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'A' ITEM NOTE

From: General Secretariat of the Council
To: Council

Subject: Draft REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a Social Climate Fund and amending Regulation (EU) 2021/1060 (**first reading**)
- Adoption of the legislative act
= Statements

Statement by Lithuania

Lithuania endorses the final compromise text of the Regulation establishing a Social Climate Fund.

Lithuania agrees that higher GHG mitigation ambitions are needed to achieve the long-term climate neutrality target. The strengthened EU ETS, extended to new sectors, is an effective tool for reducing GHG emissions. The extension of the EU ETS to transport, buildings and other sectors is an instrument that should provide an EU-level harmonised approach to mitigating non-ETS GHG emissions, especially in the transport sector. Nevertheless, it will also cause additional socio-economic challenges, with the most adverse effects borne by the Member States with lower GDP and the highest energy poverty rates.

In this regard, Lithuania welcomes the establishment of Social Climate Fund as a tool to mitigate the adverse social impacts of the proposed EU ETS for buildings and road transport (ETS BRT) on vulnerable households, micro-enterprises, and transport users, through measures and investments as well as temporary direct income support. It is critical to ensure that the Member States with lower GDP and experiencing the greatest energy poverty at least recover the expenses incurred under the ETS BRT through auctioning rights and the Social Climate Fund.

Lithuania regrets that the Social Climate Fund will be established at a fixed size, without any possibility of its size being increased dynamically in line with the increase in the price of allowances (especially over 55 euros) to adequately react to the changes in costs incurred by consumers.

It is also regrettable that the price regulation mechanism established for allowances may not effectively provide predictability of the carbon price for a longer period, as it is only set for the years 2028 and 2029 (Article 30h of amended Directive 2003/87/EC).

Statement by Poland

In Poland's view, it is crucial that the EU's transition towards climate neutrality be fair.

In this context, we support the idea of allocating additional EU funding to compensate for the costs of the energy transition, for entities in energy poverty and transport exclusion, and for vulnerable households, vulnerable micro-enterprises and vulnerable transport users.

However, making the creation of the Social Climate Fund conditional on the introduction of solutions that place an additional burden on households, thereby increasing and deepening poverty, is inappropriate.

Furthermore, Poland reiterates its negative position on the 'Fit for 55' package as a whole, which sets unrealistic targets and ambitions and has a significant impact on Member States' energy mix.

Poland is of the opinion that most of the package is being dealt with on an incorrect legal basis, which creates a dangerous precedent.

For this reason, Poland is refraining from voting in favour of this legislation.

Statements by the Commission

Statement 1

As part of the negotiations under the recast of the Energy Efficiency Directive (EED recast), the Commission's intention is to present a targeted amendment to the Regulation establishing a Social Climate Fund to update the definition of energy poverty in line with the agreement reached on the definition of energy poverty in the EED recast.

Statement 2

In the Inter-institutional Agreement of 16 December 2020 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap for the introduction of new own resources, points 30 to 33 require the Commission to make available an integrated and interoperable information and monitoring system including a single data-mining and risk-scoring tool to access and analyse the required data with a view to a generalised application by Member States. In addition, the three institutions agreed to sincerely cooperate, in the course of the legislative procedure relating to the relevant basic acts, to ensure the follow up to the European Council conclusions of July 2020 regarding this element.

The Commission considers that the agreement reached by the co-legislators on the use of a single data-mining tool and the collection and analysis of data on the beneficial owners of the recipients of funding is not sufficient to enhance the protection of the Union budget against fraud and irregularities and to ensure efficient checks on conflicts of interests, irregularities, issues of double funding, and criminal misuse of the funds. Therefore, the approach agreed by the co-legislators in the Regulation establishing a Social Climate Fund does not appropriately reflect the desired ambition and spirit of the Inter-institutional Agreement.

Statement 3

The Commission considers that the agreement reached by the co-legislators under “Annex III - Key requirements for the Member State’s control system” of the Regulation establishing a Social Climate Fund concerning Member States’ possibility to designate more than one authority that can be entrusted with the responsibility to sign the management declaration accompanying the payment requests could lead to inefficiencies and a dilution of responsibilities as well as create confusion about the roles of the authorities.
