

Consultation on the application of the “DNSH” principle under the Social Climate Fund

Summary report

Disclaimer: the views presented in this factual summary report are not the views of the European Commission but of the stakeholders that participated in this open public consultation

The Social Climate Fund regulation requires the Commission to issue tailored guidance on how to apply the Do No Significant Harm (DNSH) principle to the Social Climate Fund (SCF) (‘SCF DNSH Guidance’). To this end, the Commission published a draft for consultation from 18 June until 23 August 2024¹.

This summary report takes stock of the contributions and presents preliminary trends that emerge from them. The feedback received will inform the final version of the SCF DNSH Guidance.

Who replied to the consultation?

The consultation targeted all interested stakeholders from the public and private sectors, including governments, local authorities, businesses, NGOs, experts, academics and citizens.

In total, 114 stakeholders from 21 Member States responded to the consultation, with business association (31%), companies (11%), NGOs (23%) and public authorities (21%) accounting for the majority of the contributors. The responses in the survey were complemented by 35 position papers.

This summary report focuses on the replies to the online questionnaire.

Preliminary findings

1. Overall feedback on the DNSH principle

All the stakeholders that commented on the application of the DNSH principle across EU funding instruments in the future, where feasible and appropriate, strongly recommend the adoption of a coherent and harmonised DNSH approach. Stakeholders from all groups point at the need to facilitate the implementation of EU-supported project and reduce unnecessary administrative burden.

2. Comments on the core text of the Technical Guidance

Overall, most stakeholder welcome the approach to operationalise the application of the DNSH principle for the SCF. Several stakeholders consider that the text proposed for the SCF, simplifies and clarifies the practices, in particular when compared to the DNSH Technical Guidance for the Recovery and Resilience Facility, by referring to the different ways to demonstrate DNSH compliance, the clear sector-specific annexes and the list of evidence.

Some stakeholders, such as business associations and financial institutions consider that more flexibility should be granted for the implementation of the principle, in particular for financial instruments, while others, mainly environmental NGOs, recommend strengthening the approach, by requiring for instance fully fledged life cycle assessments.

¹ [Consultation on the application of the “DNSH” principle under the Social Climate Fund - European Commission \(europa.eu\)](https://european-commission.europa.eu)

Some stakeholders from business associations and public authorities mention the need to set monetary thresholds to limit the potential administrative burden. Some business associations asked to ensure proportionality for Small and Middle-sized Enterprises (SMEs) when applying the principle, while welcoming the simplification on the application of the principle compared to the RRF.

Some stakeholders, mainly NGOs, also recommend including social considerations in the guidance, in particular the perspective of persons with disabilities.

Several stakeholders from all groups requested clarifications on how Environmental Impact Assessment (EIA) and Strategic Environmental Assessments (SEA) can operationally be used, on the principles, in particular to specify their concrete implementation, or on how the taxonomy can be used. Some stakeholders, in particular businesses, call for further aligning the EU Taxonomy and the DNSH approach under this guidance.

Some stakeholders also made specific points on the inclusion in the scope of the annexes of refineries for sustainable aviation fuels, or incineration with energy recovery, in particular from business associations, or the exclusion of certain activities (hybrid-heating systems, plug-in hybrid cars), in particular from NGOs.

3. Comments on the buildings annex

70 respondents provided a total of 416 comments to the building annex.

Overall, the majority of respondents support the structure of the buildings annex and the way criteria are set.

On the one hand, many respondents ask for additional and/or more stringent DNSH requirements. This is the case for instance in the field of circular economy (e.g. asking for a lower square metre threshold in the field of renovations and new constructions) and also for biomass-based heating systems (especially linked to pollution prevention and control) and hybrid heating systems.

On the other hand, several respondents plead in favour of additional guidance from the European Commission or less stringent DNSH requirements in order to reduce the administrative burden. This includes for instance amending criteria for climate change adaptation by providing a clear methodology to perform overheating analysis or alleviating the conditions for circular economy in the field of major renovations.

4. Comments on the transport annex

58 respondents provided a total of 610 comments to the building annex.

Several stakeholders recommended amending the definition of assets/activities, mostly requiring a more stringent definition or consolidating certain activities for simplification.

In general, many respondents favour additional DNSH requirements or alignment with Taxonomy requirements. This concerns for instance recommendations to require life cycle analysis, consider hybrid vehicles ineligible, or to consider road transport eligible only when rail/other public transport measures are not a realistic alternative.

Other respondents seem to favour streamlining the requirement. Several respondents emphasise that construction of infrastructure in flood-prone areas should not be categorically excluded, but that appropriate resilience solutions could be implemented to allow for construction in these areas.

Some respondents argue that implementing the tyre eligibility criteria for vehicles would be complicated. In particular, they consider that there are no registries that keep track of the type of tyres a second-hand car or truck is equipped with or that the condition would not allow winter tyres to comply with the principle.

5. Comments on the energy annex

44 respondents provided a total of 89 comments to the energy annex.

Some respondents welcomed the list of activities without any DNSH conditions, as it will decrease the administrative burden. Others recommend to include other activities, such as the production of renewable and low-carbon fuels, including hydrogen, or waste to energy. One respondent stated that generation of energy from fossil fuels should be explicitly excluded, and other that all the RES sources should be covered, including biomass. Some respondents asked for clarification regarding the status of energy production activities in the energy annex vis-à-vis renewable acceleration areas.

Next steps

This online consultation was part of a broader stakeholder consultation process that contributes to the preparation of the final Guidance.