



Information note

Luxembourg, 16 December 2022

EU auditors issue Opinion on the proposed rules for establishing a Social Climate Fund

The Social Climate Fund was proposed by the European Commission in July 2021 and revised by the Council of the European Union in June 2022. The European Court of Auditors (ECA) has been asked by the Council to deliver an opinion on the revised proposal.

The Social Climate Fund has the potential to make an important contribution to the EU achieving climate neutrality by 2050, and is intended to address the social consequences of rising energy prices. Auctioning EU Emissions Trading System (ETS) allowances from the buildings and road transport sectors will provide financing for the Fund of up to €59 billion in the 2027-2032 period. However, since the Commission has not yet adopted the associated procedures, it is unclear how the revenue so generated should be quantified and managed. The auditors emphasise that prices for emission allowances tend to fluctuate significantly, which makes them a relatively volatile source of EU revenue. It is also unclear when the revenue will be available, and whether it will be commensurate with the Fund's ambitious objectives and corresponding investment needs. The lack of a specific impact assessment for the proposal adds to this issue.

The proposal for a Social Climate Fund builds on basic features from the Recovery and Resilience Facility (RRF), such as national plans, complementarity with other EU and national funds, and compliance with the 'do no significant harm' principle. However, the auditors consider that certain weaknesses they already highlighted for the RRF are also relevant for the Social Climate Fund:

- the risk of double funding and overlapping objectives with other public instruments and financing;
- insufficient attention to value for money due to added complexity and administrative burden. The new resources provided by the Fund are likely to add to the pressure on Member States' ability to spend, and many of them are already facing delays in absorption of EU funds;
- potentially weak links between payments and fulfilling the intended result. For example, the Commission will mainly assess the likelihood of achieving green objectives when evaluating national plans, less so when it assesses payment requests;
- gaps in performance assessment, as well as in assurance and accountability, may not guarantee the protection of the EU's financial interests.

Background information

The Council asked the ECA for an opinion on its text revising the Commission's proposal on 22 November 2022, to be received preferably by mid-December for the last political trilogue. This

The purpose of this press release is to convey the main messages of the European Court of Auditors' opinion. The full opinion is available at eca.europa.eu.

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short timeframe limited the ECA's ability to provide more comprehensive views on several issues covered by the proposal, such as the accuracy of calculations of Member States' allocation of fund financing. The proposal also does not include the annexes with the list of common indicators or the template for the Social Climate Plans. The proposal on the Social Climate Fund is also closely interlinked with the legislative proposals on the revision of the EU ETS, which is still under negotiations. Any significant change to the EU ETS could have consequences for the Social Climate Fund.

Today's Opinion is available on the [ECA website](#) in English; other EU languages will follow shortly.

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