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COMMISSION NOTICE

Guidance on the Social Climate Plans

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I. **INTRODUCTION**

The Social Climate Fund, established by the Regulation (EU) 2023/955 of the European Parliament and of the Council (SCF Regulation) ([1]), is a funding instrument designed to enable the EU to make a socially fair transition to climate neutrality. As part of the EU's broader strategy to combat climate change, the Fund's objective is to tackle the social impacts of the change to include greenhouse gas emissions from buildings and road transport in Directive 2003/87/EC (ETS Directive) ([2]). The new emissions trading system established by Chapter IV(a) of the ETS Directive (ETS2) covers buildings, road transport and small industry sectors, that have not been covered by the existing EU emission trading system. The Fund provides financial support to Member States to help vulnerable households, vulnerable micro-enterprises and vulnerable transport users disproportionately affected by higher energy and transport costs during the green transition.

Guided by the objective that no one should be left behind in the green transition, the Fund focuses on three key areas:

1. *Energy efficiency and decarbonisation of buildings*. Measures and investments are to be directed towards improving the energy efficiency of buildings and reducing the carbon footprint of heating and cooling, and cooking systems. This includes measures to install renewable energy generation and storage in buildings for vulnerable households and micro-enterprises. It includes measures to insulate buildings and replace low-efficiency heating, cooling and cooking appliances with more efficient ones, to install renewable energy technologies and storage, to create renewable energy communities, reduce fossil-based energy consumption and to alleviate energy poverty.

2. *Promoting clean mobility*. The measures must be designed to grant improved access to zero and low-emission mobility and transport, incentivise affordable and accessible public transport and support public and private entities in developing and providing sustainable mobility on demand, shared mobility services and forms of active mobility. By making transport more affordable, accessible, and available to vulnerable transport users and vulnerable micro-enterprises, the aim is to reduce transport poverty and improve access to essential services.

([1]) Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060 (OJ L 130, 16.5.2023, p. 1).

([2]) Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

3. *Temporary direct income support*. Member States also have the option to use the Fund to provide targeted direct income support to tackle the social impacts of ETS2 on vulnerable households and transport users. This support is temporary and should be phased out as structural measures gain traction.

The measures and investments funded by the Social Climate Fund must principally benefit *vulnerable households, vulnerable transport users or vulnerable micro-enterprises*. Temporary direct income support can only be provided to vulnerable households and vulnerable transport users to alleviate the impact of the changes brought in by ETS2. The SCF's targeted focus is an important overarching principle that must be followed in all key areas.

The Fund's total maximum amount of EUR 65 billion is allocated for the period from 1 January 2026 to 31 December 2032. With a mandatory contribution by Member States amounting to at least 25 % of the estimated total costs of their Social Climate Plans (SCP), the Fund will mobilise at least EUR 86.7 billion. If the ETS2 is postponed to 2028 under Article 30k of the ETS Directive, the Fund's total maximum amount will be EUR 54.6 billion, as specified in Article 30d(4) of the ETS Directive and Article 10(1) of the SCF Regulation. The Fund will operate within a defined timeline, aiming to achieve its goals by the end of 2032. The Fund is set to begin on 1 January 2026, at least one year before the ETS2 becomes fully operational and two years before the start of the new Multiannual Financial Framework (new MFF) in 2028. This early start will contribute to a smooth introduction of ETS2.

The Member States' maximum financial allocation under Articles 14 and Article 10(3) of the SCF Regulation are provided in Annex I to this Guidance, which sets indicative annual allocations for the two scenarios described in Article 10(1).

Building on the valuable lessons and best practices of the Recovery and Resilience Facility (RRF) and the experience with Cohesion Policy funds, the Fund is designed as a performance-based instrument to maximise efficiency and effectiveness in achieving its goals. The Guidance is without prejudice to any additional obligations stemming from applicable EU legislation.

II. **GENERAL REQUIREMENTS**

In accordance with Article 4(1) of the SCF Regulation, each Member State should submit to the Commission its social climate plan.

The purpose of this Guidance is to help Member States draft their Plans in line with the SCF Regulation, in particular Article 6 and Annex V to the SCF Regulation.

The sections below focus on specific aspects of the SCF Regulation and content of the Plans. The SCF's objective under Article 3 of the SCF Regulation, is to contribute to the transition towards climate neutrality by tackling the social impacts of ETS2 on vulnerable households, vulnerable transport users and vulnerable micro-enterprises. This is the basic principle underpinning the whole Guidance document, even when not explicitly mentioned.

1. **Relevance within policy areas**

Article 6 of the SCF Regulation lists the aspects that Member States must include in their SCP. The Plans must include an estimate of the likely effects of the increase in prices resulting from the ETS2 on households, in particular households in energy poverty and transport poverty, and on vulnerable micro-enterprises. The Plans should also identify and estimate the number of vulnerable households, vulnerable transport users and vulnerable micro-enterprises that may be eligible for support from the Fund. The Plans must also specify milestones and targets, and an indicative timetable for implementing the measures and investments.

Under Article 7(2) of the SCF Regulation setting out the principles governing the Fund, the milestones and targets for the measures and investments included in Plans must cover the following areas in particular:

a) energy efficiency;

b) building renovations;

c) zero-/low-emission mobility and transport;

d) greenhouse gas emission reductions; and

e) reductions in the number of vulnerable households, in particular households in energy poverty, of vulnerable micro-enterprises and of vulnerable transport users.

While the SCF Regulation does not require Member States to cover all these areas in their SCP, the Commission will assess on a case-by-case basis basis whether the SCP of each Member State provides an adequate response to the social impact and challenges of the ETS2 faced by the targeted groups, also taking into consideration the complementarities with existing funding instruments which should be explained in the SCP. The Commission encourages Member States to prioritise measures and investments that have the most significant impact on the target groups while striking a balance between the policy areas covered in the SCP, and in line with the specific effects of the ETS2 in their country's context.

2. **Compatibility with the EU's climate targets, creating a lasting impact and reducing fossil fuel dependency**

Regulation (EU) 2021/1119 of the European Parliament and of the Council (European Climate Law) ([3]) aims for the EU to achieve climate neutrality by 2050 and negative emissions afterwards. It sets a binding target to reduce net greenhouse gas emissions by at least 55 % by 2030, compared to 1990 levels. Under Article 7(2) of the SCF Regulation, the milestones and targets in the Plans must be compatible with the EU's climate goals and the objectives set out in the European Climate Law. This means a social climate plan should support a Member State in achieving these targets, and the Commission will check this during its assessment of the SCP.

In line with Article 8(1) of the SCF Regulation, measures and investments in the Plans must create a lasting impact. Article 16(3)(b)(i) of the SCF Regulation requires the Commission to assess the effectiveness of each social climate plan and consider whether the measures and investments are expected to have a lasting impact in the Member State (as defined in Section IV.1.b.ii of this Guidance), in line with the EU's 2030 climate and energy targets and long-term objective of climate neutrality by 2050, and in particular on vulnerable groups and groups facing energy or transport poverty.

In addition, the measures and investments supported by the Fund, should reduce fossil fuel dependency, as stated in Article 7(4) of the SCF Regulation. The Plans should promote the long-term solution of reducing fossil fuel reliance and could envisage other measures, including temporary direct income support, to mitigate adverse effects on income in the shorter term (see recital 17 of the SCF Regulation).

Member States should specify the anticipated impact of their measures and investments on greenhouse gas emissions, on energy poverty and on transport poverty. They should estimate the impact against baseline scenarios, considering factors such as improvements in energy efficiency, building renovation and decarbonisation measures, the promotion of zero- and low-emission mobility, and reductions in greenhouse gas emissions while anticipating the impact on reducing energy and transport poverty using the relevant common indicators set out in Annex IV to the SCF Regulation.

3. **Tackling the impact of the ETS2 on vulnerable groups**

Under Article 4(1) of the SCF Regulation, the Plans must contain a coherent set of measures and investments that explicitly tackle the social impacts of ETS2 on vulnerable households, vulnerable transport users and vulnerable micro-enterprises. Article 8(1) of the SCF Regulation states that measures and investments must principally target these vulnerable groups.

Article 6(1)(d) of the SCF Regulation requires each plan to estimate the likely effects of the increase in prices resulting from ETS2 on households, in particular on the energy poverty and transport poverty rates, and on micro-enterprises. Member States must analyse these effects at the right regional or local level (for each Member State), considering national specificities and factors such as access to public transport and basic services, and identifying the most affected areas.

Two alternative criteria are used to define vulnerable households and vulnerable transport users targeted by the Fund, as set out in Article 2(10) and (12) of the SCF Regulation. The first criterion relates to whether the groups are in energy poverty or in transport poverty. The second criterion relates to the estimated significant price impacts of ETS2 on low-income and lower middle-income households, combined with a lack of means to invest. Vulnerable micro-enterprises are the third target vulnerable group. However, the definition of vulnerable micro-enterprises in paragraph Article 2(11) refers only to the significant price impacts of ETS2 and to a lack of means to invest.

([3]) 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).

The definitions of vulnerable households and transport users used for the Fund include households in energy poverty and households and individuals in transport poverty, not necessarily '*significantly affected by ETS2*'. To this extent, the Fund can support measures and investments to support energy-poor households and transport-poor households and individuals. Only direct income support measures must target exclusively the effects of ETS2 (in line with Article 8(2) of the SCF Regulation (see Section III.1.a of this Guidance)).

Nevertheless, Member States are encouraged to carefully consider any support they intend to provide via the Fund that would benefit vulnerable groups which are not directly affected by the ETS2, given the objective of the Fund is to address the social impacts of ETS2 on vulnerable groups. Hence, at the core, the measures and investments included in the SCP should target vulnerable groups that are affected by ETS2 while not excluding more general coverage of households and individuals in energy or transport poverty.

In line with Article 6(1)(e) and (f) of the SCF Regulation, Member States must include the following details in their Plans:

— the estimated number of, and identification of, vulnerable households, vulnerable micro-enterprises and vulnerable transport users; and

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

In the assessment of vulnerable groups, Member States should use the definition of 'private households' provided by Regulation (EU) 2019/1700 ([4]) in a broad sense, as referred to in Article 2(8) of the SCF Regulation. People living together, whether or not they are related to each other (such as those sharing housing and the most disadvantaged people in independent living set-ups) may be considered a household, provided that they come under the definition of vulnerable household given in Article 2(10) of the Social Climate Fund Regulation.

Under Article 16(3)(a)(i) of the SCF Regulation, when the Commission assesses the social climate plan, it should look at whether it provides an adequate response to the social impact of ETS2 on and challenges faced by vulnerable households, vulnerable micro-enterprises and vulnerable transport users, in particular households in energy poverty or households in transport poverty in the Member State.

In addition, under Article 6(1)(p), where applicable, Member States should explain how the SCP factors in any geographic specificities, such as islands, outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas or areas lagging behind.

4. **Compliance with the DNSH principle**

The Fund may only support measures and investments that comply with the do no significant harm (DNSH) principle within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council (Taxonomy Regulation) ([5]), as specified in Article 7(3) of the SCF Regulation. This approach is coherent with Article 33(2)(d) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council (Financial Regulation) ([6]).

Nonetheless, national measures providing temporary direct income support to vulnerable households and vulnerable transport users in line with Article 4(3) of the SCF Regulation are considered as having an insignificant foreseeable impact on environmental objectives and, as a rule, should be considered to be compliant with the DNSH principle (see Article 6(1)(l) and recital 23 of the SCF Regulation).

([4]) A 'private household' means a person living alone or a group of persons who live together, providing oneself or themselves with the essentials of living.

([5]) 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 (Text with EEA relevance) (OJ L 198, 22.6.2020, p. 13).

([6]) Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the EU (OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

The Commission has issued technical guidance on the application of the DNSH principle (SCF DNSH Technical Guidance) ([7]). Compatibility with the EU's climate targets at plan level is not sufficient to demonstrate compliance with the DNSH principle as required by Article 6(1)(l) of the SCF Regulation.

5. **Joint financing by the Fund and by the Member States**

Member States must contribute at least 25 % of the estimated total costs of their Plans (this is their national contribution). As set out in the overview table included in Annex V to the SCF Regulation (see also Section III.7.a of this Guidance), Member States should indicate the percentage share of their national contribution for each area.

6. **Consistency with related EU programmes and policy documents**

The social climate plan must be consistent with the information in and the commitments made by the Member State in the following plans and programmes (Article 6(3) of the SCF Regulation):

a. the European Pillar of Social Rights Action Plan;

b. the Member State's cohesion policy programmes;

c. the Member State's recovery and resilience plan under Regulation (EU) 2021/241 of the European Parliament and of the Council ([8]) (RRF Regulation);

d. the Member State's building renovation plan under Directive (EU) 2024/1275 of the European Parliament and of the Council ([9]) (Energy Performance of Buildings Directive);

e. the Member State's integrated national energy and climate plan (NECP) updated in accordance with the Regulation (EU) 2018/1999 (Governance Regulation) ([10]); and

f. the Member State's territorial just transition plans under Regulation (EU) 2021/1056 of the European Parliament and of the Council ([11]).

Member States must ensure consistency with the information in and the commitments made by the Member States under the following:

a) *Consistency with the European Pillar of Social Rights and its action plan*

The European Parliament, the Council and the Commission proclaimed the European Pillar of Social Rights in 2017. The Pillar sets out 20 key principles that guide the EU towards a strong social Europe that is fair, inclusive and full of opportunity.

Several principles of the Pillar are directly relevant to the SCF Regulation, therefore Member States should consider them when drafting their Plans. In general, the Plans must be consistent with the Pillar principles.

Principle 20 establishes the right to access essential services of good quality, including energy and transport. Essential services fulfil basic human needs and are key to well-being and social inclusion, especially for disadvantaged groups. They also enable access to other enabling services that are key for active participation in society and the labour market, such as employment, early childhood education and care, education and healthcare.

When tackling the energy and transport challenges in the context of the SCF Regulation, Member States should consider embedding Principle 20 in their Plans, highlighting access to good quality energy and transport services.

([7]) OJ C, C/2025/1596, 25.3.2025, ELI: C/2025/1596/oj.

([8]) 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).

([9]) Directive (EU) 2024/1275 of the European Parliament and of the Council on the energy performance of buildings (recast) (OJ L, 2024/1275, 8.5.2024, ELI: http://data.europa.eu/eli/dir/2024/1275/oj).

([10]) Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

([11]) 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).

In addition, Member States' Plans should also reflect Principle 11, establishing that children have the right to protection from poverty and Principle 19 on access to social housing or housing assistance of good quality.

The European Pillar of Social Rights action plan turns the principles into direct actions to support citizens. It also proposes headline targets for the EU to reach by 2030, including reducing the number of people at risk of poverty or social exclusion by at least 15 million.

If not anticipated and addressed, the effects of ETS2 may undermine efforts to reduce the number of people at risk of poverty or social exclusion through higher energy and transport costs.

To avoid this, SCPs must be consistent with the information included in and commitments made by the Member States (or regions) in the context of implementing the European Pillar of Social Rights Action Plan, and with the national targets to reduce the number of people at risk of poverty or social exclusion ([12]).

The measures and investments included in the SCPs should also contribute to sustainable and quality jobs in the fields covered by the measures and investments of the Fund, as specified in Article 7(4) of the SCF Regulation.

Member States are also encouraged to take account of the guidance provided in the Council Recommendation on ensuring a fair transition towards climate neutrality ([13]), which specifically addressed the employment and social impacts of the transition. The Recommendation sets specific guidance on access to essential services and also tackles energy and transport poverty.

b) *Consistency with Member States' cohesion policy programmes*

The cohesion policy programmes are implemented in each Member State through four separate funds: the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), and the Just Transition Fund (JTF).

The programmes are implemented by managing authorities (with some responsibilities possibly delegated to implementing bodies). Each Member State implements one or more programmes, which can be at national level, regional level or both ([14]).

Cohesion policy programmes support investment in many areas, including areas that are relevant to the Social Climate Fund:

— energy performance of buildings;

— decarbonisation and uptake of renewable technologies;

— clean urban transport,

— access to quality, sustainable, inclusive and affordable services, including access to housing and social-centred care;

— promoting social integration in the mainstream community of people at risk of poverty or social exclusion, as well as of and marginalised communities;

— access to quality employment, education and training that include the aspects of green and digital transition.

The measures and investments included in the SCPs should take account of existing and planned investments under the cohesion policy funds, ensure additionality and complementarity with them, and ensure they are mutually reinforcing. The Plans should describe in detail the coordination mechanism, including the foreseen synergies between and how they are separate to other funding instruments, notably with cohesion policy programmes, to ensure that SCF measures do not give rise to double funding. To this end, it is also necessary to liaise closely with the managing authorities to avoid the risk of double funding.

([12]) The national targets for poverty reduction, as well as the progress made by each Member State in implementing the Pillar are published in the context of the European Semester framework for the coordination and surveillance of economic and social policies. The Joint Employment Report and Country Reports published each year include information on the progress made by the Member States.

([13]) Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality (OJ C 243, 27.6.2022, p. 35).

([14]) The list of ERDF, ESF+, CF, and JTF programmes in each Member State can be found on the Cohesion Open Data Platform https://cohesiondata.ec.europa.eu/programmes.

c) *Consistency with the Recovery and Resilience Plans*

The RRF was created in February 2021 to help the EU recover from the COVID-19 pandemic and is time-bound until 2026. The RRF Regulation sets out six pillars that define the scope:

(i) the green transition;

(ii) the digital transformation;

(iii) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong small and medium enterprises ('SMEs');

(iv) social and territorial cohesion;

(v) health, and economic, social and institutional resilience with the aim of increasing crisis preparedness and crisis response capacity; and

(vi) policies for the next generation, children and the youth, such as education and skills.

The RRF is designed as a performance-based instrument, providing direct financial support to Member States against fulfilment of milestones and targets that track implementation of a combination of reforms and investments. The RRF provides financial incentives to deliver on the key reforms identified in the European Semester process.

Since the SCPs must be consistent with the measures and information included in the Member States' Recovery and Resilience Plans (RRPs) (including the REPowerEU chapters) which are based on the European Semester framework, the measures themselves inherently need to align with and contribute to effectively addressing the SCF-relevant challenges identified in the country-specific recommendations and in the priorities identified in the European Semester.

d) *Consistency with the building renovation plans*

Under the Energy Performance of Buildings Directive, Member States must draw up and submit their national building renovation plan (NBRP) to transform the existing building stock into a zero-emission building stock by 2050. NBRPs must contain a roadmap with targets and indicators to achieve by 2030, 2040 and 2050, a timeline, policies and measures to achieve these targets, and investment needs to implement these policies and measures. These plans build on the long-term renovation strategies provided for in Directive 2010/31/EU ([15]). It brings in a standard template with mandatory and voluntary parts to improve comparability across the Member States (Annex II to the Energy Performance of Buildings Directive recast, complementing Article 3 of that Directive).

Member States must submit their draft NBRPs to the Commission for assessment. After the assessment, the Commission may issue recommendations to further support Member States in completing their final NBRPs. The NBRPs must be submitted as part of the NECPs process. Considering the urgency to scale up building renovation based on solid national NBRPs, the first draft shall be submitted by December 2025.

Article 6(3)(d) of the SCF Regulation requires Member States to ensure that their Plans are consistent with their NBRPs. Thus, the required content of the NBRPs, including the policies, measures and investment needs, as well as the reporting on achieving the national targets, are particularly relevant to the Plans, especially for the measures and investments in the buildings sector, and specifically for building renovations. Therefore, the Member States should ensure that the measures and investments in their Plans contribute to and are aligned with their NBRPs, in particular as regards the worst performing buildings and the support provided to vulnerable households.

e) *Consistency with the updated national energy and climate plans*

Member States were required to submit their updated NECPs by 30 June 2024 in line with Article 14(1) of the Governance Regulation, also reflecting the energy and climate reforms and investments outlined in their national RRPs. The NECPs also serve as crucial policy frameworks that directly influence the design and implementation of the SCPs. Member States are therefore encouraged to design the measures in the Plans in line with the reforms and commitments presented in their NECPs, while meeting the objectives of the Fund and keeping the primary focus on vulnerable groups in energy and transport poverty.

([15]) 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).

Where the Commission's assessment of Member States' NECPs shows an insufficient level of ambition to meet the 2030 climate and energy targets, Member States are also encouraged to include measures and investments complementary to the NECPs to focus on supporting people in energy and transport poverty, in line with the objectives of the Fund and with the climate targets of the EU. The SCPs should therefore closely align with the objectives and targets set in the NECPs, while also incorporating additional policies and measures to raise the ambition of future climate goals. See also Section II.7.a below.

f) *Consistency with the territorial just transition plans*

The Member States have prepared territorial just transition plans together with the local and regional authorities concerned, to be financed under the Just Transition Fund (JTF) ([16]). They identified those territories as the most negatively affected by the transition to climate neutrality, based on the economic and social impacts resulting from the transition. In particular, this applies to the expected changes in the workforce and to job losses in the fossil fuel production and use and to the need to transform the production processes of industrial facilities with the highest greenhouse gas intensity.

The territorial just transition plans include a description of the expected contribution of JTF support to tackling the social, demographic, economic, health and environmental impacts of the EU's transition to a climate-neutral economy by 2050.

The Plans must ensure that the investments and measures included are consistent with the territorial just transition plans and corresponding cohesion policy programmes implementing them. Ideally, Member States should identify and prioritise synergies and mutually reinforce efforts, and specify how the measures are separate to avoid the risk of double funding.

7. **Specific measures and investments**

SCPs must include measures and investments to tackle the social impacts arising from the change to include greenhouse gas emissions from buildings and road transport in the scope of the ETS Directive. In line with Articles 4(4) and 8 of the SCF Regulation, the Plans must include national and, where relevant, local and regional measures and investments to renovate buildings and decarbonise heating and cooling of buildings, including integrating renewable energy generation and storage, and increasing the uptake of zero- and low-emission mobility and transport.

Including measures to provide temporary direct income support is optional (Article 4(3) of the SCF Regulation). Direct income support must always be temporary and be gradually phased out as structural measures gain traction (see Section III.4 of this Guidance).

a) *Measures*

A 'measure' should be understood as an action or structural change, other than investment, that leads to policy improvements with a significant and lasting impact on decarbonisation. Article 4(1) of the SCF Regulation states that a '*Plan shall contain a coherent set of existing or new national measures and investments…*' and Article 16(3)(b)(i) states that '*the Plan is expected to have a lasting impact in the Member State on the challenges addressed by that Plan, in line with the Union's 2030 climate and energy targets and long-term objective of climate neutrality in the Union at the latest by 2050, and in particular on vulnerable households, vulnerable micro-enterprises and vulnerable transport users, in particular households in energy poverty or households in transport poverty*.'

The objective of a measure under the Social Climate Fund is to take action, principally to support vulnerable households, vulnerable micro-enterprises and/or vulnerable transport users to tackle the challenges, improve performance or remove barriers hindering progress towards specific policy objectives, such as energy efficiency, building renovation, sustainable mobility and transport, greenhouse gas emission reduction and reduction in the number of vulnerable households and vulnerable transport users.

To maximise impact, Member States must include in their Plans measures that consist of specific and tangible actions and significant structural changes. They may include measures to complement related legislative or regulatory reforms proposed in the NECPs, and measures based on reforms and commitments to remedy any areas of insufficient ambition in the NECPs, as assessed by the Commission. This should be in line with the scope of the SCF Regulation, particularly as the requirement to target measures and investments to vulnerable households, vulnerable micro-enterprises and vulnerable transport users.

([16]) 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).

In general, action plans or strategies should be considered as frameworks in which to integrate measures (and investments) rather than as eligible measures themselves. The measures included in the Plans must have tangible results, and a clear pathway to achieving structural change that contribute to the objective the SCF Regulation and can be broken down into milestones and targets.

The measures included in the Plans must be consistent with the information included and the commitments made in other related policies, as required under Article 6(3) of the SCF Regulation. In particular, the measures must support and complement the reforms outlined in the NECPs related to the objectives and scope of the Fund and the eligible groups.

This common objective is reflected in Article 4(2) of the SCF Regulation which states that *'each Member State shall ensure consistency between its Plan and its updated integrated national energy and climate plan referred to in Article 14(2) of Regulation (EU) 2018/1999'*.

The NECPs provide a general policy framework, commitments and overview of planned reforms and investments by Member States to address the five dimensions of the Energy Union ([17]) in accordance with Article 4 of the Governance Regulation. The SCF makes funding available to support the green transition and to tackle the social impacts of ETS2 on vulnerable groups.

The updated NECPs serve as crucial policy frameworks that directly influence the design and implementation of the SCPs. Therefore, the measures in the Plans should be one of the following:

— ***Measures based on the reforms and commitments in the NECPs, provided they target vulnerable households, vulnerable micro-enterprises or vulnerable transport users.*** To ensure consistency and develop synergies with their NECPs, Member States should include measures based on the reforms and commitments made by the Member States in their updated NECP that focus on tackling the social impacts of introducing ETS2 and on supporting vulnerable households, vulnerable micro-enterprises and vulnerable transport users. The measures should be specific and practical and should translate the ambitions set out in the NECPs into tangible results.

— ***Measures needed to remedy any area of insufficient ambition to meet the 2030 climate and energy targets in the NECPs according to the Commission's assessment.*** If Member States have not reached sufficient ambition in their NECPs, the SCPs are an opportunity to focus on specific measures to close the gap while remaining coherent with the NECPs, maintaining the focus of the SCPs on vulnerable households, vulnerable micro-enterprises and vulnerable transport users, remaining fully in scope of the SCF Regulation.

— ***Measures with a lasting impact that are different from investments.*** Under Article 8(1)(d) of the SCF Regulation, Member States may include in their Plans measures to provide targeted, accessible and affordable information, education, awareness and advice on cost-effective measures and investments, the support available for building renovations and energy efficiency, and on sustainable and affordable mobility and transport alternatives. These additional measures can focus on behavioural changes in society or direct help to the most vulnerable by providing advice and information and that could be included in the plan with due justification on their lasting impact. Direct income support measures are eligible under Article 8(2) of the SCF Regulation and considered in the Section III.4 below. Such measures are not subject to the obligation of having a lasting impact which only covers the measures and investments under the Article 8(1).

b) *Investments*

Investments under the Fund are expenditure to finance activities and assets included in the purposes listed in Article 8(1) of the SCF Regulation. These investments must principally support vulnerable households, vulnerable transport users and vulnerable micro-enterprises and have lasting impacts on economic and social resilience, on sustainability (particularly during the green transition), on mitigating the social impacts of ETS2 and on reducing the cost of the green transition for vulnerable groups.

([17]) Energy security, internal energy market, energy efficiency, decarbonisation and research, innovation and competitiveness, and taking into account fairness and just transition aspects.

The timeline for investments should mirror the duration of the Fund (2026-2032), ensuring that the milestones and targets can be achieved by July 2032. Member States should avoid including investments that cannot be realistically implemented within this time frame and anticipate any likely delays.

The Member States are invited to consider including the following additional features of investments to ensure effectiveness in supporting vulnerable groups and to be conducive for the green transition:

— Investments in the form of support schemes should provide long-term sustainability of the financing, without a cliff edge when resources are exhausted. If there is no constant revenue stream (beyond the SCF) or if the schemes still require funding, SCF support should be planned over time with a clear amount made available periodically.

— Any decrease in the intensity of support or phase-out should be gradual, otherwise it could depress the market for low-emission technologies.

— Support schemes should be made available as soon as possible after being announced to provide certainty to beneficiaries.

— To ensure efficiency, support schemes should strike a balance between affordability and overcompensation and provide the support needed to reach the objectives, without crowding out private investments. Support schemes should seek to reach as many vulnerable households, individuals and micro-enterprises as possible.

— Support schemes should not be jeopardised by other parallel incentives to boost the deployment of carbon-intensive technologies and solutions for the same sectors covered by ETS2, as these would increase emissions, increase the ETS2 carbon price and therefore potentially exacerbate transport and energy poverty.

The Plans should clearly describe the objectives, type, size, types of final recipients or target groups, implementation timeline and phases of each investment.

Final recipients should be understood as the last entity or household receiving funds that is not a contractor or sub-contractor.

When designing an investment, Member States should ensure that they comply with all applicable rules, in particular public procurement and State aid rules. Overall, and without prejudice to the need to comply with the DNSH principle, Member States are encouraged to use the EU green and social public procurement criteria in all relevant public purchases and to consider the social impacts.

c) *Local and regional measures and investments*

The Plans may include local and regional measures and investments..

Consultation

The involvement of regional and local authorities in the drafting and consultation of the plans will be vital ([18]). Member States should work in partnership with regional and local authorities during the process of identifying the measures and investments which would benefit the vulnerable target groups and to draft the plan, as required under Article 5 of the SCF Regulation. Authorities or bodies entrusted with the implementation of the plan, should cooperate with regional and local authorities, which will be crucial for identifying the appropriate measures and investments.

When assessing the plans based on the criteria set out in Article 16(3) of the SCF Regulation, the Commission will consider whether they were developed in consultation with stakeholders, including regional and local authorities. For that purpose, Member States should rely on the principles outlined in the European code of conduct on partnership established by Delegated Regulation (EU) No 240/2014.

([18]) Please see Section III. 11 below for more information on public consultations.

Design and implementation of the plan

Where and when appropriate and in line with national institutional arrangements, regional and local authorities may be tasked with implementing and with monitoring progress of implementation of measures and investments.

Depending on their institutional set-up, Member States may decide to include regional sub-components under one or several of the three components listed in section III.2 of this guidance. For measures and investments to be implemented at regional and local level, this must be clearly indicated in the milestone or target description.

Irrespective of their role in the implementation of the Plan, the involvement of regional and local authorities in the designated structure described in section iv, point 1 b) of this Guidance. is strongly encouraged. This is an element that the Commission will take into account for assessing whether the arrangements proposed by the Member States are expected to ensure the effective monitoring and implementation of the Plan.

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

The measures and investments included in the Plans can be delivered through intermediaries or other private or public entities (Article 9 of the SCF Regulation). In that case, the SCF Regulation requires Member States to *'provide for the necessary statutory and contractual safeguards to ensure that the entire benefit is passed on to the vulnerable households, vulnerable micro-enterprises or vulnerable transport users.'* The detailed safeguards required depend on the measure or investment and must be analysed on a case-by-case basis.

Article 9 of the SCF Regulation contains a very important general principle which must be applied in the context of all measures and investments that are not provided directly to vulnerable households, transport users or micro-enterprises. For instance, for renovating the homes of vulnerable households, Member States could use energy performance contracts and involve utilities or energy service companies, ensuring that the advantages are fully passed on to the final beneficiaries. Similarly, the principle of pass-on of benefits must be applied where a private, non-vulnerable landlord receives support for renovating a building occupied by tenants that qualify as vulnerable households. For transport, for instance, a public transport operator may receive support for reducing ticket prices for vulnerable transport users or for offering a new shared mobility service principally designed to support vulnerable transport users.

Member States can also explore the potential to use financial instruments to generate the widest possible impact and to mobilise additional investment, ensuring the benefits are passed on in full to households, micro-enterprises and transport users.

When considering the pass-on of benefits, Member States could also take account of the important role of social economy entities such as cooperatives, non-profit organisations, associations and social enterprises, which share the objective of systematically putting people first, producing a positive impact on local communities and pursuing a social cause. For this reason, these entities are often well-equipped to identify vulnerable groups and tackle the challenges they face ([19]).

8. **Coherent set of existing or new national measures and investments**

Member States may include in their Plans new measures or investments that have not been financed before by national budgetary resources or by EU funding in their country. If Member States decide to include scale-ups of existing measures (see Section II.9 for more detailed guidance on scale-up of existing measures) or investments into their Plans, these measures or investments must be coherent with the new measures or investments, since under Article 4(1) of the SCF Regulation, the plan should contain a coherent set of existing or new national measures. Measures and investments should reinforce or complement each other in contributing to the objectives of the plan.

([19]) More information on the role of social economy in the Communication on Building an economy that works for people: an action plan for the social economy (2021).

9. **Additionality of measures and investments**

Measures and investments should be additional and should not substitute recurring national budgetary expenditure (Article 13(2) of the SCF Regulation). This means that the Fund can only support new measures or investments, or scale ups of existing measures or investments.

The SCF will finance only the part of an existing measure or investment that is scaled up. Any measures or investments that are already in place to mitigate the social impacts of an existing national emission trading system for buildings and road transport, or carbon tax would also need to be scaled up in order to receive SCF financing.

A scaled-up measure or investment should increase the level of ambition of the initial measure or investment. This does not necessarily imply increasing the funding allocated to the existing measure or investment; it can also be reflected in the design of the measure or investment. Hence, besides an increase in budget/output for a given period, this could for instance be achieved by extending the time frame or adjusting the scope.

Scaled-up measures or investments usually come under one of the following categories, where the eligibility criteria for the final recipients should be always in line with the SCF Regulation:

a) **Quantitative increase:** *adding SCF funding to an existing measure or investment for a given implementation period*

i. increasing the output

Example: increasing the budget to cover a higher number of renovated buildings from 20 000 to 30 000 social housing (with at least the same level of ambition for each renovation) would be considered a scale-up of the measure by 10 000 dwellings; or increasing the budget to cover a higher number of vulnerable transport users supported by lower fares for public transport (with at least the same magnitude of each individual support) from 5 000 to 10 000 people.

ii. increasing the amount of support

Example: Member States can scale up an energy efficiency programme or public transport subsidy scheme for vulnerable groups by increasing the subsidy for each final recipient (where an analysis shows that the increase in the support for each final recipient is needed).

b) **Qualitative changes**, including:

i. changing or extending the material scope of the measure

Example: an existing support measure for installing high-efficiency gas boilers for vulnerable households is discontinued and replaced by one concerning or extended with the installation of heat pumps. The SCF could finance the support to install heat pumps (since heat pumps are compliant with DNSH criteria under the SCF) but not the support to install gas boilers.

ii. broadening the scope of final recipients of the measure

Example: Member States could scale up an energy efficiency support scheme for homeowners by adding support for tenants who qualify as vulnerable households, (either through grants or micro-loans). The SCF could finance only the part providing support to vulnerable households (homeowners and tenants). It is for the Member State to decide on the budget for continued support to other groups and this part of the financing should not be included in the SCPs.

iii. refocusing the support on vulnerable groups

Example: Member States could replace a purchase incentive for solar panels open to the whole population by a scheme restricted to vulnerable households (whose eligibility criteria are in line with the definitions in the SCF Regulation and the identification suggested in the social climate plan) at subsidised rates or they could complement the country-wide support with a specific top-up for vulnerable households. The SCF could finance the measure to support these vulnerable households, while it is up to the Member State to decide on the budget for continued support to other groups.

c) **Extension in time**: adding SCF funding to an existing measure of investment in order to extend the implementation period

Example: Member States could extend a programme offering vouchers to vulnerable households to help them purchase energy-efficient heating, cooling and cooking appliances and equipment. For instance, if a programme originally was due to expire in June 2025, it could be extended to June 2030 with this extension financed by the Social Climate Fund.

Note: to fulfil the additionality principle by extending a measure in time, the legally binding decision to extend the measure must be taken after 30 June 2024 (see Section II.10 of this Guidance for further details on the eligibility date). This category is especially relevant for Member States that have national carbon pricing and related support schemes in place and where ETS2 may replace the national carbon price. In that case, the SCF may continue to finance such existing measures and investments, as long as they comply with all provisions in the SCF Regulation.

If the entire material scope and/or all final recipients of an existing measure or investment are already eligible under the SCF Regulation, it would need to include another element to comply with the principle of additionality (e.g. cost increase, extending a measure in time etc.). If only a portion of the scope of the measure or of the final recipients is eligible under the previous scheme, the scale-up could consist of reallocating funds originally designated for the SCF-ineligible measures/groups under to SCF-eligible measures/groups, ensuring additionality for these eligible measures/groups.

If a Member State plans to fulfil the additionality principle by providing additional SCF funding for the vulnerable groups targeted by the SCF as part of a broader scheme open to the whole population, it is possible to finance it from the SCF only if the Member State (i) monitors which individuals fulfilled the SCF eligibility criteria and are financed via the SCF, and (ii) is able to track progress on the milestones and targets and monitor implementation of the scheme with regard to its specific focus on the SCF target groups.

The scale-up of existing measures and investments will be subject to the same assessment process as new measures and investments, meaning they must comply with all requirements of the SCF Regulation (notably they must target the vulnerable groups established in the SCF Regulation). In its assessment of the scale-up of existing measures and investments, the Commission will also consider equal treatment between Member States and ensure that Member States do not circumvent the requirements for scaled-up measures or investments (for example, by discontinuing a measure in 2024 on purpose to reinstate it in the plan as a new measure).

10. **Earliest start date of measures and investments**

Measures or investments cannot start before 30 June 2024 (starting date of application of the SCF Regulation, in accordance with its Article 29). This means that costs must not have been incurred or works must not have started before 30 June 2024 ([20]).This also applies to the scale-up of existing measures and investments.

Projects with preparation and initial phases (including procurement and contracting) that were launched before 30 June 2024 could still be considered eligible for clearly defined phases or sub-projects that are implemented from 30 June 2024 onwards.

The same rule applies to technical assistance under Article 8(3) of the SCF Regulation. Technical assistance needed for the effective administration and implementation of the measures and investments are eligible under the Fund for costs incurred after 30 June 2024.

Existing measures and investments that are not technical assistance can also be financed by the SCF if they comply with the SCF Regulation, in particular with the additionality provisions (see Section II.9 of this Guidance). However, implementing measures and investments to be financed by the SCF before the Commission approves the plan face the risk that the Commission's assessment might find that some of the proposed measures and investments do not comply with the SCF Regulation. This concerns their eligibility and, looking at the full set of proposed measures and investments, also whether the overall plan meets the assessment criteria.

([20]) Please refer to the incentive effect requirement, as highlighted in the State aid Section II.11 of this Guidance.

11. **Compliance with EU rules on State aid**

As set out in recital 40 of the SCF Regulation, support for measures and investments, falling within the scope of Article 107(1) TFEU, must comply with the EU rules on State aid.

Where national authorities have discretion as to the use of EU funds those constitute State aid if all the other criteria of Article 107(1) TFEU are met. Given the cumulative nature of the criteria of Article 107(1) TFEU, if one of the criteria is not met, the presence of State aid can be excluded ([21]). For example, support for activities, which are not of an economic nature, i.e. are not used for offering goods or services on the market, is not considered State aid. This may be the case for instance for support to households for the renovation of their own residence provided they do not rent it out and do not otherwise use the own residence for economic activities. Nevertheless, where support is provided to owners who are renting their property to vulnerable households, State aid rules need to be considered. For such cases, Member States have the possibility to provide such support in accordance with the conditions of the general *de minimis* Regulation, which provides, among others, that the total amount of *de minimis* aid granted per Member State to a single undertaking must not exceed EUR 300 000 over any period of 3 years ([22]).

When State aid is present, support for measures and investments must be notified and approved by the Commission before Member States can grant the aid, unless those measures and investments comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU ([23]), or fall under the *de minimis* Regulation.

When notifying their draft plan Member States are invited to specify whether in their view:

— the support for the measure or investment will not constitute State aid within the scope of Article 107(1) TFEU or

— the support for the measure or investment, fulfilling all criteria of Article 107(1) TFEU, will be financed on the basis of an existing State aid scheme falling under a block exemption regulation, in particular the GBER or approved by a Commission State aid decision (providing the reference number to such scheme (SA.nnnnn) or

— the support for the measure or investment will result in a new State aid measure, an explanation whether it will comply with the conditions of a block exemption regulation, for example the GBER (indicating which Article thereof), or

— the support for the measure or investment complies with the *de minimis* Regulation or

— the support for the measure or investment requires a State aid notification, indicating when the Member State intends to pre-notify or notify to the Commission the planned support for the measure or investment, and the applicable State aid instrument ensuring its compatibility with the internal market.

([21]) Further guidance on what measures may constitute State aid, with examples, is available in the Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union (2016/C 262/01), reflecting the case experience until 2016. In addition, the Recovery and Resilience Facility guiding templates on State aid provide examples on differentiating cases of aid and no aid and provides information on the potentially applicable State aid procedures and instruments, in particular:
- Guiding template: Investment/operating aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy and energy efficiency
- Guiding template: Energy efficiency in buildings
- Guiding template: Premiums for the acquisition of zero- and low-emission road vehicles.

([22]) Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 2023/2831, 15.12.2023, ELI: http://data.europa.eu/eli/reg/2023/2831/oj).

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

In case of doubt on the part of the Member State, either on the existence of State aid or on the compatibility of a measure or investment with State aid rules, the Member State is invited to contact the Commission services and flag this in the (draft) Social Climate Plan. When the (draft) Plan includes more detailed information on the support for the measures and investments involving State aid (or where State aid questions come up), the Commission services will be able to assist the Member State in identifying the necessary and relevant information to be provided to the Commission.

Ultimately, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by the Member State in the Plan cannot be deemed a State aid notification. Also, the approval of the Social Climate Plan by the Commission cannot be understood as confirming the compliance with State aid rules for the measure or investment concerned.

Where a Member State provides State aid under a block exemption regulation or under the *de minimis* Regulation, it is the responsibility of the Member State to ensure compliance with all the relevant provisions of those regulations.

Examples for cases where the applicable State aid rules might provide different requirements compared to those set out in the SCF Regulation, which are advised to be taken into account in the design and implementation of measures and investments:

— Under the SCF Regulation measures or investments could have started after 30 June 2024, meaning that costs could have been incurred, or works could have started, not earlier than 30 June 2024. The State aid incentive effect requires that the beneficiary had submitted a written application for the aid to the Member State before the work on the project or activity started.

— In cases where a measure or investment focusing on decarbonisation of the buildings sector constitutes State aid, Article 38a(6) GBER ([24]) includes obligatory requirements.

— Where measures or investments supporting sustainable or clean mobility constitute State aid, the applicable State aid rules may provide different requirements to those of the SCF Regulation ([25]).

When designing schemes for zero-emission vehicles and launching public procurement procedures, Member States should ensure that they take into account requirements of Articles 25 and 28 of the Net Zero Industry Act. This means that Member States should ensure that high sustainability and resilience contribution are embedded in investments and measures falling under the Net-Zero Industry Act, and should regularly review whether a net-zero technology or its main specific components originates from a third country that accounts for more than 50 % of the supply of that specific net-zero technology as communicated by the Commission. With a view to ensure a swift implementation of the Social Climate Plans, Member States should also consider the requirements under the Foreign Subsidy Regulation set out in Article 28-29, which aim to prevent distortions in the EU's internal market caused by subsidized products from third countries, to ensure a level playing field for EU-based companies.

([24]) The aid must induce an improvement in the energy performance of the building measured in primary energy of at least:
i. 20 % compared to the situation prior to the investment in the case of renovation of existing buildings, or
ii. 10 % compared to the situation prior to the investment in the case of renovation measures concerning the installation or replacement of just one type of building elements as defined in Article 2(9) of Directive 2010/31/EU and such targeted renovation measures do not represent more than 30 % of the part of the scheme's budget dedicated to energy efficiency measures, or
iii. 10 % compared to the threshold set for the nearly zero-energy building requirements in national measures transposing Directive 2010/31/EU in the case of new buildings. The initial primary energy demand and the estimated improvement must be established by reference to an Energy Performance Certificate as defined in Article 2(12) of Directive 2010/31/EU.

([25]) For example, the Guidelines on State aid for climate, environmental protection and energy 2022 (2022/C 80/01) ('CEEAG') or GBER provide different conditions for aid to the acquisition of clean and zero-emission vehicles than the SCF (as the SCF allows the financing of low emission vehicles that are not Taxonomy-aligned). Conversely, Regulation 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road (OJ L 315, 3.12.2007, p. 1) does not require that the vehicles made available to a public service operator as part of a public service contract comply with any environmental standard.

12. How to factor in gender equality and equal opportunities for all

SCPs should explain how the measures and investments aim to tackle gender inequality and enhance gender equality (Article 6(1)(q) and Sections 2.1(ii) and 2.2(ii) of Annex V to the SCF Regulation). Women are disproportionately affected by energy poverty and transport poverty. Therefore, to ensure that no one is left behind throughout the process of preparing and implementing their Plans, Member States should uphold and promote gender equality and equal opportunities for all and mainstream these objectives, as well as accessibility rights of people with disabilities, in line with the United Nations Convention on the Rights of Persons with Disabilities.

First, Member States should identify in their Plans the primary challenges they encounter in terms of gender equality and equal opportunities for all in the context of the Social Climate Fund. They should then explain how the measures and investments in the Plans will tackle the equality challenges identified and promote gender equality. This involves considering how measures and investments included in the Plans could contribute to eliminating existing gender inequalities and other forms of inequality, as well as promoting and improving gender equality.

Member States should demonstrate that the objectives of gender equality and equal opportunities for all are, on the one hand, included in specific sectoral measures (infrastructure, housing, transport, energy, temporary direct income support) and, on the other hand, mainstreamed into the design and implementation. I.e. the plan should promote gender equality and equal opportunities for all across all policy areas, in particular but not only regarding accessibility rights of people with disabilities.

In addition, Member States should break down the data they provide by gender, as per Article 33 of the Financial Regulation, age and disability (where relevant and possible) and to involve equality and non-discrimination bodies in the design and implementation of the plan, for instance as part of the monitoring process to implement the plan. Member States may also draw on the findings of several studies on *ex ante* gender impact assessment ([26]), gender-sensitive budgeting ([27]), gender-responsive public procurement ([28]), and on equality mainstreaming in transport ([29]).

Finally, during the planning and implementation phases, Member States should consider involving a diverse range of stakeholders, especially women and people belonging to other vulnerable groups, to ensure that the plan reflects diverse perspectives.

13. Authorities entrusted with implementing the plan

To prepare the Plans effectively and ensure their smooth implementation, Member States must identify well in advance which authorities will be responsible for drafting and implementing them.

The Plans must include an explanation of how the Member State intends to implement the proposed measures and investments, focusing on the arrangements and timetable for monitoring and implementation (see Annex V, point 4.1, to the SCF Regulation). This should include any measures necessary for compliance with the rules for protecting the EU's financial interests.

Member States must set up 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 (see point 1 of Annex III to the SCF Regulation). This includes:

a) designating the authorities entrusted with implementation of the plan and the allocating the related responsibilities and functions;

b) designating the authority or authorities responsible for signing the management declaration accompanying payment requests;

c) procedures ensuring that this authority/ies will get assurance about the achievement of the milestones and targets set in the plan, and 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;

([26]) Gender Impact Assessment | European Institute for Gender Equality (europa.eu)
([27]) Gender Budgeting | European Institute for Gender Equality (europa.eu)
([28]) Gender-responsive Public Procurement | European Institute for Gender Equality (europa.eu)
([29]) Equality Mainstreaming in transport - European Commission.

d) an appropriate separation between managing and audit functions.

Member States may designate several authorities for implementing the Plans (Annex III to the SCF Regulation). Nevertheless, the Commission issued a statement on 18 April 2023 ([30]), in which it considered that the agreement reached by the co-legislators under 'Annex III - Key requirements for the Member State's control system' to the SCF Regulation concerning Member States' possibility to designate more than one authority entrusted with signing management declarations accompanying the payment requests could lead to inefficiencies and a dilution of responsibilities and could create confusion about the roles of the authorities.

To ensure effective implementation, clear responsibilities need to be established. A lead coordination authority could be nominated that would have the overall responsibility for preparing the plan and for being the main point of contact for the Commission. The coordination authority should be responsible for the overall enactment of the Plan, for coordinating with other authorities in the country (including ensuring coherence in the use of other EU funds), monitoring progress on milestones and targets, submitting any amendments to the plan and for reporting. To clarify responsibility for requesting payments under the Fund, it is strongly recommended that each Member State designate only one authority for signing the management declarations accompanying payment requests. They must also designate one or more audit authority/es (see point 5 of Annex III).

Member States may choose to designate the managing authorities of cohesion policy programmes under Regulation (EU) 2021/1060 of the European Parliament and of the Council ([31]) (Common Provisions Regulation) to supervise, coordinate and implement the measures and investments supported by the Fund. Member States must indicate this intention in their Plans. If this included in the Plans, the management and control systems in place for the managing authorities of cohesion policy programmes, as notified to the Commission, will be considered compliant with the SCF Regulation's requirements (Article 11(3) of the SCF Regulation). For any other authority, a formal designation process must be carried out to ensure that proper management and control systems are in place and can provide sufficient assurance for the protection of the EU's financial interests.

The Commission will need to verify the administrative and procedural arrangements in place to ensure they are compliant.

14. **Transfers of resources**

a) *Transferring resources from the Fund*

i. Transfers from the Social Climate Fund to shared management funds under the Common Provisions Regulation

Under Article 11(2) of the SCF Regulation, Member States may request in their Plans a transfer of up to 15 % of their maximum annual financial allocations for each year of the SCF to the shared management funds under the Common Provisions Regulation, subject to conditions.

Note that (i) resources are allocated to the SCF annually (see Article 30d(4) of Directive 2003/87/EC) and the SCF Regulation allows Member States to transfer 15 % of their annual financial allocation, but not of the allocation for the entire period 2026-2032 in one tranche, and that (ii) under the Common Provisions Regulation, budgetary commitments can only be made during the period 1 January 2021 to 31 December 2027. Therefore, Member States cannot transfer the entire amount, that is 15 % of their maximal financial allocation as listed in Annex II to the SCF Regulation in one tranche from the start of the SCF, as this value is based on Member States's total allocation over the period 2026-2032.

([30]) Brussels, 18 April 2023, (OR. en, pl) 7984/23 ADD 1, interinstitutional file: 2021/0206(COD).

([31]) 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).

Member States may request a transfer of only up to 15 % of Member State's annual financial allocation for 2026 and 2027 via the amendment to the programmes under the Common Provisions Regulation. The actual annual transfers will be implemented in line with the annual budgetary procedure. In addition, any arrangements in programmes for the period after 2027 will depend on the post-2027 multiannual financial framework. The transferred resources should be utilised in compliance with the Common Provisions Regulation and the regulation governing the specific fund to which the SCF resources are transferred.

In line with Article 26b of Common Provisions Regulation, transfers from the SCF must support the objectives set out in Article 3 of the SCF Regulation and be in line with the eligible measures and investments described in Article 8 of the SCF Regulation. Furthermore, transferred resources must be implemented according to the rules of the receiving fund, specifically the Common Provisions Regulation and fund-specific rules. Consequently, Member States should use the common indicators and/or programme-specific indicators and the payment arrangements envisaged by the Common Provisions Regulation or the fund-specific regulations.

For resources transferred from the Fund to shared management programmes, the maximum amounts of technical assistance under the shared management programmes will increase proportionally with the fixed technical assistance percentage applied to the higher amounts after the transfers from the SCF (in line with Article 36 of the Common Provisions Regulation). However, the maximum amount for calculating the technical assistance under the SCF (2,5 % of the estimated total costs of the social climate plan) will decrease proportionally to the amount transferred to the shared management funds.

ii. Transfers from the Social Climate Fund to InvestEU

Member States may include in their Plans, as part of the estimated total costs, the amount of the cash contribution allocated to the Member State compartment in InvestEU under Regulation (EU) 2021/523 of the European Parliament and of the Council ([32]) (in accordance with Article 11(4) of the SCF Regulation). These costs should not exceed 4 % of the maximum financial allocation for the plan. The related measures set out in the plan must comply with the SCF Regulation.

b) *Transferring resources to the Fund*

Member States have the option to request a transfer of resources allocated under shared management programmes to the Social Climate Fund, subject to the conditions specified in the Common Provisions Regulation (see Article 11(1) of the SCF Regulation).

Up to 5 % of the initial national allocation of funds under that Regulation for the 2021-2027 budgetary period can be transferred to any other EU instrument managed directly or indirectly, for the exclusive benefit of the Member State concerned (see Article 26 of the Common Provisions Regulation). The rules of the EU instrument to which the resources are transferred apply in full.

This provision enables a Member State to increase its resources available under the Social Climate Fund. Member States may request such transfers as part of an amendment to a programme covered by the Common Provisions Regulation. Under Article 26(3) of the CPR for 2021-2027, Member States should substantiate any such requests for transfer in terms of the complementarities and impact to be achieved. Requests should be accompanied by the amended programme or programmes, as specified in Article 24 of the same Regulation.

III. **DRAFTING AND SUBMITTING THE PLANS**

1. **Analysis and overall impact**

a) *Projected impact of the ETS2 on vulnerable groups*

Under Article 6(1)(d) of the SCF Regulation, Member States must provide in their Plans an estimate of the likely effects of the increase in prices resulting from the ETS2 on households, in particular on the energy poverty and transport poverty rates, and on micro-enterprises. Member State must analyse those effects at the right territorial level for each Member State, taking into account national specificities and factors such as access to public transport and basic services, and identifying the areas mostly affected.

([32]) Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30).

To help estimate the effects of the price increases from ETS2 on vulnerable groups, in line with Article 6(6) of the SCF Regulation, the Commission will provide a common value as an estimate of the carbon price resulting from the ETS2.

For the purpose of Article 6(6) of the SCF Regulation, reference is made to the 'recommended parameters for reporting on GHG projections in 2025', including carbon prices, which was shared with Member States in the context of the Governance Regulation. The ETS2 carbon price trajectory for 2027-2030 in this document is based on the recommendations shared with Member States in March 2023 in the context of the update of NECPs ('Recommended parameters to model ETS2 in the context of the update of NECP'), but prices have been updated from 2020 to 2023 prices. In line with this document, the following Table 1 shows the trajectory for the common value to be used for the ETS2 ([33]).

Table 1

Harmonised trajectory for the common value for the ETS2 carbon price estimate

	EUR 2023 / tCO2
2027	30
2028	50
2029	55
2030	60
2031	60
2032	60

The 2030 estimated value of EUR 60 tCO_2 (in 2023 prices) is in line with the 2030 ETS price modelled in the MIX scenario for the new ETS sectors, as published in the ETS revision impact assessment.

The ETS2 price depends crucially on the implementation of national measures in the transport and buildings sectors and on implementation of EU legislation. Under Article 18(5) of the SCF Regulation, by 15 March 2029 each Member State must assess the appropriateness of its plan in view of the actual direct effects of ETS2. This will be the opportunity to analyse the actual ETS2 effects against the assumptions used for the plan prepared in 2025.

Member States can carry out sensitivity analyses, but the main scenario and results given in the plan should be based on the common value.

Even if a Member State already has a carbon price in the buildings and road transport sectors in place, it should still use the common value for the ETS2 carbon price estimate for the analysis in its plan. Member States should explain to what extent the carbon price effect in the relevant sectors is already in place before the start of ETS2 due to the national carbon price. They could include an analysis of the effects, especially if this analysis has already been carried out. Most importantly, Member State should clarify the carbon price level expected in 2026-2032 (distinguishing between the trajectories of the national carbon tax and the common value for the ETS2 price), but, to the extent possible, focus the analysis on the (additional) effects of ETS2.

([33]) The presented common value of the ETS2 price is broadly consistent with the rules under Article 30h(2) of the ETS Directive on the measures in the event of an excessive price increase of ETS2 to release additional volumes from the market stability reserve, where the triggering price threshold is indexed based on EUR 2020 prices.

If a Member State applies for the ETS2 derogation by 31 December 2030 under Article 30e(3)(a) of the ETS Directive, the analysis in its plan should equally be based on the common value for the ETS carbon price estimate. Even if a Member State fulfils the general conditions for the derogation, it will only be known after each year whether the derogation applies, depending on whether the national carbon tax of the Member State concerned is higher than the average auction clearing price of ETS2 allowances (Article 30e(3)(b) of the ETS Directive).

b) *Estimated number and identification of vulnerable groups*

In accordance with Article 6(1), points (e) and (f), of the SCF Regulation Member States must set out in their Plans the following analytical information related to vulnerable groups, respectively:

— an estimated number of, and the identification of, vulnerable households, vulnerable micro-enterprises and vulnerable transport users; and

— an explanation of how the definitions of energy poverty and transport poverty are applied at national level.

Member States must provide the estimates, identifications and explanations, including methodology used, in their SCPs (see Section 3 of the template of the SCP in Annex V to the SCF Regulation). In identifying vulnerable groups, Member States may refer to the characteristics (e.g. socio-economic, income group, geographical distribution, type of housing), as available from statistical data, based on the definitions of vulnerable groups in Article 2 of the SCF Regulation.

Member States must also specify in their Plans the number of households in energy poverty, in transport poverty and the number of vulnerable micro-enterprises targeted by the measures and investments in order to estimate the impact of the measures and investments on them (Annex V Section 3.2. to the SCF Regulation). Where relevant and possible, Member States should provide a breakdown by number of households in energy poverty, households in transport poverty as well as owners of micro-enterprises by gender to enable monitoring and evaluating progress in terms of gender equality (Article 22 of the Financial Regulation) (see Section II.12 of this Guidance for more details).

To identify the vulnerable groups, Member States can build on existing and developed statistics and methodologies for addressing vulnerable groups and draw on EU legislation that relating to support for people in energy and transport poverty, taking account of the estimated impacts of ETS2.

The 2023 Report on access to essential services in the EU ([34]) shows that low-income and lower-middle-income households, in particular households at risk of poverty (AROPE) ([35]), already spend a higher share of their income on essential services, including energy and transport. They face the greatest barriers to access such services, especially due to problems of affordability. Price increases therefore have a greater impact on these households. Member States can build on these findings when defining vulnerable groups and focus specifically on households at risk of poverty to identify and estimate the number of vulnerable households and to set targets for their measures.

The work to identify energy poverty for the purpose of the Plans should be aligned with the work to transpose the related EU legislation. The definition of energy poverty in Article 2(1) of the SCF Regulation is the same definition of energy poverty in Directive (EU) 2023/1791 of the European Parliament and of the Council ([36]) (Energy Efficiency Directive). The Member States are expected to transpose that Directive by 11 October 2025 and to submit their SCPs by 30 June 2025. As a result, it is advised that the definition of energy poverty used in the SCPs is consistent with the definition in the Energy Efficiency Directive and the transposition thereof, and that in the SCPs this process is further substantiated by modelling and analysis of the impact of ETS2 on vulnerable households.

([34]) SWD(2023) 213 final/2, available at: https://ec.europa.eu/social/BlobServlet?docId=26940&langId=en.
([35]) The at-risk-of-poverty (AROPE) threshold is defined as 60 % of the national median equivalised disposable income.
([36]) Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (OJ L 231, 20.9.2023, p. 1).

The Commission Recommendations on energy poverty ([37]), ([38]) and the accompanying staff working documents ([39]), ([40]) can help Member States identify energy poverty in line with the indicators that they can use.

For the identification of individuals and households in transport poverty, Member States are encouraged to consider its different dimensions, as defined by Art. 2 (12) of the SCF Regulation.

More specifically, where the available data permits, Member States should consider analysing the 'affordability' dimension in conjunction with the 'availability' and 'accessibility' dimensions. This includes, but is not limited to, combining expenditure and income information with the geo-spatial distribution of the population, the location and frequency of public transport stops and timetables, median travel time, details on the road network, local car ownership, cycling infrastructure, and the proximity of essential socio-economic activities.

For transport poverty, Member States can consult the Study on transport poverty which provides definitions, indicators, determinants, and mitigation strategies ([41]), ([42]).

c) *Targeting the measures and investments*

In general, Member States will only be able to effectively target measures towards the vulnerable households, micro-enterprises, or transport sectors as specified in the SCF Regulation, if they have access to individual administrative data combined with statistical or survey data. Insights from the statistical analysis on identifying the characteristics of vulnerable groups need to be translated into specific eligibility criteria for the measures and investments. To do so, Member States can for example use the following data:

— income data (e.g. from different fiscal sources);

— type of heating system (e.g. if it falls under the scope of ETS2);

— quality of the building occupied (e.g. assessment of the building on the basis of energy performance certificates);

— the location of vulnerable transport users and required travel time (e.g. using a rural/urban area indicator or time needed to access other essential services such as work, schools and health institutions);

— the availability of public transport, quality of public transport, private car ownership, etc.

— adequacy of transport solutions (e.g. access of public transport to persons with reduced mobility or further transport needs, safety).

If Member States cannot gather all the necessary information and evidence above, they are recommended to collect as much information as they can and use it to draw up eligibility criteria to enable vulnerable households, vulnerable transport users and vulnerable micro-enterprises to apply for support under the SCF and provide more evidence themselves. The criteria must reflect the need to make the rules as simple as possible.

([37]) Commission Recommendation (EU) 2020/1563 of 14 October 2020 on energy poverty (OJ L 357, 27.10.2020, p. 35).
([38]) Commission Recommendation (EU) 2023/2407 of 20 October 2023 on energy poverty (OJ L, 2023/2407, 23.10.2023, ELI: http://data.europa.eu/eli/reco/2023/2407/oj).
([39]) Commission staff working document – EU Guidance on energy poverty accompanying the document Commission Recommendation on energy poverty (C(2020) 9600 final) Brussels, 14.10.2020, SWD(2020) 960 final: 8ad45f6a-ad97-48ef-b166-6499445aa8d0_en (europa.eu).
([40]) Commission staff working document – EU guidance on energy poverty accompanying the Commission Recommendation on energy poverty (C(2023) 4080 final) Brussels, 20.10.2023, SWD(2023) 647 final: SWD_2023_647_F1_OTHER_STAFF_WORKING_PAPER_EN_V5_P1_3016190.PDF (europa.eu).
([41]) Transport poverty: definitions, indicators, determinants, and mitigation strategies - Final Report - European Commission.
([42]) Further European Commission studies can be of interest:
— European Commission, Passenger Rail Performance in Europe: Regional and territorial Accessibility Indicators for Passenger Rail, 2021,
— For road transport, see European Commission, Road Transport Performance in Europe, 2018
— European Commission, Cohesion in Europe towards 2050, eighth report on economic, social and territorial cohesion, 2021, see Map 4.7
— European Commission, Ninth report on economic, social and territorial cohesion, 2024
— OECD Rural Studies, 'Getting to Services in Towns and Villages', Preparing Regions for Demographic Change, 2024

For implementing measures and investments for vulnerable groups, Member States can also draw on intermediaries such as local and regional authorities, consumer organisations, civil society organisations and NGOs, one-stop-shops, social workers, local associations and financial intermediaries. Article 9 of the SCF Regulation adds that *'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 or vulnerable transport users.'*

Some measures and investments eligible under the SCF implemented via intermediaries or other entities are of a collective nature (e.g. support provided for public transport, transport infrastructure or energy communities). For those measures, individual proof of eligibility is not necessarily available as the range of beneficiaries could be slightly broader. In those cases, Member States must present evidence that such measures will principally benefit the target vulnerable groups. Member States must provide in their Plans for each of these measures an estimated number of vulnerable households, transport users or micro-enterprises that will benefit from the measure (for example those who live in a given area). They must also explain how the proportion of vulnerable households, transport users or micro-enterprises that are eligible for the measure is significantly high.

Member States can draw on local administrative data, or survey data if the geographical detail is sufficient. This can also be relevant for supporting vulnerable households or micro-enterprises via energy communities. In this case, Member States would need to ensure that the support provided by the selected energy community principally benefits vulnerable groups (for their general action or for selected projects for which they would be supported specifically). Support through energy communities could also be provided by assisting vulnerable households or micro-enterprises directly in joining these energy communities, e.g. by issuing vouchers ([43]).

More generally, while non-vulnerable groups may benefit from measures and investments that are of a collective nature, the concept of 'principally benefiting' does not mean that the plan can directly support non-vulnerable groups with measures and investments for their individual benefit.

Some individual measures and investments included in the Plans can be part of broader schemes that target a wider population. However, funding from the Social Climate Fund can only be used to finance measures and investments targeted at vulnerable groups. Member States must identify the recipients to be financed under the plan that fulfil the eligibility criteria for support under the Social Climate Fund. During implementation of the scheme, Member States should be able to track progress on the milestones and targets and monitor implementation of the scheme in terms of reaching the target groups.

d) *Vulnerable micro-enterprises*

The definition of vulnerable micro-enterprises, under Article 2(11) of the SCF Regulation refers to the effects of ETS2 for the buildings and road transport sectors on micro-enterprises, and to the lack, '*for the purpose of their activity*', of 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, as relevant*'. Thus, in the context of the SCF, a micro-enterprise should be considered 'vulnerable' only if their business significantly relies on fuel consumption in the commercial/institutional or residential buildings or in road transport ([44]), and if it lacks the means to reduce this consumption (either depending on their financial capacity to purchase zero- or low- emission vehicles and related infrastructures, more efficient heating systems, the ability to renovate the building they occupy, or depending on the availability of alternatives such as public transport).

([43]) Examples of important selection criteria related to projects implemented via energy communities are provided by CEE Bankwatch: https://bankwatch.org/publication/selection-criteria-for-energy-communities-a-practical-checklist.

([44]) More details on which precise emissions are included under the categories of emissions 'fuel combustion in commercial/institutional and residential buildings' and 'road transportation' which are covered by the ETS2, can for example be found in the General guidance for ETS2 regulated entities (https://climate.ec.europa.eu/document/download/b5ccad58-6909-4a32-8a72-c73ab8d2a165_en?filename=policy_ets_ets2_gd_regulated_entities_en.pdf). In particular, emissions from 'fuel combustion in commercial/institutional and residential buildings' include emissions from fuel combustion for heating, warm water and cooking, and emissions from 'fuel combustion in road transport' and exclude emissions from off-road or mobile machinery used on construction sites (included in the emissions in the ETS2 'additional sectors'). Emissions from fuel combustion in agriculture are excluded.

Member States are free to design measures and investments for vulnerable micro-enterprises and to decide on the scale of such support. However, whether or not they focus SCF support on vulnerable micro-enterprises, in accordance with Article 6(1)(e) and (d) of the SCF Regulation, Member States must provide, respectively, '*an estimated number of, and the identification of (…) vulnerable micro-enterprises*' and '*an estimate of the likely effects of the increase in prices resulting from the inclusion of greenhouse gas emissions from buildings and road transport within the scope of Directive 2003/87/EC on (…) micro-enterprises*'.

e) *Special cases of SCF vulnerable groups in view of ETS2 impacts*

As mentioned in Section II.3 of this Guidance, the definitions of vulnerable households and transport users targeted by the Fund include households in energy poverty and households and individuals in transport poverty, which must not necessarily be '*significantly affected by ETS2*'.

While Member States are strongly encouraged to focus their support on addressing the direct effects of ETS2, the following list provides some examples of possible recipients which are not directly affected by ETS2. These recipients would not be eligible to receive direct income support from the SCF, which should be strictly targeting households and transport users directly affected by ETS2 (in accordance with Article 8(2) of the SCF Regulation). However, they may be also eligible for structural measures other than direct income support, which are listed in Art. 8(1) of the SCF Regulation, on the condition that they are classified as vulnerable households or individuals affected by energy or transport poverty.

— *Households heating their homes with solid biomass.* Solid biomass does not fall within the scope of ETS2, and these households would therefore not be directly affected by ETS2 with regard to heating their homes. However, the Fund could also help these households when they are in energy poverty (using the definition of vulnerable households). Such support could also be provided to help these vulnerable households to transition away from solid biomass, or to improve the energy efficiency of their home.

— *Households already heating their homes with electricity or with district heating.* Electricity and large district heating are in the scope of the existing emission trading system for power and large industry (ETS1) and not in the scope of ETS2, meaning that these households would not be directly affected by ETS2. Nevertheless, such households, if they are vulnerable and in energy poverty, could receive support from the Fund, e.g. to improve the energy efficiency of their home.

— *Transport users not owning an internal combustion engine car.* These transport users would not be directly affected by ETS2, even though they may use public transport, subject to the ETS2 price. Households or individuals in transport poverty that do not own an internal combustion engine car may also be eligible for SCF support, preferably for improving their access to public, shared or active transport options.

— *Households receiving support for the installation of renewable energy sources.* The Fund has the objective of alleviating the social impacts of ETS2, which means that support for the installation of renewable energy solutions should be linked, if applicable, to an upgrade of the heating/cooling system to be able to run on renewable energy, along with necessary technical building systems and digital solutions.

f) *Projected impact of the planned measures and investments*

Article 6(1)(a) of the SCF Regulation requires Member Stares to include in their Plans an explanation of how the measures and investments would contribute effectively to achieving the objectives of the Fund.

Member States should follow Annex V, Section 3.3, to the SCF Regulation to explain the projected impacts of the planned measures and investments.

This is different to the biennial reporting required from Member States (Article 24 of the SCF Regulation) based on the list of indicators in Annex IV to the SCF Regulation, which should depend on the actual implementation of the plan.

Under the Technical Support Instrument, the Commission provides advice to Member States on drafting their Plans. Beneficiary Member States receive advice on how to carry out the analysis of ETS2 impacts, how to identify vulnerable groups and the positive impacts of the planned measures and investments. The methodological advice on carrying out these analyses and the key results will be communicated to all Member States in the context of the Climate Change Expert Group formation on SCF implementation.

2. **Components**

a) *General rules*

The Plans should be structured along three coherent components, each tackling specific areas:

1. buildings;

2. road transport ([45]);

3. temporary direct income support (where relevant).

The Plans should set out measures and investments in line with Section 2 of the template for Plans in Annex V to the SCF Regulation ('Template'). The components for the building and transport sectors should be structured in line with Section 2.1 of the template. The component on direct income support should follow Section 2.2 of the template.

Member States are free to set their own priorities across sectors and across vulnerable groups, taking into account the analysis of the effects from ETS2 and the identification of vulnerable groups. The SCF Regulation does not mandate Member States to cover all areas in the plan. Article 4(1) of the SCF Regulation however requires that each plan contains a coherent set of existing and new measures to address the impact of carbon pricing. The Commission will therefore assess if each Member State's Plan adequately tackles the social impact and challenges of ETS2 on targeted groups. The Commission encourages Member States to prioritise the measures and investments expected to have the greatest impact on these groups while maintaining a balanced approach across policy areas, in line with the national effects of ETS2. The Commission will also take account of complementary funding for this assessment.

As part of its assessment under Article 16 of the SCF Regulation, the Commission will review the relevance, effectiveness, efficiency and coherence of Plans against the national situation, and in particular their adequacy to tackle the challenges identified in the analysis under Article 16(3) of the SCF Regulation.

Member States must also estimate and identify the number of vulnerable households, explain how the definitions of energy poverty and transport poverty are to be applied at national level and report on both energy and transport poverty in line with Article 6(1)(e) and (f) of the SCF Regulation. Therefore, the Plans should set out coherent and balanced set of measures and investments tackling the main challenges of introducing ETS2, taking account of national specificities.

b) *Structure of components*

Components should have a meaningful structure, with measures and investments that complement each other. Components are fundamental parts of the Plans, consisting of related measures and investments aimed at tackling specific challenges in one of the two sectors (building or transport). These measures and investments should form a cohesive package with mutually reinforcing actions. Member States are encouraged to present each component separately, detailing the following elements for each ([46]):

1. *measures and investments:* clearly outlining the measures and investments included in the component, specifying how they contribute to the objectives of the Fund;

2. *milestones, targets and timeline*: specifying the milestones and targets for each measure or investment, along with a timeline for implementation;

3. *financing and costs*: information on the financing of the measures and investments, including the costs involved.

([45]) All measures aimed at mitigating the impacts of including road transport in the ETS2 should be inserted in this component even when the investments and reforms tackle other transport modes under Article 8 of the SCF Regulation.

([46]) For more details see Annex V.

3. **Description of measures and investments**

This section aims to provide some general guidance on the type of measures and investments that might be included in the Plans, without affecting the outcome of the specific assessment to be carried by the Commission based on the draft Plans to be submitted by the Member States.

SCPs must provide careful reasoning for each measure and investment, setting out their rationale, objectives and timeline, and interlinkages with other initiatives. This level of detail is crucial for evaluating the effectiveness of measures and investments.

When measures and investments are designed to support vulnerable groups in a certain territory or region (following an analysis of the geographical specificities as required in Annex V, Section 4.5 to the SCF Regulation), Member States should clearly indicate this in the relevant measure or investment description.

In addition, Plans must also explain how each measure or investment complies with the do no significant harm (DNSH) principle. The explanations should be provided by referring to the applicable case under Section 2 of the SCF DNSH Technical Guidance. In line with this Guidance, Member States should fill in the following table to demonstrate that each measure and investment complies with the principle. A measure or investment can cover multiple activities and assets. The table should indicate in detail which approach has been applied for each activity and asset to demonstrate compliance with the principle, including where compliance with the principle relies on different approaches.

Approach	In practice
Are there any activities and/or assets under this measure or investment aligned with one or several sector-specific annexes? *(Section 2.1 of the SCF DNSH Technical Guidance)*	*If yes, list the activities and/or assets code in the relevant SCF DNSH Technical Guidance. No excluded activity can be part of this list.* *If no, indicate so in this box.*
Are there activities and/or assets under this measure or investment not covered by one or several sector-specific annexes and that do not rely on the alternative approaches in Sections 2.3 and 2.4 of the SCF DNSH Technical Guidance? *(Section 2.2 of the SCF DNSH Technical Guidance)*	*If yes, provide a table below for each activity/asset envisaged that is not covered by the sector-specific annexes, in line with 'Table 1. Checklist for DNSH assessment' included in Section 2.2 of the SCF DNSH Technical Guidance. No excluded activity in the sector-specific annexes can be part of this list.* *If no, indicate so in this box.*
Are there activities and/or assets under this measure or investment aligned with the EU Taxonomy (substantial contribution) and DNSH technical screening criteria? *(Section 2.3 of the SCF DNSH Technical Guidance)*	*If yes, list the activities under the taxonomy delegated acts.* *If no, indicate so in this box.*
Is this measure or investment a financial product implemented under the InvestEU Member State compartment, in line with Section 2.4 of the SCF DNSH Technical Guidance?	*Indicate if the measure or investment falls under this category.* *If no, indicate so in this box.*

As required by Article 6(4) of the SCF Regulation, the Commission has published a Note summarising good practices for cost-effective measures that could be potentially financed by the SCF ([47]). A section dedicated to good practices has been published on the Commission's SCF website ([48]). In addition, the Commission provides support to several Member States for drafting their Plans via the Technical Support Instrument. It has a component to advise the participating Member States on the appropriate measures and investments they could include in their Plans. The key findings of the Technical Support Instrument project will be shared with all Member States.

([47]) https://op.europa.eu/en/publication-detail/-/publication/af68b4c7-3508-11ef-b441-01aa75ed71a1/language-en.
([48]) Social Climate Fund – European Commission (europa.eu)

a) *Building renovation*

Article 8(1)(a) of the SCF Regulation provides that Member States may include in the estimated total costs of their Plans measures and investments that:

'(a) *support building renovations, in particular for vulnerable households and vulnerable micro-enterprises occupying the worst performing buildings, and including for tenants and people living in social housing;'*

Under Article 2(13) of the SCF Regulation, 'building renovation' means any kind of energy-related building renovation that aims to increase the energy performance of buildings, such as the insulation of the building envelope, that is to say the walls, roof, floor, the replacement of windows and the installation of technical building systems, compliant with any relevant national safety standards. Member States are encouraged to implement renovation measures that are ambitious, e.g. that achieve at least a medium-depth level of renovation as specified in Commission Recommendation (EU) 2019/786 ([49]), to ensure a lasting impact on vulnerable groups targeted.

In designing these measures, especially for effective targeting and earmarking of resources, Member States should consider that vulnerable households and micro-enterprises cannot usually afford to pay renovation costs upfront. Although they would be reimbursed afterwards, they may not have easy access to credit and might not benefit from tax-related bonuses and deductions as their income/corporate tax is minimal. The proposed measures and investments should therefore be designed to take into account the limited financial capacity or knowledge of vulnerable groups and be as client-friendly as possible.

Solutions on how to address the needs of these vulnerable groups are available in the note on cost-effective measures published by the Commission ([50]) and the guidance document to the Commission Recommendation on energy poverty ([51]). In addition, Member States could link their financial measures for energy performance improvements and reduced greenhouse gas emissions in the renovation of buildings to the targeted or achieved energy savings and improvements (i.e. the support can be modulated according to the savings achieved: higher support for higher gains). Alternative financial schemes to make it easier to implement investments should be further promoted. These should be used by third parties for the benefit of vulnerable groups as final recipients (including financial instruments and budgetary guarantees such as preferential loans to lower the costs of borrowed capital for energy efficiency renovation schemes as well as tax exemptions or reductions). Section II.7.d of this Guidance contains further advice.

b) *Affordable energy-efficient housing, including social housing, and support to affordable energy efficiency solutions*

Under Article 8(1)(b) of the SCF Regulation, Member States may include in their plan measures and investments that:

'(b) *support access to affordable energy-efficient housing, including social housing;'*

Measures and investments under Article 8(1)(b) of the SCF Regulation should aim to improve vulnerable households' access to energy-efficient buildings, including targeted support for social housing projects with high energy performance and lower costs for their inhabitants. Energy-efficient housing builds on the requirements included in Energy Performance of Buildings Directive and the Energy Efficiency Directive. The measures and investments include the construction of new social housing and affordable housing for vulnerable people and those affected by energy poverty, as well as the repurposing of existing buildings, either unoccupied or intended to be repurposed, such as office buildings, industrial sites or public sites that could be turned into energy-efficient affordable housing, including social housing – but without being limited to this. Flagship initiatives under the Renovation Wave ([52]) such as the affordable housing initiative can also be taken as inspiration.

([49]) Commission Recommendation (EU) 2019/786 of 8 May 2019 on building renovation (OJ L 127, 16.5.2019, p. 34).
([50]) Social Climate Fund – European Commission (europa.eu)
([51]) Commission Recommendation (EU) 2023/2407 of 20 October 2023 on energy poverty (OJ L, 2023/2407, 23.10.2023, ELI: http://data.europa.eu/eli/reco/2023/2407/oj).
([52]) Communication from the Commission – A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives (COM/2020/662 final).

c) *Decarbonisation measures and investments*

Under Article 8(1)(c) of the SCF Regulation, Member States may include in their plan measures and investments that:

'(c) *contribute to the decarbonisation, such as through electrification, of heating and cooling of, and cooking in, buildings by providing access to affordable and energy-efficient systems, and by integrating renewable energy generation and storage, including through renewable energy communities, citizen energy communities and other active customers to promote the uptake of the self-consumption of renewable energy, such as energy sharing and peer-to-peer trading of renewable energy, connection to smart grids and to district heating networks, that contributes to achieving energy savings or to reducing energy poverty.*'

The electrification of heating and cooling of, and cooking in, buildings refers to measures and investments aimed at reducing the carbon intensity of heating/cooling and cooking activities performed in buildings by switching to electricity as an energy carrier. Measures and investments are expected to reduce fossil fuel consumption by replacing technologies based on fossil fuels with more efficient non-fossil fuel technologies, preferably electricity-driven ones, benefiting from the increasing decarbonisation of the electricity mixes of Member States. The guidance ([53]) to the Commission Recommendation on energy poverty ([54]) gives a good indication of the structural measures that can tackle energy poverty.

The integration of renewable energy generation and storage refers to measures and investments that increase the renewable energy generation capacity, together with the storage capacity where relevant, including their connection to the grid. Other measures and investments could include (i) the integration of smart technology solutions into buildings, such as smart metres or recharging infrastructure; (ii) promoting demand side response; (iii) support for activities run by energy communities; and (iv) energy sharing by active customers.

'Active customer' and 'citizen energy community' are referred to in Article 2(15) and (16) of the SCF Regulation, while using the definitions in Article 2(8) of the Electricity Directive for the former and Article 2(11) for the latter ([55]). A 'renewable energy community' and the 'peer-to-peer trading' of renewable energy are, according to Article 2(17) and (18) of the SCF Regulation, laid down in Article 2(16) and (18) of the Renewable Energy Directive ([56]).

Support to energy communities could be designed to serve the energy needs of vulnerable groups among others, for example by financing the participation of vulnerable people in these communities, financing the communities' project(s) from which vulnerable groups may also benefit (for example by sharing electricity with low-income or vulnerable households), or by directly financing the energy communities under the condition that vulnerable households are part of them. Support may be available for the development of new production capacity, but also for energy efficiency services, awareness raising and capacity building.

d) *Awareness measures*

Under Article 8(1)(d) of the SCF Regulation, Member States may include in their plan measures and investments that:

'(d) *provide targeted, accessible and affordable information, education, awareness and advice on cost-effective measures and investments, available support for building renovations and energy efficiency, as well as sustainable and affordable mobility and transport alternatives;*'

([53]) Commission Staff Working Document EU guidance on energy poverty - European Commission.
([54]) Commission Recommendation (EU) 2023/2407 of 20 October 2023 on energy poverty (OJ L, 2023/2407, 23.10.2023, ELI: http://data.europa.eu/eli/reco/2023/2407/oj).
([55]) 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 (OJ L 158, 14.6.2019, p. 125).
([56]) 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).

Good examples of measures and investments that target vulnerable households and individuals affected by energy and transport poverty, providing them with information on affordability and accessibility of energy, can be found in the Commission Recommendation on energy poverty and accompanying guidance ([57]), and in the note on good practices for cost-effective measures and investments published by the Commission ([58]). Information campaigns for vulnerable households have their specifics and should be delivered directly to vulnerable households through trustworthy channels such as frontline workers (who need not necessarily provide energy advice but may direct people in these households to other trustworthy bodies, such as one-stop shops, consumer advisory centres or consumer helplines) and must be tailored to the needs of various types of vulnerabilities.

e) *Energy efficiency solutions*

Under Article 8(1)(e) of the SCF Regulation, Member States may include in their plan measures and investments that:

'(e) *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;'*

Measures and investments under Article 8(1)(e) should aim to provide support to public and private entities to develop solutions and funding mechanisms that are adapted to the needs of vulnerable households and micro-enterprises, taking into account their very limited access to commercial financing to cover upfront investments. The use of financial instruments (e.g. loans and guarantees, but also more innovative financing solutions) to support these measures can help mobilise additional private and public investments. While local authorities, energy service companies, utilities, energy agencies and other intermediaries may implement such measures and investments, the final recipients should always be vulnerable households affected by energy poverty and vulnerable micro-enterprises. When supporting such public or private entities, the Member State will need to make sure that the benefits are fully passed onto the final recipient by providing the necessary evidence in accordance with Article 9 of the SCF Regulation.

For all building-related measures and investments mentioned in Sections III.3 a, b, c, d, and e above, Member States could consider the following to ensure that the effect of the measures and investments included in the plan is maximised (for more details, see for example the note on good practices of cost-effective measures published by the Commission ([59])):

— Prioritise the 'energy efficiency first' principle. At least a medium-level renovation of buildings occupied by vulnerable households should be the first-choice scenario to reduce energy consumption and associated energy costs. Deep renovations should be considered where appropriate to maximise energy savings, reduce CO_2 emissions and avoid multiplying administrative processes. There are cases where supporting the installation of devices for measuring, regulating and managing the energy performance of buildings, or individual energy efficiency renovation measures as listed in the Annex on buildings in the SCF DNSH Guidance (and in the Taxonomy Climate Delegated Regulation under the Taxonomy Regulation (Section 7 of Annex I)) can be appropriate cost-effective solutions;

— When renovating buildings, choose components with long technical life span for each building element to reduce the frequency of future renovations. Use products with design for disassembly, maximise the recycled content of renovation materials and maximise reuse of materials from renovation. Use new generation materials, including bio-based products and nature-based solutions;

— Complement energy renovation of the structure of the building by replacing the heating or cooling equipment, installing renewable energy (namely solar PV and solar thermal), and installing energy storage.

([57]) Commission Recommendation (EU) 2023/2407 on energy poverty and accompanying guidance, Commission staff working document: EU guidance on energy poverty – European Commission (europa.eu).
([58]) Support for the implementation of the Social Climate Fund – Publications Office of the EU (europa.eu).
([59]) https://op.europa.eu/en/publication-detail/-/publication/af68b4c7-3508-11ef-b441-01aa75ed71a1.

— Consider the advantages of installing heat pumps combined with the installation of renewable energy (for self-consumption and beyond), such as solar PV and /or solar thermal.

— Support investments in efficient electric cooking appliances and ventilation (including air extractors) for vulnerable households and vulnerable micro-enterprises. Other kitchen appliances (e.g. refrigerators) would not fall under this category as these run on electricity and are not affected by ETS2.

— Promote faster decision-making on energy efficiency and decarbonisation solutions in multi-apartment buildings, urban planning adjusted to the 'energy efficiency first' principle, community and local information sharing on energy efficiency and decarbonisation of housing or corporate social responsibility approaches to prevent 'not in my backyard' effects.

— Encourage vulnerable households and vulnerable micro-enterprises to become prosumers and share electricity or sell it, where relevant encourage energy self-consumption.

— Encourage vulnerable households and vulnerable micro-enterprises to join energy communities by providing for example vouchers to cover the cost of joining or enrolling. Consider setting up energy sharing schemes that pay special attention to helping vulnerable households and support vulnerable households join them.

— Consider using area-based and geographic targeting (in line with Article 6(1)(p) of the SCF Regulation) or a neighbourhood approach when relevant, or the involvement of social housing or other associations, to achieve large-scale implementation and targeting.

— Consider implementing area-level measures to manage flood risks not financed by the SCF, in parallel with the measures or investments financed by the SCF if the latter are carried out on land that has been identified to be at significant risk of flooding in the flood hazard and risk maps produced by the national authorities or in national, regional or local spatial Plans, unless prevention, protection and preparedness measures have already been taken. Consider also providing assistance and guidance to project developers in assessing flood risks to the buildings targeted by their projects and in managing the risks through on-site measures ([60]).

— Deploy targeted administrative capacity measures, including training staff on the ground to advise and proactively help vulnerable households with administrative procedures or the complexities of energy renovation works.

— Consider setting up one-stop shops that offer advisory and educational services combining various funding options (grants, loans with varying levels of co-funding and interest rates, and financial instruments) depending on income level, living situation, building type, including in partnership with local organisations and financial intermediaries.

— Promote the use of energy performance contracts and involve utilities or energy service companies.

— Promote funding of renovation measures recommended in the energy performance certificates (EPCs) (also in the energy audits or in the renovation passports if any) – possibly combined with funding and administrative support for the prior issuance of EPCs (given that many vulnerable households might not have one).

— Address the split incentives between owners and vulnerable tenants and the risk of renovictions (where tenants are forced out of houses or apartments due to rent increases imposed after renovation), for instance by adjusting the regulatory framework for lease contracts or providing interest-free loans to owners, conditional on social safeguards for vulnerable tenants.

([60]) For example, indicating how to find information on area-level flood protection, how to carry out a building-level flood risk assessment, and describing the technical options available to address flood risks in buildings, such as those listed in the EU-level guidance on adapting buildings to climate change.

— Consider implementing financing solutions that do not require any upfront payments from final beneficiaries, e.g. energy performance contracts or energy efficiency obligations imposed on utilities. By front-loading renovation costs against monthly repayments (receivables), third-party financing not only reduces the budgetary burden of the renovation, but also facilitates the transfer of receivables if there is a change of occupants in a given dwelling. This is particularly true for innovative schemes such as on-bill and on-tax financing, where reimbursements are due to either energy providers or fiscal authorities. Such measures can be easily combined with other forms of support such as social tariffs or energy vouchers.

— Where available, consider connections to efficient district heating if decarbonised district heating is available or expected to be deployed in the near future in line with the SCF DNSH Technical Guidance, which may be particularly relevant for large-scale housing in metropolitan areas and for large collective housing and social housing.

— Support investments that promote collective heating self-consumption (through small/micro district heating run by energy communities), as they could put less stress on the electricity system and can be more easily deployed in areas with reduced grid capacity. These investments should comply with the SCF DNSH Technical Guidance.

f) *Zero- and low-emission vehicles and bicycles*

Article 8(1)(f) of the SCF Regulation states that Member States may include in their plan measures and investments that:

'(f) *provide access to zero- and low-emission vehicles and bicycles, 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, purchase of zero- and low-emission vehicles, infrastructure for recharging and refuelling and development of a 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;*'

Under Article 8(1)(f), Member States are required to prioritise in their Plans support to zero-emission vehicles ([61]) ecosystems (vehicles and infrastructures) where they are an affordable and deployable solution, both for new and for second hand market purchases. This may include, for example, the purchase of zero-emission buses /coaches for public transport or school purposes in underserved, low-income areas.

With regards to support for micro-enterprises (as per Article 2 (12) of the SCF Regulation), subsidies for the purchase or leasing of zero-emission vehicles (e.g. taxis, vans, lorries, special-purpose vehicles or cargo-bikes) may be considered.

When designing schemes for the rental or leasing of zero-emission vehicles targeted at SCF vulnerable groups, Member States should take into account factors such as income level, the accessibility and availability of existing public transport, and average commuting times and distances. Ensuring effective targeting of these schemes to SCF vulnerable groups is essential to prevent potential regressive effects of the subsidies.

Where Member States are not prioritising zero-emission vehicles, they should provide evidence and justify why zero-emission vehicles are not an affordable ([62]) or deployable solution, factoring in the impact of ETS2. Member States are also required to include, where applicable, a timetable indicating the gradual reduction of support for low-emission vehicles (as per Article 6(1)(i) of the SCF Regulation).

Additionally, Member States are encouraged to promote the increased use of bicycles, e-bikes, cargo-bikes and micromobility solutions through an integrated urban and regional mobility planning. This approach should prioritize the development of safe, direct, secure and convenient cycling infrastructure and networks that connect low-income areas with key destinations. To support this, Member States could provide subsidies for the purchase, long-term rental or leasing of bicycles, e-bikes or cargo-bikes.

([61]) Under the SCF Regulation 'zero- and low-emission vehicles' are defined the same as in Article 3(1)(m), of Regulation (EU) 2019/631 setting CO_2 emission performance standards for new passenger cars and for new light commercial vehicles.

([62]) To facilitate the analysis on affordability of zero-emission vehicles, Member Staes may consider the concept of 'total cost of ownership' as the total cost of acquiring and owning a vehicle for its lifetime, including the costs of acquiring or leasing the vehicle, fuel costs, maintenance and repair costs, insurance costs, finance costs and taxes, as per point 2.4 (84) of the Commission Communication – Guidelines on State aid for climate, environmental protection and energy 2022 (OJ C 80, 18.2.2022, p. 1).

Where vulnerable groups experience overlapping challenges related to energy and transport poverty, cross-sectoral solutions should be explored to create synergies between investments. For example, Member States could combine social housing developments or building renovations with the deployment of electric vehicle charging points. This integrated approach can simultaneously address energy and transport poverty by providing affordable and accessible charging infrastructure for electric vehicles while promoting sustainable, energy-efficient housing solutions.

g) *Affordable and accessible public transport*

Article 8(1)(g) of the SCF Regulation states that Member States may include in their plan measures and investments that:

'(g) *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.*'

Member States should prioritise public transport that enables significantly more efficient and lower CO_2 mobility compared to private cars.

To support sustainable mobility mentioned in Sections III.3 d, f and g above, Member States could consider the following to maximise the effects of the measures and investment in their Plans (for more details, see for example the note on good practices of cost-effective measures published by the Commission ([63])):

— Consider supplementing public transport with on-demand services, mobility as a service and shared mobility services in order to offer an appropriate mobility service along the entire route chain, i.e. including the first and last mile in public transport. While devising such measures, Member States should take into account the needs of vulnerable groups living on islands, in outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas, areas lagging behind and in rural areas.

— Consider the extension of public transport offer as well as related infrastructure, particularly in rural and underserved urban, sub-urban areas, where it would benefit vulnerable transport users. Investments could also be combined with vouchers for particularly vulnerable transport users.

— Consider offering vouchers at subsidised rates for public transport, on-demand services, mobility as a service and shared mobility services. Accessibility for the most vulnerable groups is crucial and can be ensured both by creating different access options (e.g. app-based interface, telephone access, in-person support) and a barrier-free environment (e.g. station design, access to vehicles and signage). Mobility services that address vulnerable groups should be considered and implemented as part of cross-sector integration – e.g. in relation to social housing developments.

— Consider offering an additional bonus to people who scrap diesel and petrol vehicles, if possible with a sufficient guarantee that another one is not bought.

— Encourage a modal shift to bikes, e-bikes and similar micromobility solutions through an integrated urban and regional mobility planning approach, increasing the availability of a safe, direct, secure and convenient bicycle infrastructure network that also connects low-income areas with relevant destinations. To achieve this, Member States could subsidise the purchase of bicycles, e-bikes and cargo bikes, especially in urban areas, while also facilitating the modal shift with an integrated urban and regional mobility planning approach.

— Invest in appropriate public recharging infrastructure (allowing for smart, bi-directional charging) with attractive prices, in areas with vulnerable transport users and households and individuals in transport poverty.

— Investments in mobility hubs for facilitating exchange and connections between public transport, shared mobility, cycling and walking in sub-urban, peri-urban and rural areas.

([63]) https://op.europa.eu/en/publication-detail/-/publication/af68b4c7-3508-11ef-b441-01aa75ed71a1.

— If support to low-emission vehicles is envisaged, Member States should consider that it will not fully shield vulnerable transport users from fuel price increases due to ETS2, which might reinforce their vulnerability status. The total cost of ownership for vulnerable users should always be considered when assessing the affordability and deployability of prioritised zero-emission vehicles, factoring in the impact of ETS2.

4. **Direct income support**

Direct income support in the context of the Fund is compensation targeted at addressing specific vulnerabilities of recipients with regard to the impact of ETS2, accompanying the decarbonisation of the housing and road transport sectors.

Article 8(2) of the SCF Regulation states that Member States may include costs of providing direct income support to vulnerable households and vulnerable transport users in their Plans. Direct income support is not an obligation. If included in the Plans, it should aim to (i) mitigate adverse effects on income; (ii) provide immediate relief to vulnerable households and vulnerable transport users facing energy and transport poverty; and (iii) accompany structural measures and investments. This support is limited to addressing the direct impact of including greenhouse gas emissions from buildings and road transport within the scope of Directive 2003/87/EC. Recital 23 of the SCF Regulation indicates that direct income support measures should as a rule have an insignificant foreseeable impact on environmental objectives and, as such, should be considered to be compliant with the DNSH principle ([64]).

Such support must:

— *not exceed the ceiling in the SCF Regulation*: the costs of measures providing temporary direct income support cannot exceed 37,5 % of the estimated total costs of the plan (over the 2026-2032 period) as referred to in Article 6(1)(j) of the SCF Regulation.

— *decrease over time and be a temporary measure* accompanying decarbonisation of the housing and transport sectors: the allocated costs for direct income support have to decrease over the duration of the SCF between 2026 and 2032. It is expected that as structural measures are being deployed over the lifetime of the Fund, there will be a proportionate decrease in the need for direct income support.

— *be well targeted to address the direct impact of the ETS2:* it should contribute to mitigating the increase of energy and mobility costs for households and individuals that are directly affected by ETS2 (i.e. households and transport users using coal, heavy fuel oil, natural gas, LPG, petrol and gas oil for heating, cooking and transportation, or any other fuel covered by ETS2 ([65])). It should not benefit the energy-poor or transport-poor households and individuals who are not directly affected by ETS2. This means that direct income support can be expected to be used as of 2027 once ETS2 is fully in place. Recital 21 of the SCF Regulation indicates that direct income support should not be used to support households and transport users affected by electricity costs or any other heating or transport costs that are not affected by ETS2.

— *be additional*: direct income support cannot be a substitute for recurring national expenditure or structural measures within the meaning of Article 8(1) of the SCF Regulation.

— *be embedded in structural measure and investments,* meaning '*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 poverty and transport poverty. The Plans should therefore include direct income support provided that they also contain measures or investments with lasting impacts targeted at the same groups of vulnerable households and vulnerable transport users who receive direct income support.*' (recital 21 of the SCF Regulation).

([64]) This does not prevent the Commission from seeking clarifications on the concrete direct income support measure proposed by a Member State during the assessment of Plans in order to clarify if it falls under the category of such a support type.

([65]) For more details, see the General guidance for ETS2 regulated entities: https://climate.ec.europa.eu/document/download/b5ccad58-6909-4a32-8a72-c73ab8d2a165_en?filename=policy_ets_ets2_gd_regulated_entities_en.pdf.

In line with the Commission Recommendation on energy poverty 2023 ([66]) and the accompanying staff working document ([67]), long-term structural measures should be favoured over short-term and ad hoc direct income support. Direct income support should be used only as a temporary measure while directly responding to the introduction of ETS2 as of 2027, accompanying structural measures and investments. These recommendations are fully in line with the SCF Regulation, which states that direct income support '*does not address the root causes of energy poverty and transport poverty*' (recital 21 of the SCF Regulation). The Recommendation on energy poverty and the accompanying staff working document contain some examples of direct income support.

For the transport sector, an example of direct income support might be financial support in the form of a monthly lump sum targeted to vulnerable transport users affected by ETS2 to cover the income effect of their increase in transport costs.

Direct income support schemes should be designed in a way that does not impede the carbon price incentives generated by ETS2. They should preferably be targeted lump sum payments.

As regards the eligibility of supporting social tariffs as direct income support under the SCF, such support would need to be implemented in a way that complies with all provisions in the SCF Regulation. First, this means complying with all rules on direct income support, in particular limiting support to the impact of ETS2, and with the recommendation of not undermining the ETS2 price signal. Second, all general provisions of the SCF Regulation apply, including the additionality principle, whereby support must be additional and must not constitute recurring national budgetary expenditure.

A distinction needs to be made between optional direct income support and structural measures and investments that must be included in the Plans in line with Article 8(1) of the SCF Regulation. For the purpose of the Fund, any measure that aims to bring a positive lasting impact to reaching climate neutrality in the EU by 2050 or aims to decrease fossil fuel dependency should *not* be considered as direct income support. This would be the case for vouchers or reduced tariffs with clear climate requirements on what the support may be spent on, as well as measures that support participation in renewable energy communities.

For example, a voucher that may be spent only on replacing windows in a building occupied by vulnerable households will be considered a structural measure and not direct income support, as it aims to increase the building's energy efficiency and has an overall positive climate impact.

Similarly, a voucher for public transport (e.g. a mobility wallet) or a targeted reduced tariff for public transport would not be considered direct income support as both measures aim to encourage the use of public transport, which is a cleaner solution than using private means of transport based on fossil fuels. Nevertheless, to maximise the positive lasting impact on the climate, such transport measures would need to be accompanied by other structural measures that aim to improve the infrastructure and availability of public transport.

Direct income support can be provided through public or private entities other than directly to vulnerable households or vulnerable transport users. In this case, in line with Article 9 of the SCF Regulation, Member States must explain what kind of measures those entities will implement and provide clear evidence on how those measures will ultimately be to the benefit of vulnerable households, or vulnerable transport users.

For each direct income support measure, the plan should include the information set out in Section 2.2 of Annex V to the SCF Regulation:

1. nature, type and size of the support;

2. detailed information on the types of final recipients of the support and the criteria used to identify them;

3. the timeline for the decrease in direct income support in line with the timeline of the Fund, including an end date for the support;

4. an explanation of how the support aims to address gender inequality and enhance gender equality, if applicable;

5. description of how the support is implemented.

([66]) Commission Recommendation (EU) 2023/2407 of 20 October 2023 on energy poverty (OJ L, 2023/2407, 23.10.2023, ELI: http://data.europa.eu/eli/reco/2023/2407/oj).

([67]) Commission staff working document (SWD/2003/647): EU guidance on energy poverty (accompanying the Commission Recommendation on energy poverty (C/2023/4080)).

5. **Technical assistance**

Member States may include in their Plans *technical assistance actions* necessary to ensure that the measures and investments are administered and implemented effectively (Article 6(2) of the SCF Regulation). The plan may therefore cover the *costs of technical assistance actions*, but only up to a limit of 2,5 % of the estimated total costs of the plan (Article 8(3) of the SCF Regulation).

The costs of technical assistance that are eligible usually cover the following expenses: training, programming, implementation, monitoring, control, audit, evaluation activities, administrative assistance expenses (including for additional staff) necessary to manage the Fund and achieve its objectives. This includes studies, IT expenses, public consultation of stakeholders, information and communication actions (Article 8(3) of the SCF Regulation).

Member States must set out in their Plans the nature, type and size of the technical assistance activities as well as their respective estimated costs (Annex V, Section 2.3 to the SCF Regulation).

To avoid possible double funding for technical assistance activities between the SCF and other funds, notably the one related to Cohesion policy, a clear demarcation of the staff and technical assistance measures related to each instrument need to be ensured at national and regional level.

With regard to technical assistance in particular, the administrative costs directly linked to the implementation of the Plans are not considered as recurring national budgetary expenditure and are therefore also eligible (Article 13(3) of the SCF Regulation).

In terms of timing and eligibility of technical assistance activities, the same rules apply as for all other measures and investments within the plan. The SCF can only finance costs incurred as of 30 June 2024 (date of entry into application of the SCF Regulation, in line with Article 29).

Member States must set out in their Plans which milestones and targets are related to technical assistance actions.

6. **Milestones and targets**

a) *Setting milestones and targets*

Components in the plan should be associated with a limited but meaningful number of milestones and targets that represent the key steps in the implementation of the plan. Milestones and targets are an indication of the progress towards the achievement of a measure or an investment. The following distinction should be made:

— A *milestone* is a qualitative indicator used to measure progress towards the achievement of a measure or an investment (Article 2(5) of the SCF Regulation). It does not reflect amounts but rather an objectively verifiable qualitative achievement (adopted decree or administrative act launching a call for proposals or a piece of legislation, reforming rent regulations, simplifying the permitting process and reducing the administrative burden for implemented measures) and details desirable content and characteristics.

— A *target* is a quantitative indicator used to measure progress towards the achievement of a measure or an investment (Article 2(6) of the SCF Regulation). It is based on an agreed result or output indicators as listed in Annex IV of the SCF Regulation. The choice of targets should reflect the implementation of measures and investments, and should therefore be operational.

To measure progress via milestones and targets, it is sometimes necessary to set a baseline to reflect the state, quantitative or qualitative, of the variable/indicator used to measure progress before the measure or investment. This may be the state at the point in time immediately before the intervention and/or when the plan was submitted, or it may be based on an extrapolation of current trends.

b) *Design of milestones and targets*

Measures should be monitored by milestones and targets where relevant. Whenever possible, a structural measure should be covered by a single milestone, reflecting its final step (e.g. entry into force of a given legal act). Milestones should be clear and focus on straightforward legal requirements, where relevant.

Investments should be monitored mostly by targets (and milestones where relevant), whose fulfilment can be measured through output and result indicators. Relevant common indicators for all three areas are specified in Annex IV to the SCF Regulation and can be used as indicators of the achievement of a given target. If a Member State's plan does not contain a measure or investment that contributes to some of the indicators suggested in Annex IV, the Member State can use additional indicators for efficiency reasons, prioritising those that have been used under other EU funds, programmes and instruments, such as cohesion policy programmes under the Common Provisions Regulation or the RRF Regulation. Where feasible and appropriate, for similar types of investments the same indicators should be used.

Milestones and targets should be designed to monitor the progress of investments throughout their life cycle to ensure that the overall objectives of each component are achieved. Typically, the progress in implementing the investments within the plan should be monitored by way of three types of milestones or targets:

— *initial milestone (if feasible or relevant):* this milestone should focus on verifying that the investment has begun. It ensures that the necessary framework conditions for implementing the investment are in place from the outset. This step is relevant only if the investment has not yet begun and should be used for larger investments. For instance, this may relate to the launch of the public procurement process.

— *mid-point milestone or target (if feasible or relevant):* this milestone or target should assess the progress of implementation at the midway point so that any major bottlenecks can be identified and corrective action be taken promptly. For small-scale investments, the mid-point targets should be avoided to ease the administrative burden.

— *final milestone or target:* this milestone or target should be included for every measure or investment in the plan. It should be output-based and aim to verify the effective achievement of the objectives and goals of the measure or investment. It is particularly relevant for assessing requirements that can only be evaluated once a measure or investment has been completed. The output indicators listed in Annex IV to the SCF Regulation may be particularly useful for this.

For measures and smaller investments, preference should be given to using a single milestone or target that reflects the final step/outcome. The overall number of milestones and targets should be commensurate to the size of the allocation and be consistent across investments within the plan.

c) *Best practices for drafting milestones and targets*

When drafting the relevant milestones and targets, Member States should follow the template provided in Section 2.1(iv) or 2.2(iii) of Annex V to the SCF Regulation. They are encouraged to use the indicators in Annex IV to the SCF Regulation.

When choosing a milestone or target that is not covered by the indicators in Annex IV, Member State should follow the following best practices when designing the respective milestones and targets:

— Milestones and targets should be clear and realistic (achievable). The proposed indicators should be relevant, measurable within the framework in place when the plan is launched, specific to the action supported by the plan, and robust. They should reflect different stages of the implementation of measures and investments. The indicators listed in Annex IV provide good examples. If possible, indicators should allow for calculation of impact expressed in the quantity of GHG avoided. If needed, other indicators used under other EU funds could be applied, e.g. under the programmes and instruments such as cohesion policy programmes under the Common Provisions Regulation.

— Overall, it is important that milestones and targets remain within the control of the Member State and are not conditional on external factors such as the macroeconomic outlook. The use of result indicators as milestones and targets outside the control of the Member State should be avoided given the unpredictability of such indicators and their dependence on other factors.

— The description of milestones and targets should be brief, precise and to the point (maximum of two to three sentences). They should capture the policy objective and provide a very specific outcome to evaluate its attainment.

— Member States should ensure consistent wording across the whole plan.

— Appropriate legal language should be used. It should clearly distinguish between obligatory and non-obligatory language. When expressing an obligation, use *'shall'*. Avoid *'will', 'can' or 'should'*. Use non-obligatory language such as '*may*' sparingly as Plans should focus on legally binding commitments.

— Do not refer to State aid approval processes in milestones and targets (see Section II.11 of this Guidance).

— Milestones and targets should only contain DNSH conditions when there is a risk that the activity or asset being financed under the measure or investment does significant harm to environmental objectives within the meaning of Article 17 of the Taxonomy Regulation, in line with the SCF DNSH Technical Guidance.

— For milestones and targets related to measures and investments that receive support from other EU or national funds, only the part of those measures and investments supported by the Social Climate Fund and the corresponding achievements should be covered by the relevant milestones and targets. Measures and investments that receive support from other EU funds need to have a clear delineation of what is supported by the Fund, and the milestones and targets should only cover these aspects. In cases where the SCF funding is combined with other EU funds to support a measure, this needs to be clearly identified in the total estimated cost, stating the part of the estimated cost financed by the Fund and the part of the estimated cost financed by other EU fund..

— Targets should be established based on a baseline (context indicators), the dataset and the methodology for calculating the baseline and the output (the level or specific point to be reached). Targets can be fixed at a specific level or a reasonable range, depending on what is measured and on how precise the estimate is. Member States should consider how to ensure and prove the quality of data and where relevant keep all necessary records. They should clearly indicate whether the same methodology will be used to calculate the goal and the baseline, which national authority will be in charge of collecting and computing the data, and how frequently the data will be collected.

— Milestones should be reliable, factual and, when referring to future documents (e.g. legislation, programming documents), detail their content. The milestone to be achieved should be precise and related to the key steps (e.g. 'entry into force of a legal or administrative act'). Avoid vague or subjective measures (e.g. 'legislative proposal well developed').

— Milestones and targets must include clear completion dates aligned with the submission rules: Member States are allowed to submit two payment requests annually. Completion deadlines should be specified in quarters (Q) of the relevant year.

— Where relevant and if applicable, Member States should include (gender) equality objectives within the milestones and targets, e.g. by including (sub-)targets by gender, age or disability, if appropriate (see Section II.12 of this Guidance).

For measures and investments to be implemented at regional and local level, this must be indicated in the milestone or target description.

Milestones and targets will be discussed between the Commission and the relevant Member State based on their plan, with a view to agreeing on the ones to be included in the Commission implementing decisions on approval of the Plans as per Article 17 of the SCF Regulation.

7. **Financing and costs**

a) *National contribution*

Each Member State must contribute a minimum of 25 % of the estimated total costs of its Plan. The SCF contribution to the social climate plan of each Member State is up to the maximum financial allocation under the Fund for that Member State in accordance with Articles 10, 14 of, and Annexes I and II to, the SCF Regulation.

The national contribution must come from public sources only, which includes resources from regional or local budgets. This can include resources mobilised by national, regional or local budgets through the issuance of bonds or other debt instruments. However, the national contribution may not include any private sources of financing as per Article 15 of the SCF Regulation.

It is recommended that the national contribution is spread proportionally across the components of the plan. This would ensure continuous progress and with it the achievement of milestones and targets in all the relevant areas over time. In any case, the Member State's national contribution should be clearly outlined for each component, as well as for measures and investments in line with Section 2.1(v) of Annex V to the SCF Regulation.

b) *Cost estimates of measures and investments*

Member States should present the estimated costs of measures and investments included in their plan, taking into account among other things the following criteria listed in Article 16(3)(c)(i) of the SCF Regulation on the assessment of the Plans by the Commission in terms of their relevance:

— *reasonable:* if the Member State provided sufficient information and evidence that the amount of the estimated total cost of the plan is appropriate.

— *plausible:* if the Member State provided sufficient information and evidence that the amount of the estimated total cost of the plan is in line with the nature and type of the envisaged measures and investments. This requires a cross-cutting assessment to ensure alignment between the qualitative nature of the measures or investments in the component and their cost.

— *in line with the principle of cost efficiency and commensurate:* if the amount of the estimated total cost of the plan is in line with the principle of cost efficiency and commensurate with the expected social and economic impact of the envisaged measures and investments on the Member State concerned. The assessment of cost efficiency will be carried out at plan level, taking into account the cost efficiency of the measures and investments included in it. The plan will be assessed to ascertain if its expected economic and social impact is aligned with its cost. Such an assessment will consider the impacts of the measures and investments included in the plan and their estimated costs. Member States should also provide evidence that their cost estimation aims to achieve the most cost-efficient outcomes.

— *additional to other EU funding:* if the Member State provided sufficient information and evidence that the amount of the estimated total cost of the measures and investments included in the plan to be financed under the Fund is not covered by existing or planned EU funding.

The Member State should also consider the following aspects when submitting cost estimates of Plans:

— *accuracy:* while indicating that costs are only estimated before they are actually incurred, the total estimated costs should be such that they are reasonable and plausible – actual costs are not to be checked or monitored within the framework of the SCF. Use of accounting methods, historic costs, statistical data, credible and robust studies from trusted bodies or other similar sources of information and evidence facilitates accurate cost estimation.

— *transparency:* cost estimates should be traceable. Where accounting methods, historic costs, statistical data, credible and robust studies from trusted bodies, market prices or other similar sources of information and evidence are used to prepare them, such information should be freely available for possible checks.

— *consistency:* cost estimates should be consistent with other EU policies and national practices and in particular with the costs applied to similar projects via other EU funding streams.

The Commission will also seek close cooperation with Member States to ensure that EU financial interests are properly protected. This will entail a control and audit mechanism to prevent any irregularities.

c) *Required information on financing and cost estimates*

Member States should provide the information on cost estimates in sufficient detail for each measure or investment in the relevant supporting document as well as in one table per component, broken down into individual measures and investments included in that component. Each of the three tables should also contain the relevant time period and a breakdown of the total cost of each measure and investment per year. For this purpose, Member States should use the template accompanying this Guidance (see Sections 2.1, 2.2 and 2.3 of Annex V to SCF Regulation). In each table, Member States should also indicate:

— *National contribution:* Member States should provide information on their national contribution to the total costs per component. The cumulative national contribution across all three components must constitute a minimum of 25 % of the total cost of the Plans.

— *Financing from other EU, international and public sources:* in line with Article 6(1)(c) of the SCF Regulation, for each measure and investment that will be also financed from other EU, international and public sources, Member States should specify the sources of financing being used and clearly identify which part of the measure and investment they cover.

— *Financing from private sources:* Member States should indicate any financing obtained or intended to be used from private sources, in line with Article 6(1)(c) of the SCF Regulation. This should include, where relevant, the financial contribution from final recipients supported by the measures or investments. This will be valuable information to assess the level of effort required from the final recipients and the relevance of the plan under Article 16(3)(a) of the SCF Regulation.

— *Cost of additional technical support and cash contribution under the InvestEU programme*: Member States should include in their Plans the amounts to be made available for additional technical support under Article 7 of Regulation (EU) 2021/240 and the amount of the cash contribution for the purpose of the Member State compartment of InvestEU under Regulation (EU) 2021/523. These costs should not exceed 4 % of the maximum financial allocation for the plan, as per Article 11(4) of the SCF Regulation.

Member States should include in their Plans and supporting documents the following information:

— *Information on the methodology used:* the underlying assumptions made (e.g. on unit costs, costs of inputs, number of people targeted), justification for these assumptions and who conducted the cost estimate;

— *Calculation* showing how the final estimate was obtained, including, if available, calculations for the high-level categories that are the main cost drivers;

— *Comparative costs data:* information on the actual cost of similar measures or investments that have been carried out in the past, if available from past similar projects financed via other EU funding streams. If adjustments are required to make the costs more comparable, Member States should provide an explanation on parameters and the relevant data used to make the adjustments;

— *Validation by an independent fiscal institution:* Member States are encouraged to discuss the plan with their national independent fiscal institutions or similar bodies.

Member States should present the estimated total costs excluding VAT to enable comparability between the Plans (recital 26 of the SCF Regulation).

8. **Operational costs**

As a rule, the Fund should only finance costs that are non-recurrent in nature and fall within its lifetime. Article 13(2) of the SCF Regulation provides that support from the Fund should not, unless for duly justified cases, substitute recurrent national budgetary expenditure. For the part of the plan dedicated to technical assistance, the administrative costs directly linked to implementation of the plan are not considered as recurring national budgetary expenditure as per Article 13(3) of the SCF Regulation.

In duly justified cases, regular operating costs may be financed to the extent that (i) they will produce longer-term effects in line with the objectives of the Fund; (ii) their financing will be sustainably ensured after the Fund has ended; and (iii) the negative effect on the government balance is only temporary. The main criteria to take into account are: (i) whether the cost is an integral part of a measure or investment; and (ii) if this measure or investment contributes to meeting the assessment criteria. This applies to both administrative expenditure such as staff costs and to operating costs.

For example, infrastructure maintenance costs of a recurrent nature would not be eligible, but investments in upgrades, including very heavy or overdue maintenance, should be able to be supported under the Fund on a case-by-case basis. In addition, operational costs could be covered to facilitate the uptake of new shared mobility services or on-demand transport services in rural areas during the initial demand ramp-up phase, where the SCF could finance not only the cost to set up the services, but also their running costs for a limited period of time. In all cases, the eligibility of the measure or investment will depend on how targeted it is to the vulnerable groups that may receive support from the SCF on a case-by-case basis.

9. **Ex ante prevention of double funding and protection of the EU's financial interests**

Member States have a primary responsibility to avoid double funding between the SCF and other EU funds, and as such are obliged to verify the absence of double funding before submitting their Plans (based on Articles 13 and 21 of the SCF Regulation). Due to the performance-based nature of SCF funding, this necessitates a clear ex-ante demarcation between the activities and projects funded under the SCF and those funded under other EU funds and other EU programmes.

Member States should:

— *identify the measures and investments supported by other EU funds* and other EU programmes (ongoing or programmed) that carry a risk of overlapping with funding from the SCF;

— *apply a clear ex ante delineation of cost categories/cost items* directly in milestones and targets so that they cover exclusively the performance directly supported by the SCF (and related national contribution). The plan should only reflect the results achieved through SCF support (and not the results achieved with both the SCF and other EU funds). Project delineation can be based on time or geography or on the different nature of projects.

In addition to the conditions outlined above, this approach must be in line with the provisions of the other EU funding instrument concerned and must comply with State aid rules, including provisions on cumulation. Member States must put in place thorough management verification procedures to prevent double funding during implementation.

These procedures should be included in the Member State's internal control system (see Annex III to the SCF Regulation). As required by Article 6(1)(o) of the SCF Regulation, Member States must set out in their Plans, as per Section 4.6 of Annex V to the SCF Regulation, the arrangements they have put in place to avoid double funding as well as protect the interests of the EU. It is important that these arrangements consider all relevant data sources, maintain a systematic separation of funding streams, and implement cross-checks throughout project implementation to exclude the possibility of double funding. These internal control systems must therefore be sufficiently robust to protect the financial interests of the EU and, in particular, prevent, detect, report and correct fraud, corruption and conflicts of interest.

Member States' internal control systems is to conduct adequate and independent audits of systems and operations in accordance with internationally accepted audit standards, also to be described in line with Section 4.6 of Annex V to the SCF Regulation and in accordance with Annex III, point 5. This includes among others:

— the designation of the body or bodies that will carry out the audits of systems and operations and how their functional independence is ensured;

— the allocation of sufficient resources to this body or bodies for the purpose of the Fund;

— the effective tackling by the body or bodies of the risk of fraud, corruption, conflicts of interest and double funding both through system audits and audits of operations.

10. **Scenario in the event of ETS2 starting later**

In line with Article 10(1) third subparagraph of the SCF Regulation and the last column of the table in the Annex II to the Regulation, if ETS2 is postponed by one year in accordance with Article 30k of the ETS Directive, the maximum financial allocation for each Member State under the Fund would be lower than the respective allocation if ETS were to start in 2027. In line with Annex V to the SCF Regulation on the template of the plan and as clarified in recital 28 of the SCF Regulation: '*For more efficient planning, Member States should indicate in their Plans the consequences of postponing the emission 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 to be included in the Plan should be thoroughly distinguished by separating it into two scenarios, namely, by 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.*' The information should be provided in line with the template of the plan provided in Annex V.

11. **Adequate partnership and public consultation**

The involvement and commitment of relevant stakeholders during the design and implementation phase are crucial to the success of the SCF and all the European Green Deal initiatives. An inclusive partnership approach in preparing and implementing these Plans is essential as it brings different perspectives and expertise to informing policy decisions. Member States are encouraged to consider implementing the examples of good practices for public consultations on the Plans, as published by the Commission in accordance with Article 5(4) of the SCF Regulation ([68]).

a) *Types of stakeholders*

Article 5(1) of the SCF Regulation lists various types of stakeholders that should be consulted as part of the process of drafting the Plans:

— local and regional authorities;

— representatives of economic and social partners;

— relevant civil society organisations;

— youth organisations;

— other stakeholders.

Member States are encouraged to fully involve and make use of the expertise and knowledge of these stakeholders on among others energy and transport poverty mappings, the targeting of vulnerable groups or in identifying investment needs across the policy objectives of the Fund.

To use the experience gained, it is recommended to include the authorities in charge of implementation of cohesion policy funds as well as Recovery and Resilience Plans in preparing the SCPs and their public consultation even if they are not the main coordination body for overall implementation of the Plans. The involvement of regional and local authorities in the drafting and consultation of the Plans will be vital, especially as regards the regional and local measures and investments proposed in the Plans.

In addition to the stakeholders mentioned in Article 5(1), the SCF Regulation provides for the involvement of other stakeholders. These could be research and innovation institutions, environmental partners and non-governmental organisations. Ensuring the appropriate representation of gender equality and equal opportunities experts such as equality and non-discrimination bodies and organisations that represent the interests of women, people with disabilities, youth organisations ([69]), people with migrant background, single parents, older people during consultations is also crucial for promoting gender equality and integrating equality considerations into the Plans.

([68]) Support for the implementation of the Social Climate Fund - Publications Office of the EU (europa.eu)

([69]) 'Youth for a just transition – A toolkit for youth participation in the just transition fund' can be a good source of information on how to involve young people in a socially fair transition to a climate-neutral economy (Inforegio - Youth for a just transition – A toolkit for youth participation in the just transition fund (europa.eu)).

Moreover, Plans should pay special attention to vulnerable groups, including people with disabilities, and children, isolated older people, ethnic minorities, marginalised communities, non-EU citizens and people with migrant background, who are at a higher risk of poverty and social exclusion.

Where stakeholders are not organised in a way that allows them to provide meaningful input, the authorities should provide assistance to relevant public authorities and non-governmental organisations to help organise those stakeholders and ensure that their interests are fully represented and included in the Plans.

b) *How to conduct public consultations*

Public consultations should be conducted in accordance with Article 10 of the Governance Regulation. They should comply with the national legal framework and take into account key aspects of the European code of conduct on partnership in the framework of the European structural and investment funds ([70]). These elements require Member States to facilitate early, clear and effective public participation as well as set reasonable time frames allowing sufficient time for the public to be informed, to participate and to express their views.

The SCF Regulation (Article 5 and recital 18) requires that a (new) public consultation should be carried out on the social climate plan in its entirety (albeit at a preliminary stage). Past public consultations already organised on existing measures to be included in the plan should be mentioned and summarised.

Member States are required to provide a summary of the consultation process conducted in accordance with the national legal framework when preparing the plan and describe how stakeholder inputs have been taken into account and are reflected in the plan (Article 5(2) of the SCF Regulation). The summary should list the stakeholders consulted, the type of consultation method (conference, bilateral, tripartite, etc.), the timing of the outreach efforts and whether stakeholders have been consulted exclusively on specific components or whether a general consultation has taken place on a comprehensive draft plan or on all of its aspects separately. Along the same lines, Member States should explain as far as possible the steps envisaged to involve and consult the relevant stakeholders during implementation of the Plans.

For amendments to the Plans that are not minor, Member States should organise public consultations on the amended measures or investments in accordance with Articles 5, 16 and 18(2) of the SCF Regulation. This is also stated in recital 18: '*A public consultation of stakeholders should take place every time the Commission is required to assess a Plan*'.

12. **Submission**

Each Member State should submit a social climate plan to the Commission in order for financial support from the Fund to be provided for the measures and investments included in the plan. Member States should submit their Plans by 30 June 2025 in line with recital 17 of the SCF Regulation.

The Commission will put in place a single electronic platform for the submissions and monitoring of Plans, as well as for the introduction of relevant payment requests.

The plan should be designed in close cooperation with the Commission and must follow the template provided in Annex V to the SCF Regulation, as required by Article 6(7) of the SCF Regulation. Member States should engage with the Commission on draft Plans as early as possible ahead of the planned formal submission. They can consult the Commission on various aspects of the plan before the formal submission. Informal consultations would provide the opportunity to identify and resolve any potential issues before submitting the plan, making it easier for the Commission to swiftly assess and adopt it. Furthermore, the Commission will seek the active commitment of each Member State before submission of the plan to work in partnership with relevant stakeholders to help make the process as efficient as possible.

The Commission will transmit the Plans submitted by Member States, as well as the respective assessment decisions as made public by the Commission, simultaneously and on equal terms to the European Parliament and to the Council (Article 25 of the SCF Regulation).

([70]) The European code of conduct on partnership in the framework of the European structural and investment funds - Publications Office of the EU.

13. **Communication on the Plans**

Member States are required to make the following data publicly available and keep it up to date on a single website (that might already be in place) in open and machine-readable formats. This allows for the data to be sorted, searched, extracted, compared and reused (Article 23(1) in relation to Article 21(2)(d) (i), (ii) and (iv) of the SCF Regulation):

— name of the final recipients of the financial allocations, their VAT registration numbers or tax identification numbers and amount of the financial allocations from the Fund;

— name of the contractor(s) and subcontractor(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 EU or national law on public procurement;

— a list of all measures and investments implemented under the Fund, setting out the total amount of public funding for those measures and investments and the amount of funds paid under other funds financed from the EU budget.

The information referred to in the two first points above should not be published when it concerns specific exceptions:

— temporary direct income support to vulnerable households;

— the situations listed in Article 38(3) of the Financial Regulation, in particular: (i) financial support provided through financial instruments for an amount lower than EUR 500 000; (ii) where disclosure risks threatening the rights and freedoms of the persons or entities concerned as protected by the Charter of Fundamental Rights of the European Union or harming the commercial interests of the recipients; (iii) when it concerns the remuneration of external experts selected on the basis of their professional capacity, respecting the principles of non-discrimination, equal treatment and absence of conflicts of interest.

On the dedicated website to be put in place as soon as possible, each Member State should also publish its draft and final Plans, including their Annexes, the Commission implementing decision approving the plan, the Commission implementing decisions on amendments to the plan, the Commission disbursement decisions, the agreements between the Commission and the Member State constituting individual legal commitments, and any notification of minor amendments to the plan. Member States should keep these dedicated websites updated with any new relevant documentation. They should also publish on these dedicated websites their biennial reports under Article 24(1) of the SCF Regulation (as part of the integrated national energy and climate progress report) and the evaluation reports and *ex post* evaluation reports on the implementation of the Fund provided by the Commission under Article 27 of the SCF Regulation.

Member States are also required to inform the recipients of the Fund of the origin of the support, including where they benefit from that support through intermediaries. The information provided to recipients should include the EU emblem and an appropriate 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 (Article 23(2) of the SCF Regulation) ([71]).

Recipients of the Fund are also required to ensure that the EU funding is visible, in particular when promoting actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public. This obligation does not apply when the support is provided to natural persons or when there is a risk of commercially sensitive information being made public (Article 23(2) of the SCF Regulation).

([71]) For further guidance on appropriate use of communication materials please consult Communication and visibility rules for EU funding programmes 2021-2027 – Guidance for Member States available at: Communicating and raising EU visibility - European Commission.

When submitting their Plans, Member States should (Section 4.7 of Annex V to the SCF Regulation):

a) Indicate the Internet: **where draft and final national Plans, related measures and investments and disbursements data will be published** in a machine-readable format, allowing the Commission to further process the data, and which will also include the information, communication and visibility measures on the Fund;

b) Provide an **outline of the intended national communication strategy** to ensure public awareness of the impact of the EU funding on citizens' daily lives through the implementation of the national plan and each measure and investment. Member States should develop a consistent strategy on: (i) how to communicate the benefits of SCF support; (ii) how they will ensure that the eligible vulnerable groups are informed about the funding opportunities; and (iii) how to encourage these groups to benefit from and apply for SCF support.

In order to make this process easier for Member States, they are encouraged to align with the same minimum communication requirements as under the CPR. They should therefore include the following in their communication strategy:

i. the **main audiences** that will be addressed by communication activities, including at least potential beneficiaries of the measures and investments covered by the national plan and relevant non-expert audiences that are concerned about the social impact of ETS2 and the relevant **media mix** to reach these;

ii. how they will implement **joint communication actions with the Commission** on the ground;

iii. a list of **measure and investment types that they intend to promote more actively,** and which would be used for coordinated communication with the Commission;

iv. the contact details of the **national communication coordinator** who will coordinate information and communication actions in relation to the SCF and who will serve as the contact point for the Commission and other Member States to share best practices and coordinate joint activities.

The Commission will also implement information and communication actions related to the Fund and the results obtained. These actions may include, where appropriate and with the agreement of the national authorities, joint communication activities with the national authorities and the representation offices of the European Parliament and of the Commission in the Member States concerned (Article 23(3) of the SCF Regulation). The Commission has published a website for the Social Climate Fund ([72]). It contains general information on the Fund, a list of Member State authorities responsible for drafting the Plans, a subsection dedicated to good practices on measures that could potentially be financed by the SCF and how to carry out a meaningful public consultation of the Plans. The Commission will regularly review this dedicated webpage with all relevant public information.

14. **Amendments of the Social Climate Plans**

a) *Objective circumstances*

If a plan is no longer achievable, including relevant milestones and targets, or needs to be significantly adjusted either in whole or in part by a Member State because of objective circumstances, the Member State concerned may submit an amended plan to the Commission in order to make the necessary and duly justified changes (Article 18(1) of the SCF Regulation). The request can be made in particular due to the actual direct effects of ETS2.

Objective circumstances can render a measure or investment no longer achievable with the estimated level of cost or efficiency, or can lead to the identification of a better alternative that is more conducive to meeting the same objectives of the SCF Regulation. In such instances, Member States will need to bring forward the objective factors that underpin the unexpected inefficiencies stemming from implementation of the original measure or investment as initially planned and demonstrate that the proposed alternative is better suited to achieving the intended objectives of that measure. For instance, Member States could put forward evidence that the alternative measure or investment is more cost-efficient or more conducive to achieving the policy objectives of the measure or investment.

([72]) https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/social-climate-fund_en.

Objective circumstances can include, but are not limited to, the following examples:

— *changes in the timeline* due to unforeseen natural obstacles (for instance a natural disaster) or due to unforeseen national developments (such as a legal dispute which impacts the implementation of the measure or investment, unforeseen socio-economic developments e.g. economic shocks).

— cases where the Member State can demonstrate that a measure or investment is no longer achievable due to the *existence of a manifestly better alternative* to implement the measure (for instance because a better alternative was identified that is more conducive to meeting the same objectives) compared to what was initially planned. For instance, a Member State might identify a significantly more cost-efficient way to build a transport hub and would like to change the relevant technical specifications in the corresponding milestone, or would like to support zero-emission vehicles. This request would need to be accompanied by a note explaining the type of analysis that was done to determine that the new method would be more cost-efficient while leading to the same overall results.

The amendments should not decrease the level of ambition and expected impact of the plan, which must continue to meet the assessment criteria of the SCF Regulation. Member States should clearly demonstrate that the level of ambition and expected impact of the plan will be maintained and the requirements under Article 16 will be met.

When invoking Article 18, Member States are responsible for providing an adequate justification to support the proposed amendments and can choose the type of evidence and information that they would like to put forward to support their rationale. The type and nature of the changes, and the objective circumstances invoked, will determine the level of information that needs to be provided. For example, Member States do not need to provide evidence for the occurrence of widely known circumstances, but should provide specific information on the impact of those events on the measures and investments or on the concrete milestones and targets.

The Commission should reassess the amended Plan in light of the same assessment criteria provided for in Article 16 (Article 18(2) and (3) of the SCF Regulation). Where the Commission gives a positive assessment of the amended plan, it will adopt a decision setting out the reasons for its positive assessment in accordance with Article 17(1) of the SCF Regulation, by means of a new Commission implementing decision within three months of the date of the submission of the amended plan by the Member State concerned. For amendments that are not 'minor' (see Section III.14.b of this Guidance), the Member State should organise a public consultation on the amended plan in accordance with Articles 5, 16 and 18(2) of the SCF Regulation ([73]).

b) *Minor adjustments*

To avoid excessive administrative burden, Member States can make minor adjustments to, or correct clerical errors in, the Plans by a simple notification of those changes to the Commission (recital 19 of the SCF Regulation). If minor adjustments are made to the plan, such as minor updates of the investments set out in the plan or the correction of clerical errors, leading to an increase or decrease of less than 5 % of a target set out in the plan, the relevant Member State can notify the Commission about these changes (Article 18(6) of the SCF Regulation). Member States should clearly demonstrate that the balance of the plan will be maintained and the requirements under Article 16 will be met.

Member States should avoid notifying the Commission about several minor adjustments to the same target. If this is necessary, the cumulative impact of all such minor adjustments to the same target should not exceed 5 % of its initial value. For measures without targets, the minor change should not be substantial. It should cover procedural issues and cannot include a modification of the milestones.

([73]) This is also clarified in recital 18 of the SCF Regulation: 'A public consultation of stakeholders should take place every time the Commission is required to assess a Plan'.

In terms of procedure, Member States should submit their notification of minor adjustments using the template in Annex II via the electronic data exchange system for the SCF, which will provide information on the elements changed in the Plans. Member States should consult the Commission services informally before submitting their notification to ensure it complies with the SCF Regulation. If the Commission services assess that the adjustment to the target exceeds the 5 % threshold, the notification will be deemed not to be in line with the conditions in Article 18(6) of the SCF Regulation and will be void. Similarly, if the Commission services consider that a request for adjustment does not relate to minor updates in the measures or investments or a mere correction of a clerical error, the notification will be void.

To ensure legal certainty, Commission services will reply to each notification to confirm that it complies with Article 18(6).

c) *Assessment of the Plans' appropriateness*

Member States must assess the appropriateness of their Plans in view of the actual direct effects of ETS2 and submit those assessments to the Commission together with the integrated national energy and climate progress reports by 15 March 2029 (Article 18(5)). Depending on the outcome of those assessments, amendments might be needed to the Plans to better address the actual effects of ETS2 or support to vulnerable households.

IV. **ASSESSMENT AND ADOPTION OF PLANS**

1. **Assessment of the Plans by the Commission**

a) *On process*

Under Article 17(1) of the SCF Regulation, the Commission must adopt the implementing decision on the approval of the plan within five months of the date of submission as per Article 4(1) of the SCF Regulation.

In accordance with Article 16(1), the Commission may make observations or seek additional information within two months of the date of submission of the plan by the Member State. The Member State must provide the requested additional information within the deadline set in the Commission's request and may revise the plan if needed. The relevant Member State and the Commission may agree to extend the deadline for assessment by a reasonable period if necessary (Article 16(1)).

b) *On substance*

The Commission must assess the Member States' Plans based on the criteria set out in Article 16(3) of the SCF Regulation.

Table

List of assessment criteria for Plans based on Article 16(3)

Relevance	Effectiveness	Efficiency	Coherence
Comprehensive and adequately balanced response to the economic and social situation	Lasting impact	Reasonable and plausible total costs	Coherent actions
Do no significant harm	Effective monitoring and implementation of the plan	Control systems	
Green transition	Compliance and consistency with other relevant legal acts	Efficient milestones and targets	

Relevance	Effectiveness	Efficiency	Coherence
	Complementarity, synergy, coherence and consistency with relevant EU instruments		

i. Relevance

— *Comprehensive and adequately balanced response to the economic and social situation*

The Commission will assess whether the plan adequately addresses the social impacts and challenges faced by vulnerable households, micro-enterprises and transport users in the relevant Member State due to greenhouse gas emissions from buildings and road transport falling under ETS2. The assessment will consider:

— the Member State's national energy and climate plan to understand its strategy and measures aimed at addressing social impacts and challenges for vulnerable groups;

— whether the Member State has addressed challenges highlighted by the Commission in the update of its national energy and climate plan and its progress, with particular attention to issues that affect households in energy poverty or households in transport poverty;

— whether the Commission's recommendations to the Member State relevant to the scope of the Fund, issued under Article 34 of the Governance Regulation, have been integrated into the plan;

— whether the plan aligns with the EU's 2030 climate and energy targets and the long-term goal of climate neutrality by 2050.

— *Do no significant harm*

The Commission will assess whether each measure and investment (excluding direct income support ([74])) in the plan complies with the DNSH principle. This is based on the assessment provided by the Member State under the table indicated in Section III.3 of this Guidance, and in line with the SCF DNSH Technical Guidance.

— *Contribution to the green transition*

In line with the EU's political priorities, the Fund is designed to address the social impacts of including the building and road transport sectors in the emissions trading system as per the ETS Directive. The Commission will assess whether the Plans are coherent with the EU's climate and environmental priorities, while ensuring a just transition.

ii. Effectiveness

— *Lasting impact*

The Commission will assess whether the proposed actions will result in structural changes and long-term impact. In particular, the assessment will verify whether the plan is likely to have a lasting effect on the challenges it aims to address, particularly regarding the social impact on vulnerable households, micro-enterprises and transport users.

Measures will be assessed based on their anticipated impact on greenhouse gas emissions, energy poverty and transport poverty by comparing projected outcomes against baseline scenarios, taking into consideration factors such as energy efficiency.

([74]) Recital 23 of the SCF Regulation: 'Direct income support measures should, as a rule, be considered as having an insignificant foreseeable impact on environmental objectives and, as such, should be considered to be compliant with the principle of "do no significant harm".'

— *Effective monitoring and implementation of the plan*

The Commission will assess the adequacy of milestones, targets and the overall framework for implementing and monitoring the plan, in addition to the transposition of Chapter IVa of Directive 2003/87/EC. Within each Member State, a designated structure must be established to: (i) oversee implementation of the plan; (ii) monitor progress effectively; and (iii) submit regular reports on the status of implementation. The involvement of regional and local authorities and other relevant stakeholders affected by the implementation of the plan in such designated structures is strongly encouraged.

Furthermore, the Commission will assess whether the arrangements proposed by Member States are expected to ensure an effective implementation of measures included in the plan. This includes ensuring that resources are allocated appropriately, responsibilities are clearly defined, including between the different levels of government and administration (national, regional, local), and mechanisms are in place to address any challenges that may arise during implementation.

— *Compliance and consistency with other relevant legal acts*

In addition to the transposition of Chapter IVa of Directive 2003/87/EC, the Commission will assess the compliance and consistency of measures and investments with:

— the Energy Efficiency Directive (Directive (EU) 2023/1791);

— the Renewable Energy Directive (Directive (EU) 2018/2001);

— the Alternative Fuel Infrastructure Regulation (Regulation (EU) 2023/1804);

— the Clean Vehicles Directive (Directive 2009/33/EC); and

— the Energy Performance of Buildings Directive (Directive (EU) 2024/1275).

— *Complementarity, synergy, coherence and consistency with relevant EU instruments*

The Commission will evaluate whether the plan and the proposed measures and investments align with, complement and are consistent with the information provided and commitments made by the Member State under the following relevant EU instruments:

— the European Pillar of Social Rights action plan;

— the cohesion policy programmes under the Common Provisions Regulation;

— the Member State's recovery and resilience plan under RRF Regulation;

— the Member State's national building renovation plan under the Energy Performance of Buildings Directive (recast);

— Member State's updated integrated national energy and climate plan under Governance Regulation;

— Member State's territorial just transition plans under Regulation (EU) 2021/1056.

And other document may be considered, such as Member State's National Air Pollution Control Programmes (NAPCP) under the National Emissions reduction Commitment Directive (EU) 2016/2284.

iii. Efficiency

— *Reasonable and plausible total costs*

The Commission will assess whether the cost estimates provided (*ex ante*) by the Member State for the measures and investments of Plans are reasonable, plausible and commensurate. For more details, see Sections III.7.b and III.7.c of this Guidance.

— *Control systems*

The Commission will assess whether the arrangements proposed by the Member States are adequate to: (i) ensure the prevention, detection and correction of conflict of interests, corruption, fraud and double funding; (ii) for compliance with single market, public procurement and State aid rules; (iii) give assurance on the management and control systems and prevent issues related to the above, when using the funds provided under the Fund; (iv) avoid double funding from other EU programmes. Member States should therefore describe in detail the structure and functioning of their national management and control system(s) and any other relevant arrangements, such as audit Plans, in line with the key requirements listed in the Annex III of the SCF Regulation.

— *Efficient milestones and targets*

The Commission will assess whether the milestones and targets in the plan are clear, achievable and aligned with the objectives of the plan. For more details, see Section III.6.

iv. Coherence

The Commission will assess the following aspects of the Plans submitted by Member States:

— coherence between measures and investments, assessing how they reinforce or complement each other to address relevant challenges;

— consistency with relevant national policy frameworks, strategies and Plans.

v. Further aspects to be assessed by the Commission for compliance with the SCF Regulation

In addition to the elements listed in Article 16(3) of the SCF Regulation, the Commission will also assess:

— the way the consultation was carried out with local and regional authorities, representatives of economic and social partners, relevant civil society organisations, youth organisations and other stakeholders, and how the input of the stakeholders who participated in the consultation was reflected in the Plans (see Section III.11 of this Guidance);

— whether the measures and investments included in the Plans are consistent with the information included and the commitments made under the European Pillar of Social Rights action plan;

— how the measures or investments in the Plans aim to address gender inequality and enhance gender equality, where relevant and if applicable.

2. **Adoption of the Plans**

Based on the assessment carried out according to the criteria set out in Article 16, the Commission decides on the Plans by adopting a Commission implementing decision.

If a positive assessment is made, the Commission's decision will establish the amount of the EU financial contribution based on the estimated total costs of the plan (Article 17(3)). The amount of the EU financial contribution equals:

— *the total amount of the maximum financial allocation* – when 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 14(1); *or*

— *the amount of the estimated total costs of the plan minus the national contribution* – when 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 14(1).

If a negative assessment is made, the Commission implementing decision should state the reasons for it. The Member State should then reformulate and resubmit its plan, taking into account the Commission's assessment (Article 17(4)).

3. **Concluding a bilateral agreement and commitment of funds**

After the Commission has adopted a positive decision on the Plans, it will conclude an agreement with the Member State in the form of an individual legal commitment for the period 2026-2032 ([75]), taking into account the timeline for implementation of the plan set out by the completion dates of the milestones and targets. Budgetary commitments may be based on global commitments and, where appropriate, may be broken down into annual instalments spread over several years as per Article 19(2) of the SCF Regulation ([76]). Such annual instalments will follow the amounts in Annex I to this Guidance.

The agreements with Member States that constitute individual legal commitments - -should take into account the risk of regulatory postponement in the event of high energy prices (the event referred to in Article 30k of Directive 2003/87/EC). This could trigger a one-year delay to the start of the new emissions trading system for buildings, road transport and additional sectors.

The agreements should also take into account any potential financial risks for the EU. These 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 ETS allowances.

If the Member State has made no tangible progress on relevant milestones and targets within 15 months of the date of the conclusion of the individual legal commitment, the Commission will terminate the agreement and decommit the amount of the financial allocation, after having given the Member State the possibility to present its observations within a period of two months of the communication of its assessment that no tangible progress has been made (Article 20(7) of the SCF Regulation). For instance, if a Member State has not yet submitted a payment request related to a milestone or target within 15 months of the date of the conclusion of the individual legal commitment, this could mean that no tangible progress has been made.

ABBREVIATIONS

Common Provisions Regulation - 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).

DNSH – Principle of Do No Significant Harm ('DNSH') to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852.

Energy Efficiency Directive - Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (OJ L 231, 20.9.2023, p. 1).

Energy Performance of Buildings Directive - Directive (EU) 2024/1275 of the European Parliament and of the Council on the energy performance of buildings (OJ L, 2024/1275, 8.5.2024, ELI: http://data.europa.eu/eli/dir/2024/1275/oj).

ETS Directive - 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 Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

([75]) As referred to in Article 112 of the Regulation on financial rules applicable to the general budget of the Union (EU, Euratom 2018/1046).

([76]) Concluding agreements should not affect the rules on auctioning of allowances for the activity referred to in Annex III (Article 30d(4)) and the reports on ETS2 (Articles 30i and 30k on postponement in the event of high energy prices) of the ETS Directive. That agreement should be concluded at the earliest one year before the year of the start of the auctions on the emissions trading system for buildings, road transport and additional sectors (Chapter IVa of the ETS Directive), or two years before that year where Article 10(1), third subparagraph of the SCF Regulation applies.

ETS2 - The new emissions trading system for buildings, road transport and additional sectors established in Chapter IVa of Directive 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the EU and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the EU greenhouse gas emission trading system (OJ L 130, 16.5.2023, p. 134).

Financial Regulation - Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the EU (OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

Fund, SCF – Social Climate Fund.

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

Governance Regulation - Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

MFF – multiannual financial framework.

SCP(s), Plans – Social Climate Plan(s).

RRF Regulation - 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).

SCF Regulation - Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060 (OJ L 130, 16.5.2023, p. 1).

Taxonomy Regulation - 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).

ANNEX I

Maximum financial allocation per Member State after deduction of administrative support expenditure

1. **Introduction and legal background**

— Article 10(3) of the SCF Regulation ([1]) stipulates that the SCF total envelope of EUR 65 billion or EUR 54,6 billion if ETS2 is postponed until 2028 '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 EU, insofar as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, corporate IT 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.'

— Annex II of the SCF Regulation, which provides for Member State allocations, includes the following clause: 'Any amounts pertaining from Article 10(3) [support expenditure] will be covered within the limits of the maximum financial allocation for each Member State on a pro rata basis.'

2. **Administrative support expenditure in the annual financial allocations**

— Article 30d(4) of the ETS Directive sets out the maximum amounts of auction revenues allocated to the SCF for its duration per year. Annex II of the SCF Regulation provides for the maximum financial allocation per Member State for the entire duration of the SCF. This allows for the yearly programming of the Member State total allocations to be established. Furthermore, Article 19 of the SCF Regulation indicates that the budgetary commitments from the SCF may be broken down into annual instalments.

— This Annex provides an indication of the annual financial allocations from the SCF to each Member State. It is calculated after deducting the administrative support expenditure for the Commission in line with Article 10(3) of the SCF Regulation, including in the annual profiles.

— In accordance with Annex V, Sections 2.1(viii) and 2.2(viii) of the SCF Regulation, Member States should indicate in their Plans the consequences of postponing ETS2 by describing and quantifying the necessary adjustments to the relevant elements of the Plans.

— The Legislative Financial Statement accompanying the Commission proposal on the Regulation establishing the Social Climate Fund ([2]) included EUR 128.539 million in administrative costs for the Commission. Considering the change in the source of financing from own resource to external assigned revenue in the SCF Regulation, it is reasonable to consider the administrative support expenditure envisaged earliestin the Legislative Financial Statement for the whole implementation period. The total of EUR 128 539 million represents around 0,2 % of the SCF envelope.

([1]) Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060 (OJ L 130, 16.5.2023, p. 1).

([2]) COM(2021) 568 of 14 July 2021, Proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund.

— Two scenarios for the ETS2 start estimate that the same workload as all related administrative tasks will be triggered by the start of the SCF and the implementation of the Plans in 2026, irrespective of the start date of ETS2, and will be carried out on a continuous basis for the duration of the SCF. The year of the entry into force of ETS2 will influence the size of Member States' envelopes under the SCF, but not the continuous implementation of the SCF by the Commission.

— To ensure continuous administrative funding from 2026 to 2032, an amount equivalent to the administrative costs of 2026 and 2027 is deducted from the 2026 allocation in both scenarios. This is because it will not be known until June 2026 whether ETS2 is postponed or not, which would result in no annual amount for 2027.

3. **Suggested way forward**

— The maximum financial allocation per Member State needs to be reduced by the amount of administrative expenditure in a proportionate manner using the respective allocation key of the Member States, in line with Article 10 and Annex II of the SCF Regulation.

— Tables 1 and 2 below provide the annual breakdown of the amounts (in EUR) available for commitment for each Member State after deduction of the administrative expenditure under two scenarios for the ETS2 start.

Table 1

Scenario 1, ETS2 start in 2027: maximum financial allocation per Member State after deduction of support expenditure pursuant to Article 10(3) (in EUR, current prices)

Member State	Total pursuant to Article 10(1), first and second subparagraphs	*administrative support expenditure (2026-2032)*	Total after deduction of support expenditure pursuant to Article 10(3)	2026	2027	2028	2029	2030	2031	2032
Belgium	1.659.606.425,00	*3.281.910,00*	1.656.324.515,00	101.191.937,00	278.303.231,00	267.621.425,00	262.514.943,00	257.408.462,00	249.748.740,00	239.535.777,00
Bulgaria	2.499.490.282,00	*4.942.800,00*	2.494.547.482,00	152.402.557,00	419.145.294,00	403.057.701,00	395.366.961,00	387.676.222,00	376.140.113,00	360.758.634,00
Czechia	1.562.617.717,00	*3.090.113,00*	1.559.527.604,00	95.278.202,00	262.038.972,00	251.981.417,00	247.173.362,00	242.365.308,00	235.153.226,00	225.537.117,00
Denmark	324.991.338,00	*642.678,00*	324.348.660,00	19.815.844,00	54.498.548,00	52.406.790,00	51.406.816,00	50.406.843,00	48.906.883,00	46.906.936,00
Germany	5.317.778.511,00	*10.516.030,00*	5.307.262.481,00	324.243.328,00	891.750.550,00	857.523.469,00	841.161.074,00	824.798.679,00	800.255.086,00	767.530.295,00
Estonia	186.244.570,00	*368.303,00*	185.876.267,00	11.355.981,00	31.231.782,00	30.033.045,00	29.459.985,00	28.886.925,00	28.027.335,00	26.881.214,00
Ireland	663.390.868,00	*1.311.871,00*	662.078.997,00	40.449.232,00	111.245.546,00	106.975.729,00	104.934.528,00	102.893.325,00	99.831.521,00	95.749.116,00
Greece	3.586.843.608,00	*7.093.066,00*	3.579.750.542,00	218.702.246,00	601.486.082,00	578.399.903,00	567.363.462,00	556.327.019,00	539.772.357,00	517.699.473,00
Spain	6.837.784.631,00	*13.521.877,00*	6.824.262.754,00	416.923.355,00	1.146.643.884,00	1.102.633.513,00	1.081.594.175,00	1.060.554.838,00	1.028.995.832,00	986.917.157,00
France	7.276.283.944,00	*14.389.019,00*	7.261.894.925,00	443.660.171,00	1.220.176.846,00	1.173.344.140,00	1.150.955.574,00	1.128.567.008,00	1.094.984.159,00	1.050.207.027,00
Croatia	1.263.071.899,00	*2.497.754,00*	1.260.574.145,00	77.013.857,00	211.807.442,00	203.677.869,00	199.791.495,00	195.905.119,00	190.075.557,00	182.302.806,00
Italy	7.023.970.924,00	*13.890.065,00*	7.010.080.859,00	428.275.775,00	1.177.865.893,00	1.132.657.162,00	1.111.044.944,00	1.089.432.725,00	1.057.014.398,00	1.013.789.962,00
Cyprus	131.205.466,00	*259.462,00*	130.946.004,00	8.000.051,00	22.002.147,00	21.157.663,00	20.753.954,00	20.350.245,00	19.744.681,00	18.937.263,00
Latvia	463.676.528,00	*916.931,00*	462.759.597,00	28.271.959,00	77.754.987,00	74.770.603,00	73.343.906,00	71.917.210,00	69.777.163,00	66.923.769,00
Lithuania	664.171.367,00	*1.313.414,00*	662.857.953,00	40.496.825,00	111.376.429,00	107.101.590,00	105.057.986,00	103.014.381,00	99.948.975,00	95.861.767,00
Luxemburg	66.102.592,00	*130.719,00*	65.971.873,00	4.030.503,00	11.084.896,00	10.659.437,00	10.456.044,00	10.252.652,00	9.947.563,00	9.540.778,00
Hungary	2.815.968.174,00	*5.568.642,00*	2.810.399.532,00	171.699.307,00	472.216.201,00	454.091.647,00	445.427.129,00	436.762.612,00	423.765.835,00	406.436.801,00
Malta	45.500.000,00	*89.977,00*	45.410.023,00	2.774.293,00	7.630.000,00	7.337.146,00	7.197.146,00	7.057.146,00	6.847.146,00	6.567.146,00
Netherlands	720.463.632,00	*1.424.733,00*	719.038.899,00	43.929.156,00	120.816.209,00	116.179.054,00	113.962.243,00	111.745.431,00	108.420.214,00	103.986.592,00
Austria	578.936.189,00	*1.144.860,00*	577.791.329,00	35.299.737,00	97.083.146,00	93.356.910,00	91.575.568,00	89.794.226,00	87.122.213,00	83.559.529,00
Poland	11.439.026.446,00	*22.620.939,00*	11.416.405.507,00	697.476.965,00	1.918.236.742,00	1.844.611.171,00	1.809.414.166,00	1.774.217.162,00	1.721.421.655,00	1.651.027.646,00
Portugal	1.223.154.017,00	*2.418.815,00*	1.220.735.202,00	74.579.926,00	205.113.520,00	197.240.873,00	193.477.322,00	189.713.771,00	184.068.445,00	176.541.345,00
Romania	6.012.677.290,00	*11.890.208,00*	6.000.787.082,00	366.613.707,00	1.008.279.730,00	969.580.038,00	951.079.493,00	932.578.947,00	904.828.129,00	867.827.038,00
Slovenia	357.971.733,00	*707.897,00*	357.263.836,00	21.826.773,00	60.029.106,00	57.725.075,00	56.623.624,00	55.522.172,00	53.869.995,00	51.667.091,00
Slovakia	1.530.553.074,00	*3.026.704,00*	1.527.526.370,00	93.323.107,00	256.661.977,00	246.810.803,00	242.101.409,00	237.392.015,00	230.327.924,00	220.909.135,00
Finland	348.132.328,00	*688.440,00*	347.443.888,00	21.226.833,00	58.379.113,00	56.138.412,00	55.067.235,00	53.996.059,00	52.389.294,00	50.246.942,00
Sweden	400.386.447,00	*791.773,00*	399.594.674,00	24.412.943,00	67.141.727,00	64.564.701,00	63.332.742,00	62.100.784,00	60.252.847,00	57.788.930,00
EU27	**65.000.000.000,00**	***128.539.000,00***	**64.871.461.000,00**	**3.963.274.570,00**	**10.900.000.000,00**	**10.481.637.286,00**	**10.281.637.286,00**	**10.081.637.286,00**	**9.781.637.286,00**	**9.381.637.286,00**
administrative support expenditure (2026-2032) yearly			***128.539.000,00***	*36.725.430,00*		*18.362.714,00*	*18.362.714,00*	*18.362.714,00*	*18.362.714,00*	*18.362.714,00*
Total pursuant to Article 30d(4) of the ETS Directive			**65.000.000.000,00**	**4.000.000.000,00**	**10.900.000.000,00**	**10.500.000.000,00**	**10.300.000.000,00**	**10.100.000.000,00**	**9.800.000.000,00**	**9.400.000.000,00**

Table 2

Scenario 2, ETS2 start in 2028: maximum financial allocation per Member State after deduction of support expenditure pursuant to Article 10(3) (in EUR, current prices)

Member State	Total pursuant to Article 10(1), third subparagraph	*administrative support expenditure (2026-2032)*	Total after deduction of support expenditure pursuant to Article 10(3)	2026	2027	2028	2029	2030	2031	2032
Belgium	1.394.069.397,00	*3.281.910,00*	1.390.787.487,00	101.191.937,00	-	290.600.590,00	262.514.943,00	257.408.462,00	249.748.740,00	229.322.815,00
Bulgaria	2.099.571.836,00	*4.942.800,00*	2.094.629.036,00	152.402.557,00	-	437.666.027,00	395.366.961,00	387.676.222,00	376.140.113,00	345.377.156,00
Czechia	1.312.598.882,00	*3.090.113,00*	1.309.508.769,00	95.278.202,00	-	273.617.663,00	247.173.362,00	242.365.308,00	235.153.226,00	215.921.008,00
Denmark	272.992.724,00	*642.678,00*	272.350.046,00	19.815.844,00	-	56.906.670,00	51.406.816,00	50.406.843,00	48.906.883,00	44.906.990,00
Germany	4.466.933.949,00	*10.516.030,00*	4.456.417.919,00	324.243.328,00	-	931.154.248,00	841.161.074,00	824.798.679,00	800.255.086,00	734.805.504,00
Estonia	156.445.439,00	*368.303,00*	156.077.136,00	11.355.981,00	-	32.611.816,00	29.459.985,00	28.886.925,00	28.027.335,00	25.735.094,00
Ireland	557.248.329,00	*1.311.871,00*	555.936.458,00	40.449.232,00	-	116.161.142,00	104.934.528,00	102.893.325,00	99.831.521,00	91.666.710,00
Greece	3.012.948.631,00	*7.093.066,00*	3.005.855.565,00	218.702.246,00	-	628.063.892,00	567.363.462,00	556.327.019,00	539.772.357,00	495.626.589,00
Spain	5.743.739.090,00	*13.521.877,00*	5.730.217.213,00	416.923.355,00	-	1.197.310.530,00	1.081.594.175,00	1.060.554.838,00	1.028.995.832,00	944.838.483,00
France	6.112.078.513,00	*14.389.019,00*	6.097.689.494,00	443.660.171,00	-	1.274.092.687,00	1.150.955.574,00	1.128.567.008,00	1.094.984.159,00	1.005.429.895,00
Croatia	1.060.980.395,00	*2.497.754,00*	1.058.482.641,00	77.013.857,00	-	221.166.557,00	199.791.495,00	195.905.119,00	190.075.557,00	174.530.056,00
Italy	5.900.135.577,00	*13.890.065,00*	5.886.245.512,00	428.275.775,00	-	1.229.912.145,00	1.111.044.944,00	1.089.432.725,00	1.057.014.398,00	970.565.525,00
Cyprus	110.212.591,00	*259.462,00*	109.953.129,00	8.000.051,00	-	22.974.353,00	20.753.954,00	20.350.245,00	19.744.681,00	18.129.845,00
Latvia	389.488.284,00	*916.931,00*	388.571.353,00	28.271.959,00	-	81.190.740,00	73.343.906,00	71.917.210,00	69.777.163,00	64.070.375,00
Lithuania	557.903.948,00	*1.313.414,00*	556.590.534,00	40.496.825,00	-	116.297.809,00	105.057.986,00	103.014.381,00	99.948.975,00	91.774.558,00
Luxemburg	55.526.177,00	*130.719,00*	55.395.458,00	4.030.503,00	-	11.574.703,00	10.456.044,00	10.252.652,00	9.947.563,00	9.133.993,00
Hungary	2.365.413.267,00	*5.568.642,00*	2.359.844.625,00	171.699.307,00	-	493.081.976,00	445.427.129,00	436.762.612,00	423.765.835,00	389.107.766,00
Malta	38.220.000,00	*89.977,00*	38.130.023,00	2.774.293,00	-	7.967.146,00	7.197.146,00	7.057.146,00	6.847.146,00	6.287.146,00
Netherlands	605.189.451,00	*1.424.733,00*	603.764.718,00	43.929.156,00	-	126.154.704,00	113.962.243,00	111.745.431,00	108.420.214,00	99.552.970,00
Austria	486.306.399,00	*1.144.860,00*	485.161.539,00	35.299.737,00	-	101.372.951,00	91.575.568,00	89.794.226,00	87.122.213,00	79.996.844,00
Poland	9.608.782.215,00	*22.620.939,00*	9.586.161.276,00	697.476.965,00	-	2.002.997.691,00	1.809.414.166,00	1.774.217.162,00	1.721.421.655,00	1.580.633.637,00
Portugal	1.027.449.374,00	*2.418.815,00*	1.025.030.559,00	74.579.926,00	-	214.176.853,00	193.477.322,00	189.713.771,00	184.068.445,00	169.014.242,00
Romania	5.050.648.923,00	*11.890.208,00*	5.038.758.715,00	366.613.707,00	-	1.052.832.492,00	951.079.493,00	932.578.947,00	904.828.129,00	830.825.947,00
Slovenia	300.696.256,00	*707.897,00*	299.988.359,00	21.826.773,00	-	62.681.606,00	56.623.624,00	55.522.172,00	53.869.995,00	49.464.189,00
Slovakia	1.285.664.582,00	*3.026.704,00*	1.282.637.878,00	93.323.107,00	-	268.003.076,00	242.101.409,00	237.392.015,00	230.327.924,00	211.490.347,00
Finland	292.431.155,00	*688.440,00*	291.742.715,00	21.226.833,00	-	60.958.705,00	55.067.235,00	53.996.059,00	52.389.294,00	48.104.589,00
Sweden	336.324.616,00	*791.773,00*	335.532.843,00	24.412.943,00	-	70.108.514,00	63.332.742,00	62.100.784,00	60.252.847,00	55.325.013,00
EU27	**54.600.000.000,00**	***128.539.000,00***	**54.471.461.000,00**	**3.963.274.570,00**	-	**11.381.637.286,00**	**10.281.637.286,00**	**10.081.637.286,00**	**9.781.637.286,00**	**8.981.637.286,00**
administrative support expenditure (2026-2032) yearly			***128.539.000,00***	*36.725.430,00*	-	*18.362.714,00*	*18.362.714,00*	*18.362.714,00*	*18.362.714,00*	*18.362.714,00*
Total pursuant to Article 30d(4) of the ETS Directive			**54.600.000.000,00**	**4.000.000.000,00**	-	**11.400.000.000,00**	**10.300.000.000,00**	**10.100.000.000,00**	**9.800.000.000,00**	**9.000.000.000,00**

ANNEX II

Template for minor adjustment to the social climate plan pursuant to Article 18(6) of Regulation (EU) 2023/955 (to be filled in by Member States)

In accordance with Article 18(6) of Regulation (EU) 2023/955, [the Member State] hereby submits a notification of the following minor adjustment:

Existing provision in the social climate plan	New provision following notification
Component: Measure: Existing provision of the milestone/target:	Amended text:

[the Member State] confirms that:

☐ the minor adjustment represents an increase or decrease of less than 5 % of the target set out in the plan AND;

☐ the target has never been adjusted before;

☐ OR the milestone/target has been adjusted through the following notifications:

Notification	Date	Impact in terms of increase/ decrease	Description of amendment
	dd/mm/yy		
	dd/mm/yy		

but the cumulated value of the increase or decrease over the lifetime of the social climate plan does not exceed 5 % of the relevant target.