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NOTE

From:	Presidency
To:	Council
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Subject:	'Fit for 55' package Proposal for a Regulation of the European Parliament and of the Council on establishing a Social Climate Fund - General approach

INTRODUCTION

1. On 14 July 2021, the Commission submitted to the European Parliament and the Council, in the context of the 'Fit for 55' package, a proposal for a Regulation establishing a Social Climate Fund (SCF)¹.

¹ Doc 10920/21 + COR 1 + ADD 1 + ADD 1 COR 1

2. The proposal aims to mitigate the social and distributional impacts of establishing a separate emissions trading system for the buildings and road transport sectors (BRT ETS). Based on social climate plans, the Fund supports measures and investments to help vulnerable households, vulnerable micro-enterprises and vulnerable transport users.
3. In the European Parliament, both the Committee on Environment, Public Health and Food Safety (ENVI) and the Committee on Employment and Social Affairs (EMPL) are lead committees in a joint committee procedure. The Committee on Budgets (BUDG) is an associated committee. Ms Esther de Lange (EPP, NL) was appointed rapporteur for ENVI, Mr David Casa (EPP, MT) for EMPL and Ms Margarida Marques (S&D, PT) for BUDG. On 18 May 2022, the ENVI and EMPL committees adopted their report on the proposal for a SCF Regulation. On 8 June 2022, the Parliament rejected the general ETS proposal and referred it back to the ENVI committee; as a result, Parliament's vote on the SCF Regulation took place at the plenary session on 22 and 23 June 2022.
4. The European Economic and Social Committee delivered its opinion on 8 December 2021. The Committee of the Regions delivered its opinion at its meeting on 27 and 29 April 2022.

II. WORK WITHIN THE COUNCIL

5. At working party level, following the initial exchanges under the Slovenian Presidency, the French Presidency continued its examination of the proposal at nine meetings aimed at reconciling delegations' positions on the various aspects of the proposal.
6. On the basis of the work done, the Environment Council held a policy debate on 17 March 2022², which focused in particular on the establishment of an SCF in connection with the establishment of a separate BRT ETS.

² Doc 6668/2/22 REV 2

7. At its meetings on 1³ April, 8 April⁴, 4 May⁵ and in the course of an informal lunch on 8 June 2022, the Permanent Representatives Committee held exchanges of views on the main parameters of the SCF Regulation in connection with the proposal for a BRT ETS, and on the budgetary architecture of the Fit for 55 package, in order to provide guidance for further work.
8. Subsequently, the Presidency presented two compromise texts⁶ on the SCF Regulation which were examined by the working party on 10 and 14 June 2022.
9. On 17 June 2022, in order to prepare for the Environment Council discussion on this file at its meeting on 28 June 2022, the Permanent Representatives Committee examined a third Presidency compromise text⁷, which included the budgetary issues on which the previous square brackets had been removed. On 22 June 2022, the Permanent Representatives Committee examined the Presidency compromise text⁸.
10. Following the informal meeting of the Permanent Representatives Committee on 24 June 2022, the Presidency prepared a fifth revised compromise text⁹ which was discussed at its formal meeting on 25 June 2022. The exchanges showed that on certain issues, in particular the volume of the fund, delegations continued to express reservations. Following these discussions and on account of the diverging opinions, the Presidency maintains the elements of the compromise text, as they seem to be the most capable of reaching an agreement on the text as a whole.

³ Doc 7559/22
⁴ Doc 7713/22
⁵ Doc 8406/22
⁶ Doc 9321/22 + REV 1
⁷ Doc 9969/22 + ADD 1
⁸ Doc 10395/22
⁹ Doc 10395/1/22 + REV 1

III. MAIN ELEMENTS OF THE COMPROMISE TEXT

11. The compromise text amends the Commission proposal on a number of points, in response to queries and requests from delegations, and maintains its level of contribution to the objective of the ‘Fit for 55’ package. It focuses on the following aspects:

Budgetary architecture of the Fund

The text proposes a new budgetary architecture for a Fund financed by external assigned revenue from the sale of the BRT ETS allowances. This allows the multiannual financial framework (MFF) not to be reopened immediately, while benefiting from a series of guarantees linked to the EU budget. In this context, Article 30d of the ETS Directive organising the auctioning of ETS BRT allowances contributing to the SCF has been amended to provide for the transfer of a capped amount of revenue as external assigned revenue.

Duration of the Fund

The Fund covers the period 2027-2032, to take account of the proposal for a delayed entry into force of the BRT ETS.

Volume of the Fund

Annex II has been revised to take account of the reduction in duration (EUR 59 billion) and the national envelopes have been adjusted accordingly. The text in Article 9 adds a clarification on the amount of the net redistribution between Member States.

Allocation method

The text maintains the Commission proposal.

Early establishment of the Fund

The text provides for retroactive eligibility of expenditure from 1 January 2026.

Co-financing

The text proposes the deletion of the national contribution provided for in the Commission proposal.

Direct income support

The text proposes retaining direct income support by introducing a ceiling of 35 % of the estimated total costs of the Social Climate Plans.

Management method

The text provides for direct performance management combined with elements of shared management such as national technical assistance and the possibility of reverting to the managing and audit authorities of the Structural Funds without the need for further validation by the Commission. It is also proposed in Article 10 of the SCF Regulation to allow Member States that so wish to transfer up to 15 % of their SCF allocation to their programmes under shared management. This amount should be used for the same objectives as the SCF but could be implemented through the ERDF, ESF, Cohesion Fund or Just Transition Fund.

III. CONCLUSION

The Council is invited to resolve the outstanding issues and adopt a general approach on the basis of the text set out in the Annex to this note. The general approach will serve as the Council's mandate for future negotiations with the European Parliament under the ordinary legislative procedure.

Social Climate Fund Presidency compromise¹⁰

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject matter, scope and objectives

The Social Climate Fund ('the Fund') is established from 2027 until 2032.

It shall provide financial support to Member States for (...) 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 (...) with limited or inadequate public transport alternative to individual cars (...).

¹⁰ Article 322(1) TFEU needs to be added as additional legal basis to cater for a derogation from Article 22(2) of title II of the Financial Regulation, required by the use of external assigned revenues for this fund.

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 and storage in buildings of energy from renewable sources, and granting improved access to zero- and low-emission mobility and transport.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘building renovation’ means all kinds of energy-related building renovation, including the insulation of the building envelope, that is to say walls, roof, floor, the replacement of windows, the replacement of heating, cooling and cooking appliances, ventilation and the installation of on-site production of energy from renewable sources;
- (2) ‘energy poverty’ means energy poverty as defined in point [(49)] of Article 2 of Directive (EU) [yyyy/nnn] of the of the European Parliament and of the Council¹¹;
- (3) ‘estimated total costs of the Plan’ means estimated total costs of the measures and investments included in the (...) Plan;
- (4) ‘financial allocation’ means non-repayable financial support under the Fund that is available for allocation or that has been allocated to a Member State;
- (5) ‘household’ means (...) ¹² a person living alone or a group of persons who live together, providing oneself or themselves with the essentials of living;

¹¹ [Directive (EU) [yyyy/nnn] of the of the European Parliament and of the Council (OJ C [...], [...], p. [...]).] [Proposal for recast of Directive 2012/27/EU on energy efficiency]

¹² (...)

- (6) ‘milestone’ means a qualitative achievement used to measure progress towards the achievement of a measure or investment;
- (7) ‘target’ means a quantitative achievement used to measure progress towards the achievement of a measure or investment;
- (8) ‘energy from renewable sources’ means energy from renewable non-fossil sources as defined in Article 2, second subparagraph, point (1) of Directive (EU) 2018/2001 of the European Parliament and of the Council¹³;
- (9) ‘micro-enterprise’ means an enterprise that employs fewer than 10 persons and whose annual turnover or annual balance sheet does not exceed EUR 2 million, calculated in accordance with Articles 3 to 6 of Annex I to Commission Regulation (EU) No 651/2014¹⁴;
- (10) ‘transport users’ means households or micro-enterprises that use various transport and mobility options;
- (11) ‘vulnerable households’ means households in energy poverty or households, including lower middle-income ones, (...), that are significantly affected by the price impacts of the inclusion of buildings into the scope of Directive 2003/87/EC and lack the means to renovate the building they occupy;

¹³ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

¹⁴ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (...) (OJ L 187, 26.6.2014, p. 1).

- (12) ‘vulnerable micro-enterprises’ means micro-enterprises that are significantly affected by the price impacts of the inclusion of buildings into the scope of Directive 2003/87/EC and lack the means to renovate the building they occupy;
- (13) ‘vulnerable transport users’ means transport users, including from lower middle-income households[...] that are significantly affected by the price impacts of the inclusion of road transport into the scope of Directive 2003/87/EC and lack the means to purchase zero- and low-emission vehicles or to switch to alternative sustainable modes of transport, including public transport, (...).
- (13a) ‘technical building system’ means technical equipment for space heating, space cooling, ventilation, domestic hot water, building automation and control, on-site renewable energy generation and storage, or a combination thereof, including those systems using energy from renewable sources, of a building or building unit.

CHAPTER II

SOCIAL CLIMATE PLANS

Article 3

Social Climate Plans

1. Each Member State (...) shall submit to the Commission a Social Climate Plan ('the Plan') (...). The Plan shall contain a coherent set of existing or new national measures and investments to address the impact of carbon pricing on vulnerable households, vulnerable micro-enterprises and vulnerable transport users in order to ensure affordable heating, cooling and mobility while accompanying and accelerating necessary measures to meet the climate targets of the Union.
 - 1a. Each Member State shall ensure consistency between their Plan and their updated National and Energy Climate Plan referred to in Article 14(2) of Regulation (EU) 2018/1999.
2. The Plan may include national measures providing temporary direct income support to vulnerable households and households that are vulnerable transport users to reduce the impact of the increase in the price of fossil fuels resulting from the inclusion of buildings and road transport into the scope of Directive 2003/87/EC.
3. The Plan shall include national (...) measures and investments to:
 - (a) (...) increase energy efficiency of buildings, to implement energy efficiency improvement measures including related to technical building systems, to carry out building renovation, and to decarbonise heating and cooling of buildings, including the integration of energy production from renewable energy sources;
 - (b) (...) increase the uptake of zero- and low-emission mobility and transport.

3a. Where a Member State already has in place a national emission trading system for buildings and road transport or carbon tax, the national measures already in place to mitigate the social impact and challenges may be included in the Plan provided that they comply with this Regulation.

Article 4

Content of Social Climate Plans

1. The Social Climate Plans shall set out (...) 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 (...) to accomplish the measures and investments of the Plan and reduce the effects referred to in point (c) (...), if deemed necessary by the Member State for the implementation of the Plan;
 - (ba) information on existing or planned financing of measures and investments from other Union, international, public or, where relevant, private sources which contribute to the measures and investments set out in the Plan;
 - (c) an estimate of the likely effects of (...) the increase in prices resulting from the inclusion of buildings and road transport into the scope of Directive 2003/87/EC 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 (...) effects are to be analysed (...) at the appropriate territorial level (...) as defined by each Member State, taking into account elements such as access to public transport and basic services and identifying the areas mostly affected (...);

- (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 (...) and households that are 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 (...) ¹⁵ accompanied by appropriate (...) justification and explanations of how (...) they are in line with the principle of cost efficiency and commensurate to the expected impact of the Plan;
- (g) (...)
- (h) an explanation of how the Plan ensures that no investment (...) nor 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; (...);
- (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, (...) (...) ¹⁶ (...) the relevant common indicators from Annex (X) (...), and if none of them is relevant for a specific measure or investment, additional individual indicators proposed by the Member State;

¹⁵ N.B.: Clarification regarding VAT : when submitting the Plan the total estimated cost should be presented without VAT for comparability purposes among the Plans (as Member States have different VAT levels on different items of expenditure). (...) As payments at EU level are not linked to invoices but to milestones and targets, it is up to the Member States to decide which underlying costs (which could include VAT) may be covered when implementing their national measures and investments.

¹⁶ (...)

- (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 their (...) input (...) 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 (...) financial allocations provided under the Fund, and the arrangements that aim to avoid double funding from the Fund and other Union programmes.

(1a) The Plan may include technical assistance actions necessary for the effective administration and implementation of the measures and investments set out in the Plan.

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 (...), under their cohesion policy operational programmes under Regulation (EU) 2021/1060 (...) ¹⁷, under their Recovery and Resilience Plans in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council ¹⁸, under their (...) building renovation (...) plans pursuant to Directive [recast proposal] (...), under their updated integrated national energy and climate plans under Regulation (EU) 2018/1999, and under their (...) territorial just transition plans pursuant to Regulation (EU) 2021/1056 of the European Parliament and of the Council ¹⁹.

¹⁷ Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231, 30.6.2021, p. 60).

¹⁸ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

¹⁹ Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021, p. 1).

3. When preparing their Plans, Member States may request the Commission to organise an exchange of good practices. 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 Council²⁰.

(3a) To assist Member States in providing the information referred in article 4(1)(c), the Commission shall provide a (...) common value to be considered for the carbon price resulting from the inclusion of greenhouse gas emissions from buildings and road transport within the scope of Directive 2003/87/EC.

(3b) The Plans shall be prepared in accordance with the template set out in Annex XX.

²⁰ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

CHAPTER III

SUPPORT FROM THE FUND FOR SOCIAL CLIMATE PLANS

Article 5

Principles governing the Fund (...)

1. The Fund shall provide financial support to Member States to fund the measures and investments set out in their Plans.
2. Payment of support shall be conditional upon achieving the milestones and targets for measures and investments set out in the Plans. Those milestones and targets shall be compatible with the Union's climate targets (...) and the objectives of the Regulation EU 2021/1119, and shall cover in particular:
 - (a) energy efficiency;
 - (b) building renovation;
 - (c) zero- and low-emission mobility and transport;
 - (d) greenhouse gas emissions reductions;
 - (e) reductions in the number of vulnerable households, especially households in energy poverty, of vulnerable micro-enterprises and of vulnerable transport users (...).
3. The Fund shall only support measures and investments respecting the principle of 'do no significant harm' referred to in Article 17 of Regulation (EU) 2020/852.

Article 6

Eligible measures and investments to be included in the Social Climate Plans

1. Member States may include (...) , among others, the following measures and investments in the estimated total costs of the Plans, provided they principally (...) target vulnerable households, vulnerable micro-enterprises or vulnerable transport users and intend to:
 - (a) support building renovations, especially for those occupying worst-performing buildings (...);
 - (b) contribute to the decarbonisation, including the electrification, of heating and cooling of, and cooking in, buildings, and the integration of energy from renewable sources that contribute to the achievements of energy savings or to reducing energy poverty;
 - (c) support public and private entities in developing and providing affordable energy efficiency (...) solutions and appropriate funding instruments in line with the social goals of the Fund;
 - (d) provide access to zero- and low-emission vehicles and bikes, including financial support or fiscal incentives for their purchase as well as for appropriate public and private infrastructure, including for recharging and refuelling; for support concerning low-emission vehicles, a timetable for gradually reducing the support shall be provided;
 - (e) grant free access to public transport or adapted tariffs for access to public transport, as well as fostering sustainable mobility on demand and shared mobility services;
 - (f) support public and private entities in developing and providing affordable zero- and low-emission mobility, and transport services and the uptake of attractive active mobility options (...) in geographical areas (...) identified in the Plan;

- 1a. Member States may include measures providing temporary direct income support to vulnerable households and households that are vulnerable transport users to absorb the increase in road transport and heating energy prices. Such support from the Fund shall decrease over time and shall be limited to the direct impact of the emission trading for buildings and road transport. These measures shall not represent more than (...) 35% of the estimated total cost of the Plan as referred to in Article 4(1)(f).
- 1b. Member States may include technical assistance to cover expenses related to training, programming, monitoring, control, audit and evaluation activities which are required for the management of the Fund and the achievement of its objectives, for example studies, IT expenses, consultation of stakeholders, information and communication actions. This shall be up to [2.5%] of the estimated total cost of the plan as referred to in Article 4 (1)(...)(f).
- 1c.²¹ Member States may include measures and investments undertaken from 1 January until 31 December 2026 and that are still ongoing on 1 January 2027 provided that they concur with the implementation of the Plans as approved in accordance with Article 16(1) and provided that they comply with the requirements set out in this Regulation.

²¹ Corresponding recital "In order to anticipate the effects of and ensure a smooth transition to the extension of the ETS to building and road transport, measures and investments undertaken from 1 January until 31 December 2026 should be eligible for funding."

Article 7

Exclusions from the (...) scope of Social Climate Plans

(...)

Article 8

Pass-on of benefits to households, micro-enterprises and transport users

Member States may include (...) in the (...) Plans support provided to public or private entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport (...) users, if those entities carry out measures and investments ultimately benefitting vulnerable households, vulnerable micro-enterprises and vulnerable transport users.

Member States shall provide for the necessary statutory and contractual safeguards to ensure that the entire benefit is passed on to the households, micro-enterprises and transport users.

(...) Resources from the Emissions Trading System Buildings and Road Transport

1. (...) A maximum of EUR 59 000 000 000 for the period (...)2027 (...) to 2032 in current prices shall be made available, in accordance with Article 30d (4a) of Directive 2003/87/EC, for implementation under this Regulation to finance the measures and investments of the Social Climate Plans, corresponding to a total net transfer of Member States to the Fund amounting to a maximum of EUR 18 600 000 000²³. That amount shall be made available in the form of external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.

(...)

- 1a. By derogation from Article 22(2) of the Financial Regulation and without prejudice to Article 19, commitment appropriations covering the amount referred to in paragraph 1 shall be made available automatically up to the respective amount referred to in paragraph 1 as of the date of the establishment (...) of the Fund.

²² Corresponding Recital: The Social Climate Fund should be exceptionally and temporarily financed by the revenue generated from the auctioning of ETS allowances in the buildings and road transport sector up to EUR 59 000 million, which should constitute external assigned revenue.

In (...) the event an own resource based on an ETS in the buildings and road transport sector is established during the implementation of the Fund, the Commission should present the necessary proposals to ensure (...) the continuity and effectiveness of the implementation of the Fund, in the framework of the post 2027 Multiannual Financial Framework, without prejudging the outcome of the post 2027 Multiannual Financial Framework negotiations.

²³ Corresponding Recital: Pursuant to Article 30d(4a) of Directive 2003/87/EC Member States are to auction allowances covered by Chapter IVa of that Directive up to an amount of EUR 59 000 000 000 to be transferred to the Fund on the basis of a share of allowances identified in Article 30d(4) of the same Directive. Once transferred to the Fund, a maximum financial allocation should be calculated for each Member State in accordance with an allocation key providing in particular additional support to those Member States that are more impacted by the inclusion of the building and road transport in the scope of Directive 2008/37/EC. This results in a net amount of a maximum of EUR 18 600 000 000 being redistributed among Member States.

The assigned revenues referred to in (...) paragraph 1(...) may also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities which are required for the management of the Fund and the achievement of its objectives, in particular studies, meetings of experts, consultation of stakeholders, information and communication actions, including inclusive outreach actions, and corporate communication of the political priorities of the Union, insofar as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, corporate information technology tools, and all other technical and administrative assistance expenses incurred by the Commission for the management of the Fund. Expenses may also cover the costs of other supporting activities such as quality control and monitoring of projects on the ground and the costs of peer counselling and experts for the assessment and implementation of the eligible actions.

Article 10

Resources from shared management programmes and use of resources

1. Resources allocated to Member States under shared management may, at their request, be transferred to the Fund subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060. The Commission shall implement those resources directly in accordance with Article 62(1), first subparagraph, point (a) of Regulation (EU, Euratom) 2018/1046. Those resources shall be used exclusively for the benefit of the Member State concerned.
- 1a. Member States may request in their Social Climate Plans submitted in accordance with Article 3(1) the transfer of up to 15 % of the maximum financial allocation to funds under shared management provided for in the Regulation (EU) 2021/1060. The transferred resources shall finance measures and investments as defined under Article 6 and shall be implemented in accordance with the rules of the funds to which the resources are transferred. The Commission shall object to a request for transfer where such a transfer would undermine the objectives of this Regulation and the requirements of this paragraph.

2. Member States may entrust the managing authorities of the (...) cohesion policy operational programmes under Regulation (EU) 2021/(...)1060 with the implementation of measures and investments benefitting from this Fund, where applicable in view of the synergies with those Union funds and in conformity with the objectives of the Fund. Member States shall state their intention to entrust those authorities in their Plans. In such a case, the existing management and control mechanisms put in place by the Member States, as approved by the Commission, shall be deemed to comply with the requirements of this Regulation.
3. Member States may include in their Plan, as part of the estimated total costs, the payments for additional technical support pursuant to Article 7 of Regulation (EU) 2021/240 and the amount of the cash contribution for the purpose of the Member State compartment pursuant to the relevant provisions of Regulation (EU) 2021/523. Those costs shall not exceed 4 % of the financial total allocation for the Plan, and the relevant measures, as set out in the Plan, shall comply with this Regulation.

Article 11

Implementation

The Fund shall be implemented by the Commission in direct management in accordance with the relevant rules adopted pursuant to Article 322 TFEU, in particular Regulation (EU, Euratom) 2018/1046 and Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council²⁴.

Article 12

Additionality and complementary funding

1. Support under the Fund shall be additional to the support provided under other Union funds, programmes and instruments. Measures and investments supported under the Fund may receive support from other Union funds, programmes and instruments provided that such support does not cover the same cost.

²⁴ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1).

2. Support from the Fund shall be additional and shall not substitute recurring national budgetary expenditure.
- 2a. For technical assistance to Member States, administrative costs directly linked to the implementation of the Plan shall not be considered as recurring national budgetary expenditure.

Article 13

Maximum financial allocation

1. The maximum financial allocation shall be calculated for each Member State as specified in Annex I and Annex II.
2. Each Member State may submit a request up to its maximum financial allocation to implement its Plan.

Article 14

National contribution to the total estimated costs

(...)

Article 15

Commission assessment

1. The Commission shall assess the Plan and, where applicable, any amendment to that Plan submitted by a Member State in accordance with Article 17, for compliance with the provisions of this Regulation. When carrying out that assessment, the Commission shall act in close cooperation with the Member State concerned. The Commission may make observations or seek additional information within two months of the submission of the Plan by the Member State. The Member State concerned shall provide the requested additional information and may revise the Plan if needed, including after the submission of the Plan. The Member State concerned and the Commission may agree to extend the deadline for assessment by a reasonable period if necessary.

2. The Commission shall assess the relevance, effectiveness, efficiency and coherence of the Plan taking into account the specific challenges and the financial allocation of the Member State concerned, as follows:

- (a) For the purpose of assessing relevance, the Commission shall take into account the following criteria:
 - (i) whether the Plan (...) contributes to address the social impact on and challenges faced by vulnerable households, vulnerable micro-enterprises and vulnerable transport users in the Member State concerned from establishing the emission trading system for buildings and road transport established pursuant to Chapter IVa of Directive 2003/87/EC, especially households in energy poverty, duly taking into account the challenges identified in the assessments of the Commission of the update of the concerned Member State's integrated national energy and climate plan and of its progress pursuant to Article 9(3), and Articles 13 and 29 of Regulation (EU) 2018/1999, as well as in the Commission recommendations to Member States issued pursuant to Article 34 of Regulation (EU) 2018/1999 in view of the long-term objective of climate neutrality in the Union by 2050 (...);
 - (ii) whether the Plan is expected to ensure that no measure or investment included in the Plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852;
 - (iii) whether the Plan contains measures and investments that contribute to the green transition, including to addressing the challenges resulting therefrom and in particular to the achievement of the 2030 climate and energy objectives of the Union and the 2030 milestones of the Mobility Strategy in view of the long-term objective of climate neutrality in the Union by 2050.

- (b) For the purpose of assessing effectiveness, the Commission shall take into account the following criteria :
- (i) whether the Plan is expected to have a lasting impact on the challenges addressed by that Plan and in particular on vulnerable households, vulnerable micro-enterprises and vulnerable transport users, especially households in energy poverty, in the Member State concerned;
 - (ii) whether the arrangements proposed by the Member State concerned are expected to ensure the effective monitoring and implementation of the Plan, including the envisaged timetable, milestones and targets, and the related indicators;
 - (iii) whether the measures and investments proposed by the Member State concerned are consistent and complying with the requirements under Directive (EU) [yyyy/nnn] [Proposal for recast of Directive 2012/27/EU], Directive (EU) 2018/2001, Regulation of the European Parliament and of the Council [yyyy/nnn] of dd/mm/yyyy [Regulation on the deployment of alternative fuels infrastructure, and repealing Directive 2014/94/EU of the European Parliament and of the Council]²⁵, Directive (EU) 2019/1161 of the European Parliament and of the Council and Directive 2010/31/EU;
- (c) For the purposes of assessing efficiency the Commission shall take into account the following criteria:
- (i) whether the justification provided by the Member State for the amount of the estimated total costs of the Plan is reasonable, plausible, in line with the principle of cost efficiency and commensurate to the expected national environmental and social impact;

²⁵ [Regulation (EU) yyyy/nnn of the European Parliament and of the Council.... (OJ)] [Proposal for Regulation on the deployment of alternative fuels infrastructure, and repealing Directive 2014/94/EU of the European Parliament and of the Council (...)].

- (ii) whether the arrangements proposed by the Member State concerned are expected to prevent, detect and correct corruption, fraud and conflicts of interests when using the (...) financial allocation provided under the Fund, including the arrangements that aim to avoid double funding from the Fund and (...) Union programmes;
- (iii) whether the milestones and targets proposed by the Member State are efficient in view of the scope, objectives and eligible actions of the Fund;

(...) The Commission shall take into account whether the Plan contains measures and investments that represent coherent actions.

Article 16

Commission decision

1. On the basis of the assessment carried out in accordance with Article 15, the Commission shall decide on the Plan of a Member State, by means of an implementing act, (...) no later than five months from the date of the submission of that Plan pursuant to Article 3(1) of this Regulation (...).

Where the Commission gives a positive assessment (...) of a Plan, the implementing act referred to it in the first subparagraph shall set out:

- (a) the measures and investments to be implemented by the Member State, the amount of the estimated total costs of the Plan and the milestones and targets;
- (b) the (...) maximum financial allocation allocated in accordance with Article 13(1) of this Regulation to be paid in instalments, in accordance with Article 19, once the Member State has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the Plan (...);
- (c) (...)

- (d) the arrangements and timetable for monitoring and implementation including, where relevant, measures necessary for complying with Article 20 of this Regulation;
- (e) the relevant indicators relating to the fulfilment of the envisaged milestones and targets; and
- (f) the arrangements for providing (...) adequate access by the Commission to the underlying relevant data.

2. The maximum financial allocation referred to in paragraph 1, point (b) shall be determined on the basis of the estimated total costs of the Plan proposed by the Member State concerned, as assessed under the criteria set out in Article 15(2).

The amount of the maximum financial allocation shall be set as follows:

- (a) where the Plan complies satisfactorily with the criteria set out in Article 15(2), and the amount of the estimated total costs of the (...) Plan (...) is equal to, or higher than, the maximum financial allocation for that Member State referred to in Article 13(1), the financial allocation allocated to the Member State concerned shall be equal to the total amount of the maximum financial allocation referred to in Article (...) 13 (1)(...);
- (b) where the Plan complies satisfactorily with the criteria set out in Article 15(2), and the amount of the estimated total costs of the (...) Plan (...) is lower than the maximum financial allocation for that Member State referred to in Article 13(1), the financial allocation allocated to the Member State shall be equal to the amount of the estimated total costs of the (...) Plan (...);
- (c) where the Plan complies satisfactorily with the criteria set out in Article 15(2), but the assessment establishes weaknesses in the control systems, the Commission may require (...) the Member State to take steps to address these weaknesses before the first payment;
- (d) where the Plan does not comply satisfactorily with the criteria set out in Article 15(2), no financial allocation shall be allocated to the Member State concerned.

3. Where the Commission gives a negative assessment to a Plan, the decision referred to in paragraph 1 shall include the reasons for that negative assessment. The Member State concerned shall resubmit the Plan, after taking into account the assessment of the Commission.

Article 17

Amendment of Social Climate Plans

1. Where a Social Climate Plan, including relevant milestones and targets, is no longer achievable or needs to be significantly adjusted, either in whole or in part, by the Member State concerned because of objective circumstances, in particular because of the actual direct effects of the emission trading system for buildings and road transport established pursuant to Chapter IVa of Directive 2003/87/EC, the Member State concerned may submit to the Commission an amendment of its Plan to include the necessary and duly justified changes. Member States may request technical support for the preparation of such request.
2. The Commission shall assess the amended Plan in accordance with Article 15.
3. Where the Commission gives a positive assessment to the amended Plan, it shall (...) adopt, within three months of the official submission of the amended Plan by the Member State, a decision setting out the reasons for its positive assessment, by means of an implementing act.
4. Where the Commission gives a negative assessment to the amended Plan, it shall reject the request within the period referred to in paragraph 3, after having given the Member State concerned the possibility to present its observations within three months of the communication of the Commission's assessment.

5. By 15 March (...) 2029 each Member State concerned shall assess the appropriateness of its Plans in view of the actual direct effects of the emission trading system for buildings and road transport established pursuant to Chapter IVa of Directive 2003/87/EC. (...)

5a. In case of minor adjustments to the Social Climate Plan, including minor updates in the measures and investments described, or the correction of clerical errors, a Member State shall simply notify the minor adjustments to the Commission. Minor adjustments shall represent (...) an increase or decrease of less than 5% of a target foreseen in the Plan.

5b. (...)

Article 18

Commitment of the financial allocation

1. After the Commission has adopted a positive decision as referred to in Article 16, it shall in due time conclude an agreement with the Member State concerned constituting an individual legal commitment within the meaning of Regulation (EU, Euratom) 2018/1046 covering the period (...) 2027-2032, (...). That agreement may be concluded at the earliest (...) 12 months before the (...) start of the auctions under Chapter IVa of Directive 2003/87/EC. For each Member State, the legal commitment shall not exceed the maximum financial allocation referred to in Article 13(1).

(...)

2. Budgetary commitments may be based on global commitments and, where appropriate, may be broken down into annual instalments spread over several years.

Article 19

Rules on payments, suspension and termination of agreements regarding financial allocations

1. Payments of financial allocations to the Member State concerned under this Article shall be made upon completion of the relevant agreed milestones and targets indicated in the Plan as approved in accordance with Article 16 and subject to available funding. Upon such completion, the Member State concerned shall submit to the Commission a duly justified request for payment of the financial allocation. Such requests for payment shall be submitted by the Member States to the Commission once or twice a year, (...) by 31 January, or by 31 July.
2. The Commission shall assess (...) all the received requests (...) at the latest within two months of the expiry of the deadlines referred to in paragraph 1 or, if earlier, after receiving the last request, whether the relevant milestones and targets set out in the Commission decisions referred to in Article 16 have been satisfactorily fulfilled. The satisfactory fulfilment of milestones and targets shall presuppose that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed by the Member State concerned. (...)
3. By way of derogation to Article 116 of the Financial Regulation, where the Commission makes a positive assessment it shall adopt without undue delay (...) the individual decisions authorising the disbursement of the financial allocation in accordance with Regulation (EU, Euratom) 2018/1046, subject to the availability of funding and ensuring the equal (...) treatment of the Member States.
4. Where, as a result of the assessment referred to in paragraph 3, the Commission establishes that the milestones and targets set out in the Commission decision referred to in Article 16 have not been satisfactorily fulfilled, the payment of (...) the part of the financial allocation corresponding to the unfulfilled target or milestone shall be suspended. The Member State concerned may present its observations within one month of the communication of the Commission's assessment.

The suspension shall only be lifted where the milestones and targets have been satisfactorily fulfilled as set out in the Commission decision referred to in Article 16.

5. By way of derogation from Article 116(2) of Regulation (EU, Euratom) 2018/1046, the payment deadline shall start running from the date of the communication of the decision authorising the disbursement to the Member State concerned pursuant to paragraph 3 of this Article, or from the date of the communication of the lifting of a suspension pursuant to the second subparagraph of paragraph 4 of this Article.
6. Where the milestones and targets have not been satisfactorily fulfilled within a period of (...) twelve months from the suspension, the Commission shall reduce the amount of the financial allocation proportionately after having given the Member State concerned the possibility to present its observations within two months from the communication of its conclusions.
7. Where, within (...) 18 months of the date of the conclusion of relevant agreements referred to in Article 18, no tangible progress has been made in respect of any relevant milestones and targets by the Member State concerned, the Commission shall terminate the relevant agreements referred to in Article 18 and shall de-commit the amount of the financial allocation without prejudice to Article 14(3) Financial Regulation. The Commission shall take a decision on the termination of agreements referred to in Article 18 after having given the Member State concerned the possibility to present its observations within a period of two months of the communication of its assessment as to whether no tangible progress has been made.
8. All payments (...) shall be made by 31st December 2033 (...).
9. By way of derogation to Article 116 of the Financial Regulation, (...) in case in a given year revenues assigned to this Fund in accordance with Article 30d (4a) of Directive 2003/87/EC are not sufficient to cover the requests for payments presented by the Member States, the Commission shall pay the Member States pro rata to the Member States' share as percentage of the maximum total financial allocation as specified in Annex II and endeavour to pay as soon as new revenues become available.
10. By way of derogation from Article 13 and Annex II, any uncommitted and unused amount by the 31st December 2033 shall be allocated by the Commission to Member States in accordance with the rules for distribution of allowances defined under Article 30d(4) of Directive 2003/87/EC in order to achieve the objectives as referred to in Article 1.

Article 20

Protection of the financial interests of the Union

1. (...) The Member States, when implementing the (...) Plans, as beneficiaries of funds under the Fund, shall take all the appropriate measures to protect the financial interests of the Union and to ensure that the use of (...) the financial allocations in relation to measures and investments supported by the Fund complies with the applicable Union and national law, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests. To this effect, the Member States shall provide an effective and efficient internal control system as further detailed in Annex III and the recovery of amounts wrongly paid or incorrectly used. Member States may rely on their regular national budget management systems.
2. The agreements referred to in Article 18 shall provide for the obligations of the Member States:
 - (a) to regularly check that the financing provided has been properly used in accordance with all applicable rules and that any measure or investment under the Plan has been properly implemented in accordance with all applicable rules in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests;
 - (b) to take appropriate measures to prevent, detect and correct fraud, corruption, and conflicts of interests as defined in Article 61 of Regulation (EU, Euratom) 2018/1046 affecting the financial interests of the Union and to take legal actions to recover funds that have been misappropriated, including in relation to any measure or investment implemented under the Plan;

- (c) to accompany a request for payment by:
- (i) a management declaration that the (...) financial allocations were used for its intended purpose, that the information submitted with the request for payment is complete, accurate and reliable and that the control systems put in place give the necessary assurances that the (...) financial allocations were managed in accordance with all applicable rules, in particular rules on avoidance of conflicts of interests, fraud prevention, corruption and double funding from the Fund and (...) Union programmes in accordance with the principle of sound financial management; and
 - (ii) a summary of the audits carried out in accordance with internationally accepted audit standards, including the scope of these audits in terms of amount of spending covered and period of time covered and an analysis of the weaknesses identified and any corrective actions taken;
- (ca) for the purpose of audit and control and to provide for comparable information on the use of (...) financial allocations in relation to measures and investments implemented under the Plan, to collect, record and store in an electronic system and ensure access to the following standardised categories of data:
- (i) name of the final recipients of (...) the financial allocations, their VAT registration numbers or tax identification numbers, where applicable, and amount of the financial allocation from the Fund;

- (ii) name of the contractor(s) and sub-contractor(s) and their VAT registration number(s) or tax identification number(s) and value of the contract(s) where the final recipient of (...) the financial allocations is a contracting authority in accordance with Union or national law on public procurement (...);
- (iii) first name(s), last name(s), date of birth and VAT registration number(s) or tax identification number(s), where applicable, of beneficial owner(s) of the recipient of (...) the financial allocations or contractor, as defined in Article 3, point (6), of Directive (EU) 2015/849 of the European Parliament and of the Council²⁶;
- (iv) a list of any measures and investments implemented under the Fund with the total amount of public funding of those measures and investments and indicating the amount of funds paid under other funds financed from the Union budget;

The information requested in subparagraph (ii) is only required when public procurement procedures above the Union thresholds are concerned. Regarding subcontractors, information is only required at the first level of sub-contracting, only where information is recorded on the respective contractor, and only for sub-contracts above EUR 50 000 total value.

(cb) to expressly authorise the Commission, OLAF, the Court of Auditors and, (...) in respect of those Member States participating in enhanced cooperation pursuant to Regulation (EU) 2017/1939, the EPPO to exert their rights as provided for in Article 129(1) of Regulation (EU, Euratom) 2018/1046 and to impose obligations on all final recipients of (...) the financial allocations paid for implementing the measures and investments included in the Plan, or to all other persons or entities involved in their implementation to expressly authorise the Commission, OLAF, the Court of Auditors and, where applicable, EPPO to exert their rights as provided for in Article 129(1) of Regulation (EU, Euratom) 2018/1046 and to impose similar obligations on all final recipients of funds disbursed;

²⁶ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

(cc) to keep records in accordance with Article 132 of Regulation (EU, Euratom) 2018/1046, the point of reference being the payment transaction relevant to the respective measure or investment.

3. Personal data as referred to in paragraph 2, point (d) of this Article shall be processed by Member States and by the Commission for the purpose, and corresponding duration, of discharge, audit and control, information, communication and publicity proceedings related to the use of (...) financial allocations related to the implementation of the agreements referred to in Article 18. The personal data shall be processed in accordance with Regulation (EU) 2016/679 or Regulation (EU) 2018/1725, whichever is applicable. Within the framework of the discharge procedure to the Commission, in accordance with Article 319 TFEU, the Fund shall be subject to reporting under the integrated financial and accountability reporting referred to in Article 247 of Regulation (EU, Euratom) 2018/1046, and, in particular, separately in the Annual Management and Performance Report.
4. (...)
5. The agreements referred to in Article 18 shall also provide for the right of the Commission to reduce proportionately the support under the Fund and recover any amount due to the Union budget, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union that have not been corrected by the Member State, or a serious breach of an obligation resulting from such agreements.

When deciding on the amount of the recovery and reduction the Commission shall respect the principle of proportionality and shall take into account the seriousness of the fraud, corruption and conflict of interests affecting the financial interests of the Union, or of a breach of an obligation. The Member State shall be given the opportunity to present its observations before the reduction is made.

CHAPTER IV

COMPLEMENTARITY, MONITORING AND EVALUATION

Article 21

Coordination and complementarity

The Commission and the Member States concerned shall, in a manner commensurate to their respective responsibilities, foster synergies and ensure effective coordination between the Fund and (...) Union programmes and instruments, including InvestEU Programme, the Technical Support Instrument, the Recovery and Resilience Facility, the Modernisation Fund under Article 10d of Directive 2003/87/EC and the Funds covered by Regulation (EU) 2021/1060. For that purpose, they shall:

- (a) ensure complementarity, synergy, coherence and consistency among different instruments at Union, national and, where appropriate, regional levels, both in the planning phase and during implementation;
- (b) optimise mechanisms for coordination to avoid duplication of effort; and
- (c) ensure close cooperation between those responsible for implementation and control at Union, national and, where appropriate, regional levels to achieve the objectives of the Fund.

Article 22

Information, communication and publicity

1. Member States shall make the data referred to in Article 20(2), point (d), (i), (ii) and (iv) of this Regulation publicly available and up to date in a single website in open, machine-readable formats, as set out in Article 5(1) of Directive (EU) 2019/1024 of the European Parliament and of the Council²⁷, which shall allow data to be sorted, searched, extracted, compared and reused. The information referred to in Article 20(2), point (d), (i) and (ii) of this Regulation shall not be published in cases referred to in Article 38(3) of Regulation (EU, Euratom) 2018/1046 or (...) in case of direct income support (...) to vulnerable households.
2. The recipients of Union funding shall (...) be informed of the origin of those funds and, except for natural persons or in cases where there is risk of commercially sensitive information being made public, ensure the visibility of the Union funding, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
3. The Commission shall implement information and communication actions relating to the Fund, to actions taken pursuant to this Regulation and to the results obtained, including, where appropriate and with the agreement of the national authorities, through joint communication activities with the national authorities and the representation offices of the European Parliament and of the Commission in the Member State concerned.

²⁷ Directive (EU) 2019/1024 of the European Parliament and of the Council of 20 June 2019 on open data and the re-use of public sector information (OJ L 172, 26.6.2019, p. 56).

Monitoring of implementation

1. In 2029 and after that on a biennial basis, each Member State (...) shall (...) report to the Commission on the implementation of its Plan (...) together with its integrated national energy and climate progress report pursuant to Article 17 of Regulation (EU) 2018/1999 and in accordance with Article 28 thereof. The monitoring of implementation shall be targeted and proportionate to the activities carried out in the Plan. The Member States (...) shall include in their progress report the indicators set out in Annex (X).
2. The Commission shall monitor the implementation of the Fund and measure the achievement of its objectives. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the Fund.
3. The performance reporting system of the Commission shall ensure that data for monitoring the implementation of the activities and results are collected efficiently, effectively and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funding.
4. The Commission shall (...) use the common indicators (...) as set out in Annex (X) for reporting on the progress and for the purpose of monitoring and evaluation of the Fund towards the achievement of the objectives set out in Article 1.

CHAPTER V

FINAL PROVISIONS

Article 24

Evaluation and review of the Fund

1. (...) Two years after the start of the implementation of the Plans, the Commission shall provide the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions with an evaluation report on the implementation and functioning of the Fund and shall submit, where appropriate any proposals for amendments of this Regulation.
2. (...)
3. The evaluation report shall, in particular, assess to which extent the objectives of the Fund laid down in Article 1 have been achieved, the efficiency of the use of the resources and the Union added value. It shall consider the continued relevance of all objectives and actions set out in Article 6 in light of the impact on greenhouse gas emissions from the emission trading system for buildings and road transport pursuant to Chapter IVa of Directive 2003/87/EC and from the national measures taken to meet the binding annual greenhouse gas emission reductions by Member States pursuant to Regulation (EU) 2018/842 of the European Parliament and of the Council²⁸. It shall also consider the continued relevance of the (...) the use of (...) assigned revenues in relation to possible developments concerning the auctioning of allowances under the emission trading system for buildings and road transport pursuant to Chapter IVa of Directive 2003/87/EC and other relevant considerations.
4. (...)

²⁸ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26-42).

4a. By 31 December 2033, the Commission shall provide the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions with an independent *ex post* evaluation report.

5. The ex post evaluation report shall consist of a global assessment of the Fund and shall include information on its impact.

Article 25

Exercise of delegation

(...)

Article 26

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from the date by which the Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Directive (EU) [yyyy/nnn] of the European Parliament and the Council²⁹ amending Directive 2003/87/EC as regards Chapter IVa of Directive 2003/87/EC.

²⁹ [Directive (EU) yyyy/nnn of the European Parliament and of the Council.... (OJ).] [Directive amending Directive 2003/87/EC]

ANNEX I

Methodology for the calculation of the maximum financial allocation per Member State under the Fund pursuant to Article 13

This Annex sets out the methodology for calculating the maximum financial allocation available for each Member State in accordance with Articles 9 and 13.

The methodology takes into account the following variables with regard to each Member State:

- population at risk of poverty living in rural areas (2019);
- carbon dioxide emissions from fuel combustion by households (2016-2018 average);
- the percentage of households at risk of poverty with arrears on their utility bills (2019);
- total population (2019);
- the Member State's GNI per capita, measured in purchasing power standard (2019);
- the share of reference emissions under Article 4(2) of Regulation (EU) 2018/842 for the sectors covered by [Chapter IVa of Directive 2003/87/EC] (2016-2018 average).

The maximum financial allocation of a Member State under the Fund (MFA_i) is defined as follows:

$$MFA_i = \alpha_i \times (TFE)$$

Where:

The total financial envelope (TFE) for the implementation of the Fund is the sum of the financial envelopes as referred to in Article 9(1) and (2) and α_i is the share of Member State i in the total financial envelope, determined on the basis of the following steps:

$$\alpha_i = (50\% \times \beta_i + 50\% \times \lambda_i) \times \frac{GNI_{EU}^{PC}}{GNI_i^{PC}}$$

With

$$\beta_i = \min\left(\frac{rural\ pop_i}{rural\ pop_{EU}}, \frac{pop_i}{pop_{EU}} \times f_i\right)$$

$$\lambda_i = \gamma_i \times \delta_i$$

$$\gamma_i = \frac{HCO2_i}{HCO2_{EU}}$$

$$\delta_i = \min\left(\frac{arrear_s_i}{arrear_s_{EU}}, f_i\right)$$

$$f_i = 1 \text{ if } GNI_i^{PC} \geq GNI_{EU}^{PC}; f_i = 2.5 \text{ if } GNI_i^{PC} < GNI_{EU}^{PC}$$

Where for each Member State i:

rural pop_i is the population at risk of poverty living in rural areas of the Member State i;

rural pop_{EU} is the sum of population at risk of poverty living in rural areas of the Member States of the EU-27;

pop_i is the population of the Member State i;

pop_{EU} is the sum of the population of the Member States of the EU-27;

HCO2_i is the carbon dioxide emissions from fuel combustion by households of the Member State i;

$HCO2_{EU}$ is the sum of carbon dioxide emissions from fuel combustion by households of the Member States of the EU-27;

$arrears_i$ is the percentage of households at risk of poverty with arrears on utility bills of the Member State i ;

$arrears_{EU}$ is the percentage of households at risk of poverty with arrears on utility bills of the EU-27;

GNI_i^{PC} is the GNI per capita of the Member State i ;

GNI_{EU}^{PC} is the GNI per capita of the EU-27.

The β_i of those Member States with a GNI per capita below the EU-27 value and for which the $\frac{rural\ pop_i}{rural\ pop_{EU}}$ is the minimum component are proportionally adjusted to ensure that the sum of β_i for all Member States equals 100%. All λ_i are proportionally adjusted to ensure that their sum equals 100%.

For the Member States with a GNI per capita below 90% of the EU-27 value, α_i cannot be lower than the share of reference emissions under Article 4(2) of Regulation (EU) 2018/842 for the sectors covered by [Chapter IVa of Directive 2003/87/EC] for the average of the period 2016-2018. The α_i of the Member States with a GNI per capita above the EU-27 value are proportionally adjusted to ensure that the sum of all α_i equals 100%.

ANNEX II

Maximum financial allocation per Member State under the Fund pursuant to Article 9 and Article 13

The application of the methodology in Annex I to the amounts referred to in Article 9 (1) and (2) results in the following share and maximum financial allocation (MFA) per Member State.

Any amounts pertaining from Article 9(3) will be covered within the limits of the maximum financial allocation per Member State on a pro rata basis.

<u>Maximum financial allocation per EU Member State</u> (...)		
Member State	Share as % of total	<u>TOTAL</u> <u>2027-2032</u> (in EUR, current prices)
Belgium	2.56	<u>1 507 472 586</u>
Bulgaria	3.85	<u>2 270 196 572</u>
Czechia	2.40	<u>1 418 376 081</u>
Denmark	0.50	<u>295 199 829</u>
Germany	8.19	<u>4 830 305 066</u>
Estonia	0.29	<u>169 159 204</u>
Ireland	1.02	<u>602 578 740</u>
Greece	5.52	<u>3 257 800 252</u>
Spain	10.53	<u>6 210 512 340</u>
France	11.20	<u>6 609 276 999</u>
Croatia	1.94	<u>1 147 202 499</u>
Italy	10.81	<u>6 379 618 614</u>
Cyprus	0.20	<u>119 094 192</u>
Latvia	0.71	<u>421 140 612</u>
Lithuania	1.02	<u>603 242 818</u>
Luxemburg	0.10	<u>60 043 059</u>
Hungary	4.33	<u>2 557 641 991</u>
Malta	0.01	<u>4 178 166</u>

Netherlands	1.11	<u>654 419 722</u>
Austria	0.89	<u>525 865 904</u>
Poland	17.61	<u>10 389 653 776</u>
Portugal	1.88	<u>1 110 946 532</u>
Romania	9.26	<u>5 461 097 201</u>
Slovenia	0.55	<u>324 928 189</u>
Slovakia	2.36	<u>1 390 145 971</u>
Finland	0.54	<u>316 219 516</u>
Sweden	0.62	<u>363 683 573</u>
EU27	100%	<u>59 000 000 000</u>

ANNEX III

Key requirements for the Member State's control system

- (1) The Member State shall provide an effective and efficient internal control system, in accordance with their institutional, legal and financial framework, including separation of functions and reporting, supervising and monitoring arrangements.

This includes:

- (...)
 - (...)
 - the designation of the authorities entrusted with the implementation of the Social Climate (...) Plan and the allocation of the related responsibilities and functions;
 - the designation of the authority or authorities responsible for signing the management declaration accompanying the payment requests;
 - procedures ensuring that this authority or these authorities will get assurance about the achievement of the milestones and targets set in the plan, that the funds were managed in accordance with all applicable rules, in particular rules on avoidance of conflicts of interests, fraud prevention, corruption and double funding;
 - an appropriate separation between managing and audit functions.
- (2) The Member State shall conduct an effective implementation of proportionate anti-fraud and anti-corruption measures, as well as any necessary measure to effectively avoid conflict of interests.

This includes:

- appropriate measures related to the prevention, detection and correction of fraud, corruption and conflict of interest, as well as avoidance of double funding and to take legal actions to recover funds that have been misappropriated;
 - a fraud risk assessment and the definition of appropriate anti-fraud mitigating measures.
- (3) The Member State shall maintain appropriate procedures for drawing up the management declaration and summary of the audits (...) carried out at national level.

This includes:

- An effective procedure for drawing up the Management Declaration, documenting the summary of audits and [...] keeping the underlying information for audit trail;
 - Effective procedures to ensure that all cases of fraud, corruption and conflict of interests are properly reported and corrected through recoveries.
- (4) To provide the information necessary, the Member State shall ensure appropriate management verifications, including procedures for checking the fulfilment of milestones and targets and compliance with horizontal principles of sound financial management.

This includes:

- appropriate management verifications through which implementing authorities will check the fulfilment of milestones and targets of the fund (e.g. desk reviews, on-the-spot checks);
 - appropriate management verifications through which the implementing authorities will check the absence of serious irregularities (fraud, corruption and conflict of interest) and double funding (e.g. desk reviews, on-the-spot checks).
- (5) The Member State shall conduct adequate and independent audits of systems and operations in accordance with internationally accepted audit standards.

This includes:

- The designation of the body/ies which will carry out the audits of systems and operations and how its/their functional independence is ensured;
 - The allocation of sufficient resources to this body/ies for the purpose of the Fund;
 - The effective tackling by the (...) body/ies of the risk of fraud, corruption, conflict of interest and double funding both through system audits and audits of operations.
- (6) The Member State shall maintain an effective system to ensure that all information and documents necessary for audit trail purposes are held.

This includes:

- effective collection, recording and storage in an electronic system of data on the final recipients of measures or investments necessary to achieve the milestones/targets;
- access for the Commission, OLAF, ECA and (...) in respect of those Member States participating in enhanced cooperation pursuant to Regulation (EU) 2017/1939, the EPPO, to the data on final recipients.

ANNEX X

(...) List of common indicators

ANNEX XX

Template for the Social Climate Plans
