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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: AHWP SCF on 4 April 2022 -
Comments by delegations

In follow-up to the call for comments (WK 4643/2022) on blocks 5 (Information and communication, monitoring and evaluation), 6 (Financial management), and 7 (Final provisions) of the SCF regulation, delegations will find below comments from the [REDACTED], NL 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 and congratulate them on the halfway point of their Presidency. We again wish them the best of luck in bringing Member States' input to a fruitful conclusion in this closing half.

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 block 5, 6, and 7;

Technical assistance

As the Presidency noted in their discussion paper for the last AHWP, it is of great importance that the resources allocated under a potential SCF primarily benefit the most vulnerable. Generally, we would like to state that in our view technical aid does not directly benefit the most vulnerable. This should be carefully considered when adjusting the possibilities for technical aid. It is our belief that technical aid in general could be financed through the revenue streams generated for member states through the creation of the ETS BRT.

Management mode

To achieve the SCF's stated objectives, it is of key concern that the fund maintains its performance based structure tied to payment based on milestones. We consider the Commission's proposed management mode to be compatible with this view and therefore support it. In our view, European financing should strike a good balance between the effectiveness and efficiency of supported measures on the one hand and the limitation of unnecessary administrative burdens on the other. Reducing the administrative burden should be the main goal of any tweaks, and not bringing the SCF closer to shared management in itself. That said, the Netherlands remains open to finding ways to reduce administrative costs.

Indicators

We can support the creation of a single annexed list of indicators for a potential SCF. Regarding specific national common indicators, it is of great importance that MS utilize indicators from the main list to the largest extent possible, perhaps by requiring MS to use these first and foremost. Additionally we find it important that the number of specific indicators is minimized. For example, we could look into creating specific indicators that could be useful for multiple MS whenever possible. Of course this would need to be properly operationalised. This would provide for a good balance between flexibility for MS and monitoring by the Commission.

Financial methodology – Articles 9, 10, 11, 18 (1 and 3), and 19

We would like to reiterate a point we made in our last written comments on blocks 5, 6, and 7, that was not part of the discussion paper during the last AHWP.

The Netherlands is of the opinion that the financial methodology of a possible SCF should be in line with such a fund's performance based nature. This should include suitable limitations on the fund's administrative burden, strong incentivization to prevent excessive managing costs, and clear controls on the administrative expenses that can be financed through the fund by the Commission as well as by Member States. Furthermore, there should be a strong incentive to fulfill the milestones and targets needed for the fund's performance based nature. This necessitates clarity on when and how Member States' allocations can be reduced or even terminated. Additionally,

funds allocated under a potential SCF should not be transferable to funds with less specific objectives.

During the ad hoc working party on the 25th of February, the Commission explained that the timing and proportion of payments under the SCF are dependent on the individual agreements made between Member States and the Commission under the Member States' social climate plans, meaning payments could be front- or backloaded. The Netherlands is of the opinion that, while not completely without merits, this approach runs the risk of incentivizing the selection of measures that achieve results on the short run, even when more cost-effective measures with a slightly longer realization time are available. This could be harmful to the effectiveness of a potential SCF. We therefore consider it prudent to discuss alterations to the SCF that would incentive Member States to select measures with a longer realization time.

Finally, any possible form of SCF financed under the 2021-2027 MFF should not preempt the 2028-2034 MFF, meaning dates in the proposal referencing to the latter timeframe should be removed.

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