs). In addition, social leasing programs will boost EV demand, contributing the automotive industry plan production of affordable, EU-made electric vehicles. If 3 million vehicles are covered by social leasing schemes, this could create demand for electric vehicles among a new market segment – equivalent to 12% of the EVs on the road in 2032.



This incentive would provide a high level of demand certainty which allows the car industry to plan the volumes of affordable Made-in-EU EVs accordingly.

Recommendations

- 1** Member States should put in place social leasing schemes adapted to the national context and targeting the groups mostly affected by transport vulnerability. Member States should consider including such schemes in their National Climate Plans.
- 2** Member States should use part of the revenues from ETS2 to implement social leasing schemes, in addition to financial support, other sector specific measures in the building sector and broader transport measures (car sharing, active and public transport, scrappages schemes).
- 3** The European Commission should front-load part of the ETS2 revenues to 2025 and 2026 by allowing Member States to borrow and anticipate ETS2 implementation.
- 4** The European Commission should set up a low-price leasing platform for electric vehicles to facilitate the implementation of national schemes.

1. 20 million Europeans are vulnerable to fossil fuelled car dependency

Cars will remain a central part of mobility in Europe for the foreseeable future, particularly in non-urban areas where reliance on them is especially high. The EU must therefore support a just transition to electric vehicles. Crucially, maintaining the 2030 and 2035 car CO2 targets is essential to keep ETS2 prices under control.

To ensure the shift to electric mobility, T&E recommends implementing two complementary measures to boost demand: a European corporate fleet EV mandate and targeted support for car-dependent households currently unable to access electric vehicles. This support could take the form of social leasing schemes, building on the example of the French initiative.

T&E relies on analyses by the Öko-Institut to estimate the number of drivers in a situation of transport vulnerability who are likely to require some form of government support (see [T&E briefing](#)). The following criteria are used to identify the **target group** for support:

1. The individuals live in a household that owns a car
2. The individuals lives in a rural area, a proxy for low to no access to alternative transport options
3. The individuals are in the first four income deciles.
4. The individual is aged 18 or older.

While median income is often used as a point of reference, the Öko study shows that for France and Germany, around 80% of the households that cannot afford a car belong to the first four deciles, while in Italy, Spain and Poland around 80% of the households that cannot afford a car belong to the first five deciles. This gives an indication of the differences in individual capacity of income groups across the five countries.

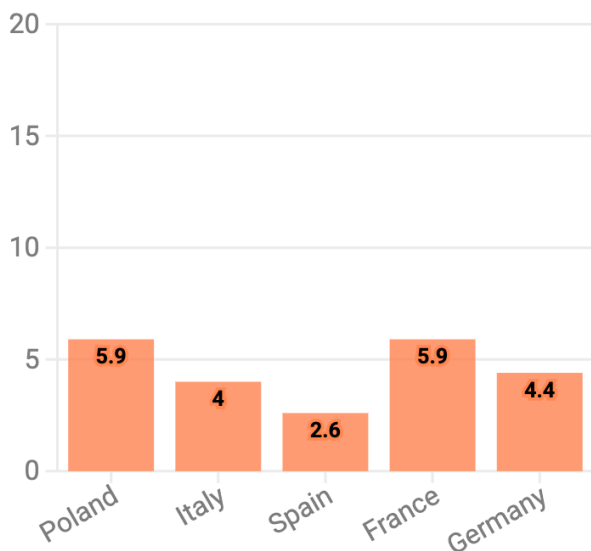
Based on these criteria, the study quantifies the rural adult population which would be in need of support as shown below: in total, the study identifies 20 million vulnerable people in the five largest EU countries. T&E recommends targeting these people with social leasing programmes in the countries in question. Herein, T&E refers to the *target group* as the *vulnerable transport group*.

Total lower income and rural drivers in need of support

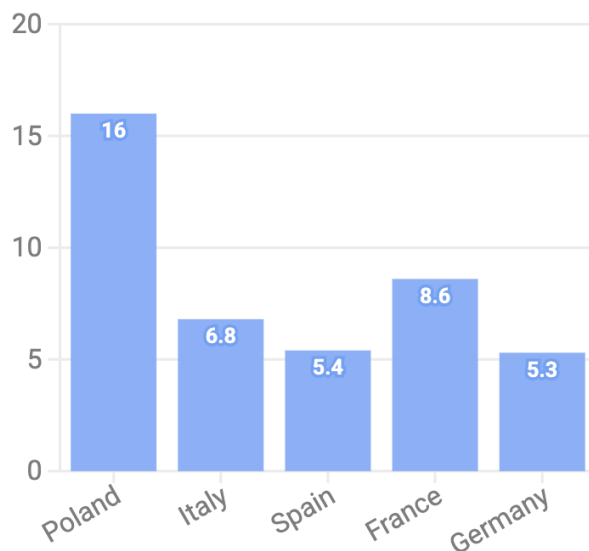
Based on the following eligibility criteria:

Adult • Owns a car • Lives in a rural area • Lowest half of the income deciles*

Individuals in need for transport support (in million)



% of total population



Source: Öko-Institut (2025) • *Lowest half of the income deciles refers to income deciles 1 to 5 for Poland, Italy and Spain, and 1 to 4 for France and Germany



2. Social leasing in Europe: a targeted subsidy for car dependant households

What is social leasing ?

Social leasing here refers to a form of support for the purchase or lease of electric vehicles targeted at households that are in a situation of transport vulnerability (here low and middle income adults, car dependent in a rural area). The measure is based on a subsidy designed to make EV accessible at a moderate rental price.

This support is intended to be time-limited to address the challenges in the early phase of the electrification of the car fleet (higher upfront prices and low availability on the second hand market). It could be supported at European level, but initiated and implemented in a way that is specific and adapted to the context and social needs of each country.

Social leasing is identified as an effective scheme to address the social barrier in the EV transition amongst the vulnerable transport groups. It will be complementary to other measures



expected from national governments through active mobility options, public transport, car sharing schemes, scrappage programmes or charging infrastructure support.¹

The French initiative

Initiated in France in 2023, [social leasing](#) provided electric vehicles from €100 per month for middle- and low income households and has been a great success (90,000 applications in one and half months, despite many industrial stakeholders and policy makers declaring that there would be little interest in the scheme.).

Europeans citizens want affordable and efficient electric cars

A 2023 [YouGov survey](#) commissioned by T&E in France, Germany, Italy, Spain, Poland and the UK found that there is high demand for affordable €25k BEVs. If the survey results were replicated in the car market, the advent of affordable small BEVs would bring the sales share of fully electric cars from 25% to 35%. The increase due to the availability of small EVs would result in an additional 1 million electric cars being sold annually, replacing combustion equivalents.

3. Financial resources for social leasing

To estimate the funding potential for social leasing at the European level, T&E takes into account the revenues expected from the implementation of the Emissions Trading System for building and road transport (ETS2).

The Emissions Trading System for building and road transport (ETS2)

A new emissions trading system, ETS2, has been established as part of the 2023 revisions to the ETS Directive, and will mainly apply to emissions from the buildings and road transport sectors. The European Emissions Trading Scheme 2 (ETS2) operates on a 'cap and trade' basis: a limit is imposed on the total CO₂ emissions allowed from installations and operators falling within the scope. The cap is reduced each year to align with the EU's climate targets, giving the signal for a gradual reduction in the EU's overall emissions.

Although fuel suppliers are responsible for monitoring and reporting emissions, there are legitimate concerns that they will pass on the costs to citizens who fill up with diesel and

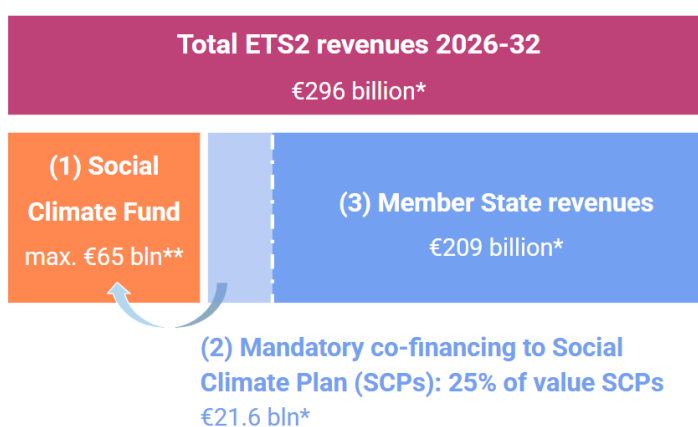
¹ For more see the European Commission's ['good practices for social leasing'](#).

petrol, for example, and that this will have a disproportionate and negative impact on people on low incomes.

Hundreds of billions of euros in revenue will be made available to Member States to support the green and fair transition. It is up to Member States to decide whether the ETS2 becomes regressive or progressive in their country. More information can be found in T&E's upcoming report on the ETS2 implementation.

There are three types of revenues under the ETS2:

1. Revenues that are auctioned directly for the SCF (max. €65 bln²). These only flow back to Member States after a distribution key has been applied (based on a mix of parameters such as GDP, population size, energy poverty, etc.).
2. Revenues that are auctioned for Member States, but that need to be reserved for co-financing the SCF (€21.6 bln). To have access to the Fund, 25% of the value of the projects planned under the SCF needs to be cofinanced by Member States. The larger the SCF allowance of a Member State, the larger the budget required for co-financing.
3. The remaining revenues are auctioned for Member States (€209 bln, assuming a constant ETS2 price of 55EUR/tCO₂), and are entirely unlinked to the SCF. Auctioned revenues are allocated to Member States based on relative historical emissions.



* Assuming a constant €55/tCO₂ (€45€/tCO₂ adjusted for inflation) price throughout 2027-32. In reality, price (and thus revenues) may be higher or lower.
 ** Assuming that ETS1 allowances contribute €4 bln

Source: T&E calculation based on Öko-Institut (2024)

T&E suggests that Member States should use the total revenue - the combination of ETS2 auctioning revenue and SCF revenues, to support the transition of the transport and buildings sectors, with a focus on the most vulnerable transport groups.

Although Member States decide the allocation of funds based on their specific national context and their needs, T&E has proposed the following breakdown of the revenue:

1. Financial support: Between 50% and 75% of the costs paid under ETS2 in each Member State should be returned to households as financial support (e.g. targeted direct income

² As explained below, €4 bln will come from the ETS1 in the case where ETS1 allowances are traded at €80/tCO₂.

support, lump sum system, lowering other tax such as electricity tax). Since investments often take several years to yield results, providing support to low- and lower-middle-income groups is essential to ensure a fair transition. It's important to note that the revenue a country receives from the Social Climate Fund (SCF) is not directly proportional to the costs its citizens incur under ETS2. Therefore, compensating 50–75% of these costs does not necessarily require using 50–75% of a country's total ETS2 revenues. In fact, for net beneficiaries of the SCF (such as Poland), a smaller share of their total ETS2 revenues may be sufficient. Conversely, net contributors (such as Germany) may need to allocate a larger share of their ETS2 revenues for this purpose.

2. Split between transport and buildings: The remaining amount should be used in investments and sectoral measures. In this briefing, we allocate half of it to road transport measures - close to its ETS2 emission share (58% on average).
3. Split of transport measures: The share available for transport should serve to support a panel of measures: social leasing, car sharing, public transport, active mobility, scrappage schemes, charging infrastructure. We propose in our illustrative scenario to allocate a third of the transport revenue for social leasing.

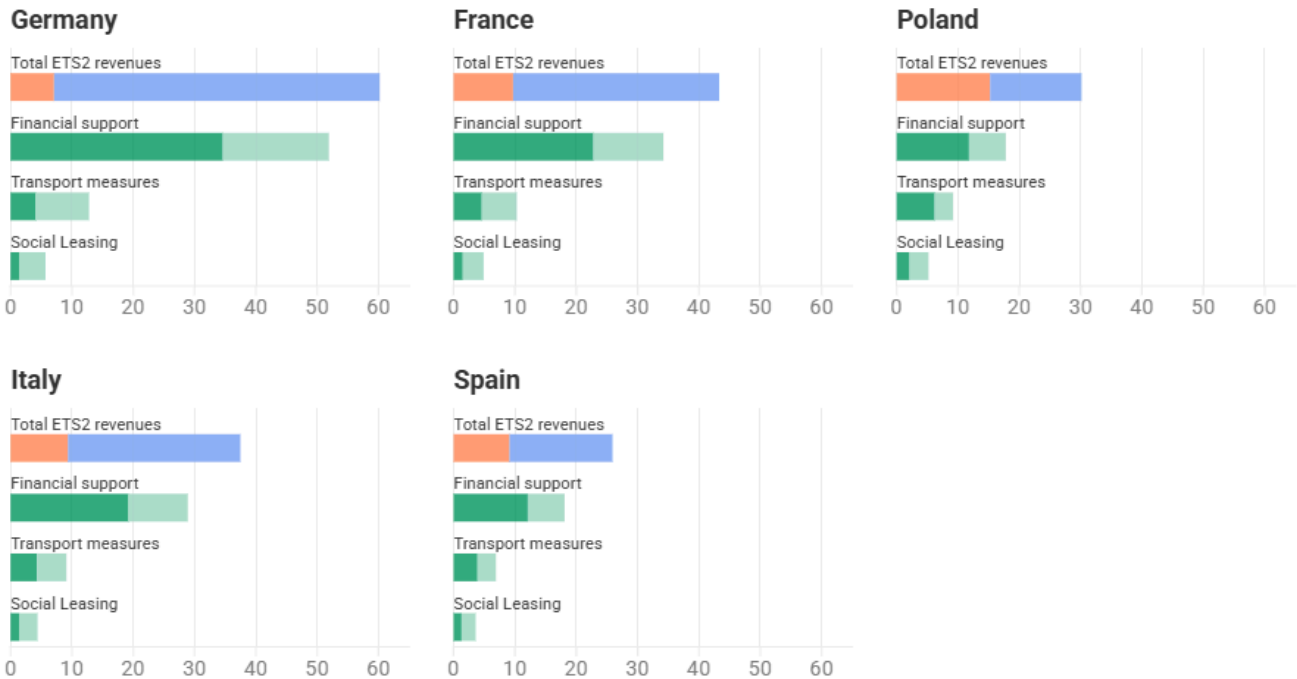
Assuming a constant auctioning price of €55 (inflation adjusted soft cap price of €45/tCO₂), and once applying the above scenario to the five biggest EU member states, we show that between €8 billion (scenario with 75% financial support) and €16 billion can be spent on social leasing by 2032.

Up to €16 billion available to support social leasing by 2032

ETS2 revenues can provide financial support, and targeted sectoral measures in building and transport, including €8 billion to €16 billion for social leasing (€ billion)



Total ETS2 revenues ■ Social Climate Plan spending ■ Discretionary spending (assuming a constant carbon price of €55)



Source: T&E calculations, based on Öko-Institut (2024) • Assumes €55/tCO₂ over 2027-2032. Financial support, transport expenditure and social leasing indicate ranges based on policy



Note that higher auctioning price projections (e.g. up to [€149/tCO₂](#) by 2030) would go hand in hand with higher resources available for both financial support and sectoral measures.

3.1. Up to 3 million social leasing contracts by 2032

Based on the revenue available above, we calculate how many social leasing schemes would be available in each country. We assume a €5,000 subsidy on average for each social leasing unit.

The subsidy aims to: remove the barrier of the initial rental cost, which remains too high for middle- and low income households, and enable monthly lease payments below current market rates. To ensure financial viability, the lease duration should be extended to a minimum of six years.

Based on T&E estimates, a €5,000 subsidy over a six-year period is sufficient to offer monthly lease rents between between €180 and €215 per month on an affordable €25,000 EV. With the



release of €20,000 models expected in 2026-27, such as the Renault Twingo and VW ID1, lower rates of €130-155 could soon become available with the same subsidy level.

	A segment - future	B segment	C segment
Average price	€20,000	€25,000	€30,000
€5,000 subsidy	€130-155	€180-215	€230-275
€8,000 subsidy	€80-105	€130-160	€185-225

*assumes a reduced 6% VAT rate on vehicle purchase price; annual mileage of 15,000km per year

Social leasing will have to compete with market prices. In 2025, affordable offers from carmakers include EVs starting at €200/month over 37 months (for a mileage of 9,700 km per year and a €2,700 upfront payment) with a €4,000 subsidy ([Renault 5 E-Tech](#)), or as low as €129/month in the case of the [Citroen e-C3](#) under similar terms.

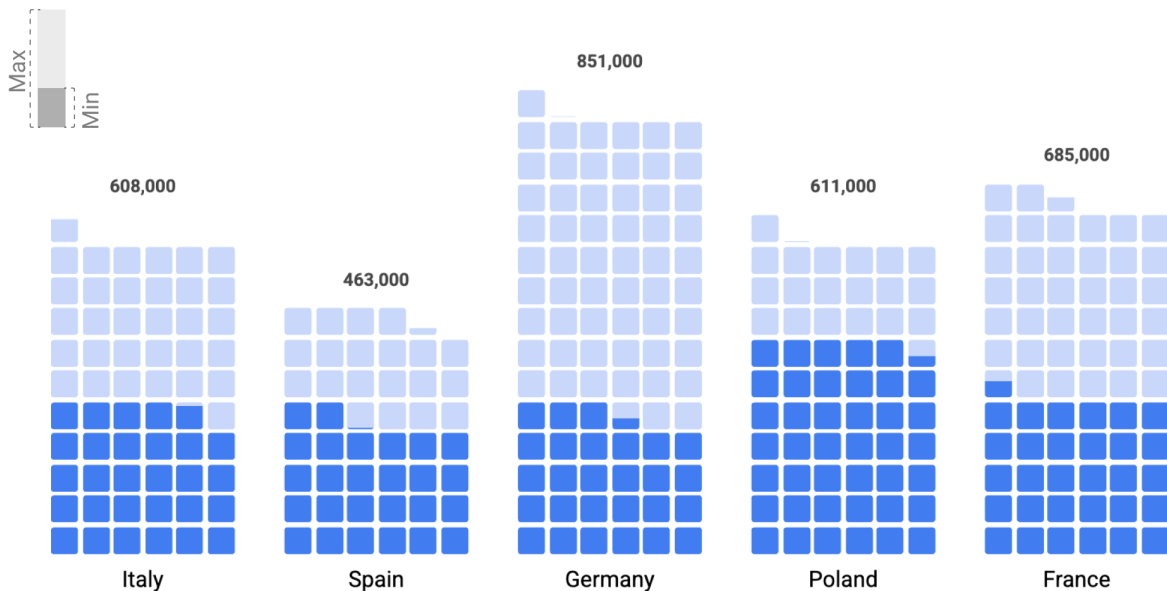
Across the five main European car markets, **ETS2 funding could enable between 1.5 and 3 million households to access an electric vehicle through leasing by 2032**, depending on the level of revenues set aside for financial support.

Up to 3 million social leasing contracts by 2032

Under a proposed allocation model that sets revenues aside for financial support and targeted sectoral measures in buildings and transport - 1.5 million to 3 million contracts could be funded

■ Minimum ■ Maximum

Contracts ■ = 10,000



Source: T&E calculations, based on Öko-Institut (2024, 2025). • Assumes subsidy of €5000 per car. Number depends on the revenues allocated to social leasing, after having set aside revenues for financial support and other sectoral measures in transport and buildings



The 3 million social leasing units potential for the period 2026-2032 cover **14% of the vulnerable transport population** (6% in low scenario). In Poland, the coverage of these vulnerable individuals is the lowest (10%), in France and Italy it is slightly higher (12% and 15%), while Spain and Germany would see the highest coverage (18% and 19%).

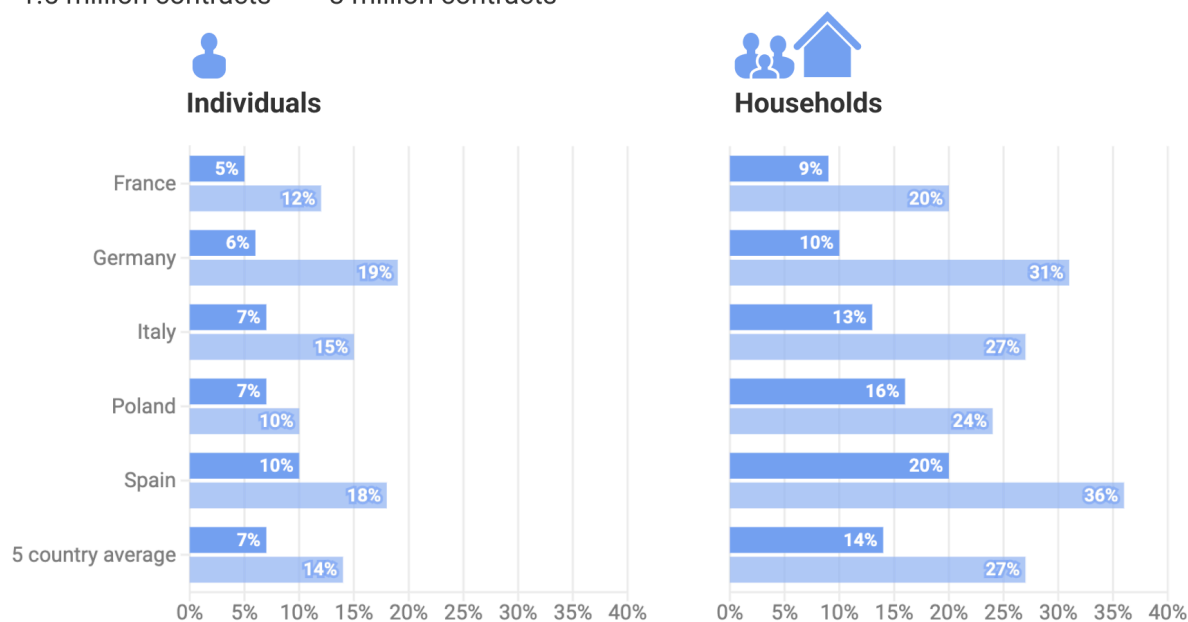
The average EU penetration of EVs in the fleet is expected to be around 15% in 2032. The impact of social leasing contracts varies per country, depending mainly on the share of new EV sales during the period. In the case that 3 million contracts are subsidised, the penetration rate on the vulnerable transport group could be raised to match the overall BEV uptake. We also approximate the impact on the number of households by using country level [average household sizes](#) adjusted for the approximate [share of adults](#) in the overall population. This reflects the case where one family living under one roof may opt to take advantage of the scheme for one car.



Impact of social leasing contracts on vulnerable transport group

Share of vulnerable groups with access to social leasing contracts by 2032

1.5 million contracts 3 million contracts



Source: T&E calculations, based on Öko-institut (2024, 2025)



Although the vulnerable transport group (individuals) can't be compared directly with EV penetration (car fleet), this study shows that thanks to social leasing, transport vulnerable groups can stand alongside others in the EV transition. In other words, the electrification rate of this group could approach the average electrification rate amongst drivers. This is important because transport vulnerable groups are typically laggards in the transition to electrification. Social leasing enables a fairer distribution of clean transport solutions.

3.2. Social leasing will create demand for EVs among a new market segment

Thanks to well designed policies, it is possible for policymakers to ensure low and middle income groups are fully part of the transition, reap the benefits of cheaper EVs and are not left behind.

The social leasing schemes funded by national governments have a high degree of additionality as they are designed to address a population group that would otherwise not have sufficient financial resources to make the switch to electric cars. As a result the 3 million vehicles covered by the social leasing schemes would lead to an increase of up to 12% of the total EV fleet in



2032 in the five countries analysed. This new demand provides a high level of demand certainty which allows the car industry to plan accordingly the volumes of affordable Made-in-EU EVs.

4. Recommendations: design and implementation of social leasing

4.1. Member States should put in place social leasing schemes targeting the most vulnerable transport groups. Member States should consider including such schemes in their National Climate Plans.

Social leasing must be supported at the European level and implemented nationally by taking into account the social and territorial challenges specific to each Member State. A prior analysis of national needs will help identify eligibility criteria for individuals, the types of vehicles required (models, price range, equipment, environmental performance), as well as the governance framework for the public policy (monitoring, involvement of sector stakeholders). The assessment of needs will highlight the advantages of social leasing compared to other support measures for sustainable mobility (such as improving public transport, expanding cycling infrastructure, or developing shared vehicle fleets).

Key recommendations for governments on how to design and implement social leasing are described in Annex.

4.2. Member States should use part of the revenues from ETS2 to implement social leasing schemes

T&E recommends that at least half of the ETS2 revenues raised domestically should be returned as financial compensation to households, while the remaining funds can be allocated to sector-specific investments in buildings and transport.

Member States will be able to mobilize part of the transport-related resources from ETS2, including the Social Climate Fund, to implement a social leasing scheme that ensures tailored support for vulnerable transport groups.

If Member States want to subscribe to the SCF to fund the scheme, they need to **put social leasing in their Social Climate Plans**, due by the end of June 2025.

4.3. The European Commission should front-load part of the ETS2 revenues to 2025 and 2026 by allowing Member States to borrow and anticipate ETS2 implementation

T&E recommends that EU Member States include social leasing in their National Social Climate Plans and fund it with their broader national ETS2 revenues. However, in 2026 - the first year of

the SCF - the amount is capped at €4 billion and could be even less. To address this gap, **T&E recommends front-loading some of the ETS2 revenues to 2025 and 2026 by allowing Member States to borrow against future revenues.** This is justified by the need to implement measures such as social leasing in advance of the start of the ETS2 road fuel pricing mechanism in 2027.

More specifically, the Commission could use the undersubscribed loan compartment of the Recovery and Resilience Facility (RRF) to provide these loans.

4.4. The European Commission should set up a low-price EV platform to facilitate the implementation of national schemes

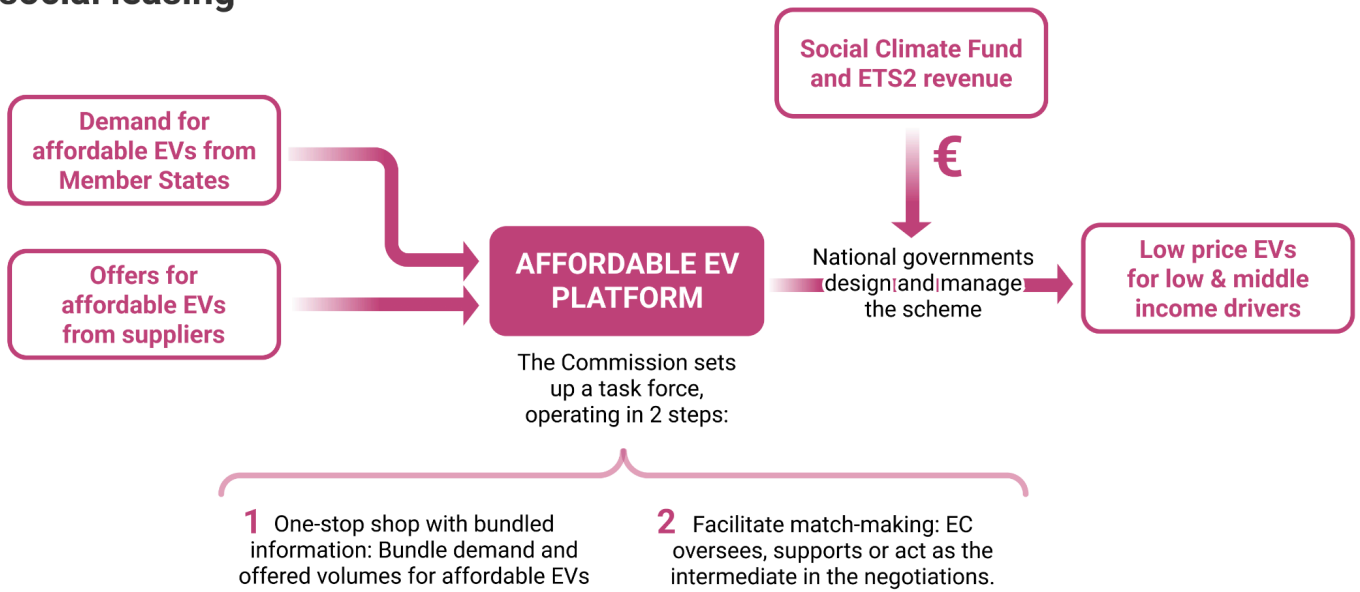
Beyond national governments, the EU Commission also should also play a role in order to facilitate the set up of social leasing schemes at national level. As part of the upcoming guidelines on social leasing for electric vehicles (as announced in the Clean Industrial Deal), the Commission should set up an **'affordable EV platform'**. This platform could be designed to support member states in setting up national social leasing.

Such a scheme would act as a one-stop shop which aggregates the demand and supply information for social leasing. The platform would aggregate demand from member states (in terms of volume of affordable EV for 'social leasing'-like support) and compile offers from carmakers and leasing companies.

As a second step, the platform would facilitate the matching of the demand from Member States and offers from industry to obtain large scale pan-EU projects. Finally, the Commission would oversee, support and act as the intermediate in the negotiations.

By setting up such a platform, the EU would boost demand for made-in-Europe compact EVs, and help address the social barrier in the EV transition across the EU thanks to low-price EVs. Furthermore, the platform would facilitate negotiation and policy set up for smaller Member States that have lower administrative capacity and negotiation power to also implement social leasing schemes.

An affordable EV platform to support member states in setting up national social leasing



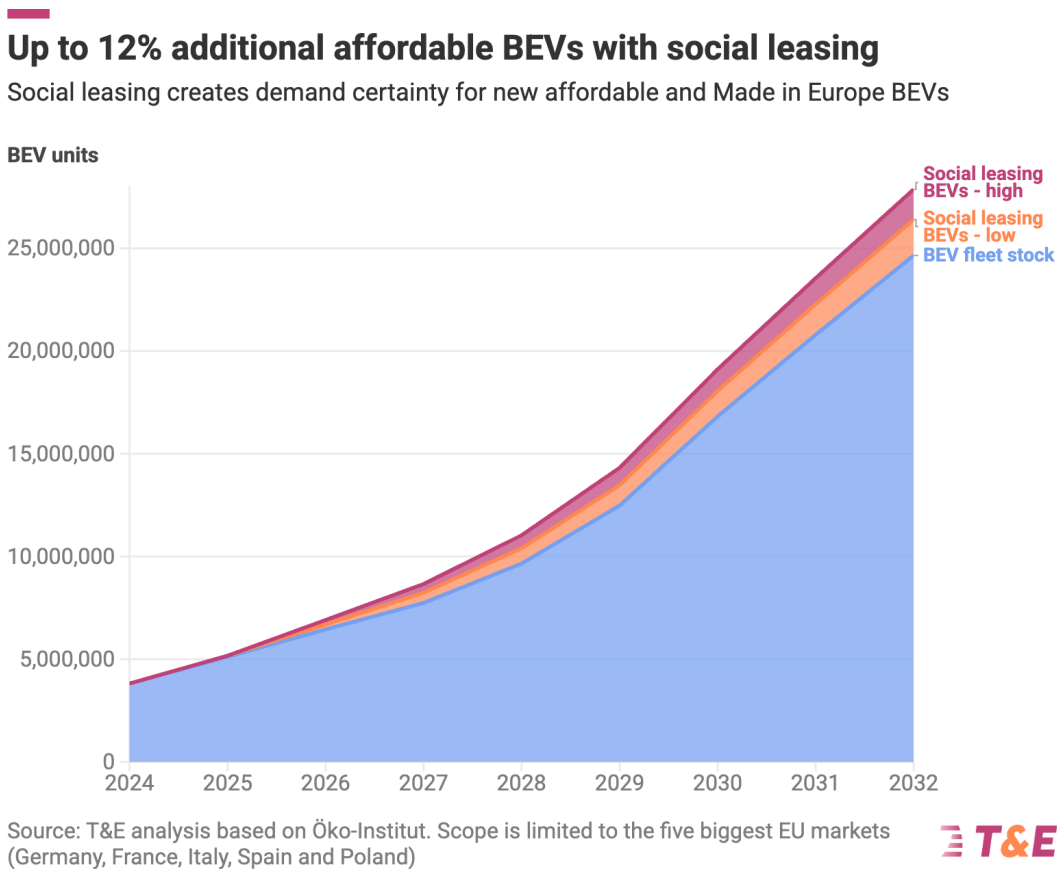
Source: T&E



ANNEX 1: How social leasing can boost the EV market

Tapping into a new market for EVs

As a result of the 3 million vehicles covered by the social leasing schemes, demand for electric vehicles among a new market segment would be created – equivalent to 12% of the EVs on the road in 2032 – which could benefit European manufacturers if governments favour vehicles produced in Europe.



ANNEX 2: Recommended criteria for implementing social leasing

Eligibility criteria for individuals

Social leasing is a socially targeted measure and the eligibility criteria used to select a specific population group should be designed to ensure the scheme targets the right vulnerable transport groups and that limited funds are used effectively. The key criteria are the following:



- **Income threshold:** Low and middle income groups should be the targeted groups. Using the median (national) income as a threshold is appropriate in most member states (e.g. this is the threshold used for social leasing in France). However, the study shows that in countries with higher income (like Germany and France), focusing on the first four income deciles can be more effective and targeted.
- **Location:** Household location is essential for determining eligibility as rural areas often lack suitable public transport and other alternatives to car use. Drivers that live next to a zero or low-emission zone would also need prioritised access to social leasing. A social leasing program could focus on specific regions or target individuals facing regional difficulties.
- **Car dependence:** As an alternative or complement to location-based criteria, social leasing can be based on the distance between a household and the workplace, or on a self-declared statement of car dependence. Eligible households should already own a car (or prove transport needs have changed) to avoid providing incentives which would increase the total number of cars on the road.
- **Focus on specific groups:** Certain drivers have particular needs due to their profession or personal circumstances. Social leasing could prioritise individuals with long commutes or those facing severe transport vulnerability—such as unemployed individuals, caregivers, and people with disabilities.

The subsidy level can be scaled based on the different criteria as income category to provide higher support to those that have the highest need.

Requirements for vehicles

In addition to determining individuals that should be eligible, governments should also set eligibility criteria for the vehicle models that can fall under the schemes. Although vehicles must meet individual needs – which can vary between countries – to ensure the program's acceptance and attractiveness, there are several criteria that should serve as a basis:

- **Powertrain:** only fully electric vehicles should be compatible with a social leasing scheme
- **Price ceilings** should be set to ensure vehicle models are affordable and the scheme doesn't fund expensive, premium models.
- **Environmental criteria:** might be set to exclude models with high environmental or climate footprint.
- **Made-in-Europe:** Vehicles must be produced in Europe to benefit from the social leasing scheme. In France, social leasing EVs need to meet the eco-score, which effectively limits the scheme to vehicles produced in Europe.
- **Segments:** models eligible should be segment A and B. In some cases segment C could be eligible for families (excluding C-SUVs). Governments could also set a price ceiling to maximise the use of limited public spendings (e.g. €25,000 for A and B models).

- **Vehicle size and particular needs:** large families or individuals with disabilities might require larger vehicles.

Design of the scheme

T&E suggest the following design recommendations:

- The subsidy amount per vehicle should be carefully chosen, to ensure support for a large number of beneficiaries while preserving the programme's long-term viability, and avoid windfall effects.
- Aim at €100-200/month for small EV models (A and B segment), and include C segment models for families possibly higher.
- The period of the lease should be minimum 6 years and should include an option for car users to purchase the vehicle at the end.
- Establish an advance payment obligation for leasing companies and manufacturers
- Integrate maintenance repairs and support beneficiaries in maintenance.
- Consider social leasing to be combined with scrappage schemes where the ICE car is scrapped in order to increase the climate and air quality benefits.

Governance of the scheme

T&E puts forward the following governance recommendations:

- Establish a transparent monitoring and evaluation system, with reporting obligations for leasing companies and car manufacturers. Transparency should be central during implementation and used to assess the efficiency of public spending.
- Require full disclosure from leasing companies, including leasing rate calculations, residual value assumptions, and beneficiary selection criteria – essential to prevent windfall profits.
- Create a one-stop shop for applications and information.
- Provide a standard contract framework for beneficiaries, covering insurance and exempting registration fees.
- Ensure long-term visibility and multi-year planning to gradually shift towards socially targeted support, avoiding abrupt subsidy removals.
- Allow flexibility in implementation: social leasing schemes can be run via private operators or public entities.
- Involve key stakeholders in both design and governance – including industrial, territorial, social and financial actors, as well as local authorities.

Social leasing: a strong demand signal for small affordable EV

A social leasing scheme, if designed properly, should focus on smaller, more affordable EVs. Smaller vehicles are less expensive, thus allowing a low leasing price which allows them to target lower income groups. Moreover, a social leasing scheme relying on small BEVs will send a strong demand signal to car manufacturers to invest more in producing and ramping up these models. Social measures should go hand in hand with working with the car industry to secure their commitments to accelerate the production of the eligible compact and affordable BEV models in line with the demand.

New vs. used vehicles.

Governments must consider whether to include second-hand EVs alongside new ones. While used EVs are generally more affordable, enabling lower monthly lease payments and greater accessibility for low-income households, their inclusion could dampen demand for new electric vehicles—potentially affecting manufacturers and slowing fleet renewal. Striking the right balance is key to maximizing both affordability and environmental impact.