

## Swedish comments second compromise proposal on the Social climate fund

Our overarching goal is a Fit for 55 package in line with the EU's climate targets. Safeguarding a socially just transition will be important, which is why we have already agreed to an ambitious enabling framework amounting to more than 550 bn euro in 2018 prices that we must now ensure to make the best use of. We, however, remain critical to the Social climate fund (SCF) and continue to argue that there is already ample funding available.

A final agreement on the financial aspects will depend on the ambition of the emissions trading for buildings and road transport (ETS BRT) in particular.

### General criteria if a fund was to be created:

- Should not open the MFF, but maintaining close connection to the EU budget is important. We thus support an approach in line with alternative 2, with external assigned revenues to secure universality, unity, democratic scrutiny. and transparency with the possibility to transfer the fund into the MFF in the next MFF negotiations.
- Covered by the RoL conditionality mechanism.
- Performance based management to safeguard climate progress from investments and serve the intended purpose of facilitating implementation of the ETS BRT.
- Robust control mechanisms.
- Clear role for ECA in auditing the funds.
- All expenditure being covered by the do no significant harm-principle.
- As a general comment, we recall that the proposed size of the SCF has not been motivated by an impact assessment and we therefore consider the proposed SCF to be oversized given the current enabling framework. The size of the fund should be related to the estimated social impacts of the ETS BRT on vulnerable households. If the level of ambition of the ETS BRT would to be changed, the size of the SCF needs to be reduced accordingly. The fund should only go to MS identified as net beneficiaries.

## Specific comments on the drafts

### Budgetisation

As a general comment, we are of the opinion that EU expenditure should be inside of the EU-budget. We, however, do not want to open the current MFF. We also do not want to pre-empt the next MFF and the negotiations on new own resources, though the option to eventually include the fund should remain open for leaders to decide upon. This requires a balanced drafting on the financial architecture. To keep all doors open, we would prefer an additional switch in the ETS-directive reflecting the possibility of transferring the fund into the next MFF without creating new own resources.

In ETS-directive article 30d (4a):

**In case revenues generated from the auctioning referred to in paragraph 4 are established as own resources in accordance with Article 311(3) TFEU, or the social climate fund is budgeted under the ceilings of the Multiannual Financial Framework in accordance with Article 312 TFEU, this paragraph shall cease to apply.**

### Unused funds

All unused funds need to be returned to MS according to the financing key of the fund. We are open to investigate drafting suggestions from the presidency, but could for example propose a specification in this regard:

ETS-directive article 30d (4):

**Funds that are not used should be reallocated to MS according to the financing scheme.**

And taking back and modifying article 19:10 in the SCF-regulation

**Any decommitted or unused amount shall be allocated by the Commission to Member States in accordance with the share of resources provided through Article 30(d) 4a of Directive 2003/87/EC allocation methodology in Annex I, immediately following the last milestones in the eligibility period, in reduction of their national contribution to the total estimated costs under Article 14.**

### Income support

Remain critical to direct income support, which is a national competence. The climate benefit from direct income support is also uncertain and a potential fund would need to focus on investments to facilitate a structural adaptation of the effects of the ETS-BRT. As part of a compromise, if Member States were to provide relevant direct income support through national schemes, the fund could allow other initiatives to be financed without national co-financing for an equivalent amount, up to a predetermined ceiling. This would have a similar effect but would detach the income support from direct EU-funding. If instead a ceiling would be introduced on direct income support, it must be significantly lower than the proposed 40%.

### Co-financing

Important to preserve national ownership in the investments and measures financed by the potential fund and we are thus highly critical to the deletion of national co-financing in the latest compromise.

### Co-financing

Regret the decreased role of the council in approving the plans.

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

Good that funds can be suspended due to unfulfilled targets/milestones. Good that maximum 12 months are granted to rectify unfulfilled targets/milestones. These clauses must remain.

### Conditionality

Financial support from the Fund should be conditional on each Member State having enshrined into law the objective of climate neutrality by 2050, which thereby also will accelerate the transition to achieving the EU's climate targets, including the 2030 target, for example in article 5:

**Eligibility for financial support shall be conditional on Member States having enshrined into law an objective of economy-wide net zero greenhouse gas emissions by 2050 at the latest.**



Council of the  
European Union

Brussels, 13 June 2022  
(OR. en)

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ENER 185  
TRANS 304  
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COH 42  
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#### NOTE

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From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a Regulation of the European Parliament and of the Council on establishing a Social Climate Fund - Revised Presidency compromise text

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Delegations will find attached a revised Presidency compromise text on the proposal for a Regulation of the European Parliament and of the Council on establishing a Social Climate Fund. The recitals have not been adapted.

Changes to the previous version of the Presidency compromise text are marked in **bold and underlined**, new deletions by (...). Previous changes are underlined and previous deletions are marked by (...)

#### COMMENTS BY HUNGARY

**Social Climate Fund Presidency compromise<sup>1</sup>**

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 (...).

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

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<sup>1</sup> 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.

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 Council<sup>2</sup>;
- (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 (...) <sup>3</sup> a person living alone or a group of persons who live together, providing oneself or themselves with the essentials of living;

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<sup>2</sup>—— [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]

<sup>3</sup> (...)

- (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 Council<sup>4</sup>;
- (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 651/2014<sup>5</sup>;
- (10) ‘transport users’ means households or micro-enterprises that use various transport and mobility options;
- (11) ‘vulnerable households’ means households in energy poverty (...), 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;

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<sup>4</sup>—— 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).

<sup>5</sup>—— 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.

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 without VAT<sup>6</sup> 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, (...) (...) <sup>7</sup> (...) 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;

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<sup>6</sup> **Clarification to be considered for a future recital: 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.**

<sup>7</sup> (...)

- (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 the input of the stakeholders 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** (...) <sup>8</sup>, under their Recovery and Resilience Plans in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council <sup>9</sup>, 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 <sup>10</sup>.
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 Council <sup>11</sup>.
- (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.

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<sup>8</sup> 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).

<sup>9</sup> 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).

<sup>10</sup> 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).

<sup>11</sup> 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 should be limited to the direct impact of the emission trading for buildings and road transport.

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).

## Article 7

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

1. The Fund shall not support (...) and the (...) Plans shall not include measures in the form of direct income support pursuant to Article 3(2) of this Regulation for households already benefiting:
  - (a) from public intervention in the price level of the fuels covered by Chapter IVa of Directive 2003/87/EC;
  - (b) from public interventions in the price setting for the supply of gas in accordance with Article 3(3) of Directive 2009/73/EC;
- (...) However, where it is proven by the Member State concerned in its Plan that the public interventions (...) do not fully off-set the price increase resulting from the inclusion of the sectors of buildings and road transport into the scope of Directive 2003/87/EC, direct income support may be (...) supported.
- 1a. (...)

## 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.

## [Article 9

### (...) 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. 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. 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.

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.
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 Council<sup>12</sup>.

## *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.
  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.

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<sup>12</sup>——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).

[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]<sup>13</sup>, 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;
  - (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;

<sup>13</sup>———[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 (...)].

- (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 (...), subject to availability of funding;
- (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 2003/087/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. 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 [31<sup>st</sup> 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 30(d) 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. (...)

*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 Council<sup>14</sup>;
  - (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;
- (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;
- (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.

<sup>14</sup>\_\_\_\_ 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).

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 ~~other~~ 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.

***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 Council<sup>15</sup>, 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, 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.

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<sup>15</sup>——— 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).

## Article 23

### ***Monitoring of implementation***

1. Each Member State (...) shall, on a biennial basis, report to the Commission on the implementation of its Plan (...). 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 Council<sup>16</sup>. 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. (...)
- 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.

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<sup>16</sup>——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).



*Article 25*

(...)

*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 Council<sup>17</sup> amending Directive 2003/87/EC as regards Chapter IVa of Directive 2003/87/EC.

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<sup>17</sup>——[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  $\alpha_i$  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

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

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

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

$$\delta_i = \min\left(\frac{arrear_i}{arrear_{EU}}, f_i\right)$$

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

Where for each Member State i:

*rural pop<sub>i</sub>* is the population at risk of poverty living in rural areas of the Member State i;

*rural pop<sub>EU</sub>* is the sum of population at risk of poverty living in rural areas of the Member States of the EU-27;

*pop<sub>i</sub>* is the population of the Member State i;

*pop<sub>EU</sub>* is the sum of the population of the Member States of the EU-27;

*HCO2<sub>i</sub>* 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  $\beta_i$  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  $\beta_i$  for all Member States equals 100%. All  $\lambda_i$  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,  $\alpha_i$  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  $\alpha_i$  of the Member States with a GNI per capita above the EU-27 value are proportionally adjusted to ensure that the sum of all  $\alpha_i$  equals 100%.<sup>1</sup>

## **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.

<b>Maximum financial allocation per EU Member State</b>				
<b>Member State</b>	<b>Share as % of total</b>	<b>TOTAL 2025-2032 (in EUR, current prices)</b>	<b>Amount for 2025-2027 (in EUR, current prices)</b>	<b>Amount for 2028-2032 (in EUR, current prices)</b>
Belgium	2.56	1 844 737 639	605 544 073	1 239 193 566
Bulgaria	3.85	2 778 104 958	911 926 420	1 866 178 538
Czechia	2.40	1 735 707 679	569 754 460	1 165 953 219
Denmark	0.50	361 244 536	118 580 270	242 664 266
Germany	8.19	5 910 983 488	1 940 308 984	3 970 674 504
Estonia	0.29	207 004 992	67 950 392	139 054 600
Ireland	1.02	737 392 966	242 052 816	495 340 150
Greece	5.52	3 986 664 037	1 308 641 796	2 678 022 241
Spain	10.53	7 599 982 898	2 494 731 228	5 105 251 670
France	11.20	8 087 962 701	2 654 912 964	5 433 049 737
Croatia	1.94	1 403 864 753	460 825 411	943 039 343
Italy	10.81	7 806 923 117	2 562 660 358	5 244 262 759
Cyprus	0.20	145 738 994	47 839 531	97 899 463
Latvia	0.71	515 361 901	169 170 042	346 191 859
Lithuania	1.02	738 205 618	242 319 573	495 886 046
Luxemburg	0.10	73 476 421	24 118 991	49 357 430
Hungary	4.33	3 129 860 199	1 027 391 783	2 102 468 416
Malta	0.01	5 112 942	1 678 348	3 434 594

Netherlands	1.11	800 832 270	262 877 075	537 955 195
Austria	0.89	643 517 259	211 237 660	432 279 599
Poland	17.61	12 714 118 688	4 173 471 093	8 540 647 595
Portugal	1.88	1 359 497 281	446 261 573	913 235 708
Romania	9.26	6 682 901 998	2 193 694 977	4 489 207 021
Slovenia	0.55	397 623 987	130 522 001	267 101 985
Slovakia	2.36	1 701 161 680	558 414 568	1 142 747 112
Finland	0.54	386 966 933	127 023 772	259 943 161
Sweden	0.62	445 050 067	146 089 842	298 960 225
EU27	100%	72 200 000 000	23 700 000 000	48 500 000 000

1

### **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 ~~controls 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**

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Council of the European Union  
General Secretariat

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**Interinstitutional files:  
2021/0206 (COD)**

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**Brussels, 14 June 2022**

**WK 8579/2022 ADD 2**

**LIMITE**

**CLIMA  
ENV  
ENER  
TRANS  
SOC**

**FIN  
RESPR  
COH  
CADREFIN  
CODEC**

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## **CONTRIBUTION**

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

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Subject:	Fit for 55 package - Social Climate Fund: follow-up to the AHWP SCF on 10 June 2022 - Comments by delegations
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In follow-up to the call for comments (ST 9321/2022) on the Presidency compromise text delegations will find below comments received from the IE, HU and SE delegations.

## IRELAND'S COMMENTS

### Ad Hoc Working Party on the Social Climate Fund Meeting of 14 June 2022

*Response to Revised Presidency Compromise Text of 13 June 2022 on the Proposal to establish a Social Climate Fund (ref: 9321/1/22 REV 1)*

*Note: these observations are without prejudice to Ireland's overall position on the proposed new EU Emissions Trading Scheme for the Buildings and Road Transport sectors and the Social Climate Fund.*

#### General Comments

1. IE welcomes the compromise text prepared by the French Presidency
2. IE is proposing adjusting the commencement date of the SCF so that the Fund commences operation at least 12 months prior to BRT ETS. This gives Member States the opportunity to commence programmes that will offset the social and distributional effects of the BRT ETS.
3. IE is suggesting greater cohesion between the Social Climate Plan and National Energy & Climate Plan
4. IE seeks additional clarification on Article 3
5. IE proposes that additional work on the SCF is postponed until further progress has been made on the BRT ETS
6. It is unclear why those micro-enterprises which are significantly affected by the inclusion of road transport emissions under the ETS are excluded from the transport support aspects of this fund. Changes given below are suggested in an attempt to address this
7. It is also unclear why micro-enterprises are excluded from temporary direct income support under the fund. While this may not always be the best option for business, restricting it now limits flexibility for MS as they develop and implement the funds
8. It is important that any enterprise granted funding is not forced to broadcast these supports if it may cause reputational damage. This could arise if supports are given under the auspices of aid for a *vulnerable* enterprise; potentially portraying the enterprise as at-risk
9. IE welcomes the inclusion of "pass-on of benefits" which allows support to private entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport if the supports ultimately benefit those key target groups [Article 8].

Article No (subject matter)	IE Position	Briefing for Attaché Proposed revisions shown as red bold underlined for new text and red strike-through for proposed deletion.	Comments
Article 1 (Subject Matter, Scope and Objectives)	Proposing an alternative	The Social Climate Fund ('the Fund') is established <u>until 2033</u> .	Initial duration of the fund was 8 years, 2025-2032 and the duration is now reduced to 6 years due to a later commencement date. IE is proposing that the duration of the SCF remains at 8 years but commences prior to BRT ETS
Article 2 (12) (Definitions)		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, <u>or those that are significantly affected by the price impacts of the inclusion of road transport into the scope of Directive 2003/87/EC;</u>	It is unclear why those micro-enterprises which are significantly affected by the inclusion of road transport emissions under the ETS are excluded from the transport support aspects of this fund. Certain small, rural micro-enterprises may depend heavily on their vehicles and could lack the profit margins to absorb additional price impacts associated with Directive 2003/87/EC or the means to purchase an alternative zero- or low-emissions vehicle. Their exclusion from the transport section of the fund could place such vulnerable micro-enterprise at risk.
Article 2 (13) (Definitions)		vulnerable transport users' means transport users, including from lower middle-income households, <u>or micro-enterprises</u> , 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, <u>particularly in rural and remote areas.</u>	As above
Article 3(2) (Social Climate Plans)		The Plan may include national measures providing temporary direct income support to vulnerable households, <u>vulnerable micro-enterprises</u> , and households <u>and micro-enterprises</u> that are vulnerable transport users to reduce the impact of the increase in	It is unclear why those micro-enterprises which are significantly affected by the inclusion of road transport emissions under the ETS are excluded from the transport support aspects of this fund. Certain small, rural micro-enterprises may depend heavily on their vehicles and

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		the price of fossil fuels resulting from the inclusion of buildings and road transport into the scope of Directive 2003/87/EC.	could lack the profit margins to absorb additional price impacts associated with Directive 2003/87/EC or the means to purchase an alternative zero- or low-emissions vehicle. Their exclusion from the transport section of the fund could place such vulnerable micro-enterprise at risk. It is also unclear why micro-enterprises are excluded from temporary direct income support under the fund. While this may not always be the best option for business, restricting it now limits flexibility for MS as they develop and implement the funds.
Article 3(a) (Social Climate Plans)	Seeks clarification		<p>This Article can be interpreted as offering Member State the choice not to join the Fund.</p> <p>Further clarification and additional information sought on how the revised Fund will align with any revisions to the BRT ETS</p> <p>Is similar in ambition to IE's own carbon tax and redistribution policies.</p>
Article 4 (d) (Content of Social Climate Plans)		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, <u>micro-enterprises</u> and households <u>and micro-enterprises</u> that are transport	It is unclear why those micro-enterprises which are significantly affected by the inclusion of road transport emissions under the ETS are excluded from the transport support aspects of this fund. Certain small, rural micro-enterprises may depend heavily on their vehicles and could lack the profit margins to absorb additional price impacts associated with Directive 2003/87/EC or the means to purchase an alternative zero- or low-emissions vehicle. Their exclusion from the transport section of the

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		users to an increase of road transport and heating fuel prices;	fund could place such vulnerable micro-enterprise at risk. Hence, the following changes are suggested
Article 6 (1) (a) (Eligible measures and investments in the Social Climate Plans)	Welcomes	Member States may include measures providing temporary direct income support to vulnerable households, <b><u>vulnerable micro-enterprises</u></b> , and households <b><u>and micro-enterprises</u></b> that are vulnerable transport users to absorb the increase in road transport and heating energy prices. Such support from the Fund <del>shall decrease over time and</del> shall be limited to the direct impact of the emission trading for buildings and road transport. <del>These measures shall not represent more than 40% of the estimated total cost of the Plan as referred to in Article(1)(f)</del>	Policy on direct income support is a matter for national Governments and best addressed at that level. Specifying that support from the Fund for direct income support should decrease over time conflicts with the principle of subsidiarity. Member States should be given the opportunity to make this decision at national level. It is also unclear why micro-enterprises are excluded from temporary direct income support under the fund. While this may not always be the best option for business, restricting it now limits flexibility for MS as they develop and implement the funds
Article 8 (Pass-on of Benefits to Households, Micro-enterprises and Transport Users)	Welcomes		
Article 9 (1) Resources from the Emissions Trading System for Buildings and Road Transport	Welcomes	A maximum of EUR <del>[59 000 000 000]</del> <b><u>[72 200 000 000]</u></b> <del>for the period [2027-2032]</del> <b><u>shall be made available, commencing 12 months prior to the introduction of emissions trading in the building and road transport sectors and shall have a duration of 8 years,</u></b> 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	An updated commencement date for the introduction of BRT ETS is required. The Fund should come into operation 12 months prior to BRT ETS to offset the social and distributional effects of fossil fuel price increases.

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		investments of the Social Climate Plans. That amount shall be made available in the form of external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.	
Article 9 (1) (a)	Welcomes	<del>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.</del> <u>Funding referred to in paragraph 1 shall be made available at least 12 months prior to the commencement of emissions trading in the building and road transport sectors</u>	As above
Article 17 (5) (a) Amendment of Social Climate Plans	Welcomes	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 <u>and update the following National Energy &amp; Climate Plan as appropriate</u> . Minor adjustments shall represent an increase or decrease of less than 5% of a target foreseen in the Plan.	The Social Climate Plan should be incorporated into the National Energy & Climate Plan and the NECP updated as required.
Article 18 (1) Commitment of the financial allocation	Welcomes	After the Commission has adopted a positive decision as referred to 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 <del>[2027-2032]</del> , <u>commencing 12 months before the start of the auctions under Chapter IV of Directive 2003/87/EC and having a duration of 8 years</u> . That	An updated commencement date for the introduction of BRT ETS is required. The Fund should come into operation 12 months prior to BRT ETS to offset the social and distributional effects of fossil fuel price increases.

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		agreement may be concluded at the <del>earliest</del> <b>latest</b> 12 months before the start of the auctions under Chapter IVa of Directive 2003/87/EC. For each Member state, the legal commitments shall not exceed the maximum financial allocation referred to Article 13(1).	
Article 22 (Information, communication and publicity)		The recipients of Union funding shall acknowledge be informed of the origin of those funds and, except for natural persons <b><u>or in cases where there is risk of commercially sensitive information being made public,</u></b> 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	It is important that any enterprise granted funding is not forced to broadcast these supports if it may cause reputational damage. This could arise if supports are given under the auspices of aid for a vulnerable enterprise; potentially portraying the enterprise as at-risk.
23 (1) (Monitoring of Implementation)		Each Member State shall, on a biennial basis, report to the Commission on the implementation of its Plan and <b><u>include updates in its National Energy &amp; Climate Plans.</u></b> 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).	
Annex II (Maximum financial allocation per Member State under the Fund pursuant to			Table has not been updated to reflect reduction in the amount of the Fund.



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Article 9 and Article 13)			

Just Transition & Sectoral Policies

13 June 2022