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CONTRIBUTION

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

Subject: Fit for 55 package - Social Climate Fund: Follow-up to the AHWP SCF on 7 March 2022 - Comments by delegations

In follow-up to the call for comments (WK 3364/2022) on the Presidency non-paper (WK 3085/2022) on blocks 1 (general provisions) and 2 (programming) of the SCF regulation, delegations will find below comments from the ■■■, ■■■, NL and ■■■ delegations.

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Comments from the Netherlands on the Social Climate Fund

We would like to thank the Presidency for facilitating this round of written comments. We again wish them the 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 believe that the negotiations on 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. 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 the discussion questions for block 1 and 2;

Direct income support

Any potential SCF must maintain a strong and direct link to the fit-for-55 package's climate goals and should therefore focus on sustainable investments. In our view, direct income support does not directly contribute to our climate goals but only indirectly through generating support for the climate transition.

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, such as a maximum percentage on the allowed spending. Currently, we do not believe the proposal's provisions to be adequate.

Duration of the Fund

We support the proposed orientation. The Fund should not pre-empt the next multiannual financial framework. The duration should be discussed in the preparatory bodies in charge of budgetary files for the SCF.

Type of territories and supported measures

At this time it is too early for the Netherlands to comment on the suggestions regarding the inclusion of specific measures under the Social Climate Plans, as our position on these is highly dependent on the fund's overall design.

Financing of existing measures

For the Netherlands, any potential SCF must have a clear and additional contribution to FF55's climate goals. We support stipulations that state that a potential SCF should not be used to finance existing and recurring national expenses. As a rule of thumb the fund should therefore primarily fund new measures. That said, we understand that for member states that have already adopted a system similar to the ETS2+SCF, allowing the inclusion of existing programs could avoid unnecessary duplication of work.

We would there like to ask the Presidency whether it would be possible to make a technical distinction between generic refinancing and the refinancing of measures for set-ups highly similar to the ETS2+SCF. Understandably this is difficult and the meat of the issue, but nevertheless important. Perhaps it could be evaluated whether this issue can be linked to the procedure for evaluating the effects of adopting the ETS2 for member states with carbon taxes in place which that are superseded by the ETS2?

Content of the plans, territorial disaggregation, and modification of the plans

At this time we can mention that we cannot support the deletion of technical guidance for the "*Do no significant harm*" principle. This provision is crucial in ensuring that the SCF contributes to the FF55 package's climate goals.

Many of the other points suggested by the Presidency could provide avenues to reduce the administrative burden, and will need to be weighed up against any reduction in guarantees for the targeted nature of the fund. Specifically the suggested provisions on technical assistance should be carefully evaluated.

For the adjustment of SCP's, we would like to echo other member states in stating that what exactly would be considered a "minor adjustment" is of great importance to our evaluation of this addition.

Indicators and validation

The SCF on itself should contain narrow definitions, to ensure that the fund contributes to the FF55's climate goals. Any indicator should be in line with this goal. In our view, this also necessitates a common core of indicators among all member states, but what this would look like exactly depends on the types of indicators proposed.

We would further like to note that we find it hard to assess how the Presidency's suggestion to let Member States develop the indicators they consider relevant would interact with the performance based nature and direct management structure of the fund. For the Netherlands, it is of key concern that the fund maintains its performance based structure tied to payments based on milestones for achieving the SCF's stated objectives. We consider the Commission's proposed management mode to be compatible with this view and therefore again express support for it.

For the validation of the SCP's, the appropriate institutional set-up will depend on the final design of the fund, should it be created.

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