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## **CONTRIBUTION**

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**From:** General Secretariat of the Council  
**To:** Ad hoc Working Party on the Social Climate Fund

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**Subject:** Fit for 55 package - Social Climate Fund: Follow-up to the AHWP SCF on 24 January 2022 - Comments by delegations

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Following the call for comments set out in WK 999/2022 on block 1 (general provisions) and block 2 (programming) of the Social Climate Fund regulation and the presentation by the Presidency on management modes at the above meeting of the AHWP SCF, delegations will find attached the comments received from the [REDACTED] NL, [REDACTED] and joint comments from the [REDACTED] and [REDACTED] delegations.

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## Comments from the Netherlands

We would like to thank the Presidency for facilitating this round of written comments. We wish them best of luck in bringing Member States' input to a fruitful conclusion in the coming period.

For us, it remains important to note our overall stance regarding negotiations on the SCF. We remain hesitant to introduce new funds and revise the MFF-regulation and the next MFF should not be pre-empted. Furthermore, we will consider our ultimate position on the SCF in the light of the result of negotiations regarding the Ff55 proposals as a whole. Our comments, suggestions, and proposals that we will make until we have a final overall position therefore remain provisional, but we hope they can contribute to the technical discussion nonetheless.

### Comments and suggestions on block 1 and 2;

#### General

##### *Scope*

The Netherlands is of the opinion that the scope for the SCF proposed by the Commission should not be broadened. Given that the SCF is already of significant risk of overlap with existing funds, and further extension would risk a duplication of Union efforts. Should the SCF be created, it will be most effective if it is targeted to the most vulnerable.

Furthermore, for the SCF to be considered an integral part of the FF55 proposal, it must maintain a strong and direct link to the package's climate goals. In particular, it must maintain its link with the ETS-BRT. Therefore, the SCF must contain a strong focus on emissions reduction while fulfilling its stated objective of contributing to the transition towards climate neutrality.

##### *Direct income support*

To accomplish this focus on emissions reduction, there is a need for a strong stance towards the potential applications of the fund and sustainable investments should be the main focus of the fund. Should direct income support become a part of the SCF, it must clearly be considered a last resort and should come with strictly defined conditions and hard limits. For instance, all supported measures should be demonstrably fully compliant with the *do no significant harm* principle. Currently, we do not believe the proposals provisions for conditions and limits to be adequate. Therefore, we invite the Commission and the Presidency to take this into account in preparation for the coming AHWP's.

##### *Management mode*

To achieve the SCF's stated objectives, it is of key concern that the fund maintains its performance based structure. We would again like to underwrite the need to implement lessons learned in previous Union Programs. We consider the Commission's proposed management mode to be compatible with this view and therefore support it.

To help smoothen implementation of the SCF's proposed supporting measures, we consider timely guidance by the Commission of the utmost importance. This should apply to both guidance for the calculations of the effects the SCF seeks to address, as well as aid in identifying the most effective measures to help a potential SCF contribute towards the transition to climate neutrality. Similarly, we ask the Commission to indicate examples and elements of Social Climate Plans that they would find unacceptable.

##### *Provisions on financial security and fraud*

Should an SCF be created, it must contain strong provisions to prevent, detect, and correct corruption, fraud, and conflicts of interest. We invite the Commission to provide further information on how they expect the SCF's provisions to accomplish this, and how they intend to support Member States in applying these provisions.

MFF

There should be no pre-empting the 2028-2034 MFF. Future budgets should be considered on itself.

## **Article suggestions**

### **Article 1 Subject matter, scope and objectives**

The Social Climate Fund ('the Fund') is established.

It shall provide support to Member States for the financing of the measures and investments included in their Social Climate Plans ('the Plans').

The measures and investments supported by the Fund shall benefit households, micro-enterprises and transport users, which are vulnerable and particularly affected by the inclusion of greenhouse gas emissions from buildings and road transport into the scope of Directive 2003/87/EC, especially households in energy poverty and citizens without public transport alternative to individual cars (in remote and rural areas).

The general objective of the Fund is to contribute to the transition towards climate neutrality by addressing the social impacts of the inclusion of greenhouse gas emissions from buildings and road transport into the scope of Directive 2003/87/EC. The specific objective of the Fund is to support vulnerable households, vulnerable micro-enterprises and vulnerable transport users ~~through temporary direct income support and~~ through measures and investments intended to increase energy efficiency of buildings, decarbonisation of heating and cooling of buildings, including the integration of energy from renewable sources, and granting improved access to zero- and low-emission mobility and transport, **and temporary direct income support.**

### **Article 4 The Content of Social Climate Plans**

1. Social Climate Plans shall set out in particular the following elements:

(a) concrete measures and investments in accordance with Article 3 to reduce the effects referred to in point (c) of this paragraph together with an explanation of how they would contribute effectively to the achievement of the objectives set out in Article 1 within the overall setting of a Member State's relevant policies;

(b) concrete accompanying measures needed to accomplish the measures and investments of the Plan and reduce the effects referred to in point (c) as well as information on existing or planned financing of measures and investments from other Union, international, public or private sources;

(c) an estimate of the likely effects of that increase in prices on households, and in particular on incidence of energy poverty, on micro-enterprises and on transport users, comprising in particular an estimate and the identification of vulnerable households, vulnerable micro-enterprises and vulnerable transport users; these impacts are to be analysed with a sufficient level of regional disaggregation, taking into account elements such as access to public transport and basic services and identifying the areas mostly affected, particularly territories which are remote and rural;

(d) where the Plan provides for measures referred to in Article 3(2), the criteria for the identification of eligible final recipients, the indication of the envisaged time limit for the measures in question and their justification on the basis of a quantitative estimate and a qualitative explanation of how the measures in the Plan are expected to reduce energy and transport poverty and the vulnerability of households, micro-enterprises and transport users to an increase of road transport and heating fuel prices;

(e) envisaged milestones, targets and an indicative timetable for the implementation of the measures and investments to be completed by 31 July 2032;

(f) the estimated total costs of the Plan accompanied by appropriate cost justification and explanations of how it is in line with the principle of cost efficiency and commensurate to the expected impact of the Plan;

(g) the envisaged national contribution to the total estimated costs, calculated in accordance with Article 14;

(h) an explanation of how the Plan ensures that no investment or measure, included in the Plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852; the Commission shall provide technical guidance to the Member States targeted to the scope of the Fund to that effect; ~~no explanation is required for the measures referred to in Article 3(2);~~

(i) the arrangements for the effective monitoring and implementation of the Plan by the Member State concerned, in particular of the proposed milestones and targets, including indicators for the implementation of measures and investments, which, where relevant, shall be those available with

the Statistical office of the European Union European Statistical Office and the European Energy Poverty Observatory as identified by Commission Recommendation 2020/156354 on energy poverty;

(j) for the preparation and, where available, for the implementation of the Plan, a summary of the consultation process, conducted in accordance with Article 10 of Regulation (EU) 2018/1999 and with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and how the input of the stakeholders is reflected in the Plan;

(k) an explanation of the Member State's system to prevent, detect and correct corruption, fraud and conflicts of interests, when using the funds provided under the Fund, and the arrangements that aim to avoid double funding from the Fund and other Union programmes.

2. The Plans shall be consistent with the information included and the commitments made by the Member States under the European Pillar of Social Rights Action Plan and the European Social Fund Plus (ESF+) established by Regulation (EU) 2021/1057, under their cohesion policy operational programmes under Regulation (EU) 2021/105855, under their Recovery and Resilience Plans in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>56</sup>, under their long-term buildings renovation strategies pursuant to Directive 2010/31/EU and under their updated integrated national energy and climate plans under Regulation (EU) 2018/1999. They shall also be complementary to the Just Transition Plans pursuant to Regulation (EU) 2021/1056 of the European Parliament and of the Council.

3. ~~When preparing their Plans, Member States may request~~ **Within six months of entry into force of this Regulation, the Commission shall** organise an exchange of good practices **based on the lessons learned in the Regulations referenced in Article 14(2)**. Member States may also request technical support under the ELENA facility, established by an Agreement of the Commission with the European Investment Bank in 2009, or under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council<sup>58</sup>.

**4. The Commission shall provide a harmonised convention of calculations to assist Member States in estimating price effects which can be derived from establishing the emission trading system for buildings and road transport established pursuant to Chapter IVa of Directive 2003/87/EC.**

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