



EUROPEAN COMMISSION

*Brussels, 11.3.2022  
C(2022) 1388 final*

*Dear President,*

*The Commission would like to thank the Senat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund {COM(2021) 568}.*

*The Commission welcomes the Senat's support for the establishment of the Social Climate Fund to be financed, in principle, from 25% of the expected revenues of the new emissions trading for buildings and road transport. The Commission notes that the Senat expressed concerns with regard to the harmonisation at EU level of the definition of energy poverty for the identification of vulnerable groups. The Senat also underlines that Poland should seek to develop other forms of support for the energy transition of households that complement the objectives of the Social Climate Fund.*

*In response to the comments and concerns raised, the Commission would like to offer the following explanations.*

*As regards the **financing of this Fund**, the Commission made a number of considerations to justify its proposal. First, the financial resources for the Fund would, in principle, correspond to 25% of the expected revenue generated from the new emissions trading system. Allocations from the Fund would then need to be matched at least by equal contributions from the Member States concerned, equally drawn, inter alia, from a Member State's portion of those revenues.*

*Second, according to the current Commission proposals, the emissions trading revenues intended for the Fund would, in the first place, be allocated to the EU budget as part of the general revenue for the EU, complying with the principle of universality of the EU budget. The Commission considered that these additional revenues and expenditures from the EU budget could not be fully provided for in the overall political agreement and related adopted legislation on the new multiannual financial framework at the end of 2020, in light of the newly agreed objectives under the European Climate Law and its operationalisation proposed in the 'Fit for 55' package. The Commission accordingly proposed on 22 December 2021 a revision of the Own Resources Decision, including an own resource based on emissions trading, as well as a targeted amendment to the 2021-*

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*2027 multiannual financial framework regulation to accommodate the additional expenditure for the Fund for the period 2025-2027.*

*Third, the Commission considered that from a budget management point of view, this would ensure in terms of budgetary discipline to this revenue stream the controls provided for in EU law as well as the supervision of the European Parliament. Moreover, the Commission took account of the fact that the revenue stream in question would be obtained through auctioning of emissions allowances, and the optimal flow of auction revenue, taking into account the need to avoid disruption of the carbon market, may not always correspond to Member States' need for financing from the Fund. In the Commission's view, bringing the Fund within the EU budget would allow for some flexibility to bridge possible such gaps.*

*On the concern raised regarding the **EU-wide energy poverty definition** proposed in the recast of the Energy Efficiency Directive<sup>1</sup> and referenced in the Social Climate Fund proposal, it should be emphasised that this is a wide definition. It refers to 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. This in itself gives Member States flexibility in identifying vulnerable households, vulnerable micro-enterprises and vulnerable transport users in view of their national particularities. Similarly, the Social Climate Fund underlines that Member States, in consultation with regional level authorities, are best placed to design and to implement Social Climate Plans that are adapted and targeted to their local, regional and national circumstances such as their existing policies in the relevant areas and planned use of other relevant EU funds.*

*The national Social Climate Plans need to be in line with the EU's climate objectives as well as with the objective of the Fund, as assessed in the Commission's assessment of the relevance, effectiveness, efficiency and coherence of the Plans.*

*The points made above are based on the initial proposal presented by the Commission, which is currently in the legislative process involving both the European Parliament and the Council.*

*The Commission hopes that these clarifications address the issues raised by the Senat and looks forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Frans Timmermans  
Executive Vice-President*

*Maroš Šefčovič  
Vice-President*

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<sup>1</sup> COM(2021) 558 final