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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 10 June 2022 - Comments by delegations

In follow-up to the call for comments (ST 9321/2022) on the Presidency compromise text delegations will find below comments received from the [REDACTED] and NL delegations.

WK 8579/2022 INIT

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Comments from the Netherlands

We would like to thank the Presidency for facilitating this round of written comments and the hard work over the past week. We wish them the best of luck in bringing Member States' input to a fruitful conclusion.

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. Our comments below are an extension on and reiteration of the comments made during the AHWP on Friday the 10th of June.

Overall

We have studied the proposal quickly with great interest, and will be diving into the proposal more over the week. Comments remain preliminary, but in line with earlier points.

As mentioned over the past year, a performance based approach to any potential new fund is of high importance to us. We are studying the consequences of the adaptation to elements of shared management, but note that performance based still forms the core of the proposal. Likewise important that a strong link with the ETS BRT is maintained, underline the necessity of this.

However, ensuring that any potential fund is as transition oriented as possible remains a significant issue for us. The original proposal and revised edition are and remain unacceptably vague regarding the possibility and funding of direct income support and will be impossible to sell in the Hague. If we are to even consider income support, it must be capped. In our view, income support must be addressed in an AHWP or CRP prior to any further steps on the proposal as a whole, along with the size and distribution of any potential new fund. Furthermore, we underline the need to exclude SME's from the fund and to include a strong *do no significant harm* clause to ensure that any fund is as focused as possible.

Similarly we note that a strong climate neutrality clause is needed for the fund. In our view the current Presidency proposal still leaves a back door that undermines this clause. For us, it is important to see strong national commitments, beyond general EU obligations. Thus the clause in the proposal needs to be stronger.

Financial

Rule of Law, budget control, and governance remain very important for our evaluation of the financial architecture of potential new funds. Similarly, a cap for any new proposals is crucial to ensure rules on good budgeting are followed.

We would like to stress again that any change to BRT must be proportionally reflected in SCF. It is good to see that the Presidency has opted to include the implications of changes to the ETS-BRT in the compromise text. We will be studying the exact details of the Presidency proposals for the SCF and necessary amendments for the ETS BRT.

Governance

We are glad to note that measures linked to existing carbon taxes will be considered eligible under the fund, but would look to ask the Presidency who determines whether measures fall into this category and how this is verified.

We note that technical assistance has been made eligible under the fund. We consider the way of implementation to be insufficiently clauded, in particular regarding the new rules on recurring expenses. Could the Presidency share how this aspect of the proposal contributes to aiding the most vulnerable?

Finally we note that the good simplifications in the text, the Commission role in estimating the impact of ETS-BRT prices, and the choice for an annex list of indicators are aligned with our conditions for a potential fund. Regarding the annex list we would like to ask the presidency how and when they intend to compile this.