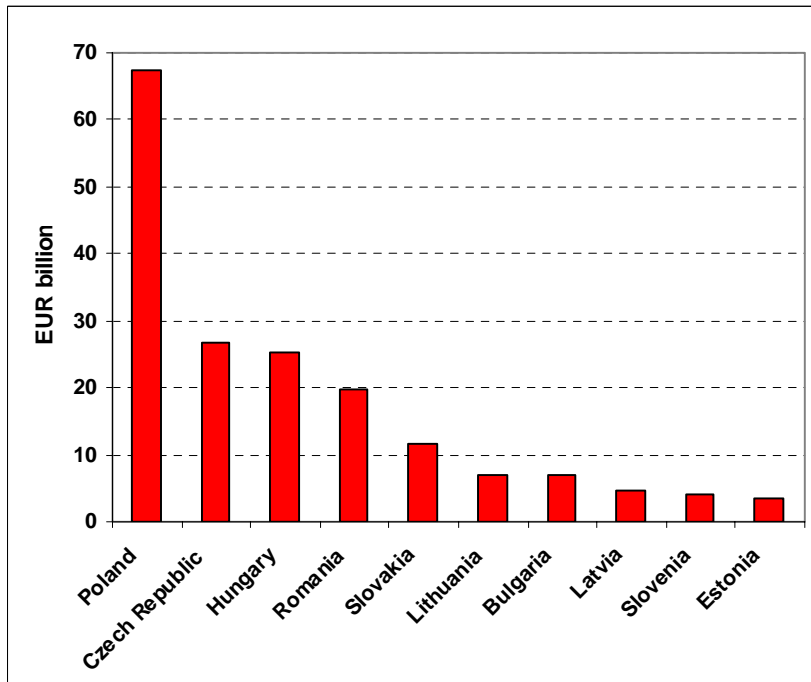


Do EU Funds Contribute to Climate Change Abatement in New Member States?

During 2007-2013, the European Union (EU) is set to distribute 347 billion EUR² for projects financed through its Structural Funds and the Cohesion Fund (SF/CF), which constitutes more than a third of its overall budget for the seven years period. Over half of this amount – 177 billion EUR – will go to the ten Central and Eastern European member states (CEE-10), including the latest newcomers Bulgaria and Romania. The EU funds are the main instruments for delivering the Cohesion policy of the EU which aims to close the gap between the richer old member states and the poorer newcomers from behind the former Iron Curtain. As EU funds transfer significant amount of money for development, it is important that this development is on a sustainable path and contributes to achieving the climate and environmental protection objectives of the EU. Thereby, this article deals mainly with EU funds allocations for energy efficiency, renewables and sustainable transportation. The data used in the analysis is taken from the allocations planned in the National Operational Programmes (OP) in the CEE-10, which constitute the key programming documents for distribution of the EU funds at national level. The Chart below shows the graphical distribution of the EU funds allocations per country in the CEE-10.

Chart 1: EU funding allocations for CEE-10 countries for 2007-2013



Source of data: European Commission

In the same period, the EU will have to quickly work towards achieving the recently endorsed cuts of 20-30% of its greenhouse gas emissions by 2020 with a view to reducing emissions by 60-80% by 2050, compared to

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² All financial figures throughout this article are in current prices and do not include national co-financing.

1990 levels.³ There is increasing evidence that low-emission development is technically and economically feasible. The necessary reductions in fossil-fuel-based emissions can be achieved through developing and financing a combination of concrete, available options in the power, industry, housing and transport sectors. Pursuit of energy efficiency and renewable energy can alone significantly reduce the share of fossil-fuel induced emissions. In particular, energy efficiency offers gains across all the sectors allowing industry, households and public institutions to not only reduce emissions but also to save money. Promoting renewable energy can be technically feasible and economically attractive along with its environmental benefits.

As for the transport sector, which is the current fastest-growing source of emissions, this can be only partly done through technological improvements in the car fuel efficiency or alternative fuels. More substantial transport emission cuts will have to come especially through demand management measures – by curbing transport growth, shifting traffic to environment-friendly modes, and promoting alternatives to cars. Otherwise fuel emission improvements will be offset by the ever-growing road transport volumes.

Climate change abatement is also economically feasible. The Stern Report on the economics of climate change estimated the cost of reducing emissions at around 1% of global GDP by 2050 – much less than the cost of the damaging impacts of unabated climate change estimated by Stern at 5% to 20% of global GDP by the same year.⁴ Early, decisive action to cut emissions can avoid having to make bigger and costlier cuts later.

In CEE countries, greenhouse gas emissions declined substantially due to economic restructuring in the 1990s. Since 2002, however, they have been on the rise again, and are projected to increase by 11% between 2004 and 2010.⁵ While almost all CEE countries are likely to meet their Kyoto goals, such developments could jeopardize any efforts for necessarily bigger post-Kyoto emission cuts after 2012. Indeed, as has been seen recently, the strongest resistance to EU emission reduction targets for 2020 and related energy policies is coming from some CEE member states. Importantly, the EU funds can be used to help these countries move towards a sustainable and climate-friendly pattern of development.

To make EU funding climate-friendly, a significant effort should be made to earmark high minimum funding shares for low-carbon investments such as energy efficiency, renewables and public transport. Equally, financed projects would have to comply with ambitious energy efficiency criteria. Energy-saving measures as well as renewable technologies should be systematically integrated into all projects where feasible – from those including any investments in buildings to those involving any purchase and use of electrical appliances. Finally, the financing of climate-damaging investments should be minimized.

This article analyses the allocations of CEE-10 for the period 2007-2013 by looking at how much EU funding is going to low carbon measures, which can help abate climate change in a cost effective manner. It also explores how much EU funds are planned for more climate intensive projects such as roads for instance. It must be noted that this article used figures derived from the national OPs, which were approved by the European Commission in 2007 and are currently under implementation. The report focuses on allocations for energy efficiency, renewable energy and transport, which will be the most important for the evolution of greenhouse gas emissions.

³ The target of 30% by 2020 has been endorsed by the EU Heads of States at their Spring Summit 2007 and is conditioned on other developed countries making comparable commitments. Until that happens, the EU made a somewhat lower unilateral commitment to achieve at least a 20% reduction by 2020. European Council Conclusions, 9 March 2007.

⁴ *Stern Review: Economics of Climate Change*. HM Treasury, October 2006.

⁵ Projection for the 2004 newcomers (EU-10) without Romania and Bulgaria. *Greenhouse gas emission trends and projections in Europe 2006*. European Environment Agency report no. 9/2006.

EU Funds for energy efficiency and renewable energy

Energy efficiency (EE) and renewable energy (RE) are today at the top of the European political agenda. The European Union has already committed itself to:

- increase the share of RE in primary energy consumption from 6% to 12% by 2010 and to 20% by 2020;⁶
- take actions to reduce energy consumption by 20% by 2020, compared to the business-as-usual scenario, which should save 100 billion EUR a year and create one million jobs in Europe.⁷

The EU has also adopted a number of specific directives and targets in areas such as the energy performance of buildings, efficiency of appliances, energy end-use efficiency, biomass energy, and cogeneration.⁸ As a result of these developments, EE and RE have also received increased prominence within the EU cohesion policy, at least on the level of political rhetoric and EU documents. At the same time, it is at the regional and local levels that mostly can gain from these EE and RE measures. EE and RE are emphasized as one of the 12 priority areas for SF/CF investments by the Community Strategic Guidelines for Cohesion 2007-2013.⁹ Thereby, although there are no minimum thresholds for funding allocations, it could be theoretically expected that approximately one-twelfth, i.e. 8.5%, of total EU funding allocations will be invested into this priority area. RE, EE and co-generation are included among the promoted Lisbon categories of expenditure.¹⁰ The new EU Energy Efficiency Action Plan stipulates: "Spurring energy efficiency in the new Member States" as one of the 10 priority actions: *"The Commission will encourage European Regional Policy to deploy its national and regional programmes to promote more intensive investment to improve energy efficiency, in particular in the new Member States, including in the multi-family and social housing sectors."* Similarly, the Communication on the Share of Renewable Energy in the EU called for the mobilization of all EU financial instruments to allocate adequate resources for boosting RE: *"The Union's future financial framework for 2007-2013 should have explicit provisions so that clean and efficient energy concepts are a visible part of the Union's priorities, strategies and commitments".*¹¹

As a legacy of the centrally planned economies, the economies of the CEE countries are very energy intensive and wasteful. It takes on average 50% more energy to produce a unit of GDP in the CEE-10 member states than it does in the EU-15¹². Thus, the potential for cost-effective energy savings in the region is huge. High energy intensity increases production costs and undermines the competitiveness of the CEE countries within the Single Market. EU funds could help secure massive energy savings across the economy and hence reduce energy bills for businesses but also households, schools, hospitals, and other public buildings.

Amongst other areas, EU funds should be invested into energy-efficient refurbishment of buildings and modernization of district heating installations. The high-rise residential buildings in CEE towns and cities are severely wasteful in heat and urgently need refurbishment. Approximately 40% of households in CEE countries are connected to district heating in comparison to 10% in the old member states. Thereby, old coal or oil boilers can be converted to modern, efficient gas or biomass boilers. There is also large untapped potential for

⁶ White Paper on Renewable Energies of 1997; European Council Conclusions, 9 March 2007.

⁷ Energy Efficiency Action Plan of 2006; European Council Conclusions, 9 March 2007.

⁸ E.g. Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources, Directive 2002/91/EC on energy performance of buildings, Directive 2004/8/EC on the promotion of cogeneration, Directive 2006/32/EC on energy end-use efficiency and energy services.

⁹ COM (2006) 386, chapter 4.1.3.

¹⁰ See Article 9(3) and Annex IV of the general regulation for cohesion policy 1083/2006, where RE and EE activities are listed as categories 39-43.

¹¹ COM (2004) 366

¹² Eurostat 2006

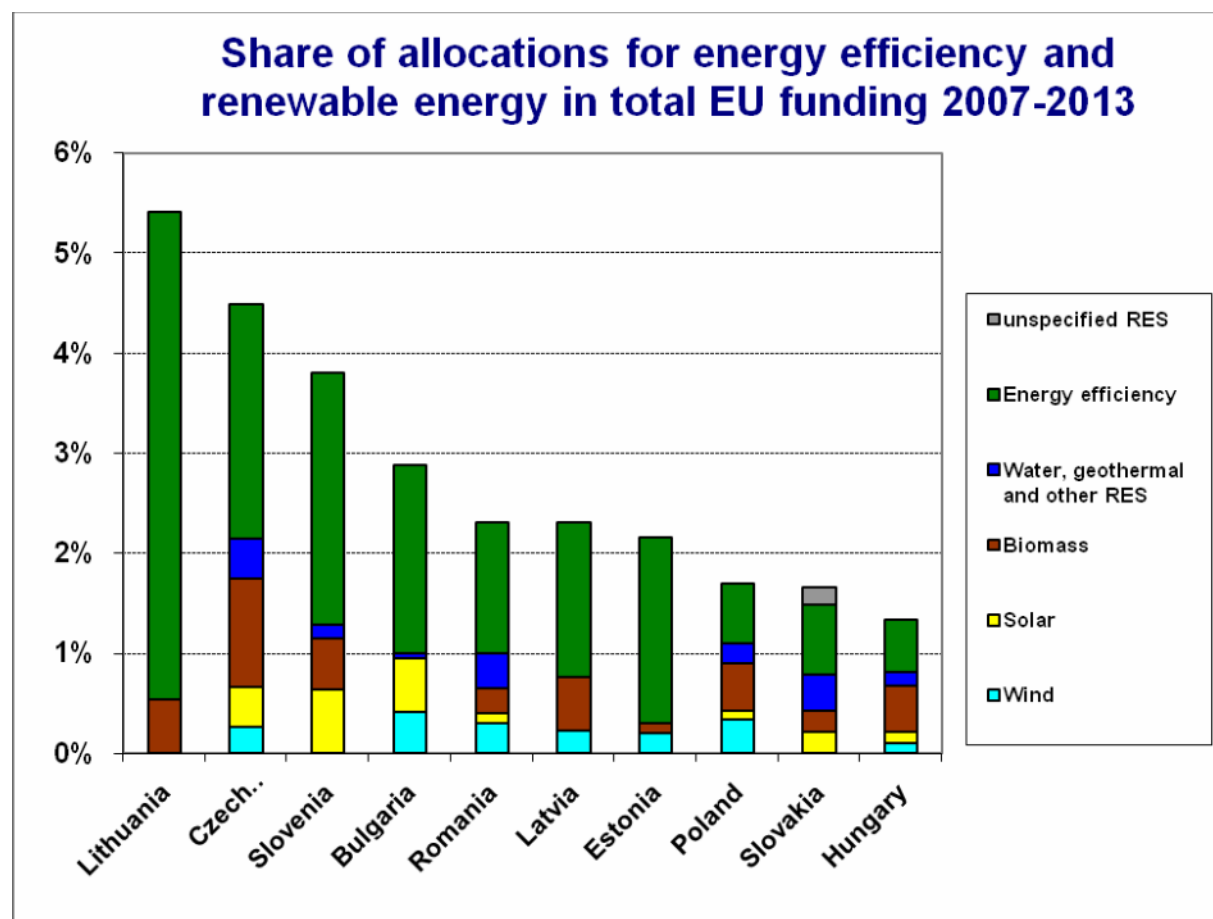
the integration of solar thermal and geothermal energy into district heating systems. Many district heating installations can also be redesigned for the combined generation of heat and electricity.

EU funds can also be used to unlock the large but unused renewable energy potential of the CEE countries for both electricity and heating. The costs of wind, solar, biomass, and geothermal energy have been steadily falling at a very fast pace in recent years, mainly due to the learning effect and economies of scale. In the new member states, the share of RE in electricity consumption is only 5.7% (without Romania and Bulgaria) as opposed to 14.7% in the old EU-15.¹³ There is also a gap in technological development and competitiveness. CEE countries are in danger of missing the train of technological innovation unless they utilize the momentum created by the EU financial support. All CEE countries have adopted national targets for increasing their share of RE. Almost all of them have already been using SF/CF for the promotion of RE in the 2004-2006 period to some extent. In 2007-2013, funding support for RE – alongside other essential support mechanisms such as feed-in tariffs – can be greatly enhanced and improved. The discussed investments in EE and RE can not only reap clear environmental benefits, but also can contribute to a more balanced and sustainable regional development in the new European regions, which is the primarily goal of the EU funds.

The next section of the article will present the results of the analysis from the EU funds allocations in the national OPs in order to evaluate to what extent they contribute to the climate objectives and opportunities discussed above. According to the data, 4.2 billion EUR in total – only 2.4% of all EU funding for CEE-10 countries – is to be invested into EE and RE between 2007-2013. The funding stands to be shared approximately 50-50 between EE and RE. A comparative view reveals major differences between the funding plans of the individual countries (See Chart 2 and Table 1 below). Lithuania stands out by allocating 5.4% of all its EU funds, although the support is restricted only to a few EE/RE sectors. Czech Republic follows second with 4.5% and Slovenia with 3.8%.

¹³ *Greenhouse gas emission trends and projections in Europe 2006*. European Environment Agency report no. 9/2006.

Chart 2: Share of allocations for EE and RE in total EU funding in CEE countries for 2007-2013



Note: These calculations are based on financial allocations in the approved by the European Commission Operational Programmes for CEE-10. Only measures explicitly categorized as energy efficiency and renewable energy are counted. Other measures that may indirectly also contribute to decreasing energy intensity, e.g. research and development or public transportation, are not included.

At the bottom of the table, it can be observed that support for EE and RE is most neglected in Poland, Slovakia and Hungary which have allocated just around 1.5% of their total EU funding in them. In particular, their EE allocations – at around 0.6% are extremely low in comparison with the other CEE countries. It is worth noting in this context that Poland and Hungary are the two member states which have recently most resisted adopting any binding EU targets for reducing greenhouse gas emissions by 2020. As Table 1 demonstrates, no country supports EE in a comprehensive and coherent manner. Each country neglects EE measures in key sectors. For instance, only six countries plan EE measures for the industry; four for the power sectors and three for the housing sector.

For achieving low-carbon development, it would be equally important to ensure that EE and RE are, as a horizontal priority, integrated as much as possible into all other measures and activities to be financed by EU funds. For example, any investments of EU funds in buildings and housing could systematically integrate

energy-saving measures and RE technologies. The measures for the modernization of universities in Slovakia's OP Research and Development, which explicitly include significant improvements in the energy efficiency of the university buildings, may serve as an interesting example in this respect. Overall, there are few signs in the OPs that EE and RE will always be considered as a horizontal priority for all EU funded investments.

Table 1: Comparison of measures and allocations for EE and RE in the Operational Programmes of the CEE-10 countries for 2007-2013

	Energy efficiency					Renewable energy					EE+RE share in total EU funds	Overall assessment
	industry / enterprises	power sector	housing	public buildings	district heating	Wind	Solar	bio-mass	geo-thermal	hydro		
Lithuania	✗	✓	✗	✓	✓	✗	✗	✓	✗	✗	5.4%	😊
Czech Republic	✓	✗	✗	✓	✗	✓	✓	✓	✓	✓	4.5%	😊
Slovenia	✓	✗	✓	±	✗	✗	✓	✓	✓	✗	3.8%	😊
Bulgaria	✓	✗	✗	±	✗	✓	✓	✗	±	✗	2.9%	😐
Latvia	✗	✗	✓	±	✓	✗	✗	✓	✗	✗	2.3%	😐
Romania	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	2.3%	😐
Estonia	✗	✗	✓	✗	✓	✓	✗	✓	✗	✗	2.2%	😐
Poland	✗	✓	✗	±	±	✓	✓	✓	✓	✓	1.7%	😞
Slovakia	✓	✓	±	±	±	✗	✓	✓	✓	✓	1.7%	😞
Hungary	✓	✗	✗	✓	✓	±	✓	✓	✓	✓	1.4%	😞

✓ included ± partly included ✗ not included

EU Funds for transport

As a result of increasing car and truck traffic in the CEE countries, transport has been the fastest growing source of their greenhouse gas emissions¹⁴. While their overall greenhouse gas emissions have fallen, the transport CO₂ emissions of the CEE-10 countries soared by 40% in the 1995-2004 period. Transport is the main cause behind overall emissions rising now again, thus threatening any future emission reduction goals.¹⁵ Transport emissions can be cut through a combination of increased fuel efficiency and alternative fuels, road pricing, modal shift, modernization of public transport, better urban planning and soft measures inducing behavioral changes. In the EU-15, trains produce about three times less CO₂ emissions per passenger-kilometer than passenger cars (see Chart 5). For freight transport, trains cause more than five times less emissions per tonne-kilometre than trucks.¹⁶

Transport should also be increasingly shifted to low-emission modes (e.g. from road to rail) and the overall transport intensity of the economy – volume of transport per unit of GDP – should be reduced. Where EU funds can help is mainly by modernizing public transport and railways in order to provide an alternative to growing car and truck transport, by supporting cycling infrastructure, traffic management and inter-modal infrastructure shifting freight from road to rail. At the same time, EU funds should not aggravate the negative trends by prioritizing high-emission road and air transport.

EU Sustainable Development Strategy¹⁷ sets, among other goals, the following objectives for transport in Europe:

- Decoupling economic growth and the demand for transport with the aim of reducing environmental impacts
- Achieving a balanced shift towards environment friendly transport modes to bring about a sustainable transport and mobility system
- Modernizing the EU framework for public passenger transport services to encourage improved efficiency and performance by 2010.

The new Cohesion Fund regulation clearly incorporates clean urban transport and public transport as well as other environmentally-friendly transport investments into the scope of assistance from the Fund. Clean urban transport as well as railways, multimodal transport and intelligent transport systems are included among the promoted Lisbon categories of expenditure. However, all large-scale transport infrastructures, including motorways and airports, are also on the Lisbon list.¹⁸ The Community Strategic Guidelines for Cohesion 2007-2013 include the promotion of “environmentally sustainable transport networks, particularly in urban areas” among the priorities for funding. The Communication “Cohesion Policy and cities: the urban contribution to growth and jobs in the regions” stresses the need to “*improve the affordability, efficiency and effectiveness of public transport, as well as linking the different transport modes*” and to “*promote the use of cycling, walking and other alternative and ‘soft’ forms of transport*” as part of an integrated transport strategy for urban areas.¹⁹

¹⁴ European Environmental Agency. 2003. Europe’s Environment – a third assessment.

¹⁵ European Environment Agency online data service.

¹⁶ “Overall energy efficiency and specific CO₂ emissions for passenger and freight transport.” European Environment Agency Indicator Factsheet TERM 2003 27 EEA 31.

¹⁷ Sustainable Development Strategy. 2006. European Council DOC 10917/06

¹⁸ See Article 9(3) and Annex IV of the general regulation for cohesion policy 1083/2006.

¹⁹ COM 2006(385), chapter 3.1.

The question is – are these objectives going to be financially backed up by the EU funds in the CEE-10 and by how much?

Apart from lower energy consumption and greenhouse gas emissions, public transport has numerous other advantages compared with private cars. Modernizing public transport is an essential policy to avoid congestion, accidents, noise, pollution, and land take resulting from individual car transport. Public transport is safer: the number of seriously injured and killed people per driven passenger-kilometers is 10-20 times lower for collective transport than for cars. In cities, public transport uses valuable urban space much more economically than cars: transport from home to work by a personal car, including parking, requires 20 times more space-time than by bus or tram. In addition, cars lead to congestions that annually bring about billions of euros worth of damage to Europe's economy and are responsible for the fact that air quality and noise standards are not being met in many cities. The development of public transport, the limiting of private cars and the creation of pedestrian zones have been shown to reinvigorate cities and increase sales in shops.²⁰ The mobility of large categories of people who do not have access to a car – usually lower-income or older people, women, children – is totally dependent on public transport. In CEE countries, there has been a massive exodus of freight and passengers from rail and public transport to road over the last 15 years. Car ownership has exploded and public transport use has decreased considerably. A big part of the explanation for this development lies in the under-financing of public transport and railways in the CEE countries and the prioritisation of investments for road infrastructure.²¹ In other words, the switch from rail and public transport to cars and trucks has been subsidised by public funds.

Although the share of passengers transported by public transport in the CEE countries has declined in favour of personal cars, it is still considerably higher than in the old EU member states. For example, there are fifty tram systems in the CEE region, which is the highest concentration in Europe. Most CEE cities do have plans to modernise public transport networks and rolling stock but have been limited by the lack of funds. Therefore, many of them have been waiting for the support from EU funds and the realisation of their projects is now dependent on it happening.²² Similar to public passenger transport, the share of freight transported by rail is also still significantly higher in CEE countries, despite the big declines in favour of roads. In this respect, the transport sector of CEE countries is still closer to the ideal of a balanced modal split. In 2001, the EU White Paper on Transport demanded: *“Every effort must therefore be made to convince the [CEE countries] of the need to maintain the railways’ share of the freight market at a high level, with a target of around 35% for 2010.”*

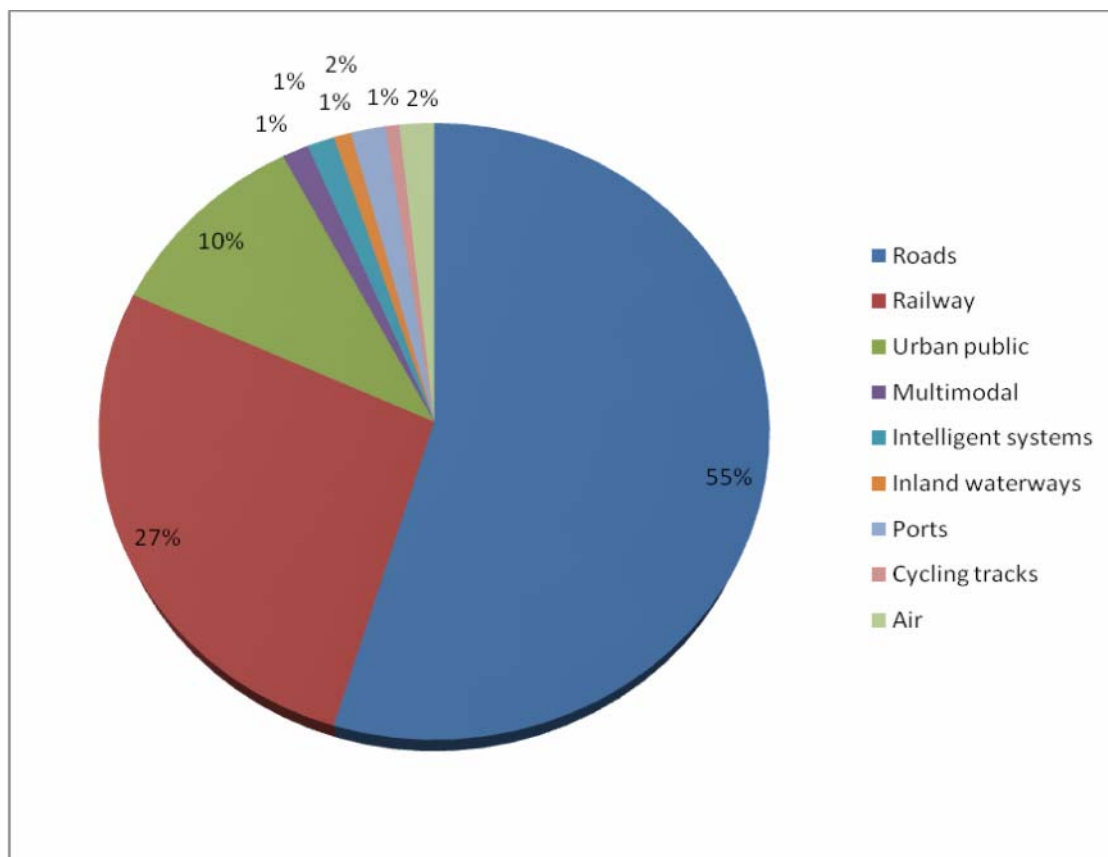
Altogether, 55 billion EUR of EU funding is allocated for transport in the Operational Programmes of the CEE-10 countries for 2007-2013. This includes transport measures in all national OPs – not only in the specific OP transport. Less than one-third of the transport funding (15 billion EUR) is to be invested in railway infrastructure and only one-tenth (5.7 billion EUR) in urban public transport. The biggest piece of the pie – 55% - goes for road construction (including motorways, national, regional and local roads). Approximately one billion EUR is to be invested in ports, another one billion EUR in air, whereas inland waterways are to receive half a billion EUR. Multimodal transport as well as intelligent transport system is to receive together only 1.5 billion EUR whereas cycling tracks will receive approximately 0.4 billion EUR. The exact breakdown is presented in Chart 3.

²⁰ *Better mobility in urban areas*. UITP, 2003.

²¹ *Paving the way for EU enlargement*. European Environment Agency, 2002.

²² *Tram Systems in Central and Eastern Europe: Achievements and future needs*. UITP, 2006.

Chart 3: Breakdown of 2007-2013 EU funds for transport in CEE-10 countries according to mode

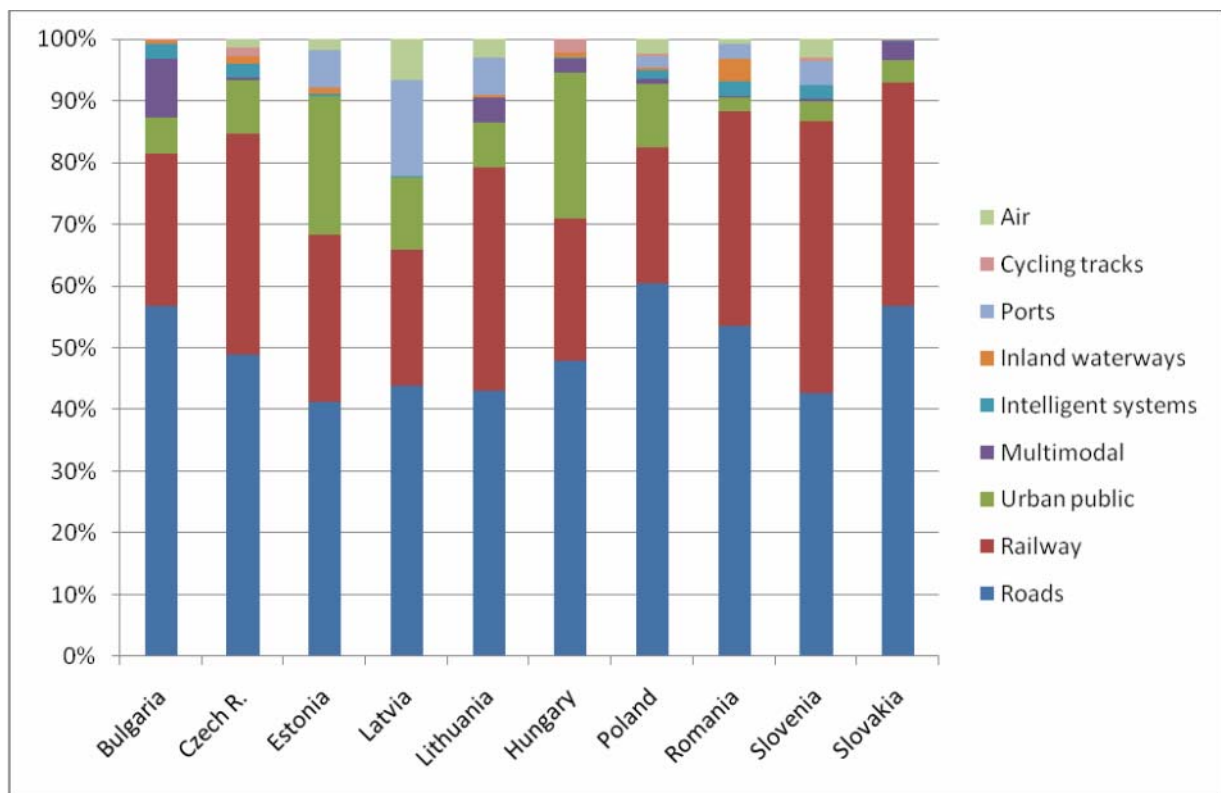


Note: These calculations are based on the financial allocations in the Operational Programmes for CEE-10 approved by the European Commission.

The next Table 2 demonstrates the uneven allocations between road and other modes of transportation in the CEE-10. While railways have received some, though varying, allocations in all countries, the allocations for clean urban transport are extremely incoherent across the countries. Bulgaria, Lithuania, Romania, Slovakia and Slovenia score the lowest on public transport, planning almost no or only very meager EU funding for this sector. The relatively biggest EU funding support for public transport is planned in Hungary and Estonia. Estonia is a relatively positive example also in that it sets appropriate objectives and indicators in its OPs: it aims to preserve the 35% share of public transport in total passenger kilometers, to increase the number of

electric rail passengers by 50% and tram and trolleybus passengers by 35% by 2013. Unfortunately, such objectives and indicators are exceptional among the CEE countries.

Chart 4: Comparison of EU funding allocations for transport in CEE-10 countries for 2007-2013



Even where some support for public transport is envisaged, it is rarely comprehensive. In the Czech Republic, Bulgaria and Hungary, most of the public transport money will go for one single project – extension of the underground metro systems in the capital. In Poland, for example, the urban public transport priority leaves out the funding of environment-friendly new buses despite the fact that 50% of Polish urban buses are older than 10 years²³ as well as the outstanding share of bus transport in Poland compared to other public transport modes.

²³ „Tabor autobusowy w komunikacji miejskiej - analiza stanu”. IGKM (Polish Chamber of Urban Transport), 2006.

Table 2: Comparison of measures and allocations for railway, public transport, cycling tracks, multimodal and intelligent transport systems in the Operational Programs of CEE-10 for 2007-2013

	Rail infrastructure	Urban (clean) public transport ²⁴	Other
Bulgaria	Railways TEN-T: € 464m	Integrated public transport projects for urban areas: € 109m	Cycling tracks: € 5m Multimodal: € 180m Intelligent transport systems: € 43m
Czech Republic	Railways TEN-T and mobile rail assets: € 2.8bn	Urban and clean transport: € 667m (4.5km extension of Prague metro included)	Cycling tracks: € 117m Multimodal: € 27m Intelligent transport systems: € 171m
Estonia	Railways TEN-T and mobile rail assets: € 185m	Urban transport: € 152m	Intelligent transport systems: € 3m
Hungary	366km newly built or modernized: € 1.6bn	Promotion of clean urban transport: € 1.7bn (Metro of Budapest, tram, suburban railway, including 42km of constructed or improved fixed-track network)	Cycling tracks: € 153m Multimodal: € 161m Intelligent transport systems: € 16m
Lithuania	200km newly built or reconstructed: € 566m	Urban and clean transport: € 115m	Multimodal: € 64m

²⁴ The analysis has put together what in the allocations is indicated as urban transport and promotion of clean urban transport.

Latvia	Railways TEN-T: € 256m	Modernization of Riga suburban commuter railway system (infrastructure, rolling stock, also city trams): € 139m	Intelligent transport systems: € 1m
Poland	Railways TEN-T and mobile rail assets: € 5.5bn	Complex projects for 9 metropolitan areas: infrastructure and rolling stock for urban railway, tram, metro, trolleybus; P&R, B&R (550km of modernised networks): € 2.3bn Urban public transport: € 277m	Cycling tracks: € 102m Multimodal: € 177m Intelligent transport systems: € 358m
Romania	Railways TEN-T and mobile rail assets: € 1.8bn	Urban transport: € 111m	Multimodal: € 13m Intelligent transport systems: € 127m
Slovakia	Railways TEN-T and mobile rail assets: € 1.2bn	Urban and clean transport: € 131m	Cycling tracks: € 5m Multimodal: € 102m Intelligent transport systems: € 9m
Slovenia	Railways TEN-T: € 450m	Urban and clean transport: € 34m	Cycling tracks: € 5.6m Multimodal: € 4m Intelligent transport systems: € 21m

The planned funding for public urban transport as compared to roads does not match the emphasis given to it in the EU cohesion policy and falls short of the needed investments. Without further major modifications, the funding support for public transport in 2007-2013 will be inconsistent as there will be only a few projects here and there; and it will be insufficient as it will not match the existing needs.

The analysis of allocations shows that instead of using EU funds to systematically improve public transport, the governments are planning to focus on building roads. Taken together, more than a half of all the EU funds for transport in CEE countries are to be invested in roads. Chart 4 shows that roads and motorways are to receive especially high shares of the funding in Poland and Slovakia (who at the same time plan to spend relatively most for transport in general). There is thus a gross imbalance in favour of one of the most climate-damaging transport modes and a continuation of the business-as-usual trend in transport financing in the CEE region.

A number of studies have undermined the widespread conviction that motorways are essential to regional development and employment creation. The economic impacts can just as often be positive as negative,

depending on the specific local circumstances of a given region.²⁵ Experience around the world also shows that it is not possible in the long term to solve congestion problems by building ever more roads, as they generate ever more car traffic. As the European Federation for Transport and Environment puts it: “Building road infrastructure inflates transport demand just as printing money creates inflation.”²⁶ Furthermore, the social costs of transport, such as accidents, damage to health through air pollution and noise, and climate change impacts have been estimated at 7.3% of the EU's GDP.²⁷ These costs to society are almost exclusively caused by road transport (84%) and aviation (14%). If external costs are taken into account, road transport becomes a much less attractive option and the prioritization of road-building from public resources becomes even less justified.

In Poland, for example, where there is the strongest road bias in the funding plans, only 30% of the railway network is in good condition, while the train carriages are “out-dated and worn-out”, according to the OP Infrastructure and Environment. The OP further predicts a 25% decrease of railway passenger transport by 2020 and an 18% decrease for rural bus transport system. It merely concludes that “the railway system may lose its competition with both individual car transport, as well as air transport. However, the railway system may continue to play a significant role in urban transportation.”²⁸

Air transport, which has the highest climate impact of all transport modes, is to receive one billion EUR subsidy from the EU funds in CEE countries. Seven out of ten CEE countries plan to use EU funds for air transport – Poland, Romania, Lithuania, Latvia, Estonia, Czech Republic and Slovenia. According to the European Environment Agency, air transport in the EU is already receiving a gigantic subsidy of 27-35 billion EUR every year by being exempted from fuel-tax and VAT unlike other transport modes.²⁹ Given this, any extra public funding for aviation from EU funds is not justifiable.

Conclusions

The article argues that EU funding for the 2007-2013 period is a unique opportunity to help the CEE-10 countries move on a climate-friendly development path. It suggests that the CEE-10 can do this if they systematically direct the funds towards energy efficiency, renewable energy and sustainable mobility investments. Our analysis, however, shows rather little financial commitment towards such projects. Only 4.2 billion EUR in total – only 2.4% of all EU funds – are allocated for energy efficiency and renewable energy. There are few, if any, efforts to systematically integrate energy-saving measures and renewable technologies into all suitable projects. In the transport sector, the majority of funds – 30 billion EUR – are to be spent on roads and motorways that generate more car and truck traffic and thus more emissions. Only 5.7 billion EUR is allocated for urban clean public transport that emits about three times less CO₂ emissions per passenger-kilometer than cars. Thereby, the financial plans do not match the official emphasis and commitments for energy efficiency, renewables and clean urban transport in the EU's policies. Given the large volumes of funding that are to become available for the CEE countries, the entire development of their economies in the upcoming seven-year period will be fundamentally influenced by the choices being made in the EU funds

²⁵ SACTRA, The Standing Advisory Committee on Trunk Road Assessment, Transport and the Economy, DETR, London, 1999.

²⁶ *Transport and Economy: The Myths and the Facts*. European Federation for Transport and Environment (T&E) and Stichting natuur en milieu, 2001.

²⁷ *External Costs of Transport*. INFRAS Zurich / IWW Karlsruhe, October 2004.

²⁸ “Operational Programme Infrastructure and Environment”, approved by the European Commissions on 7 December 2007.

²⁹ *Size, structure and distribution of transport subsidies in Europe*. European Environment Agency Technical Report 3/2007.

planning reflected in the Operational Programmes. The investments allocated in the final OPs approved by the European Commission are likely to bring the CEE-10 towards unsustainable and energy-intensive development, undermining future EU and national activities on climate change. CEE countries would then have to take much steeper and costlier emission cuts later. Thereby, this article also suggests that the EU cohesion policy should have a stronger stand on fulfilling the EU climate strategy. The EU funds should be used to help the beneficiary member states move towards a low-carbon development by earmarking high minimum funding shares for the key low-carbon investments such as energy efficiency, renewables and public transport. At least 5% of all EU funds should be allocated for EE and RE in all economic sectors in CEE-10. Furthermore, at least 75% of all transport funding should be allocated for environmentally friendly transport projects such as clean public transport, railways, inter-modal infrastructure, intelligent systems and bicycle tracks. At the same time, the financing of climate-damaging investments should be reconsidered. Finally, financed projects should comply with ambitious energy efficiency criteria and energy-saving measures, while renewable energy technologies should be systematically integrated into all projects where feasible.