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From: General Secretariat of the Council
To: Permanent Representatives Committee

Subject: Proposal for a Regulation of the European Parliament and of the Council
establishing a Social Climate Fund
- Analysis of the final compromise text with a view to an agreement

I. INTRODUCTION

1. On 14 July 2021, the Commission submitted to the European Parliament and to the Council, in the context of the ‘Fit for 55’ package, a proposal for a Regulation establishing a Social Climate Fund (SCF)¹. The proposal aims to mitigate the social impacts of the proposed emissions trading system 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.

¹ doc. 10920/21 + COR 1 + ADD 1 + ADD 1 COR 1



2. The European Parliament adopted its amendments² and negotiation mandate on the proposed regulation on 22 June 2022, based on the draft report of the rapporteurs Esther de Lange (Committee on Environment, Public Health and Food Safety, EPP, NL) and David Casa (Committee on Employment and Social Affairs, EPP, MT), as well as on the opinion of the associated Committee on Budgets (rapporteur Margarida Marques, S&D, PT).
3. The European Economic and Social Committee adopted its opinion on 8 December 2021. The Committee of the Regions adopted its opinion at its plenary session on 27-29 April 2022.
4. On 29 June 2022, the Council (Environment) reached an agreement on a general approach³ to the proposal, which constituted the mandate for negotiations with the European Parliament in the context of the ordinary legislative procedure.
5. In order to organise the work, the co-legislators agreed to divide the regulation into different “blocks”, each of them containing a set of Articles and provisions clustered by topic⁴.
6. Three trilogues have been held on 13 October⁵, 29 November⁶ and 16-17 December 2022⁷ at which a provisional agreement was reached between the co-legislators, resulting in the final compromise text as set out in Annex I to this note.
7. The Commission intends to make the three statements set out in Annex II to this note. The statements will be entered into the minutes of the Council at which the legislative act will be adopted.

² P9_TA(2022)0247

³ doc. 10775/22

⁴ Block 1 *General Provisions*, Block 2 *Programming*, Block 3 *Eligibility*, Block 4 *Management and control*, Block 5 *Information and communication, monitoring and evaluation*, Block 6 *Financial management*, Block 7 *Final Provisions*, Block 8 *Budgetary aspects*.

⁵ doc. 12867/22

⁶ doc. 14795/22 + ADD1

⁷ doc. 15455/22 + ADD1

II. MAIN ELEMENTS OF THE FINAL COMPROMISE TEXTS

On the key political issues, the compromise agreed provisionally with the Parliament consists of the following elements:

A. SCF SCOPE AND DIRECT LINK BETWEEN THE NEW ETS FOR BUILDINGS, ROAD TRANSPORT AND ADDITIONAL SECTORS, AND THE SCF

8. The SCF scope and the direct link between the new ETS for buildings, road transport and additional sectors and the SCF have been maintained in line with the Council's position. The Fund shall benefit vulnerable households, micro-enterprises and transport users particularly affected by the inclusion of greenhouse gas emissions from buildings and road transport into the scope of Directive 2003/87/EC (ETS directive).

B. BUDGETARY ARCHITECTURE

9. The Fund will be financed through external assigned revenue, as proposed by the Council in its general approach, thus avoiding the reopening of the Multiannual Financial Framework (MFF). The legal basis with the addition of Article 322(1) TFEU has therefore been maintained, to cater for a derogation from Article 22(2) of title II of the Financial Regulation, required by the use of external assigned revenue for the financing of SCF.
10. To accommodate concerns from the Parliament, the possibility that the revenue generated from the new emissions trading system is established as an own resource has been included in a new paragraph of Article 24, whereby the Commission shall ensure the effectiveness and continuity in implementation of the Fund in the post-2027 MFF. The provision is based on the original recital of the Council's general approach, formulated in a cautious manner to avoid preempting the outcome of the post-2027 MFF negotiations and negotiations on new own resources.
11. The total volume of the Fund has been increased from 59 to 65 billion EUR. This reflects the direct link between the Fund and the new emissions trading system and builds upon the agreement to extend its scope of fuels (used for combustion in the sectors of buildings and road transport, and in additional sectors, pursuant to Annex III of the ETS directive).

12. The Fund will be established over the period 2026-2032. While the allocation for 2026 is based on the auctioning of 50 million allowances from ETS1, the revenues from the new emissions trading system for buildings, road transport and additional sectors will provide for the financing of the Fund as of 2027. The start of the Fund one year earlier than the start of the new ETS for buildings, road transport and additional sectors in 2027 was one of the key elements which allowed the Parliament to accept the Council's budgetary architecture of the Fund financed through external assigned revenue. The earlier start of the fund does not have an impact on the overall volume of the SCF.
13. In case of the activation of the 'emergency brake' (according to Article 30k of the ETS directive) and the postponement of the new emissions trading system to 2028, the total volume of the Fund would be reduced to 54.6 billion EUR, since no financing would be available from the system in the year 2027.
14. Annex II to the regulation, setting out the maximum financial allocation per Member State under the Fund, has been adjusted to reflect the impacts of a possible 'emergency brake' activation. Furthermore, Annex II, as well as Annex I (*Methodology for the calculation of the maximum financial allocation per Member State*) have been adjusted to reflect the increased minimum share (from 0.01 to 0.07).
15. Member States will provide a minimum of 25% in national contribution of the total estimated costs of their Plans (Article 14).
16. In line with the Council's general approach, Member States can request transfers of resources from SCF to funds under shared management (cohesion policy) up to 15 % of their maximum annual financial allocation, provided that the transferred resources support measures and investments under the SCF as defined in Article 6 (Article 10(1a)). Regulation (EU) No 2021/1060 (CPR) will be amended accordingly (Article 25a) with a receiving clause (Article 26a), which also provides for a simplified amendment of the receiving programme(s).

C. DEFINITIONS

17. On 'energy poverty', the specific definition as in the proposal for the Energy Efficiency Directive (EED recast) has been used (Article 2(2)). Given that the EED recast is at present being negotiated, the Commission will issue the statement included in Annex II to this note. The statement explains that the definition of "energy poverty" will be used for the purpose of the SCF once negotiated and agreed between co-legislators.
18. A new definition has been included on 'transport poverty' (Article 2(2a)), based on the Commission proposal in response to the Parliament's amendment on a broader definition on 'mobility poverty'.

D. SOCIAL CLIMATE PLANS

19. A new article on public consultation (Article 3a) has been added in relation to the preparation of the Social Climate Plans to accommodate the Parliament. When amending the Plans, such consultation is considered necessary only in case of significant amendments.
20. The content of the Plans has been slightly expanded to cover additional elements, including geographic specificities (Article 4(1)(ka)).
21. In line with the general approach, two new annexes on common indicators for indicative milestones and targets (Annex IV) and on the template of the Plans (Annex V) have been added to the regulation with a view to facilitate Member States' preparation of the Plans. In case of an activation of the emergency brake for the new ETS for buildings, road transport and additional sectors, Annex V on the template was adjusted to add this scenario with a view to avoid amendments to the Plans and reduce administrative burden for Member States.

E. ELIGIBILITY OF MEASURES AND INVESTMENTS

22. On the issue of reducing reliance on fossil fuels, a reference on measures and investments reducing 'dependency on fossil fuels' in Article 5 on the principles governing the Fund) and in Article 15 (on the Commission assessment of the Social Climate Plans) was included. In order to reflect on the Council's position on the issue, the text was cautiously drafted.

23. With regard to measures and investments in the transport sector to be included in the Social Climate Plans (Article 6(1)(d)), the eligibility for both zero- and low-emission vehicles for private transport has been safeguarded. A soft reference on prioritising support to zero-emission vehicles in the Social Climate Plans, where such vehicles are an affordable and deployable solution, was needed in Article 6(1)(d) to find a compromise with the Parliament.
24. Direct income support (DIS) can be financed up to 37.5% of the estimated total cost of the Plan (Article 6(2a)). The correlation proposed by the Parliament between DIS and measures and investments in the Social Climate Plans is reflected in recital 17 and has been included in Article 6(2a) in a rather broad manner.
25. In line with the Council's general approach, Member States may include in their Plans technical assistance to cover expenses up to 2.5% of the estimated total cost of their Plan (Articles 4(1a) and 6(2b)).
- F. OTHER
26. Annex III on Key requirements for the Member State's control system has been agreed in line with the general approach and provides the necessary flexibility for Member States.
27. Similarly, the issue of the use of a single data-mining tool has been reflected in the final compromise text in line with the general approach (Article 20 on the protection of the financial interests of the Union). In recital 30, the wording was changed to better reflect discussions in the Council.
28. The Commission intends to make a statement on these two issues as set out in Annex II to this note.

III. CONCLUSION

29. The Permanent Representatives Committee is invited to:
- a) confirm the agreement on the final compromise text as set out in Annex I to this note, in view of reaching an agreement at first reading with the European Parliament;
 - b) authorise the Presidency to inform the European Parliament that, should the European Parliament adopt its position at first reading, in accordance with Article 294 paragraph 3 of the Treaty, in the form set out in the text contained in Annex I to this note (subject to revision by the legal linguists of both institutions), the Council will, in accordance with Article 294, paragraph 4 of the Treaty, approve the European Parliament's position at first reading and the act shall be adopted in the wording which corresponds to the European Parliament's position;
 - c) take note of the statements set out in Annex II to this note.
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2021/0206 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a Social Climate Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 91(1), point (d), Article 192(1) and Article 194(1), point (c), *and Article 322(1), point (a)*, thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

¹ OJ C , , p.

² OJ C , , p. .

- (1) The Union and its Member States are Parties to the Paris Agreement, which was **adopted on 12 December 2015** under the United Nations Framework Convention on Climate Change (UNFCCC) ('the Paris Agreement')³ and entered into force **on 4 November 2016**. According to that Agreement, they are bound to limit the increase in the global average temperature well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5°C above pre-industrial levels. ***This has been reinforced with the adoption of the Glasgow Climate Pact in November 2021, in which the Conference of the Parties recognises that the impacts of climate change will be much lower at the temperature increase of 1,5°C, compared with 2°C, and resolves to pursue efforts to limit the temperature increase to 1,5°C.***
- (2) The Commission Communication The European Green Deal⁴ sets out a new growth strategy that aims to transform the Union into a sustainable, fairer and more prosperous society, with a modern, resource-efficient and competitive economy, where there are no net emissions of greenhouse gases in 2050 ***at the latest*** and where economic growth is decoupled from resource use. The Commission proposes also to ***restore***, protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. Finally, the Commission considers that this transition should be just and inclusive, leaving no one behind.

³ Paris Agreement (OJ L 282, 19.10.2016, p. 4).

⁴ COM(2019)640 final.

- (3) Regulation (EU) 2021/1119 of the European Parliament and of the Council⁵ enshrines into law the target of economy-wide climate neutrality **in the Union** by 2050 **at the latest**. That Regulation **also** establishes a binding commitment on the part of the Union to reduce emissions. By 2030, the Union should reduce its greenhouse gas **emissions**, after deduction of removals of greenhouse gas emissions, by at least 55% compared to the level in 1990. All sectors of the economy should contribute to achieving that target.
- (4) On 11 December 2020 the European Council endorsed that target, while underlining the importance of considerations of fairness and solidarity and leaving no one behind. On 25 May 2021, the European Council reaffirmed those conclusions and invited the Commission to swiftly put forward its legislative package together with an in-depth examination of the environmental, economic and social impact at Member State level.
- (5) ***The European Pillar of Social Rights Action Plan⁶ highlights that social rights and the European social dimension need to be strengthened across all policies of the Union.*** Principle 20 of the European Pillar of Social Rights states that "everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need".

⁵ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

⁶ ***Endorsed by the European Council on 24 and 25 June 2021.***

- (6) The Porto Declaration of 8 May 2021 reaffirmed the European Council's pledge to work towards a social Europe ***strengthening a fair transition***, and its determination to continue deepening the implementation of the European Pillar of Social Rights at EU and national level, with due regard for respective competences and the principles of subsidiarity and proportionality.
- (7) In order to implement the ***commitment*** towards climate neutrality, the Union's climate and energy legislation has been reviewed and amended in order to accelerate the greenhouse gas emissions reductions.
- (8) Those amendments have differing economic and social impacts on the different sectors of the economy, on the citizens, and the Member States. In particular, the inclusion of greenhouse gas emissions from buildings, road transport ***and additional sectors*** into the scope of Directive 2003/87/EC of the European Parliament and the Council⁷ should provide an additional economic incentive to invest into the reduction of fossil fuel consumption and thereby accelerate the reduction of greenhouse gas emissions. Combined with other measures, this should, in the medium to long term, ***contribute to the reduction of energy and transport poverty***, reduce the costs for buildings and road transport, and ***where relevant*** provide new opportunities for ***quality*** job creation and ***sustainable investments, fully aligned with the European Green Deal goals***.

⁷ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union (OJ L 275, 25.10.2003, p. 32).

- (9) However, resources are needed to finance those investments. In addition, before they have taken place, the cost supported by households and transport users for heating, cooling and cooking, as well as for road transport, is likely to increase as fuel suppliers subject to the obligations under the emission trading for buildings and road transport pass on costs on carbon to the consumers.
- (9a) The climate transition will have an economic and social impact that is difficult to assess ex-ante. Achieving the increased climate ambition will require substantial public and private resources. Investments in energy efficiency measures, as well as renewable energy based heating systems, including with electric heat pumps, heating and cooling at district level and participation in renewable energy communities, are an effective method of reducing import dependency and emissions while increasing Union resilience. Dedicated funding to support vulnerable households, vulnerable microenterprises and vulnerable transport users is necessary.*
- (10) The increase in the price for fossil fuels may disproportionately affect vulnerable households, vulnerable micro-enterprises and vulnerable transport users who spend a larger part of their incomes on energy and transport, who, in certain regions, do not have access to alternative, affordable mobility and transport solutions and who may lack the financial capacity to invest into the reduction of fossil fuel consumption. *Geographic specificities, such as islands, outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas or areas lagging behind, may have specific impact on vulnerability of households, microenterprises and transport users, namely in the context of transport poverty. Therefore, they should be taken into account when preparing measures and investments in support of vulnerable households, vulnerable microenterprises and vulnerable transport users, where applicable and relevant.*

- (11) **■** A part of the revenues generated by the inclusion of buildings, *road transport and additional sectors* into the scope of Directive 2003/87/EC should be used to address the social impacts arising from that inclusion, for the transition to be just and inclusive, leaving no one behind. *The overall amount of the Social Climate Fund should reflect the level of decarbonisation ambition of the inclusion of greenhouse gas emissions from buildings, road transport and additional sectors into the scope of Directive 2003/87/EC.*
- (12) This is even more relevant in view of the existing levels of energy poverty. Energy poverty is a situation in which households are unable to access essential energy services such as *adequate warmth*, cooling, as temperatures rise, and heating, *lighting, and energy to power appliances*. *About 34 million Europeans, nearly 6.9% of the Union population, have said that they cannot afford to heat their home sufficiently in a 2021 EU-wide survey*⁸. **■** Energy poverty is therefore a major challenge for the Union. While social tariffs or direct income support can provide immediate relief to households facing energy poverty *in the short term*, only targeted structural measures, in particular *building renovations, including through access to renewable energy sources and their active promotion through information and awareness-raising measures targeted at the households, building renovations contributing to the objectives established in Directive 2010/31/EU on the energy performance of buildings (recast)*, can provide lasting solutions *and effectively help combat energy poverty*. *The definition of energy poverty included in this Regulation may be updated to reflect the outcome of the negotiations under the proposal to recast the energy efficiency Directive*⁹.

⁸ Data from 2021. Eurostat, SILC [ilc_mdcs01] **■** .

⁹ *Proposal for a Directive of the European Parliament and of the Council on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (recast) 2021/0203(COD)*

(12a) A holistic approach to building renovations could lead to less demand for energy, which would take into account in a more efficient way people at risk of exclusion, namely those who suffer most from energy poverty in the Union. Therefore, the Fund's support in the buildings sector should be aimed at improving energy efficiency which would lead to a reduction in energy consumption for each household, and would be visible in terms of the money saved and, as a result, would provide one means of combating energy poverty. The revision of Directive 2010/31/EU of the European Parliament and of the Council would lay the foundations for those objectives to be achieved and should therefore be taken into account when implementing the Fund.

(12b) Transport poverty has not been defined yet at Union level, and for the purpose of this Regulation a definition of transport poverty at Union level is introduced. Transport poverty could become an even more pressing issue, as recognised in the Council Recommendation on ensuring a fair transition towards climate neutrality¹⁰, and result in diminished access to essential socio-economic activities and services such as employment, education or healthcare, in particular for vulnerable individuals and households. Transport poverty can usually be caused by one or a combination of factors such as: low income, high fuel expenditures, lack of affordable or accessible private or public transport. Transport poverty may particularly affect individuals and households in rural, insular, peripheral, mountainous, remote and less accessible areas or less developed regions or territories, including less developed peri-urban areas and the outermost regions.

¹⁰ 2022/C 243/04, OJ C 243, 27.6.2022, p. 35.

- (13) A Social Climate **Fund** ('the Fund') should therefore be established to provide funds to the Member States to support their policies to address the social impacts of the **introduction of the** emissions trading for buildings and road transport on vulnerable households, vulnerable micro-enterprises and vulnerable transport users. This should be achieved notably through temporary income support and measures and investments intended to reduce reliance on fossil fuels through increased energy efficiency of buildings, decarbonisation of heating and cooling of buildings, **notwithstanding the type of ownership of those buildings**, including the integration of energy from renewable sources, and granting improved access to zero- and low-emission mobility and transport to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users. **Attention needs to be paid to various forms of tenant housing, including in the private rental market. Financial support or fiscal incentives, such as deductibility of renovation costs from the rent could be included among the measures in order to take account of tenants and people living in social housing.**

- (14) For that purpose, each Member State should submit to the Commission a Social Climate Plan ('the Plan'). ***For careful and timely consideration, the Plans should be submitted by 30 June 2025.*** The Plans should have an investment component promoting the long-term solution of reducing fossil fuels reliance and could envisage other measures, including temporary direct income support to mitigate adverse income effects in the shorter term. Those Plans should pursue two objectives. Firstly, they should provide vulnerable households, vulnerable micro-enterprises and vulnerable transport users the necessary resources to finance and carry out investments in energy efficiency, decarbonisation of heating and cooling, in zero- and low-emission vehicles and mobility, ***including through vouchers, subsidies or zero-interest loans.*** Secondly, they should mitigate the impact of the increase in the cost of fossil fuels on the most vulnerable and thereby prevent energy and transport poverty during the transition period until such investments have been implemented. The Plans ***could support access to affordable energy-efficient housing, including social housing. When implementing measures in support of vulnerable transport users, it should be possible for Member States to prioritise support to zero-emission vehicles in their Plans, provided that it is an affordable and deployable solution.***

- (15) Member States, in consultation with *local and regional* authorities, *economic and social partners and relevant civil society organisations*, are best placed to design, *implement and, where relevant, amend* Plans that are adapted and targeted to *the* local, regional and national circumstances, their existing policies in the relevant areas and planned use of other relevant EU funds. *The consultation of stakeholders should take place every time the Commission is required to assess a Plan.* In that manner, the broad diversity of situations, the specific knowledge of local and regional governments, *economic and social partners, relevant civil society organisations*, research and innovation *institutions*, industrial *stakeholders* and social dialogue *representatives*, as well as national *circumstances* can best be *reflected* and contribute to the effectiveness and efficiency of the overall support to the vulnerable.
- (15a) *The Plans should be designed in close cooperation with the Commission and according to the provided template. In order to avoid excessive administrative burdens, the Member States may implement minor adjustments or the correction of clerical errors to the Plans, by a simple notification of those changes to the Commission. Minor adjustments should represent an increase or decrease of less than 5% of a target foreseen in the Plan.*

- (16) Ensuring that the measures and investments are particularly targeted towards energy poor or vulnerable households, vulnerable micro-enterprises and vulnerable transport users is key for a just transition towards climate neutrality. Support measures to promote reductions in greenhouse gas emissions should help Member States to address the social impacts arising from the emissions trading for the sectors of buildings and road transport.
- (17) Pending the impact of those investments on reducing costs and emissions, well targeted direct income support for *vulnerable households and vulnerable transport users* would *contribute to reduce energy and mobility costs and support* the just transition. *Direct income* support should be understood to be a temporary measure accompanying the decarbonisation of the housing and transport sectors. It would not be permanent as it does not address the root causes of energy and transport poverty. Such support should only concern direct impacts of the inclusion of building and road transport into the scope of Directive 2003/87/EC, not electricity or heating costs related to the inclusion of power and heat production in the scope of that Directive. Eligibility for such direct income support should be limited in time. *Recipients of direct income support should be targeted, as members of a general group of recipients, by measures and investments aimed at effectively lifting those recipients out of energy and transport poverty. The Plans should therefore include direct income support provided that they also contain measures or investments with lasting impacts aimed at the vulnerable households and vulnerable transport users receiving income support.*
- (17a) *Vulnerable households, vulnerable transport users and vulnerable micro-enterprises should be provided with targeted, accessible and affordable information, education, awareness and advice on cost-effective measures and investments and available support, including through energy audits of buildings, tailored energy consultations or tailored mobility management services.*

(18) Taking into account the importance of tackling climate change in line with Paris Agreement commitments, and the commitment to the United Nations Sustainable Development Goals, the actions under this Regulation **are intended to be in line with** the target that **at least 30% of the total amount of the Union budget** under the 2021-2027 multiannual financial framework (MFF) and of the European Union Recovery Instrument and 37% of the Recovery and Resilience Facility should be spent on mainstreaming climate objectives and the ambition of providing **7,5% of annual spending under the MFF to biodiversity objectives in 2024 and** 10% of annual spending to biodiversity objectives in 2026 and 2027, while considering the existing overlaps between climate and biodiversity goals. For this purpose, the methodology set out in Annex II of Regulation (EU) 2021/1060 of the European Parliament and of the Council¹¹ should be used to tag the expenditures of the Fund. The Fund should support activities that fully respect climate and environmental standards and priorities of the Union and comply with the principle of ‘do no significant harm’ within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council¹². Only such measures and investments should be included in the Plans. Direct income support measures should as a rule be considered as having an insignificant foreseeable impact on environmental objectives, and as such be considered compliant with the principle of ‘do no significant harm’. The Commission intends to issue technical guidance to the Member States well ahead of the preparation of the Plans. The guidance will explain how the measures and investments must comply with the principle of ‘do no significant harm’ within the meaning of Article 17 of Regulation (EU) 2020/852.

¹¹ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159).

¹² Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

- (19) Women are *disproportionately* affected by *energy poverty and transport poverty, in particular single mothers, who* represent 85% of single parent families, *as well as single women, women with disabilities, or elderly women living alone. In addition, women have different and more complex mobility patterns.* Single parent families *with dependent children* have a particularly high risk of child poverty. Gender equality and equal opportunities for all, and the mainstreaming of those objectives, as well as *accessibility rights of* persons with disabilities should be *upheld* and promoted throughout the preparation and implementation of Plans to ensure no one is left behind.
- (19a) *Active customers, citizen energy communities and peer-to-peer trading of renewable energy can help Member States to achieve the objectives of this Regulation via a bottom-up approach initiated by citizens, as those communities empower and engage consumers and enable certain groups of household customers, to participate in energy efficiency measures and investments, support the use of renewable energy of households and at the same time contribute to fighting energy poverty. Member States should therefore promote the role of renewable energy communities and citizen energy communities and regard them as eligible beneficiaries of the Fund.*
- (20) *In the Plans,* Member States should *include the measures to be financed,* their *estimated costs and the national contribution. Member States, when submitting their Plans, should present the total estimated costs excluding the value added tax (VAT) to allow the comparability between the Plans. The Plans* should also include key milestones and targets to assess the effective implementation of the measures.

- (21) The Fund and the Plans should be coherent with and framed by the reforms planned and the commitments made by the Member States under their updated integrated national energy and climate plans in accordance with Regulation (EU) 2018/1999, under Directive [yyyy/nmm] of the European Parliament and the Council [Proposal for recast of Directive 2012/27/EU on energy efficiency]¹³, the European Pillar of Social Rights Action Plan¹⁴, **cohesion policy programmes under Regulation (EU) 2021/1060¹⁵, territorial just transition plans pursuant to Regulation (EU) 2021/1056** of the European Parliament and of the Council¹⁶, **Recovery and Resilience Plans in accordance with Regulation (EU) 2021/241** of the European Parliament and of the Council¹⁷, **the Modernisation Fund¹⁸** and the Member States long-term buildings renovation strategies pursuant to Directive 2010/31/EU of the European Parliament and of the Council¹⁹. To ensure administrative efficiency, where applicable, the information included in the Plans should be consistent with the legislation and plans listed above.

¹³ [Add ref]

¹⁴ Endorsed by the European Council on 24 and 25 June 2021.

¹⁵ Regulation (EU) **2021/1060** of the European Parliament and of the Council of 24 June 2021 **laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy** (OJ L 231, 30.6.2021, p. 159–706).

¹⁶ 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).

¹⁷ **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).

¹⁸ **Article 10d of Directive 2003/87/EC.**

¹⁹ **Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings** (OJ L 153, 18.6.2010, p. 13).

- (21a) *In order to allow a more efficient planning, Member States should indicate in their Social Climate Plans the consequences of postponing the emissions trading system established in accordance with Chapter IVa of Directive 2003/87/EC, pursuant to Article 30k of that Directive. To that end, all the relevant information needed in the Plan should be thoroughly distinguished into two scenarios, notably describing and quantifying the necessary adjustments to the measures, investments, milestones, targets, the amount of national contribution and any other relevant element of the Plan.*
- (22) The Union should support Member States with financial means to implement their Plans through the Social Climate Fund. Payments from the Social Climate Fund should be made conditional on *the* achievement of the milestones and targets included in the Plans. This would allow efficiently taking into account national circumstances and priorities while simplifying financing and facilitating its integration with other national spending programmes while guaranteeing the impact and the integrity of EU spending.



- (23) *The Social Climate Fund should be exceptionally and temporarily financed by the revenue generated from the auctioning of 50 million allowances pursuant to Articles 10a(8b) of Directive 2003/87/EC, 150 million allowances pursuant to Article 30d(3) of that Directive and a volume of additional allowances pursuant to 30d(3a) of that Directive, which should constitute external assigned revenue. In principle, a maximum amount of EUR 65 000 000 000 should be made available for the implementation of the Fund for the period 2026-2032. The Commission is to ensure the auctioning of allowances covered by Chapter IVa of that Directive. Where the emissions trading established in accordance with Chapter IVa of Directive 2003/87/EC is postponed until 2028 pursuant to Article 30k of that Directive, the maximum amount should be EUR 54 600 000 000. This amount and the annual amounts reflect a higher need of financing at the start of the Fund. The maximum financial allocation should be calculated for each Member State in accordance with an allocation methodology providing in particular additional support to those Member States that are more impacted by the inclusion of the buildings and road transport in the scope of Directive 2003/87/EC. Considering that the external assigned revenue will be made available following the auctioning of allowances pursuant to Article 10a(8b), Article 30d(3) and Article 30d(3a) of Directive 2003/87/EC, it is necessary to provide for a derogation from Article 22(2) of the Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council²⁰ to enable the Union to commit yearly the amounts necessary for the payments to Member States to be made in accordance with this Regulation for the accommodation of appropriations corresponding to assigned revenue.*

²⁰ *Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).*

- (23a) Member States should contribute to at least 25% of the total estimated costs of their Plans.*
- (23b) The budgetary commitments could be broken down into annual instalments, as appropriate. The agreements with Member States constituting individual legal commitments should take into account, inter alia, the event referred to in Article 30k of Directive 2003/87/EC which will determine a possible one year delay of the start of emissions trading for buildings, road transport and additional sectors as well as any potential financial risks for the Union, which might require an amendment of the individual legal commitments, due to the specificities of the temporary and exceptional financing of the Fund by external assigned revenue generated from allowances of the emission trading system.*
- (23c) In order to ensure additional resources for the Fund, the Member States may request a transfer of resources to the Fund from the cohesion policy programmes under shared management, established by Regulation (EU) 2021/1060, subject to the conditions set out in that Regulation. In order to provide Member States with sufficient flexibility in the implementation of their Social Climate Fund allocations, it should be possible to transfer resources from their annual financial allocation to funds under shared management provided for in the Regulation (EU) 2021/1060 up to a ceiling of 15%. With a view to alleviating the administrative burden resulting from successive transfers of resources from their annual financial allocation from the Social Climate Fund to funds under shared management falling within the scope of Regulation (EU) 2021/1060, the corresponding amendment of one or more programmes should in principle be required only once, subject to certain conditions to ensure effective financial control. It should be possible to effect further transfers in subsequent years by means of a notification of the financial tables to the Commission, provided that the changes exclusively relate to an increase of the financial resources, without any further changes to the programme.*

- (24) The Fund should support measures that respect the principle of additionality of Union funding. The Fund should not be a substitute for recurring national expenditures, except in duly justified cases, ***including for payments of costs for technical assistance measures indicated in the Plans.***
- (25) In order to ensure an efficient, ***transparent*** and coherent allocation of funds and to respect the principle of sound financial management, actions under this Regulation should be consistent with and be complementary to ongoing Union, ***national and, where appropriate, regional*** programmes, whilst avoiding double funding from the Fund and other Union programmes for the same expenditure. In particular, the Commission and the Member State should ensure, in all stages of the process, effective coordination in order to safeguard the consistency, coherence, complementarity and synergy among sources of funding. To that effect, Member States should be required to present the relevant information on existing or planned Union financing when submitting their plans to the Commission. Financial support under the Fund should be additional to the support provided under other Union programmes and instruments. Measures and ***investments*** financed under the Fund should be able to receive funding from other Union programmes and instruments provided that such support does not cover the same costs.

- (26) Payments should be made on the basis of a Commission decision authorising the disbursement to the Member State concerned. Therefore, it is necessary to derogate from Article 116(2) of Regulation (EU, Euratom) 2018/1046 ²¹ , so that the payment deadline can start running from the date of the communication from the Commission to the Member State concerned of that decision and not from the date on which a payment request is received.
- (26a) After the analysis of all the payment requests received in a certain round, and if revenues assigned to this Fund in accordance with Article 30d(3a) of Directive 2003/87/EC are not sufficient to cover the submitted payment requests for payments presented by the Member States, the Commission should pay the Member States on a pro rata basis in order to provide for an equal treatment of Member States. In the following round of payment requests, the Commission should give priority to pay those Member States with delayed payments from the previous round of payment requests for payments, and only later to the newly submitted payment requests.***
- (27) In order to ***facilitate the preparation of the Social Climate Plans and to ensure transparent rules for monitoring and evaluation, the list of common indicators and the template for the Social Climate Plans are included in the Annexes of the Regulation. The common indicators may be used by the Member States to set the milestones and targets in their Plans. This list of indicators contains the common indicators for reporting on the progress and for the purpose of monitoring and evaluation of the implementation of the Plans and of the Fund.***

21

- (28) The implementation of the Fund should be carried out in line with the principle of sound financial management, including the effective prevention and prosecution of fraud, tax fraud, tax evasion, corruption and conflicts of interest. ***The Social Climate Fund is subject to a general regime of conditionality for the protection of the Union budget in the case of breaches of the principles of the rule of law in the Member States established by Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council²².***
- (29) For the purpose of sound financial management, while respecting the performance-based nature of the Fund, specific rules should be laid down for budget commitments, payments, suspension, and recovery of funds as well as for the termination of agreements related to financial support. The Member States should take appropriate measures to ensure that the use of funds in relation to measures supported by the Fund complies with applicable Union and national law. Member States must ensure that such support is granted in compliance with the EU State aid rules, where applicable. In particular, they should ensure that fraud, corruption and conflicts of interests are prevented, detected and corrected, and that double funding from the Fund and other Union programmes is avoided. Suspension and the termination of agreements related to financial support as well as reduction and recovery of the financial allocation should be possible when the Plan has not been implemented in a satisfactory manner by the Member State concerned, or in the case of serious irregularities, meaning fraud, corruption and conflicts of interest in relation to the measures supported by the Fund, or a serious breach of an obligation under the agreements related to financial support. ***In the case of termination of an agreement related to financial support or the reduction and recovery of a financial allocation, these amounts should be allocated to Member States by 31 December 2033 according to the rules for distribution of allowances defined under Article 30d(4) of Directive 2003/87/EC.*** Appropriate contradictory procedures should be established to ensure that the decision by the Commission in relation to suspension and recovery of amounts paid as well as the termination of agreements related to financial support respects the right of Member States to submit observations.
- (30) The Commission should ensure that the financial interests of the Union are effectively protected. While it is primarily the responsibility of the Member State itself to ensure that the Fund is implemented in compliance with relevant Union and national law, the

²² ***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).***

Commission should be able to receive sufficient assurance from Member States in that regard. To that end, in implementing the Fund, the Member States should ensure the functioning of an effective and efficient internal control system and recover amounts unduly paid or misused. In that regard, Member States should be able to rely on their regular national budget management systems. Member States should collect, record and store in an electronic system standardised categories of data and information allowing the prevention, detection and correction of serious irregularities, meaning fraud, corruption and conflicts of interests, in relation to the measures supported by the Fund. The Commission should make available an information and monitoring system, including a single data-mining and risk-scoring tool, to access and analyse this data and information. ***The Commission should encourage its use*** with a view to a ***generalised*** application by **█** Member States.

- (31) The Commission, the European Anti-Fraud Office (OLAF), the Court of Auditors and, where applicable, the European Public Prosecutor's Office (EPPO) should be able to use the information and monitoring system within their competences and rights.
- (32) The Member States and the Commission should be allowed to process personal data only where necessary for the purpose of ensuring discharge, audit and control, information, communication and publicity of the use of funds in relation to measures for the implementation under the Fund. The personal data should be processed in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council²³ or Regulation (EU) 2018/1725 of the European Parliament and of the Council²⁴, whichever is applicable.

²³ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

²⁴ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

- (33) In accordance with Regulation (EU, Euratom) 2018/1046, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council²⁵, and Council Regulations (EC, Euratom) No 2988/95²⁶, (Euratom, EC) No 2185/96²⁷ and (EU) 2017/1939²⁸, the financial interests of the Union are to be protected by means of proportionate measures, including measures relating to the prevention, detection, correction and investigation of fraud, corruption and conflicts of interests, and, where appropriate, the imposition of administrative penalties. In particular, in accordance with Regulations (Euratom, EC) No 2185/96 and (EU, Euratom) No 883/2013, OLAF has the power to carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption, conflicts of interests or any other illegal activity affecting the financial interests of the Union. EPPO is empowered, in accordance with Regulation (EU) 2017/1939, to investigate and prosecute fraud, corruption, conflicts of interests and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council²⁹. In accordance with Regulation (EU, Euratom) 2018/1046, any person or entity receiving funds from the Union budget is to fully cooperate in the protection of the Union's financial interests, grant the necessary rights and access to the Commission, OLAF, the Court of Auditors and, in respect of those Member States participating in enhanced cooperation pursuant to Regulation (EU) 2017/1939, EPPO and ensure that any third parties involved in the implementation of funds financed from the Union budget grant equivalent rights.
- (34) Horizontal financial rules adopted by the European Parliament and the Council pursuant to Article 322 of the Treaty on the Functioning of the European Union apply to this

²⁵ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

²⁶ Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

²⁷ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

²⁸ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

²⁹ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

Regulation. Those rules are laid down in Regulation (EU, Euratom) 2018/1046 and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted pursuant to Article 322 of the Treaty on the Functioning of the European Union also include a general regime of conditionality for the protection of the Union's budget.

HAVE ADOPTED THIS REGULATION:

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject matter, scope and objectives

The Social Climate Fund ('the Fund') is established *from 2026 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 *or in* transport *poverty*.

The general objective of the Fund is to contribute to **a socially fair** 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 **any kind** of energy-related building renovation **aimed to increase energy performance of buildings, such as** the insulation of the building envelope, that is to say walls, roof, floor, the replacement of windows, **and installation of technical building systems, compliant with any relevant national safety standards, including by contributing to the renovation requirements established in Directive .../... [on the energy performance of buildings (recast) 2021/0426(COD)]**;
- (2) ‘energy poverty’ means **a household’s lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies**;

- (2a) *‘transport poverty’ means individuals' and households' inability or difficulty to meet the costs of private or public transport, or their lack of or limited access to transport needed for their access to essential socio-economic services and activities, taking into account the national and spatial context;*
- (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 private household as defined in Article 2, point (15) of Regulation (EU) 2019/1700 of the European Parliament and of the Council³⁰;
- (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;

³⁰ Regulation (EU) 2019/1700 of the European Parliament and of the Council of 10 October 2019 establishing a common framework for European statistics relating to persons and households, based on data at individual level collected from samples, amending Regulations (EC) No 808/2004, (EC) No 452/2008 and (EC) No 1338/2008 of the European Parliament and of the Council, and repealing Regulation (EC) No 1177/2003 of the European Parliament and of the Council and Council Regulation (EC) No 577/980 (OJ L 261I, 14.10.2019, p. 1).

- (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 Council³¹;
- (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 651/2014³²;
- (10) █
- (11) ‘vulnerable households’ means households in energy poverty or households, including **low income and** 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;
- (12) ‘vulnerable micro-enterprises’ means micro-enterprises that are significantly affected by █ the price impacts of the inclusion of **greenhouse gas emissions from buildings or road transport** into the scope of Directive 2003/87/EC and **for the purpose of their activity**, lack the means **either** to renovate the building they occupy **or to purchase zero- and low-emission vehicles or to switch to alternative sustainable modes of transport, including public transport**;

³¹ 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).

³² 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 Text with EEA relevance (OJ L 187, 26.6.2014, p. 1).

- (13) ‘vulnerable transport users’ means ***individuals and households in transport poverty, but also individuals and households***, including from ***low income and*** 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***;
- (13b) ‘***active customer***’ as defined in Article 2(8) of Directive (EU) 2019/944 of the European Parliament and of the Council³³;
- (13c) ‘***citizen energy community***’ as defined in Article 2(11) of Directive (EU) 2019/944 of the European Parliament and of the Council³⁴;
- (13d) ‘***renewable energy community***’ as defined in Article 2 (16) of Directive (EU) 2018/2001 of the European Parliament and of the Council³⁵;

³³ ***Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast) (OJ L 158, 14.6.2019, p. 125)***

³⁴ ***Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast) (OJ L 158, 14.6.2019, p. 125)***

³⁵ ***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 (recast) (OJ L 328 21.12.2018, p. 82)***

(13e) *‘peer to peer trading of renewable energy’ as defined in Article 2(18) of Directive (EU) 2018/2001 of the European Parliament and of the Council³⁶*

(13f) *‘zero- and low emission vehicles’ as defined in Article 3(m) of Regulation (EU) 2019/631 of the European Parliament and of the Council³⁷*

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 **■** 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.

³⁶ *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 (recast) (OJ L 328 21.12.2018, p. 82)*

³⁷ *Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (recast) (OJ L 111, 25.4.2019, p. 13)*

3. The Plan shall include national, *and where relevant, regional and local measures and investments, in accordance with article 6*, to:
- (a) ■ carry out building renovation, and ■ decarbonise heating and cooling of buildings, including the integration of energy production from *and storage of* 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 3a

Public consultation

1. *Member States shall submit to the Commission a Social Climate Plan following consultations with local and regional level authorities, representative economic and social partners, relevant civil society organisations, youth organisations and other stakeholders, conducted in accordance with the requirements of Art. 10 of Regulation (EU) 2018/1999 and in compliance with their national legal framework.*
2. *Member States shall set out in their Social Climate Plans a summary of the consultation process and how the input of the stakeholders is reflected in the Plan.*
3. *For the purposes of Article 15(2), the Commission shall assess whether the Plan has been developed in consultation with stakeholders in accordance with paragraph 1.*
4. *The Commission shall support Member States by providing examples of best practice of consultations on the Social Climate Plans in accordance with Article 4(3).*

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 **Articles 3 and 6** 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) **where relevant**, concrete, **mutually coherent and reinforced** accompanying measures **■** to accomplish the measures and investments of the Plan and reduce the effects referred to in point (c) **■** ;
 - (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, including on direct income support;**
 - (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 and transport poverty, and on micro-enterprises**; these **effects** are to be analysed **at the appropriate territorial level as defined by each Member State**, taking into account **national specificities and** elements such as access to public transport and basic services and identifying the areas mostly affected **■** ;
 - (ca) **an estimate and the identification of the number of vulnerable households, vulnerable micro-enterprises, and vulnerable transport users;**
 - (cb) **an explanation of how the definitions of energy and transport poverty set out in Article 2, points 2 and 2a, are to be applied at national level;**

- (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 ■ to an increase of road transport and heating fuel prices;
- (e) envisaged milestones, targets and an indicative *comprehensive* timetable for the implementation of the measures and investments to be completed by 31 July 2032;
- (ea) where applicable, a timetable for gradually reducing the support for low-emission vehicles shall be provided;***
- (f) the estimated total costs of the Plan 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) the envisaged national contribution to the total estimated costs, calculated in accordance with Article 14;
- (h) an explanation of how the Plan ensures that no investment or 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; no explanation is required for the measures referred to in Article 3(2);
- (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, ***the relevant common indicators from Annex IV, and if none of them is relevant for a specific measure or investment, additional individual indicators proposed by the Member State;***

- (j) for the preparation and, where available, for the implementation of the Plan, a summary of the consultation process *referred to in Article 3a*;
 - (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;
 - (ka) *where applicable and relevant, an explanation of how geographic specificities, such as islands, outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas or areas lagging behind, have been taken into account;*
 - (kb) *where relevant, an explanation of how the measures and investments in the Social Climate Plan will aim to address gender inequality.*
- 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 [REDACTED], under their cohesion policy operational programmes under Regulation (EU) 2021/1060³⁸, under their Recovery and Resilience Plans in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council³⁹, 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 Council⁴⁰.
3. **During the preparations of the Plans**, the Commission shall organise an exchange of good practices, **including on the cost-effective measures and investments to be included in the Plans**. Member States may [REDACTED] 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 Council⁴¹.

³⁸ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 **laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy** (OJ L 231, 30.6.2021, p. 159–706).

³⁹ 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).

⁴⁰ 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).

⁴¹ 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).

- 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, road transport and additional sectors within the scope of Directive 2003/87/EC.*
- 3b. *The Plans shall be prepared in accordance with the template set out in Annex V.*

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 *in accordance with Article 6*. 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.

- (3a) *The measures and investments supported by the Fund shall reduce fossil fuel dependency and, where relevant, contribute to the implementation of the European Pillar of Social Rights as well as to sustainable and quality jobs in the fields covered by the measures and investments of the Fund.***

Article 6

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

1. Member States may include the ***following*** measures ***and investments with lasting impacts in the estimated total costs*** of the ***Plans, provided they principally target vulnerable households, vulnerable micro-enterprises or vulnerable transport users and intend to:***
2.
 - (a) support building renovations, especially for those occupying worst-performing buildings, ***and including for tenants and people living in social housing;***
 - (aa) ***support access to affordable energy-efficient housing, including social housing;***
 - (b) contribute to the decarbonisation, including the electrification, of heating and cooling of, and cooking in, buildings ***by providing access to affordable and energy-efficient systems***, and the integration ***and storage*** of energy from renewable sources, ***including through renewable energy communities, citizen energy communities and other active customers to promote the uptake of renewables self-consumption, such as energy sharing and peer-to-peer energy trading of renewable energy, connection to smart grids and to district heating networks***, that contribute to the achievements of energy savings ***or to reducing energy poverty;***
 - (ba) ***provide targeted, accessible and affordable information, education, awareness and advice on cost-effective measures and investments and available support for building renovations and energy efficiency, as well as sustainable and affordable mobility and transport alternatives;***

- (c) support public and private entities, ***including social housing providers, in particular public-private cooperatives***, 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 ***while maintaining technological neutrality***, including financial support or fiscal incentives for their purchase as well as for appropriate public and private infrastructure, ***in particular, where relevant: i) purchase of zero- and low-emission vehicles; ii) infrastructure for recharging and refuelling and iii) development of second-hand zero-emission vehicles market; Member States shall aim to ensure that where zero-emission vehicles are an affordable and deployable solution, support to such vehicles is prioritised in their Plans;***
- (e) ***incentivise the use of affordable and accessible public transport and support private and public entities, including cooperatives, in developing and providing sustainable mobility on demand, shared mobility services and active mobility options;***
- (f) **■**

2a. *Member States may include the costs of measures providing temporary direct income support to vulnerable households and vulnerable transport users to absorb the increase in road transport and heating fuel prices. Such support shall be temporary, decreasing over time and may be provided if their Plan contains measures or investments aimed at these vulnerable households and vulnerable transport users in accordance with Art. 6(1). Such support from the Fund shall be limited to the direct impact of the emission trading for buildings and road transport. These measures shall not represent more than 37.5% of the estimated total cost of the Plan as referred to in Article 4(1)(f).*

- 2b. *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



Article 8

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

Member States may include *in the Plans* support provided *through* 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 *vulnerable* households, *vulnerable* micro-enterprises and *vulnerable* transport users.

Article 9

Resources for the Fund

1. *A maximum of EUR 65 000 000 000 for the period from 1 January 2026 to 31 December 2032 in current prices shall be made available, in accordance with Articles 30d(3), 30d(3a) and 10a(8b) of Directive 2003/87/EC, for implementation of the Fund. That amount shall constitute external assigned revenue for the purpose of Article 21(5) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council⁴², without prejudice to the last subparagraph of Article 30d(3a) of Directive 2003/87/EC.*

The annual amounts allocated to the Fund, within the limit laid down in the first subparagraph, shall not exceed the amounts referred to in the fourth subparagraph of Article 30d(3a) of Directive 2003/87/EC.

Where the emissions trading established in accordance with Chapter IVa of Directive 2003/87/EC is postponed until 2028 pursuant to Article 30k of that Directive, the maximum amount to be made available to the Fund shall be EUR 54 600 000 000 and the annual amounts allocated to the Fund shall not exceed the respective amounts referred to in the fifth subparagraph of Article 30d(3a) of Directive 2003/87/EC.

⁴² *Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).*

- 1a. By way of derogation from Article 22(2) of Regulation (EU, Euratom) 2018/1046 and without prejudice to Article 19, commitment appropriations covering the relevant maximum amount referred to in paragraph 1 shall be made available automatically at the beginning of each financial year, starting from 1 January 2026, up to the respectively applicable annual amounts referred to in the second and third subparagraphs of paragraph 1.*
2. █
3. The amounts 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 *and to* 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 their maximum annual 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. Resources shall be transferred by Member States through the amendment of one or more programmes except for programmes under the European Territorial Cooperation goal in accordance with Article 26a of Regulation (EU) No 2021/1060 and shall be implemented in accordance with the rules set out in that Regulation and the rules of the funds to which the resources are transferred.***

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 notified 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 ***on a general regime of conditionality for the protection of the Union budget***⁴³.

⁴³ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 (OJ L 433I, 22.12.2020, p. 1).

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, ***including direct income support referred to in Article 3(2)***, 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 ***in accordance with Article 9 and*** 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

1. Member States shall contribute at least to **25** percent of the total estimated costs of their Plans.
2. **█**

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.
 - 1a. ***The Commission shall also assess whether transfers requested in compliance with Article 10 meet the objectives of this Regulation.***
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 represents *an adequate* response to **■** social impact on and challenges faced by vulnerable households, vulnerable micro-enterprises and vulnerable transport users in the Member State concerned from *the inclusion of greenhouse gas emissions from* buildings and road transport *into the scope* of Directive 2003/87/EC, especially *by* households in energy poverty *or transport 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 *Union's 2030 climate and energy targets and objectives and the long-term objective of climate neutrality in the Union by 2050*;
- (ii) whether the Plan is expected to ensure that *measures and investments* included in the Plan *cause no* significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 *and whether the Plan helps reduce fossil fuel dependency*;
- (iii) whether the Plan contains measures and investments that contribute to the green transition, including to addressing the *social impacts and* challenges resulting therefrom and in particular to the achievement of the 2030 *and 2050* climate and energy objectives of the Union and the 2030 milestones of the Mobility Strategy.

- (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, ***in line with the Union's 2030 and 2050 climate targets***, and in particular on vulnerable households, vulnerable micro-enterprises and vulnerable transport users, especially households in energy ***poverty or transport 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]***⁴⁴, Directive (EU) ***2019/33***⁴⁵ of the European Parliament and of the Council and Directive 2010/31/EU, ***and foster complementarity, synergy, coherence and consistency with the Union instruments referred to in Article 4(2)***.

⁴⁴ ***[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].***

⁴⁵ ***Directive 2019/33/EC of the European Parliament and of the Council of 23 April 2019 on the promotion of clean and energy-efficient road transport vehicles (OJ L 120, 15.5.2019, p. 5).***

- (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, ***while also taking into account national specificities that may impact the costs provided in the Plan;***
 - (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;
- (d) **■** 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) the national contribution;
- (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 ■ 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* minus the national contribution 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* minus the national contribution 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* minus the national contribution;
 - (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 additional *measures to address these weaknesses to be included in the Plan and* to be achieved *by Member States* 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 *inclusion of greenhouse gas emissions from* buildings and road transport *into the scope* of Directive 2003/87/EC, the Member State concerned *shall* submit to the Commission an amendment of its Plan to include the necessary and duly justified changes. Member States may request technical support, *as referred to in Article 10(3)* 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 in accordance with Article 16(1) adopt *a decision setting out the reasons for its positive assessment, by means of an implementing act. By way of derogation from Article 16(1), the Commission shall adopt the decision under this Article within three months of the official submission of the amended Plan by the Member State.*

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 ***inclusion of greenhouse gas emissions from*** buildings and road transport ***into the scope*** of Directive 2003/087/EC. Those assessments shall be submitted to the Commission ***together with*** the biennial progress reporting pursuant to Article 17 of Regulation (EU) 2018/1999.
- 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.***

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 ***for the period 2026-2032 without prejudice to Article 30d(3a), Article 30i and Article 30k of Directive 2003/87/EC.*** That agreement may be concluded at the earliest one year before the year of the start of the auctions under Chapter IVa of Directive 2003/87/EC, ***or two years in case the third subparagraph of Article 9(1) applies.***
2. **█**

3. 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 July, *or by 31 December*.
2. *Upon receiving a request for payment from a Member State, the Commission shall assess* whether the relevant milestones and targets set out in the Commission decision 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 *of an individual request for payment*, it shall adopt *an individual* decision 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. The Commission shall adopt any individual decision not earlier than two months and not later than three months after the relevant deadline for submission of such request in accordance with paragraph 1.*

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 *proportional 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 *nine* 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 **15** 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) Regulation (EU Euratom) 2018/1046*. 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 from Article 116 of the Regulation (EU, Euratom) 2018/1046 and paragraph 5, if in a given round of payment requests the revenue assigned to this Fund in accordance with Article 30d(3a) of Directive 2003/87/EC is not sufficient to cover the submitted payment requests, the Commission shall pay those Member States on a pro-rata basis determined as a share of the payment availabilities to the total approved payments. In the following round of payment requests, the Commission shall give priority to those Member States with delayed payments from the previous round of payment requests, and only later to the newly submitted payment requests.*

10. *By way of derogation from Article 12(4), point (c) of Regulation (EU, Euratom) 2018/1046 and without prejudice to the last subparagraph of Article 30d(3a) of Directive 2003/87/EC, the Commission shall allocate to Member States the amounts corresponding to any appropriations that are unused by 31 December 2033 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, *including by public or private entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users in accordance with Article 8*, 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;
- (d) 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 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), 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 Council⁴⁶;
- (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;

(da) 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.

⁴⁶ 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).

- (e) 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;
- (f) 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 *as referred to in Article 4(2), and the Modernisation Fund under Article 10d of Directive 2003/87/EC***. For that purpose, they shall:

- (a) ensure complementarity, synergy, coherence and consistency among different instruments at Union, national and, where appropriate, regional *or local* 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 *or local* 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 Council⁴⁷, 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, *including when they benefit from those funds through intermediaries. This information shall include the emblem of the Union and an appropriate funding statement that reads ‘funded by the European Union – Social Climate Fund’ on documents and communication material relating to the implementation of the measure intended for the recipients. The recipients of support from the Fund, except for natural persons or in case where there is risk of commercially sensitive information being made public, shall 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.*

⁴⁷ 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).

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.

Article 23

Monitoring of implementation

1. Each Member State concerned shall, on a biennial basis, 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 IV.*

█

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 IV* 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.

Article 23a

Transparency

1. *The Commission shall transmit the Plans submitted by Member States, and the decisions, as made public by the Commission, simultaneously and on equal terms to the European Parliament and the Council without undue delay.*
2. *Information transmitted by the Commission to the Council in the context of this Regulation or its implementation shall simultaneously be made available to the European Parliament, subject to confidentiality arrangements if necessary.*
3. *The competent committees of the European Parliament may invite the Commission to provide information on the state of play of the assessment by the Commission of the Plans.*

Article 23b

Social Climate Dialogue

1. *In order to enhance the dialogue between the Union institutions, in particular the European Parliament and the Commission, and to ensure greater transparency and accountability, the competent committees of the European Parliament may invite the Commission twice a year to discuss the following matters:*
 - (a) *the Plans submitted by Member States;*
 - (b) *the assessment by the Commission of the Plans submitted by Member States;*
 - (c) *the status of fulfilment of the milestones and targets of the Plans submitted by Member States;*
 - (d) *payment, suspension and termination procedures, including any observation presented and remedial measures taken by Member States to ensure a satisfactory fulfilment of the milestones and targets;*
2. *The Commission shall take account of any elements arising from the views expressed through the social climate dialogue, including the resolutions from the European Parliament if provided.*

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, taking into account the results of the first reports submitted by Member States in accordance with Article 23, and shall submit, where appropriate, any proposals for amendments of this Regulation.***
2. **█**
3. The evaluation report *referred to in paragraph 1 shall, in particular, assess:*
 - (a) *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;*
 - (b) *on a country-by-country basis, the efficiency of investments and measures and the use of the direct income support in light of the achievement of the milestones and targets in the Plans;*
 - (c) *how the definitions of energy and transport poverty are applied in Member States, based on information as referred to in Article 4(1)(cb) as well as whether amendments to such definitions are necessary;*

(d) the continued relevance of all objectives and actions set out in Article 6 in light of the impact on greenhouse gas emissions from the inclusion of greenhouse gas emissions from buildings and road transport into the scope 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 Council⁴⁸. It shall also consider the continued relevance of the assigned revenues in relation to possible developments concerning the auctioning of allowances under the emission trading system for buildings, road transport and additional sectors 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.

5a. Without prejudging the post 2027 Multiannual Financial Framework, in the event revenue generated from the auctioning referred to in paragraph 4 of Article 30d of Directive 2003/87/EC is established as an own resource in accordance with Article 311(3) TFEU, the Commission shall, as appropriate, present the necessary proposals in order to ensure, within the framework of the post 2027 Multiannual Financial Framework, the effectiveness and continuity of the implementation of the Fund, which is temporarily and exceptionally financed by external assigned revenue generated from allowances of the emission trading system.

Article 25



⁴⁸ *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 25a

Amendments to Regulation (EU) 2021/1060 of the European Parliament and of the Council⁴⁹

In Regulation (EU) 2021/1060 the following Article 26a is inserted after Article 26:

'Article 26a

Resources transferred from the Social Climate Fund

Resources transferred from the Social Climate Fund, established by Regulation (EU) xx/yy [Social Climate Fund Regulation]() shall be implemented in accordance with the provisions set out in this Regulation and the provisions governing the Fund to which the resources are transferred and shall be definitive. Such resources shall constitute external assigned revenue for the purpose of Article 21(5) of Regulation (EU, Euratom) 2018/1046 and shall be additional to the resources referred to in Article 110. Where Member States implement these resources under shared management, they shall submit programme amendments in accordance with Article 24 concerning one or more programmes. Member States shall plan the use of such resources for achieving the climate objectives set out for the Union budget in accordance with Article 6(1). These resources shall contribute to the relevant objectives of the Social Climate Fund as set out in Article 1 of Regulation (EU) [xx/yy][Social Climate Fund Regulation] and be used to support measures and investments defined under Article 6 of Regulation (EU) [xx/yy][Social Climate Fund Regulation]. They shall be programmed under one or more dedicated priorities corresponding to one or more specific objectives of the Fund to which the resources are transferred and for one or more categories of regions, where applicable, with an indication of the yearly breakdown of resources. They shall not be taken into account for the calculation of compliance with thematic concentration requirements as set out in Fund-specific rules. Where the Commission already approved a Member State's request for an amendment of a programme relating to a transfer of resources from the Social Climate Fund, for any further transfer of resources in subsequent years, the Member State may submit a notification of financial tables instead of an amendment of a programme, provided that the proposed changes exclusively relate*

⁴⁹ *Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159)*

to an increase of the financial resources, without any further changes to the programme. By way of derogation from Article 18 and the second subparagraph of Article 86(1), the resources transferred in accordance with this Article and Article 10(1a) of Regulation (EU) [xx/yy][Social Climate Fund Regulation] shall not be taken into account for the mid-term review and the flexibility amount. By way of derogation from Article 14(3) of Regulation (EU, Euratom) 2018/1046, the time limit after which the Commission shall decommit the amounts in accordance with Article 105(1) shall start from the year in which the corresponding budgetary commitments are made. Resources shall not be transferred to programmes under the European Territorial Cooperation goal'.

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 Council⁵⁰ amending Directive 2003/87/EC as regards Chapter IVa of Directive 2003/87/EC.

⁵⁰ [Directive (EU) yyyy/nnn of the European Parliament and of the Council.... (OJ).]
[Directive amending Directive 2003/87/EC]

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

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 *emission sources 1A3b, 1A4a and 1A4b as defined in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories* (2016-2018 average), *as comprehensively reviewed pursuant to Article 4(3) of that Regulation.*

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

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

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

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

$$\delta_i = \min\left(\frac{arrears_i}{arrears_{EU}}, f_i\right)$$

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

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 all Member States, α_i cannot be lower than 0,07 % of the sum of the financial envelopes as referred to in Article 9(1). The α_i of all Member States with α_i higher than 0,07% are proportionally adjusted to ensure that the sum of all α_i 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 ***emission sources 1A3b, 1A4a and 1A4b as defined in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories*** for the average of the period 2016-2018, ***as comprehensively reviewed pursuant to Article 4(3) of that Regulation.*** 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) 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.

Maximum financial allocation per EU Member State			
Member State	Share as % of total	TOTAL 2026-2032 (in EUR, current prices)	
		<i>Pursuant to Article 9(1), first and second subparagraph</i>	<i>Pursuant to Article 9(1), third subparagraph</i>
Belgium	2.55	1 659 606 425	1 394 069 397
Bulgaria	3.85	2 499 490 282	2 099 571 836
Czechia	2.40	1 562 617 717	1 312 598 882
Denmark	0.50	324 991 338	272 992 724
Germany	8.18	5 317 778 511	4 466 933 949
Estonia	0.29	186 244 570	156 445 439
Ireland	1.02	663 390 868	557 248 329
Greece	5.52	3 586 843 608	3 012 948 631
Spain	10.52	6 837 784 631	5 743 739 090
France	11.19	7 276 283 944	6 112 078 513
Croatia	1.94	1 263 071 899	1 060 980 395
Italy	10.81	7 023 970 924	5 900 135 577
Cyprus	0.20	131 205 466	110 212 591
Latvia	0.71	463 676 528	389 488 284
Lithuania	1.02	664 171 367	557 903 948
Luxemburg	0.10	66 102 592	55 526 177
Hungary	4.33	2 815 968 174	2 365 413 267
Malta	0.07	45 500 000	38 220 000
Netherlands	1.11	720 463 632	605 189 451
Austria	0.89	578 936 189	486 306 399

Poland	17.60	11 439 026 446	9 608 782 215
Portugal	1.88	1 223 154 017	1 027 449 374
Romania	9.25	6 012 677 290	5 050 648 923
Slovenia	0.55	357 971 733	300 696 256
Slovakia	2.35	1 530 553 074	1 285 664 582
Finland	0.54	348 132 328	292 431 155
Sweden	0.62	400 386 447	336 324 616
EU27	100%	65 000 000 000	54 600 000 000

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 IV

Common indicators for indicative milestones and targets for the Social Climate Plans of the Member States referred to in Article 4(1)(i), monitoring by the Member State of the implementation of their Plans referred to in Article 23(1), evaluation by the Commission of the progress towards the objectives of the Social Climate Fund referred to in Article 23(4)

Measures and investments can contribute to several of the common indicators. Should a Member State's Social Climate Plan contain no measure contributing to some of the indicators, a Member State may indicate 'non-applicable'.

<i>Number</i>	<i>Common indicator related to Social Climate Fund support</i>	<i>Explanation</i>	<i>Unit</i>
<i>Building sector</i>			
<i>Context indicators</i>			
<i>1</i>	<i>Number of vulnerable households</i>	<i>In line with the definition in Article 2(11).</i>	<i>Number of households</i>
<i>2</i>	<i>Number of households in energy poverty</i>	<i>In line with Article 2(2).</i>	<i>Number of households</i>
<i>Output indicators</i>			
<i>3</i>	<i>Number of vulnerable households that have benefitted from at least one structural measure reducing their emissions in the building sector</i>	<i>In line with Article 2(11) and Article 6(1). Only measures due to Fund support.</i>	<i>Number of households</i>
<i>4</i>	<i>Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)</i>	<i>The indicator counts the number of buildings and the corresponding floor area being renovated fully or partially based on the support by measures and investments under the Fund, where 'building renovation' is defined in Article 2(1). In addition, the indicator shall distinguish buildings on the basis of their Energy</i>	<i>Buildings units</i>

5	<i>Total useful floor area of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)</i>	<i>Performance Certificate class, and identify specifically how many worst performing buildings have been renovated.</i>	<i>Renovated floor area (m2/year)</i>
6	<i>Number of buildings having undergone other energy renovation (i.e. all energy renovations except deep renovations, to be reported above)</i>		<i>Buildings units</i>
7	<i>Total useful floor area of buildings having undergone other energy renovation (i.e. all energy renovations except deep renovations, to be reported above)</i>		<i>Renovated floor area (m2/year)</i>
8	<i>Replacement of fossil fuel heating installation with a renewable based appliance and/or a highly efficient installation on the basis of the Energy Label class as established in the relevant Regulation.</i>	<i>These actions fulfill the renewable EU benchmark and the indicative share of renewable energy (in final energy consumption) defined at national level in the building sector under Article 15a of the revised Directive [yyyy/nnn] of the European Parliament and the Council [Proposal on Revision of Renewable Energy Directive 2021/0218(COD)]. Renewable heating and cooling systems and renewable electricity both can contribute to this benchmark. These actions would also contribute to the renewable heating and cooling target under Article 23 of the revised Directive [yyyy/nnn] of the European Parliament and the Council [Proposal on Revision of Renewable Energy Directive 2021/0218(COD)]. Pursuant to Article 15(10) of Directive [yyyy/nnn] of the European Parliament and the Council [Directive on the energy performance of buildings (recast) [2021/0426(COD)]], no financial incentives may be provided to the installation of boilers powered by fossil fuels as of [1 January 2025]. Only concerns additional replacements of fossil fuel heating installations due to Fund support.</i>	<i>Number of units of fossil fuel heating installation replaced (e.g. by a heat pump or solar thermal installation)</i>

9	<i>Additional operational capacity installed for renewable energy</i>	<i>Number and capacity of rooftop PV and solar thermal collectors or Photovoltaic Thermal panels (PVT); number and capacity of heat pumps; number and capacity of other renewable space heating and cooling technologies including renewable based boilers. Only concerns additional operational capacity due to Fund support.</i>	<i>MW</i>
10			<i>number of units</i>
Result indicators			
11	<i>Reduction of number of vulnerable households</i>	<i>Reduction of number of vulnerable households as a result of measures and investments financed under the Fund.</i>	<i>%</i>
12	<i>Estimated reduction in greenhouse gas emissions in the building sector</i>	<i>Reduction in greenhouse gas emissions in the building sector triggered by measures and investments financed under the Fund.</i> <i>The emissions in the building sector are defined as those covered by Chapter IVa of Directive 2003/87/EC (for the buildings sector, emission sources 1A4a and 1A4b as defined in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories).</i>	<i>ktCO2e</i>
13	<i>Reduction of number of households in energy poverty</i>	<i>Reduction of number of households in energy poverty as a result of measures and investments financed under the Fund.</i> <i>Member States concerned by Article 3(3)(d) of Regulation (EU) 2018/1999 shall include, pursuant to Article 24(b) of that Regulation, in their integrated national energy and climate progress report quantitative information on the number of households in energy poverty. Member States may use and are not limited to the indicators available with the Statistical Office of the European Union identified as relevant in the Commission Recommendation 2020/1563 on energy poverty, listed in the reporting template for integrated national energy and climate progress reports.</i>	<i>%</i>

		<i>The indicator does not count collective dwellings such as hospitals, care homes, prisons, military barracks, religious institutions, boarding houses, workers' hostels, etc.</i>	
14	<i>Savings in annual primary energy consumption</i>	<i>The energy savings achieved shall be calculated, for this purpose, only on the basis of the financial support from the Fund.</i>	<i>MWh/year</i>
15		<i>Member States shall report on the annual final/primary energy consumption reduction achieved among vulnerable households, people affected by energy poverty and, where applicable, people living in social housing pursuant to Article 8(3) of Directive [yyyy/nnn] of the European Parliament and the Council [Proposal for recast of Directive 2012/27/EU on energy efficiency] due to Fund support that is complementary to the Energy Efficiency National Fund under the provisions of Directive (EU) [yyyy/nnn] of the European Parliament and of the Council [Proposal for recast of Directive 2012/27/EU on energy efficiency], including channelled through energy efficiency obligation schemes and alternative policy measures pursuant to Article 8(3) of Directive [yyyy/nnn] of the European Parliament and the</i>	<i>kWh/m2 (if total floor area is available)</i>

16	<i>Savings in annual final energy consumption</i>	<i>Council [Proposal for recast of Directive 2012/27/EU on energy efficiency] and including interventions made to comply with minimum energy performance standards pursuant to the provisions of Directive [yyyy/nnn] of the European Parliament and the Council [Directive on the energy performance of buildings (recast) [2021/0426(COD)].</i>	<i>kWh/m2 (if total floor area is available)</i>
17		<i>The baseline refers to the annual final and primary energy consumption before the intervention, and the achieved value refers to the annual final and primary energy consumption for the year after the intervention.</i>	
		<i>Energy savings in individual buildings shall be documented on the basis of Energy Performance Certificates or other criteria for determining the targeted or achieved energy savings set out in Article [15(9)] of Directive [yyyy/nnn] of the European Parliament and the Council [Proposal for DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the energy performance of buildings (recast)].</i>	<i>MWh/year</i>
Road transport sector			
<u>Context indicators</u>			
18	<i>Number of vulnerable transport users</i>	<i>In line with the definition in Article 2(13).</i>	<i>Number of households</i>
19	<i>Number of households in transport poverty</i>	<i>In line with the definition in Article 2(2a).</i>	<i>Number of households</i>
<u>Output indicators</u>			
20	<i>Number of vulnerable transport users that have benefitted from at least one structural measure reducing their emissions in the road transport sector</i>	<i>In line with Article 2(13) and Article 6(1). Only measures due to Fund support.</i>	<i>Number of households</i>
21	<i>Purchases of zero-emission vehicles</i>	<i>Number of zero-emission vehicles supported by measures and investments financed under the Fund.</i>	<i>Number of zero-emission vehicles</i>

22	<i>Purchases of low-emission vehicles</i>	<i>Number of low-emission vehicles supported by measures and investments financed under the Fund.</i>	<i>Number of low-emission vehicles</i>
23	<i>Purchases of bicycles and micro-mobility vehicles</i>	<i>Number of bicycles and micro-mobility vehicles supported by measures and investments financed under the Fund.</i>	<i>Number of bicycles and micro-mobility vehicles</i>
24	<i>Additional alternative fuels infrastructure (refuelling/recharging points)</i>	<p><i>Number of refueling/recharging points (new or upgraded) for clean vehicles supported by measures and investments financed under the Fund, with an additional focus on remote areas.</i></p> <p><i>The terms “alternative fuel”, “recharging point” and “refuelling point” shall have the same meaning as the definitions of these terms in accordance with Regulation [yyyy/nnn] of the European Parliament and the Council [Proposal for a Regulation on the deployment of alternative fuels infrastructure].</i></p> <p><i>The indicator shall be collected and reported separately for (i) recharging; and (ii) refueling points.</i></p> <p><i>As part of the latter, (iii) hydrogen refueling points shall be reported separately.</i></p>	<i>Number of refueling/recharging points</i>
25	<i>Reduced or free public transport tickets</i>	<p><i>Number of users of public transport supported by measures and investments financed under the Fund.</i></p> <p><i>The indicator shall be collected and reported separately between (i) reduced; and (ii) free tickets.</i></p>	<i>Number of users</i>
26	<i>Additional shared mobility and mobility on demand solutions</i>	<i>Number of users of shared mobility/mobility on demand solutions supported by measures and investments financed under the Fund.</i>	<i>Number of users</i>
27			<i>Units</i>
28	<i>Dedicated cycling infrastructure supported</i>	<i>Length of dedicated cycling infrastructure newly built or significantly upgraded by projects supported under the Fund. Dedicated cycling infrastructure includes cycling facilities separated from roads for vehicular traffic or</i>	<i>Number of km</i>

		<i>other parts of the same road by structural means (kerbs, barriers), cycling streets, cycling tunnels, etc. For cycling infrastructure with separated oneway lanes (ex: on each side of a road), the length is measured as lane length.</i>	
<i>Result indicators</i>			
29	<i>Reduction of number of vulnerable transport users</i>	<i>Reduction of number of vulnerable transport users as a result of measures and investments financed under the Fund.</i>	%
30	<i>Reduction of number of households in transport poverty</i>	<i>Reduction of number of households in transport poverty as a result of measures and investments financed under the Fund.</i>	%
31	<i>Reduction in greenhouse gas emissions in the road transport sector</i>	<p><i>Member States shall report on the reduction in greenhouse gas emissions in the road transport sector triggered by measures and investments financed under the Fund.</i></p> <p><i>The emissions in the road transport sector are defined as those covered by Chapter IVa of Directive 2003/87/EC (for the road transport sector, emission sources 1A3b as defined in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories).</i></p>	ktCO₂e

Micro-enterprises (both buildings and road transport sectors)			
Context indicators			
32	<i>Number of vulnerable micro-enterprises</i>	<i>In line with the definition in Article 2(12).</i>	<i>Number of micro-enterprises</i>
Output indicators			
33	<i>Number of vulnerable micro-enterprises that have benefitted from at least one structural measure reducing their emissions in the building sector and road transport sector</i>	<i>In line with Article 2(12), and Article 6(1). Only measures due to Fund support.</i>	<i>Number of micro-enterprises</i>
Result indicators			
34	<i>Reduction of number of vulnerable micro-enterprises</i>	<i>Reduction of number of vulnerable micro-enterprises as a result of measures and investments financed under the Fund.</i>	<i>%</i>
Direct income support			
Context indicators			
35	<i>Share of the direct income support in the total costs of the Social Climate Plans</i>	<i>In line with Articles 3(2) and 9.</i>	<i>%</i>
Output indicators			
36	<i>Number of vulnerable households and vulnerable transport users that have received temporary direct income support</i>	<i>The indicator shall indicate the number of vulnerable households and vulnerable transport users that have received direct income support, hence counting all final recipients of the direct income support paid under the SCF.</i>	<i>Number of vulnerable households (unit: households)</i>
37		<i>The indicator shall be collected and reported separately for vulnerable households and for the vulnerable transport users, in line with Articles 2(11), 2(13) and 3(2).</i>	<i>Number of vulnerable transport users (unit: households)</i>

<i>Result indicators</i>			
38	<i>Average temporary direct income support per vulnerable household and vulnerable transport user</i>	<i>The indicator shall indicate the average amount of direct income support received per vulnerable household and vulnerable transport user under the Fund.</i>	<i>EUR/household (buildings sector)</i>
39			<i>EUR/household (road transport sector)</i>

ANNEX V

Template for Social Climate Plans referred to in Article 4(3b)

Table of Contents

1. OVERVIEW AND PROCESS FOR ESTABLISHING THE SOCIAL CLIMATE PLAN	94
1.1 Executive summary	94
1.2 Overview of current policy situation	95
1.3 Consultation process	95
2. DESCRIPTION OF THE MEASURES AND INVESTMENTS, MILESTONES AND TARGETS	96
2.1. COMPONENT [1][2]: [building sector][transport sector]	96
(i) Description of the component	96
(ii) Description of the measures and investments of the component	96
(iii) Do no significant harm	97
(iv) Milestones, targets and timeline	97
(v) Financing and costs	98
(vi) Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)	99
(vii) Estimated total costs of the component	99
(viii) Scenario in case of later start of the emissions trading system	99
2.2. COMPONENT [3]: direct income support	100
(i) Description of the component	100
(ii) Description of the measures of the component	100
(iii) Milestones and targets for direct income support measures	101
(iv) Justification for the measures	101
(v) Costs of the measure	102
(vi) Justification for benefitting entities other than vulnerable households and vulnerable transport users (if applicable)	102
(vii) Estimated cost of the Plan for direct income support section	103
(viii) Scenario in case of later start of the emissions trading system	103
2.3. Technical assistance	103
2.4. Transfers to shared management programs	104
2.5. Total costs	104
3. ANALYSIS AND OVERALL IMPACT	105
3.1. Definitions	105
3.2. Projected impact on vulnerable groups	105

3.3. <u>Projected impact of the planned measures and investment</u>	105
4. <u>COMPLEMENTARITY, ADDITIONALITY AND IMPLEMENTATION OF THE PLAN</u>	107
4.1. <u>Monitoring and implementation of the Plan</u>	107
4.2. <u>Consistency with other initiatives</u>	107
4.3. <u>Complementarity of funding</u>	107
4.4. <u>Additionality</u>	107
4.5. <u>Geographic specificities</u>	107
4.6. <u>Prevention of corruption, fraud and conflicts of interests</u>	108
4.7. <u>Information and communication</u>	108

1. OVERVIEW AND PROCESS FOR ESTABLISHING THE SOCIAL CLIMATE PLAN

1.1 Executive summary

The context of the green transition in the Member State with particular emphasis on the main challenges facing from the social impacts of the inclusion of greenhouse gas emissions from buildings and road transport sectors into the scope of Directive 2003/87/EC. How the Social Climate Plan will respond to these challenges;

Overview table summing up the main objectives of the Plan, together with its total costs (including the contribution from the Fund, the national contribution and resources from shared management programs to be transferred to the Fund) divided into the three areas of intervention: measures and investments for the buildings sector, for the road transport sector, and measures for direct income support, based on the template below:

<i>Area of intervention</i>	<i>Total costs (absolute and % of total funding) by source of funding</i>	<i>Overview of main measures and investments planned</i>	<i>Objectives of the measures and investments</i>	<i>Impact of measures and investments</i>	
				<i>Reduction of vulnerable households and vulnerable transport users (unit: households)</i>	<i>CO2 emissions reduction</i>
<i>Buildings sector</i>					
<i>Road Transport sector</i>					
<i>Direct income support</i>					
<i>Technical assistance (Article 6(2b))</i>					
<i>Contribution to the Technical Support</i>					

<i>Instrument (Article 10(3))</i>					
<i>Contribution to the MS compartment in InvestEU (Article 10(3))</i>					

.2 Overview of current policy situation

Information on the current national energy and climate policies, how they are being applied in the national context, with a particular focus on buildings and transport sectors and in respect to the most vulnerable groups.

.3 Consultation process

Summary of the consultation process of local and regional authorities, social partners, civil society organizations, youth organizations, and other relevant stakeholders, as implemented in accordance with the national legal framework, for the preparation and, where available implementation of the Plan, covering the scope, type, and timing of consultations activities, as well as how the views of the stakeholders are reflected in the Plan.

2. DESCRIPTION OF THE MEASURES AND INVESTMENTS, MILESTONES AND TARGETS

Information for each component for the three areas of the Social Climate Plan separately:

- *building sector;*
- *road transport sector;*
- *direct income support.*

A component may include several sub-components focusing on a specific challenge or need. Each component or sub-component may include one or several closely linked or mutually dependent measures or investments.

2.1. COMPONENT [1][2]: [buildings sector]/[transport sector]

Information on the component:

(i) Description of the component

Summary box:

Summary box for Component [1][2] [buildings sector]/[transport sector]

Intervention area: [building sector]/[transport sector]

Objective:

Measures and investments:

Estimated total costs: EUR xx, of which

Costs requested to be covered under the Fund: EUR xx

Costs to be covered by the national contribution: EUR xx

(ii) Description of the measures and investments of the component

Detailed description of the component and its specific measures and investments, as well as their interlinkages and synergies, covering the following:

- *Clear and evidence-based analysis of the existing challenges and how they are addressed by the measures and the investment;*

- *The nature, type and size of the measure or investment, which may include additional technical support measures in accordance with Article 10(3), indicating whether it is new or is an existing measure or investment intended to be extended with the support from the Fund;*
- *Detailed information on the objective of the measure or investment and about who and what is targeted by it. An explanation of how the measure and investment would contribute effectively to the achievement of the objectives of the Fund within the overall setting of a Member State’s relevant policies, and how it will reduce fossil fuel dependency;*
- *Description of how the measure or investment is implemented (means of implementation), referring to the administrative capacity of the Member State at central, and where relevant regional and local levels, with an explanation on how the resources will be absorbed in a timely manner and how they are channeled to sub-national levels (if applicable);*
- *An explanation of how the measure or investment will aim to address gender inequality (if applicable);*
- *The timeline of the measure or investment; for support concerning low-emission vehicles, a timetable for gradually reducing the support.*

(iii) Do no significant harm

Information on how measures and investments included in the Component comply with ‘do no significant harm’ principle within the meaning of Article 17 of Regulation (EU) 2020/852. The Commission will provide technical guidance, pursuant to Article 4(1)(h).

(iv) Milestones, targets and timeline

Information on each milestone and target that will reflect the progress on implementing measures and investments of this component, as follows:

- *why this specific milestone/target was chosen;*
- *what the milestone/target is measuring;*
- *how this will be measured, what methodology and source will be used, and how the proper completion of the milestone/target will be objectively verified;*

- *what is the baseline (starting point) and what is the level or specific point to be reached;*
- *by when it will be reached (quarter and year);*
- *who and which institution will be in charge of implementing, measuring and reporting.*

Table containing milestones, targets and timeline for the components with the following information:

Seq. number	Measure /Investment name	Milestone or Target	Name of milestone/target	Qualitative indicators (milestones)	Quantitative indicators (targets)			Timeline for completion		Description of each milestone and target
					Unit of measure/investment	Baseline	Goal	Quarter	Year	

(v) **Financing and costs**

Information and explanation on the estimated total cost of the component and for each measure and investment, backed up by appropriate justification including:

- *The methodology used, the underlying assumptions made (e.g. on unit costs, costs of inputs) and justification for these assumptions;*
- *The indicative comprehensive timetable within which these costs are expected to be incurred;*
- *Information on the national contribution to the total costs of the measures and investments;*
- *Any information on what financing from other Union instruments is/could be foreseen related to the same component;*
- *Any information on foreseen financing from private sources and which leverage level is targeted, if relevant;*
- *Justification on the plausibility and reasonability of the estimated costs, where necessary, taking into account national specificities.*

(vi) Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)

If support from the Fund is provided through public or private entities other than vulnerable households, vulnerable micro-enterprises, or vulnerable transport users, an explanation of what measures or investments will those entities enact and how those measures and investments will ultimately be to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users;

If support from the Fund is provided through financial intermediaries, a description of the measures that the Member State intends to adopt to ensure that financial intermediaries pass on the entire benefit to the final recipients.

(vii) Estimated total costs of the component

Fill in table on estimated cost of measures and investments included in the component, template provided below:

Seq. Number	Related Measure (Measure or investment)	Relevant time period		Estimated costs for which funding from the SCF is requested							
				Total requested	If available: split by year						
		From date	To date	Amount (mn EUR)	2026	2027	2028	2029	2030	2031	2032

(viii) Scenario in case of later start of the emissions trading system

Description and quantification of the necessary adjustments to the measures, investments, milestones, targets, the amount of national contribution and any other relevant element of the Plan resulting from the postponement of the start of the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC in accordance with Article 30k of that Directive.

A separate version of the summary box, the table on milestones, targets and timeline and the table on estimated costs.

2.2. COMPONENT [3]: direct income support

Information on the Component for the direct income support:

(i) Description of the component

Summary box:

Summary box for Component 3 - direct income support

Intervention area: direct income support

Objective:

Measures:

Estimated overall costs: EUR xx, of which

Costs requested to be covered under the Fund: EUR xx

Costs to be covered by the national contribution: EUR xx

(ii) Description of the measures of the component

Detailed description of the component and its specific measures, as well as their interlinkages and synergies, including:

- ***Clear and evidence-based analysis of the existing challenges and how they are addressed and the objectives of the support;***
- ***The nature, type and size of the support;***
- ***Detailed information on the final recipients of the support and the criteria used for their identification;***
- ***The timeline for the decrease in direct income support in line with the timeline of the Fund, including a concrete end date for the support;***
- ***An explanation of how the support will aim to address gender inequality (if applicable);***
- ***Description of how the support is implemented;***
- ***Information on the national contribution to the costs of the measures.***

(iii) Milestones and targets for direct income support measures

Information on each milestone and target that will reflect the progress on implementing of this component, as follows:

- why this specific milestone/target was chosen;***
- what the milestone/target is measuring;***
- how this will be measured, what methodology and source will be used, and how the proper completion of the milestone/target will be objectively verified;***
- what is the baseline (starting point) and what is the level or specific point to be reached;***
- by when it will be reached;***
- who and which institution will be in charge of implementing, measuring and reporting.***

Table containing milestones, targets and timeline for direct income support measures, template provided below:

<i>Seq. number</i>	<i>Measure</i>	<i>Milestone or Target</i>	<i>Name of milestone/target</i>	<i>Qualitative indicators (milestones)</i>	<i>Quantitative indicators (targets)</i>			<i>Timeline for completion</i>		<i>Description of each milestone and target</i>
					<i>Unit of measure</i>	<i>Baseline</i>	<i>Goal</i>	<i>Quarter</i>	<i>Year</i>	

(iv) Justification for the measures

Justification for the need of direct income support based on the criteria laid out in Articles 4(1) and 6(2a):

- 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 transport users to an increase of road transport and heating fuel prices;***

- *Justification on the proposed timeline of the diminishing direct income support and the conditions when it no longer applies;*
- *Description of how the groups of recipients of direct income support are also targeted by structural measures and investments to effectively lift them out of energy and transport poverty, and description of the complementarity of direct income support with structural measures and investments to support vulnerable households and vulnerable transport users.*

(v) *Costs of the measures*

Information on the estimated total cost of the component, backed up by appropriate justification, including:

- *The methodology used, the underlying assumptions made and justification for these assumptions;*
- *The comparative cost data on the actual cost, if similar support measures have been carried out in the past;*
- *Any information on what financing from other Union instruments is/could be foreseen related to the same support;*
- *Appropriate detailed justification on the plausibility and reasonability of the estimated costs, including any data or evidence used annexed to the Social and Climate Plan.*

(vi) *Justification for benefitting entities other than vulnerable households and vulnerable transport users (if applicable)*

If the support from the Fund is provided through public or private entities other than vulnerable households, or vulnerable transport users, an explanation what kind of measures those entities will enact and how those measures will ultimately be to the benefit of vulnerable households, or vulnerable transport users.

If support from the Fund is provided through financial intermediaries, a description of the measures that the Member State intends to adopt to ensure that financial intermediaries pass on the entire benefit to the final recipients.

(vii) Estimated cost of the Plan for direct income support section.

Fill in table on estimated cost of support included in the component, template provided below:

Seq. Number	Type of support	Relevant time period		Estimated costs for which funding from the SCF is requested							
				Total requested	If available: split by year						
		From date	To date	Amount (mn EUR)	2026	2027	2028	2029	2030	2031	2032

(viii) Scenario in case of later start of the emissions trading system

Description and quantification of the necessary adjustments to the measures, investments, milestones, targets, the amount of national contribution and any other relevant element of the Plan resulting from the postponement of the start of the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC in accordance with Article 30k of that Directive.

A separate version of the summary box, the table on milestones, targets and timeline and the table on estimated costs.

2.3. Technical assistance

Description of the technical assistance actions that will be included for the effective administration and implementation of the measures and investments set out in the Plan, in accordance with Article 6(2b), including:

- the nature, type and size of the technical assistance actions;*
- the estimated cost of the technical assistance actions.*

2.4. Transfers to shared management programs

If resources are intended to be transferred from the Fund to funds under shared management pursuant to Article 10(1a), indication of which programmes these resources will be transferred to and under which timeline, and indication of how the measures and investments to be implemented under those programmes would comply with the objectives of the Social Climate Fund Regulation, including whether they fall under the measures and investments as defined in Article 6.

2.5. Total costs

Estimated total cost of their Social Climate Plans, including any amounts made available for additional technical support under Article 10(3), the amount of the cash contribution for the purpose of the Member State compartment pursuant to the relevant provisions of Regulation (EU) 2021/523 and any amount made available for additional technical assistance under Article 6(2b).

Indication of the national contribution to the total costs of their plans, including an indication of any resources intended to be transferred to the Fund from shared management programs pursuant to Article 10(1)) and any resources intended to be transferred from the Fund to shared management programs pursuant to Article 10(1a).

Description of how the costs are in line with the principle of cost efficiency and commensurate to the expected impact of the Plan.

Fill in table summarizing the cost of the Fund by source of funding:

<i>Total costs of Social Climate Plan</i>	<i>Base case</i>	<i>In case of Article 30k Directive 2003/87/EC</i>
<i>ESTIMATED TOTAL COSTS, of which</i>	<i>EUR XXX</i>	<i>EUR XXX</i>
<i>Covered under the Fund</i>	<i>EUR XXX</i>	<i>EUR XXX</i>
<i>National contribution</i>	<i>EUR XXX</i>	<i>EUR XXX</i>
<i>Transfers from shared management programs</i>	<i>EUR XXX</i>	<i>EUR XXX</i>
<i>(Transfers to shared management programs)</i>	<i>-EUR XXX</i>	<i>-EUR XXX</i>

3. ANALYSIS AND OVERALL IMPACT

3.1. Definitions

An explanation of how the definitions of energy and transport poverty are to be applied at national level.

3.2. Projected impact on vulnerable groups

An estimate of the likely effects of the increase in prices resulting from the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC on households, and in particular on incidence of energy poverty and transport poverty, and on micro-enterprises, 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 national specificities and elements such as access to public transport and basic services and identifying the areas mostly affected;

A description of the methodology used in the estimates, while making sure that the estimates are calculated with a sufficient level of regional disaggregation.

3.3. Projected impact of the planned measures and investments

An estimate of the projected impacts of the measures and investments planned in section 2 on greenhouse gas emissions, energy poverty and transport poverty, with comparison to the baseline described above;

A description of the methodology used in the estimates.

Qualitative and quantitative tables on the impact of the Plan, template provided below:

Component	Description of the expected impacts of the component on: (mark include relevant quantitative indicators)				
	Energy Efficiency	Building Renovation	Zero- and low-emission mobility and transport	Greenhouse gas emissions reductions	Reduction in the number of vulnerable households and vulnerable transport users (unit: households)
Overall plan					
Building sector					
Road transport sector					

<i>Component</i>	<i>Quantification of the impact (if available) i.e. % difference from policy neutral baseline</i>					
	<i>Short-term (3 years ahead)</i>			<i>Medium-term (end of the plan)</i>		
	<i>GHG emissions</i>	<i>Households in energy poverty</i>	<i>Households in transport poverty</i>	<i>GHG emissions</i>	<i>Households in energy poverty</i>	<i>Households in transport poverty</i>
<i>Overall plan</i>						
<i>Building sector</i>						
<i>Road transport sector</i>						

Qualitative and quantitative table on the expected impact of the direct income support measures on the reduction of the number of vulnerable households and vulnerable transport users as well as households in energy poverty and in transport poverty, template provided below:

<i>Component: direct income support</i>	
<i>Reduction in the number of vulnerable households and vulnerable transport users</i>	<i>Description of the expected impacts</i>
	<i>Estimate of expected impacts; unit: households</i>
<i>Reduction in the number of households in energy poverty and in transport poverty</i>	<i>Description of the expected impacts</i>
	<i>Estimate of expected impacts; unit: households</i>

4. COMPLEMENTARITY, ADDITIONALITY AND IMPLEMENTATION OF THE PLAN

This part concerns the whole Plan. The various criteria mentioned below need to be justified for the Plan as a whole.

4.1. Monitoring and implementation of the Plan

Explanation on how the Member State intends to implement the proposed measures and investments, focusing on the arrangements and timetable for monitoring and implementation including, where relevant, measures necessary for complying with Article 20.

4.2. Consistency with other initiatives

Explanation on how the Social Climate Plan is consistent with the information included and the commitments made by the Member State under other relevant plans and funds, and the interplay among the different plans going forward, as set out in Article 4(2) and 15(2)(b)(iii).

4.3. Complementarity of funding

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, including on direct income support, pursuant to Article 4(1)(ba).

4.4. Additivity

Explanation and justification of how the new or existing measures or investments are additional and do not substitute recurring national budgetary expenditure, pursuant to Article 12(2), including such explanation and justification with regard to measures and investments included in the Plan in accordance with Article 3(3a).

4.5. Geographic specificities

Explanation of how geographic specificities, such as islands, outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas or areas lagging behind, have been taken into account by the Plan.

4.6. Prevention of corruption, fraud and conflicts of interests

System to prevent, detect and correct corruption, fraud and conflicts of interests, when using the funds provided under the Fund, and the arrangements that aim to avoid double funding from the Fund and other Union programmes in line with Article 20 and Annex III, including funds channeled through public or private entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users in accordance with Article 8.

4.7. Information and communication

Compliance with the provisions set in Article 22 referring to the public access to data, indicating the website in which the data will be published, as well as the communication, publicity and visibility measures;

Outline the intended national communication strategy aimed at ensuring public awareness of the Union funding.

Commission statements**1. Definition of energy poverty**

“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 this Regulation to update the definition of energy poverty in line with the agreement reached on the definition of energy poverty in the EED recast.”

2. Use of a single data-mining tool provided by the Commission

“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.”

3. Annex III - Key requirements for the Member State's control system

“The Commission considers that the agreement reached by the co-legislators under “Annex III - Key requirements for the Member State's control system” 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.”

