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powering people

A Social Climate Fund fit for a -55 ambition

Eurelectric amendments to the proposed Regulation establishing a Social Climate Fund

February 2022

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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Electrification and Sustainability Committee
WG Social Sustainabilty

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Introduction

- **We welcome the Fund.** We appreciate the fact that the European Commission has introduced distributional effect considerations throughout the 'Fit for 55 Package'. We welcome the idea of creating a stand-alone fund like the Social Climate Fund that aims at channelling resources to targeted households via a lump-sum and/or via projects supporting electrification, like energy efficiency, integration of renewables or electric-based transport solutions.

- **The ambition of the fund requires a bigger financial envelope.** With the current scope of the Fund, additional resources will be needed if the aim is not only that of supporting families through the years in which they will be the most exposed to price increases but also to help them bear the initial cost of switching to electric-based solutions for heating, transport, or cooking. Additional financing should not come from taxes and levies on the power sector nor from taking away resources from established programmes to support decarbonisation and electrification in the MFF.

- **The Fund is an important element of the Package and the Just Transition Framework.** The Fund is one of the essential instruments proposed for this mitigation, aiming at ensuring that citizens are supportive of the energy transition.

- **The articulation of lump sum and electrification-based projects.** We would like to propose that in the technical guidance to support Member States during implementation the Commission provides clarity on how to best articulate the combination of lump sums and support to the projects.

- **Essential to focus on electrification.** We particularly welcome the focus on electric-based projects, which is key to the Electric Decade. The higher decarbonisation ambition that is articulated across different proposals of the package, especially in end-use sectors like heating and cooling and transport needs to go hand in hand with support for lower income households.

- **Governance respectful of the subsidiarity principle.** We welcome the fact that the governance of the Fund is similar to the Just Transition Fund. The architecture of the initiative is set at EU level, but it is ultimately up to Member States to articulate the plans and related measures sponsored by the Fund, as the main competence on social policies lies with them, in accordance with the principle of subsidiarity.

Amendment Proposals

Text proposed by Commission	*Amendment proposal by Eurelectric*

Amendment 1

Article 5.3: principles governing the Fund and eligibiliy

Original text	Original text + <u>amendments</u>
1. The Fund shall provide financial support to Member States to fund the measures and investments set out in their Plans.	1. The Fund shall provide financial support to Member States to fund the measures and investments set out in their Plans.
2. Payment of support shall be conditional upon achieving the milestones and targets for measures and investments set out in the Plans. Those milestones and targets shall be compatible with the Union's climate targets and cover in particular: (a) energy efficiency; (b) building renovation; (c) zero- and low-emission mobility and transport; (d) greenhouse gas emissions reductions; (e) reductions in the number of vulnerable households, especially households in energy poverty, of vulnerable micro-enterprises and of vulnerable transport users, including in rural and remote areas.	2. Payment of support shall be conditional upon achieving the milestones and targets for measures and investments set out in the Plans. Those milestones and targets shall be compatible with the Union's climate targets and cover in particular: (a) energy efficiency; (b) building renovation; (c) zero- and low-emission mobility and transport; (d) greenhouse gas emissions reductions; (e) reductions in the number of vulnerable households, especially households in energy poverty, of vulnerable micro-enterprises and of vulnerable transport users, including in rural and remote areas.
3. The Fund shall only support measures and investments respecting the principle of 'do no significant harm' referred to in Article 17 of Regulation (EU) 2020/852	~~3. The Fund shall only support measures and investments respecting the principle of 'do no significant harm' referred to in Article 17 of Regulation (EU) 2020/852~~

Justification

We would like to underline that linking the scope of the activities eligible for the Fund to the principles of the EU Taxonomy regulation may be premature as essential implementing legislation is still under preparation.

Text proposed by Commission	*Amendment proposal by Eurelectric*
	Amendment 2
	Article 9: budget
Original text	Original text + <u>amendments</u>
1. The financial envelope for the implementation of the Fund for the period 2025-2027 shall be EUR 23 700 000 000 in current prices.	1. The financial envelope for the implementation of the Fund for the period 2025-2027 shall be **EUR 47 4**00 000 000 in current prices.
2. The financial envelope for the implementation of the Fund for the period 2028-2032 shall be EUR 48 500 000 000 in current prices, subject to the availability of the amounts under the annual ceilings of the applicable multiannual financial framework referred to in Article 312 TFEU.	2. The financial envelope for the implementation of the Fund for the period 2028-2032 shall be EUR **97 0**00 000 000 in current prices, subject to the availability of the amounts under the annual ceilings of the applicable multiannual financial framework referred to in Article 312 TFEU.
	The financial envelope could be supplied by earmarking a higher amount from the ETS for buildings and transport.

Justification

The Fund needs to increase, potentially by reserving a higher amount from the new ETS for it. Although the fund is frontloaded, the amounts proposed corresponds on average to about €230 for each EU citizen in the 20% lowest income bracket each year, for a total of about €1600 throughout the 7-year period. In our study[1] we calculated an annual sum of €260 for all households, regardless of their income, would allow the disposable income of badly-off households to increase by 4.2% thanks to recycling revenues from key decarbonisation policies, including carbon pricing and fossil fuel taxes. The regulation is in line with our theoretical findings and is in principle fit for mitigating the price impact that households will face with the introduction of a stand-alone ETS for buildings and transport. However, with the current scope of the Fund, additional resources will be needed if the aim is not only that of supporting families through the years in which they will be the most exposed to price increase but also to help them bear the initial cost of switching to electric-based solutions for heating, transport, or cooking. Moreover, the top-up from Member States should not come from additional taxes or levies on the power sector or on the electricity bill.

[1] 'E-quality: shaping an inclusive energy transition' realized with the scientific contribution of Enel Foundation with analysis carried out by Cambridge Econometrics and Guidehouse, June 2020. https://www.eurelectric.org/e-quality/

Text proposed by Commission	*Amendment proposal by Eurelectric*
	Amendment 3
	Article 12: additionality and complementarity funding
Original text	Original text + <u>amendments</u>
1. Support under the Fund shall be additional to the support provided under other Union funds, programmes and instruments. Measures and investments supported under the Fund may receive support from other Union funds, programmes and instruments provided that such support does not cover the same cost.	1. Support under the Fund shall be additional to the support provided under other Union funds, programmes and instruments. Measures and investments supported under the Fund may receive support from other Union funds, programmes and instruments provided that such support does not cover the same cost.
2. Support from the Fund shall be additional and shall not substitute recurring national budgetary expenditure.	2. Support from the Fund shall be additional and shall not substitute recurring national budgetary expenditure. **In particular, financial support for the Fund should not subtract resources from other programme within the MFF which are already allocated to activities supporting electrification, decarbonisation or to cohesion policies.**

Justification

Financial support for the Social Climate Fund should not subtract resources from other programmes within the MFF which are already allocated to activities favouring electrification, decarbonisation or to cohesion policies. It should be in principle compatible as well with the way national resources are allocated to support decarbonisation.

Text proposed by Commission	*Amendment proposal by Eurelectric*

Amendment 4

Article 4.3: Content of the Social Climate Plans

Original text	Original text + <u>**amendments**</u>
3. When preparing their Plans, Member States may request the Commission to organise an exchange of good practices. Member States may also request technical support under the ELENA facility, established by an Agreement of the Commission with the European Investment Bank in 2009, or under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council.	3. When preparing their Plans, Member States may request the Commission to organise an exchange of good practices. Member States may also request technical support under the ELENA facility, established by an Agreement of the Commission with the European Investment Bank in 2009, or under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council. **4. The European Commission will provide technical guidance to support Member States in understanding how to best articulate the combination of lump sums and support to the projects.**

Justification

The proposal leaves the choice to Member States on channelling the financial support via two main types of initiatives: support aiming at the reduction of vulnerability situations (via lump sums) and/or aiming at promoting projects on energy efficiency, zero and low-carbon mobility, integration of renewables and reduction of GHG emissions.
We would like to propose that in the technical guidance to support Member States in the implementation the Commission provides clarity on how to best articulate the combination of lump sums and support to the projects.
As a way of example, if the project includes financial support to allow a low-income household to afford an electric car, the lump sum should be articulated in a way that it allows the family to be compensated for the increase in fossil fuels that they will still face for a temporary period before becoming the owners of the car. Member States and national or local authorities may benefit from accessing best practices from existing schemes at European or international level, as we analysed in the E-quality study.

Text proposed by Commission	*Amendment proposal by Eurelectric*

Amendment 5

Article 6: Measures and investments to be included in the estimated total costs of the Social Climate Plans

Original text	Original text + <u>amendments</u>
1. Member States may include the costs of measures providing temporary direct income support to vulnerable households and vulnerable households that are transport users to absorb the increase in road transport and heating fuel prices.	1. Member States may include the costs of measures providing temporary direct income support to vulnerable households and vulnerable households that are transport users to absorb the increase in road transport and heating fuel prices.
(…)	(…)
2. Member States may include the costs of the following measures and investments in the estimated total costs of the Plans, provided they principally benefit vulnerable households, vulnerable micro-enterprises or vulnerable transport users and intend to:	2. Member States may include the costs of the following measures and investments in the estimated total costs of the Plans, provided they principally benefit vulnerable households, vulnerable micro-enterprises or vulnerable transport users and intend to:
(…)	(…)
	3. Member States may consult national representatives of the power sector to share good practices in supporting the technology shift for consumers in heating, transport and power use.

Justification

It is ultimately up to Member States to articulate the plans and the related measures to be sponsored by the Fund, as the main competence on social policies lies to them, in accordance with the principle of subsidiarity. The power sector stands ready to share its experience and expertise to support national, regional, and local authorities in the development of the plans and measures for the switching to electric-based solutions.

Text proposed by Commission	*Amendment proposal by Eurelectric*

Amendment 6

Recital 23: Contribution of the ETS for buildings and transport to the fund

Original text	Original text + **amendments**
23. The financial envelope of the Fund should, in principle be commensurate to amounts corresponding to 25% of the expected revenues from the inclusion of buildings and transport into the scope of Directive 2033/87/EC in the period 2026-2032. Pursuant to Council Decision (EU, Euratom) 2020/2053, Member States should make those revenues available to the Union budget as own resources. Member States are to finance 50% of the total costs of their Plan themselves. For this purpose, as well as for investment and measures to accelerate and alleviate the required transition for citizens negatively affected, Member States should *inter alia* use their expected revenues, from emissions trading for buildings and road transport under Directive 2003/87/EC for that purpose.	23. The financial envelope of the Fund should, in principle be commensurate to amounts corresponding to **between 50% and 100%** of the expected revenues from the inclusion of buildings and transport into the scope of Directive 2033/87/EC in the period 2026-2032. Pursuant to Council Decision (EU, Euratom) 2020/2053, Member States should make those revenues available to the Union budget as own resources. Member States are to finance 50% of the total costs of their Plan themselves. For this purpose, as well as for investment and measures to accelerate and alleviate the required transition for citizens negatively affected, Member States should *inter alia* use their expected revenues, from emissions trading for buildings and road transport under Directive 2003/87/EC for that purpose.

Justification

The regulation is in line with our theoretical findings and is in principle fit for mitigating the price impact that households will face with the introduction of a stand-alone ETS for buildings and transport. However, with the current scope of the Fund, additional resources will be needed if the aim is not only that of supporting families through the years in which they will be the most exposed to price increase but also to help them bear the initial cost of switching to electric-based solutions for heating, transport, or cooking. Moreover, the top-up from Member States should not come from additional taxes or levies on the power sector or on the electricity bill.
The Fund needs to increase, potentially by reserving a higher amount from the new ETS for it.

Text proposed by Commission	*Amendment proposal by Eurelectric*

Amendment 7

Article 6: Measures and investments to be included in the estimated total costs of the Social Climate Plans

Original text	Original text + <u>amendments</u>
1. Member States may include the costs of measures providing temporary direct income support to vulnerable households and vulnerable households that are transport users ***to absorb the increase in road transport and heating fuel prices***. Such support shall decrease over time and ***be limited to*** the direct impact of the emission trading for buildings and road transport. Eligibility for such direct income support shall cease within the time limits identified under Article 4(1) point (d).	1. Member States may include the costs of measures providing temporary direct income support to vulnerable households and vulnerable households that are transport users. ~~absorb the increase in road transport and heating fuel prices.~~ Such support shall decrease over time and ~~be limited~~ **mainly address** the direct impact of the emission trading for buildings and road transport **and other costs of the energy transition, such as increases in electricity and other energy commodities**. Eligibility for such direct income support shall cease within the time limits identified under Article 4(1) point (d).

Justification

With the current scope of the Fund, additional resources will be needed if the aim is not only that of supporting families through the years in which they will be the most exposed to price increases but also to help them bear the initial cost of switching to electric-based solutions for heating, transport, or cooking. Additional financing should not come from taxes and levies on the power sector nor from taking away resources from established programmes to support decarbonisation and electrification in the MFF.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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