

# The missing pathway to long-term decarbonisation objectives

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Climate action in EU Cohesion Policy  
funding for Lithuania, 2014-2020

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**GRAPH 27: Actual GHG emissions in Lithuania and indicative targets until 2050. Source: the SNCCMP**



Despite progress in the development of national climate change policy, climate change mitigation efforts are driven by sectoral policies and are therefore fragmented in their approach; a pathway to the long-term decarbonisation objective is missing and EU funds are not aligned with long-term climate change mitigation strategies. Whereas Europe 2020 targets are within reach, EU funds do not address the current GHG emissions increases from the transport and agriculture sectors. The EU funds' planning documents are weak on climate change considerations, not providing evidence on how particular measures will contribute to climate change objectives or help to shift to the low-carbon economy, and the horizontal principles on sustainability as described in the Partnership Agreement are not sufficient at the programming level. Many measures accounted for under the climate action earmarking have no or little relevance to climate change objectives. Investment in energy infrastructure basically targets energy efficiency in multi-apartment building blocks; support for renewables is limited to solid biomass-based heating plants. The importance of climate change mitigation is not well perceived by the representatives of the various sectors.

### LITHUANIA'S LONG-TERM CLIMATE POLICIES LACK SHORT TERM IMPLEMENTATION FRAMEWORK

The Strategy for National Climate Change Management Policy [The SNCCMP; adopted by Decree No XI-2375 of 6 November 2012] is the main document in Lithuania which sets short-term [to 2020], indicative medium-term [to 2030 and 2040]

and long-term [to 2050] climate change mitigation and adaptation goals and objectives. The SNCCMP targets both climate change mitigation and adaptation. The strategic goal as determined by the SNCCMP is to reduce vulnerability of natural ecosystems and domestic economic sectors by implementing measures for maintaining and increasing their resilience to climate change and ensuring favourable conditions for social life and economic activities. By 2050, all economic sectors should be adapted to environmental changes due to climate change. Climate change mitigation, i.e., reduction of greenhouse gas [GHG] emissions [Graph 27], the shift to a low-carbon competitive economy, introduction of eco-innovative technologies, improvement of the efficiency of energy production and use, and the use of renewable energy sources also should be introduced in all sectors of the economy by that time.

GHG emissions have decreased significantly since 1990 [by more than 50%]. This decrease was due to the collapse of high-energy and resource-consuming heavy industries. Gross Domestic Product dropped by 21% in 1992 compared to the previous year<sup>83</sup>. GHG emissions began rising again when the Lithuanian economy started to recover. Today, a shift from gas-based district heating to biofuel-based heating, the increased share of renewables-based electricity and increased energy efficiency due to renovation of multi-apartment buildings is starting to move the country further towards a low carbon economy. The share of renewables in final energy consumption was 23.5% in 2014<sup>84</sup>, with renewables accounting for 41.6% in the district heating sector<sup>85</sup>. Energy

83 Lietuvos gamtine aplinka. Būkle procesai ir raida, 2013, p.14 [http://gamta.lt/files/Aplinkos%20b%C5%ABkl%C4%97\\_05-20%20SPAUDA1.pdf](http://gamta.lt/files/Aplinkos%20b%C5%ABkl%C4%97_05-20%20SPAUDA1.pdf)

84 <http://enmin.lrv.lt/lt/veiklos-sritys-3/atnaujinantys-energijos-istekliai>

85 ibid

intensity has decreased over the last two decades, but it is still significantly above the EU average [Graph 27]. Based on these developments, the Europe 2020 energy and climate targets are within reach: a limited increase in GHG emissions of 15% from the non-ETC sectors, an increase of renewable energy sources up to 23% and an increase in energy efficiency of 17%.

Considering the above achievements, it is commonly accepted at the political level that Lithuania has implemented all international treaties and obligations regarding climate change and is on track to reach the Europe 2020 targets on time. Such a conviction, to some extent, determines why only 20.95% of the total Cohesion Policy funds are committed to securing climate change mainstreaming. This is presumed to be sufficient support for a further shift towards a low carbon economy in all sectors as these goals have been achieved without any specific measures to address climate change mitigation objectives. However, the missing implementation pathway for the clean energy transformation makes it difficult to evaluate current developments and actions in relation to the outlined long-term goals. Even with regard to Europe 2020 goals, the situation remains challenging. Energy efficiency still has to be improved, and Lithuania has not yet transposed the requirements of the Energy Efficiency Directive into national law. In view of its overall CO<sub>2</sub> emissions reduction, it is usually forgotten that

Lithuania currently is exceeding its established GHG emissions limit<sup>86</sup> [Table 7] in the transport sector and agriculture. This indicates that present achievements are not sufficient to implement EU CO<sub>2</sub> emissions reduction obligations and additional measures should be taken.

A comparison of projections of 2003 and 2020 shows [see table 7] that expected emissions reductions are mainly due to improvements in the waste sector [expected significant reduction in solid waste disposal]. Projections of emissions from other sectors remain stable. In this context, EU funds' support in particular in the transport sector is not considered to be a driver for CO<sub>2</sub> reduction.

Moreover, if real emissions follow the forecasted trend, then there is no evidence that such significant CO<sub>2</sub> reduction, as set in the Strategy for National Climate Change Management Policy [the SNCCMP], will be achieved beyond 2020 at all. Accordingly, the current Lithuanian government climate change policy might be described as very conservative and insufficient to cope with long term climate change challenges.

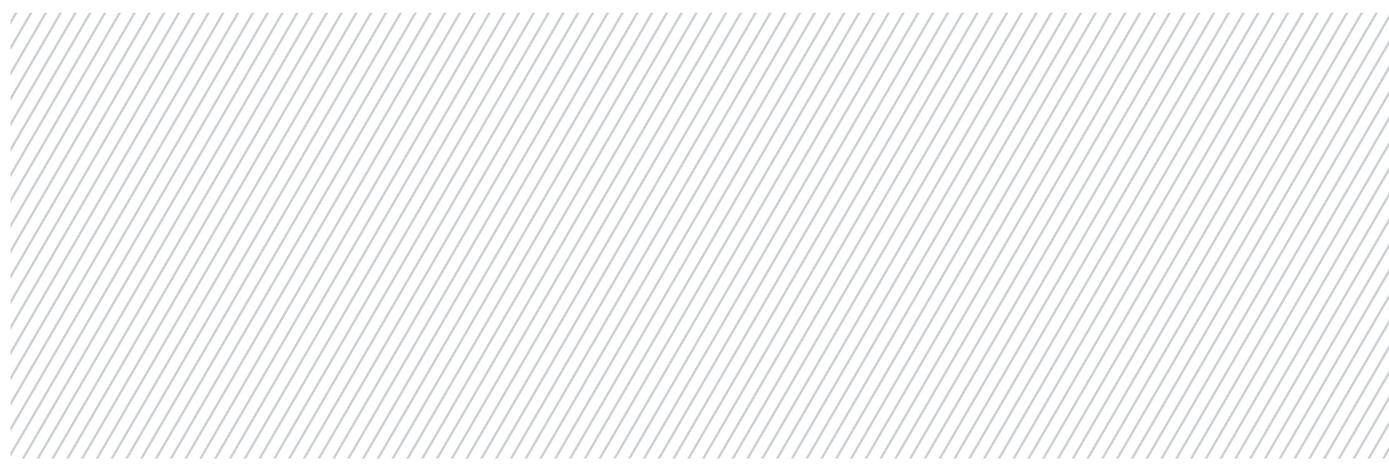
Concerning long term climate change mitigation objectives, the SNCCMP refers to the National Sustainable Development Strategy [the NSDS], the first version of which was approved in 2003. The NSDS has been updated several times, but the long

**TABLE 7: CO<sub>2</sub> emissions targets and projections in sectors which do not take part in the emissions trading scheme. Source: The Ministry of the Environment of Lithuania**

	YEAR	2013	2014	2015	2016	2017	2018	2019	2020
Transport	target	3,925	4,044	4,138	4,260	4,351	4,473	4,595	4,707
	estimate	5,013	5,010	4,980	5,015	5,021	5,025	5,031	4,985
Agriculture	target	4,115	4,239	4,337	4,465	4,561	4,689	4,816	4,934
	estimate	5,396	5,487	5,248	5,255	5,267	5,279	5,178	5,109
Industry	target	1,976	2,036	2,083	2,145	2,191	2,251	2,313	2,370
	estimate	1,059	1,140	1,615	1,614	1,613	1,613	1,612	1,612
Waste	target	1,272	1,311	1,341	1,810	1,411	1,450	1,489	1,526
	estimate	943	899	590	580	570	558	543	344
Others	target	1,612	1,661	1,699	1,749	1,787	1,837	1,887	1,934
	estimate	1,437	1,435	1,433	1,431	1,430	1,428	1,427	1,425
Total	target	12,936	13,297	13,658	14,019	14,380	14,741	15,102	15,463
	estimate	13,849	13,973	13,868	13,897	13,903	13,905	13,792	13,477

86 According to the Shared Member States' Efforts to Reduce GHG emissions Decision of 2009, Lithuania must follow established annual emissions allocations calculated in relation to emissions in 2005.

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term climate change policy principle has remained unchanged and requires only that GHG emissions growth is kept two times slower than economic growth. But this 'relative decoupling principle' [i.e., the increase of GHG emissions, has to be relatively lower than the increase of economic output] cannot be accepted as a sustainable principle considering climate change mitigation challenges. Such relative decoupling-based targets can be viable only in theory, for example, in 2010 when the Lithuanian economy started to show signs of recovery, GHG emissions grew by 17.7%, although GDP grew by only 3.5%<sup>87</sup>. During the economic recession, GDP and greenhouse gas emissions dropped in parallel.

Despite conservative Lithuanian climate change policy and pessimistic emissions projections which are based on economic growth forecasts, there are a number of opportunities to shift to green energy systems. Progress first of all is dependent on renewables development, which is expected to be much faster than is forecasted in strategic documents [see for example renewables forecasts for 2010-2020<sup>88</sup>], and even a slightly higher target of 31% for renewables in 2030 may significantly reduce GHG emissions projections<sup>89</sup>. Independent assessments of GHG trends in 2014<sup>90</sup> indicated that a 30% target for renewables in 2030 might be achieved without any supplementary measures. This would lead to a further decrease of GHG emissions by 20% from 2011. A general finding was that EU energy and climate change policy objectives for 2030 [27% from renewables and 40% reduction of GHG emissions] might be achieved without any incentives at all. These facts suggest that climate change mitigation policy in Lithuania only follows market processes and is not intended to play an important part in driving the process.

Measures to reach the goals and objectives of the SNCCMP are listed in the Interinstitutional Action Plan (IAP). Though the strategic planning methodology allows preparation of such

plans for longer periods than three years, the IAP has been prepared only for 2013-2016, although it is updated annually. The recently prepared IAP amendments<sup>91</sup> also do not cover the complete 2014-2020 financial period and contain measures only for the years 2016-2018.

Such a very short term strategic approach indicates the absence of a climate change investment policy framework even until 2020. This is in contradiction with the multi-annual financial planning of EU funds, and a long-term and predictable investment environment is needed to attract investment into particular renewables and sustainable mobility measures. Moreover, it appears that the IAP, the blueprint for sectoral investment strategies, is to a great extent only a compilation of sectoral measures to be implemented under Operational Programmes. It means that climate change mitigation goals are not considered to be an important factor determining and influencing the choice of sectoral measures.

In addition to lack of a long-term approach towards climate action, the IAP contains some controversial measures whose contribution to climate change mitigation goals is questionable. For example the proposed GHG reduction measures to change the road cover from gravel to asphalt does not contribute much to climate change mitigation - the price for reduction of one tonne of CO<sub>2</sub> by this method is too high compared with other measures. Accordingly, such a measure is not linked with climate mitigation objectives under the Operational Programme. Furthermore, some included measures like control of GMO releases or different types of monitoring and research activities or establishment of fences for animals do not have a direct link with climate change adaptation at all, even though they are claimed to have in the Operational Programme. These examples indicate that Lithuanian climate change mitigation policy lacks a clear and targeted implementation framework which could lead to

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87 Republic of Lithuania. Partnership Agreement, 2014, p.48

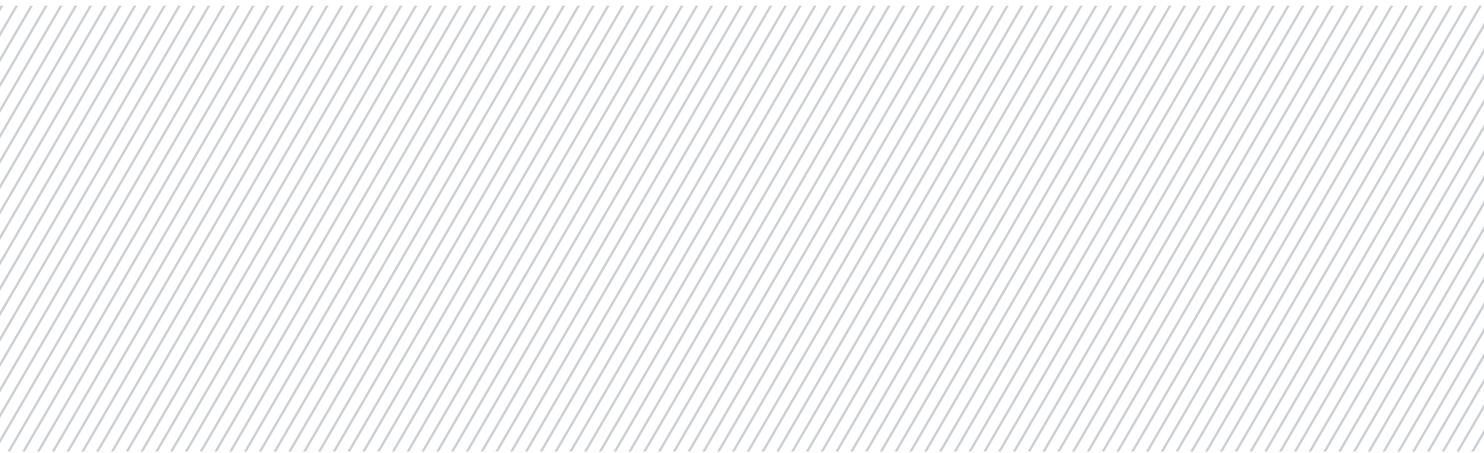
88 Use of renewable energy resources in 2010-2020 forecast, 2009, Ministry of Energy

89 Regulation [EU] No 525/2013 of the European Parliament and Council on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change

90 M. Nagevičius, Lietuvos šiltnamio efektą sukeliančių dujų prognoze energetikos sektoriuje, 2014

91 A draft version of the IAP amendments was available during the preparation of this report.

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achieving policy objectives. Such inadequacies not only lead to overestimation of the budget dedicated to combat climate change, but also send the wrong message to society and distort understanding of the problem. These deficiencies are embedded in the main policy documents and are mirrored in the Partnership Agreement and corresponding Operational Programmes.

## **PARTNERSHIP AGREEMENT: CLIMATE CHANGE MITIGATION SIDELINED**

An analysis of programming documents from the previous 2007–2013 programming period showed that climate change issues were fairly covered<sup>92</sup>. In the 2014–2020 programming documents, even if climate change is higher on the agenda, there is a shortage of information on how climate considerations are integrated in tackling economic, social and environmental challenges under the different Thematic Objectives.

Lithuania already suffers from climate change impacts. Hurricanes have become more frequent. Heavy rains cause flood risks and shore erosion. Reduced snow over several years is diminishing groundwater resources and this has had a significant effect on ecosystem viability and yields during dry summer periods. All these and many other consequences have had an impact on the economy too. There is a need for a targeted investment strategy addressing these challenges. However, in most cases the Partnership Agreement lacks information on how Thematic Objectives within different priorities will contribute to climate change mitigation and/or adaptation. Scattered information about specific actions with reference to climate change do not give a comprehensive picture about government efforts to cope with climate change nor do they indicate particular ambitions to achieve any progress in this area.

Since different development goals are covered by the Partnership Agreement, which are not mutually integrated and enforcing, there is a risk that achievements in the economy might have significant negative consequences on the environment and therefore some environmental gains from investments could be reversed. The Partnership Agreement does not contain information on how identified negative environmental consequences should be tackled and possible trade-offs are not discussed. The Partnership Agreement only refers to the overall strategic objective of the National Sustainable Development Strategy: to reach EU-15 average level in terms of economic, social and natural resources efficiency indicators, while environmental pollution remains below the allowed EU standards. With regard to GHG, the goal is to keep economic growth decoupled from GHG emissions. Referring to provisions of Article 8 of the Common Provisions Regulation, the Partnership Agreement defines that sustainability (including climate change) principles should be considered at the programming level.

Some information on potential impacts and effects can be found in the ex-ante strategic environmental impact assessment report. Several issues were pointed out regarding impacts on soil, water and air quality and biodiversity. It was stated that investments in the transport sector might have some negative effects on climate change mitigation efforts. However, the general Strategic Environmental Impact Assessment conclusions are quite positive regarding the impact of investment on climate change.

Possible impacts on sustainability have not been assessed [this is not required by national and EU law<sup>93</sup>, although Sustainability Impact Assessment is recommended by the OECD as a useful tool to explore the combined economic, social and environmental impacts of the proposed policies, strategies and action plans<sup>94</sup>]. Also, there has been no attempt

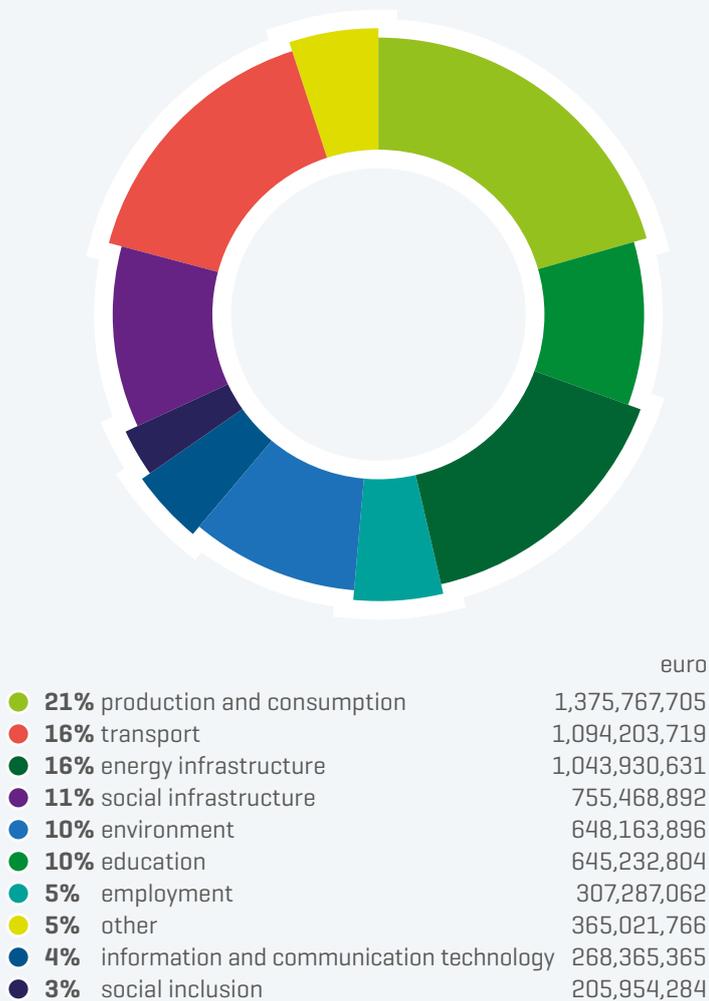
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92 IEEP. Methodologies for Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy, 2012

93 [http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc\\_127974.pdf](http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf)

94 <http://www.oecd.org/greengrowth/46530443.pdf>

**GRAPH 28: Investment areas of Cohesion Policy funds in Lithuania. Source: our own calculations based on approved Operational Programmes according to categories of intervention**



to apply the 'carbon neutrality' principle which was introduced during the 2007-2013 period by several countries as a tool to monitor whether investments in energy efficiency and other measures to reduce GHG emissions are offset by increases of emissions in other supported sectors.

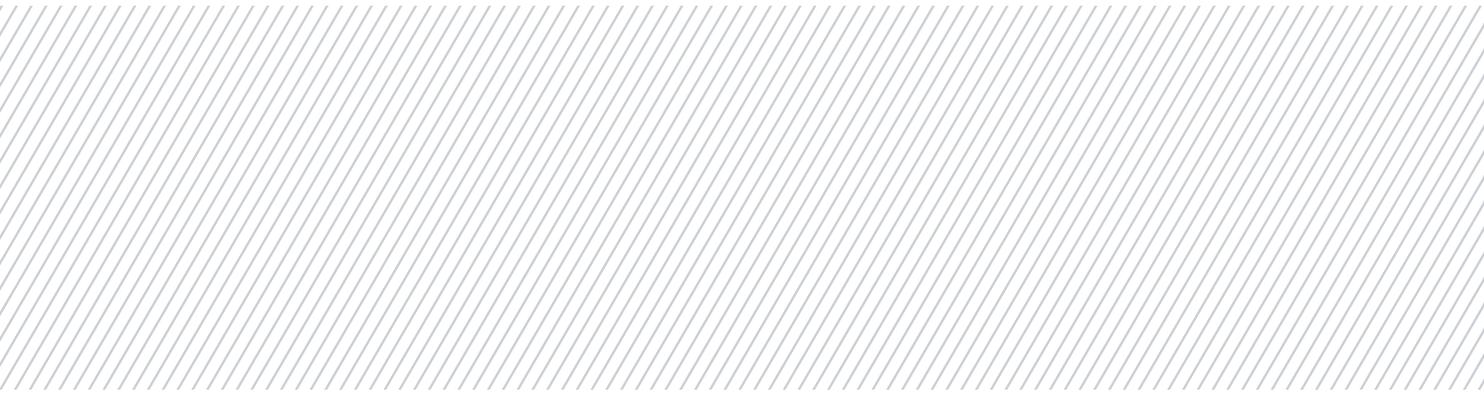
The lack of coherence within the climate change policy itself is another important factor which requires more emphasis to be put on the realisation of climate change mitigation policies. But, despite the Partnership Agreement noting that 'the investments planned in this area will hence contribute to a consistent shaping of the climate change adaptation policy as well as the implementation of climate change mitigation measures and prevention of climate change-related risks'<sup>95</sup>, there are no measures identified which would operationalise this claim. Whereas the Lithuanian Government undertook some efforts to overcome this isolation by adopting the Interinstitutional Action Plan, the national sectoral policies still remain fragmented.

The Partnership Agreement identifies synergies with financing instruments at the national and international level [ETC, HORIZON 2020, LIFE+, etc.] without providing details. The cross-border INTERREG does not seem very relevant from a climate point of view as relevant thematic priorities were not chosen for any cross-border co-operation programme.

The importance of co-ordination between the ESI funds and the European Union Strategy for the Baltic Sea Region [EUSBSR] is also recognised. The EUSBSR provides an integrated framework and is a relevant instrument for cooperation of member states in the region for establishment of electricity interconnections ensuring energy security as well as mitigation of and adaptation to climate

95 Republic of Lithuania. Partnership Agreement, 2014, p.78

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change. Nevertheless, no specific cross-border cooperation possibilities regarding the climate change issue have been described in the document. Setting a priority criterion for projects contributing to the EUSBSR was an important decision. Some of the projects linked with the 'Save the Sea' EUSBSR objective might have some relevance to climate change.

Annex 3 to the Partnership Agreement provides information on how different EU funds are balanced and how activities are divided between them. It is dedicated to drawing a demarcation between similar activities financed from different funds in order to avoid double financing, but synergies are not described. The coordination is left for the Monitoring Committees. However, members of the Monitoring Committees usually do not have an overall picture of the Operational Programme and hundreds of project selection criteria are approved case-by-case in the long run. Thus, it is rather difficult for Monitoring Committee members to secure synergies, especially if there is no information provided on links between intervention fields and planned projects. It is strongly recommended that climate change issues are included in the mid-term evaluation which has to be carried out to monitor the progress of programme priorities or implementation of particular objectives.

Integrated territorial development is a very important and strong tool to address complex issues simultaneously in the same area, and climate change and environmental objectives are going to be considered under integrated territorial development programmes. Three types of areas corresponding to three different types of EU funds are going to be established [some of them have already been chosen]: urban, rural and fisheries. The latter two types of areas only indirectly address climate change. Investments into energy efficiency

and renewables, environment protection, sustainable use of natural resources and adaptation to climate change as well as into sustainable transport and the main network makes up more than 50% of the total 'Integrated Territorial Investments' (ITI) in the case of urban areas. Nevertheless, exact figures of investments relevant to climate change and their impact may be overestimated since measures of sustainability are not listed separately and are merged with other measures under the same budget line [for example, investments into sustainable transport and main networks].

In addition, objectives of different measures can compete, leading to incoherencies and in the end not achieving the initially planned results: for example, 'the Vilnius City Integrated Territorial Development Programme' contains several measures addressing mobility issues. Some of them are intended for street reconstruction, renovation and increase of traffic capacity. Others address sustainable mobility and creation of sustainable and environmentally-friendly mobility infrastructure which integrates public transportation, cycle tracks, park&ride systems and footpaths. It is important to avoid competition between these measures as improved conditions for use of private cars [for example, increased car parking space] might reduce incentives to switch to more sustainable means of transportation [for example, use of public transport]. Thus investments to sustainable mobility infrastructures might not pay off and goals to reduce use of private cars in cities and meeting of air quality objectives might not be achieved. In order to avoid such a situation, sustainable mobility plans should be in place before investments are approved. However, sustainable mobility plans were developed after the investments were mapped out and, correspondingly, they have to adapt to some extent to what was planned beforehand, not necessarily considering sustainability issues.

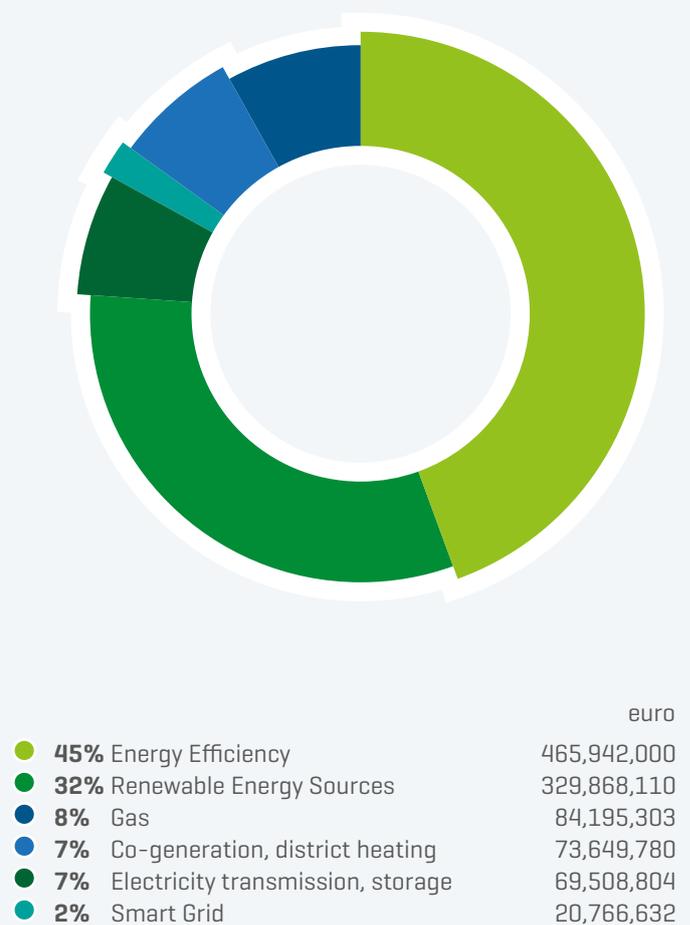
Among several issues listed in the Partnership Agreement where administrative capacities need to be strengthened, climate change issues are not covered specifically. This might be explained by the low priority of climate change mainstreaming between others, like reduction of corruption risk, professional ethics, or project cycle management. Even the climate change topic itself is not perceived and understood adequately by staff of sectoral ministries; therefore efforts to improve existing horizontal integration are necessary. If well-targeted, this might be a very important measure to shape the current policy perspective, to address climate change issues properly and to secure climate mainstreaming in sectoral policies.

### OPERATIONAL PROGRAMMES: RENEWABLES POTENTIAL UNTAPPED

Lithuania has three operational programmes: one for European Structural and Cohesion Funds, one for EAFRD and one for EMFF. All of them address climate change mitigation objectives. Thematic Objective 4 addresses the low-carbon economy, increased energy efficiency and renewables. Thematic Objective 5 addresses adaptation, resilience, capacity strengthening to assess and analyse climate change impacts, better public awareness, climate change risk minimisation (flood risk minimisation, coastal zone management) and strengthening the capacity of rescue services. An increase of energy and resource use efficiency [technologies] as well as introducing renewables [infrastructure] in companies will be supported from Thematic Objective 3.

The total European Structural and Cohesion Funds' contribution to climate change goals amounts to 20.94% according to the EU 'Rio Marker' methodology. The share of clean energy investments, i.e., energy efficiency, renewables and smart electricity distribution is 13.21%.

**GRAPH 29: Different types of energy infrastructure investments. Source: our own calculations based on approved Operational Programmes according to categories of intervention**



Considering the fact that renewables are supported to a relatively small extent and just at the enterprise level, the largest share of ERDF allocations goes to energy efficiency projects (45% of allocations for energy infrastructure), namely renovation of public infrastructure and housing stock. This shows that energy efficiency is perceived as one of the most important issues from an economic, social and environmental point of view [see Graph 29]. Despite the Operational Programme pointing out that further renewables development will help to solve not only climate change problems, but also increase Lithuanian energy independence, dedicated support for renewables is limited to support for solid biomass-burning power plants, which would significantly reduce heating prices for citizens. Lithuania has already reached its Europe 2020 target for renewables and more rapid wind and solar power plants development is not promoted by the Lithuanian government. The Law on Renewable Energy Resources establishes installed capacity caps for all types of renewables. Wind energy is the most promising source of renewables. But there are no free licences left: all licences for onshore wind power plants were distributed several years ago. Tariffs for solar energy were decreased by 40% in 2013. Thus, incentives to develop this source of renewables are suppressed now. This is explained by the impact on energy prices for consumers as renewable energy buying tariffs were incorporated into the final energy consumption price. Lithuania has not put in enough effort to motivate, involve and create attractive business models for local communities to become wind energy producers, even though this could be a very strong factor promoting rural development. Citizen ownership is also considered to be the one of the key elements of the Energy Union Communication of 2015 from the European Commission<sup>96</sup>. So far, almost all installed capacity is owned by private companies where local communities act as shareholders only in exceptional cases. Even state-owned options or private-public partnerships are excluded as an ownership model.

As wind and solar energy development is suspended, a high share of planned investments goes to biomass-based energy production. Looking at all allocations for energy infrastructure (see Graph 29), it is interesting to note that investments into natural gas distribution systems are almost equal to allocations into electricity distribution systems. Large investments have been made into LNG terminal development in the last few years. This now requires development of supplementary systems, competing to some extent with investments for other types of energy. However, gas consumption is tending to decrease due to support for conversion from gas-based heat generation to solid biomass-based heat generation and investments into renewables exceed investments into gas up to four times due to allocations for biomass. The development of smart grids would be an important step towards increasing energy efficiency and reducing energy consumption, however, the measures planned in this area are not accompanied by information on how and which planned measures will contribute to reaching climate change mitigation objectives. As presented in Graph 29, the share of investments into intelligent energy distribution systems is an insignificant 2% of the total allocation for energy infrastructure. The main goal of these investments is to increase energy supply stability and management efficiency of the electricity grid by introducing remote control systems and other measures. The chosen main result indicator – System Average Interruption Duration Index [SAIDI] – is related to electricity supply stability rather than efficiency.

Perhaps one of the most promising investment priorities in the transport sector under the 'low-carbon' objective is the implementation of strategies to reduce CO<sub>2</sub> emissions in cities and promotion of sustainable mobility. The introduction of integrated transportation systems [Park&Ride, Bike&Ride] together with the renewal of existing public transportation vehicle fleets, the introduction of smart traffic management schemes and corresponding changes in spatial planning documents could catalyse the shift towards a more sustainable life in the cities and, together, would reduce climate change

96 Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee, The Committee Of The Regions And The European Investment Bank A Framework Strategy For A Resilient Energy Union With A Forward-Looking Climate Change Policy /\* Com/2015/080 Final \*/

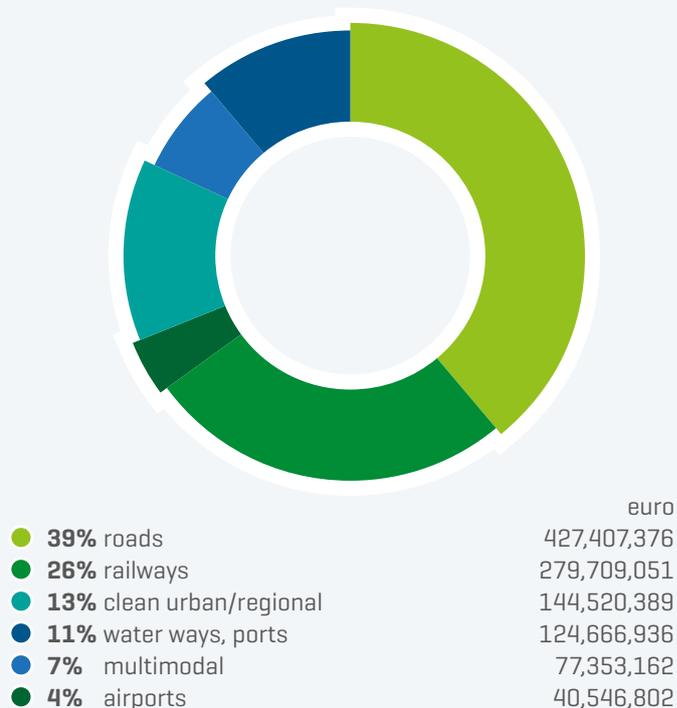
impacts. However, the currently prevailing trend in Lithuanian politics rather aims to improve the conditions for using personal cars in cities while neglecting public and environmentally-friendly transportation development needs. This bias is also reflected in the allocations for the transport sector.

The investments in the transport sector correspond to the current situation in this sector. The highest share goes to roads and is followed by investments in railways. Allocations for sustainable transport are in third place.

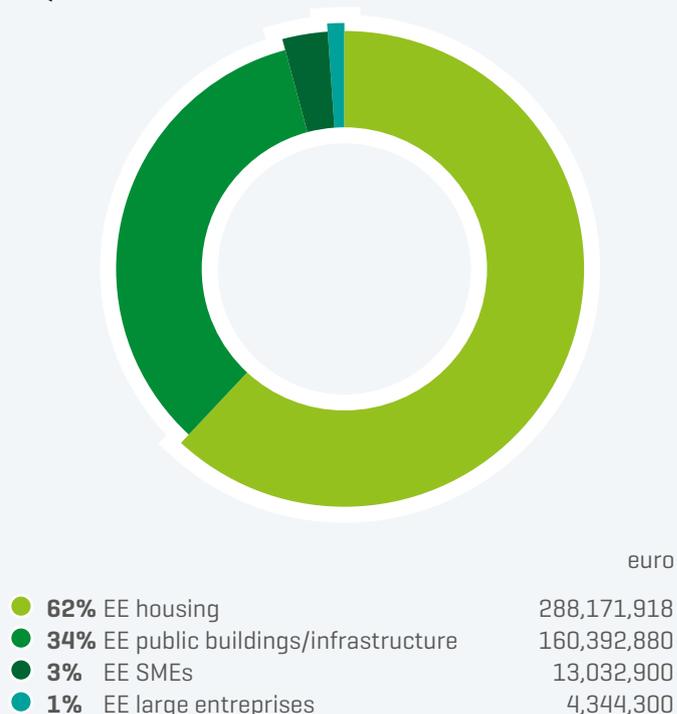
The renovation of multi-apartment buildings and state and local authority-owned buildings is one of the most effective measures to increase energy efficiency and support climate change mitigation goals simultaneously. Clear goals for energy efficiency [at least C class] and amortisation periods [up to 25 years] are established. Other measures foreseen under this objective, like renovation of heat distribution systems or modernisation of urban street lighting, are also very important and relevant to climate change mitigation objectives. Some doubts might rise regarding the efficiency of the measures to replace inefficient biomass-powered boilers in households which are not connected to district heating systems, since a more detailed description of this measure [scope, indicators, etc.] was not available during the preparation of this report<sup>97</sup>. A cost-benefit-efficiency analysis might be necessary to ensure efficient results from such an investment.

Integrated territorial development measures under the 'low-carbon objective' could contribute to climate change mitigation objectives as well. The conversion of abandoned land within cities might help to better use existing infrastructure, reducing costs and therefore decreasing impact on suburban areas. The real effects of such measures on climate change objectives will be very dependent on specific projects and their selection criteria as well as interlinkages with other integrated territorial development goals. Nevertheless, the scale of some planned objects, like the Multifunctional Health, Education, Culture and Employment Incentive Centre under the Vilnius Integrated Territorial Development Programme, raise reasonable concerns about the sustainability of such projects, and

**GRAPH 30:** Share of transport modes in total transport funding in Lithuania. Source: our own calculations based on approved Operational Programmes according to categories of intervention



**GRAPH 31:** Energy efficiency allocations according to type of beneficiary. Source: our own calculations based on approved Operational Programmes according to categories of intervention



<sup>97</sup> This measure is also included in the investment strategies of several other CEE countries.

requires a more comprehensive assessment of impacts and determination of corresponding safeguards.

Thematic Objective 5 comprises measures mainly managed by the Ministry of the Environment. Most of them have no or little relevance to climate change mitigation objectives. Some of them are dedicated to biodiversity protection and therefore can be ascribed to measures that increase resilience to climate change. Others, like measures for strengthening laboratory and monitoring capacities or addressing air quality issues, are relevant to other environmental objectives. 40% of investments under Thematic Objective 5 should be dedicated to climate change mainstreaming. But the real share of climate change-relevant investment cannot be estimated at this stage without additional research since the managing authority does not indicate project relevance to climate change objectives.

## **HORIZONTAL INTEGRATION OF CLIMATE CHANGE MITIGATION: PROJECT SELECTION CRITERIA TOO VAGUE TO STEER INVESTMENTS**

Referring to the provisions of Article 8 of the Common Provisions Regulation, the Partnership Agreement defines that sustainability (including climate change) principles should be considered at programming level, including:

- Support for innovations using less resources.
- Entire lifecycle costs consideration, where appropriate, when assessing economic efficiency of the projects.
- Wider introduction of green procurement.
- Obligation for the applicants to justify contribution or no-impact on sustainability.
- Assessment of projects in terms of their compliance with climate change mitigation and adaptation as well as resource efficiency and other issues important from a sustainability point of view.

Horizontal integration at the programming level and via the impact assessment of individual projects is reasonable in most cases, but with regard to climate change mitigation it is not suitable as it does not allow cumulative effects induced

by all projects to be addressed, and therefore the accumulated impact of investments regarding climate change objectives remains unclear.

Project selection criteria usually follow closely the objectives listed in the Operational Programme. However, there are at least two sensitive points: the description of climate change or sustainability-relevant criteria and interpretation of these criteria by project applicants and proposal evaluators. The weight given to criteria depends on the particular project and managing authority. To some extent, criteria might be negotiated in the Monitoring Committee, but examples from practice show that proposals to add a specific criterion for sustainability or climate change impact measurement are challenged by the authorities: a proposal to add a specific criterion on CO<sub>2</sub> reduction for selection of projects applied for intelligent energy distribution system investments [measure 04.4.1-LVPA-K-106] was not supported and was rejected from the voting. The argument against the proposal was that existing criteria like 'grid modernisation', 'increased supply stability', 'larger number of installed smart grid units' embed climate change objectives and there is no need for additional criteria on that. Arguments that projects are going to be selected on a tender basis, therefore the GHG reduction potential of the project has to be considered during the project selection process, were not accepted. This example shows that the sustainability principles as described in the Partnership Agreement are not considered to be important factors determining project selection in practice and are rather seen as an obstacle which creates additional problems and hinders smooth utilisation and uptake of financial support.

The responsibility to assess whether sustainability is perceived 'correctly' in the project selection is up to the evaluator, but the evaluation process is very formalised and based on a standard evaluation matrix which is developed and currently used for any type of project evaluation, largely based on 'box-ticking' without deeper content analysis. Thus, interpretation of sustainability is left to applicants themselves. Therefore more precise references to sustainability are required for both project applicants and evaluators.

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# RECOMMENDATIONS FOR IMPROVEMENT OF CLIMATE CHANGE MAINSTREAMING ACROSS EU FUNDS IN LITHUANIA

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European funds are an opportunity for every country to strengthen their sustainable development pathways especially in the spheres where further development is restricted without substantial investment. However, to gain maximum benefit from such investment, it is important to secure cohesion between different goals and objectives and to look for synergies. A long-term decarbonisation goal requires focused and highly integrated sectoral strategies, but national economic development strategies are still lacking a proper sustainability dimension. To secure better integration of environmental concerns relevant to climate change issues into investment strategies and implementation processes, Lithuania should:

- Rethink what kind of policies should be in place in order to achieve long-term decarbonisation strategy goals and choose appropriate indicators to measure progress.
- Elaborate a roadmap towards decarbonisation goals.
- Make the Interinstitutional Action Plan (IAP) a real implementation framework which contains climate change-relevant measures and could lead to the decarbonisation goals listed in the Strategy for National Climate Change Management Policy. The IAP should cover the complete financial period and be harmonised with Operational Programmes.
- Ensure that there will be no investments with adverse impacts on ecosystems and GHG reduction targets; start introducing the carbon neutrality principle for large investment programmes.
- Ensure that comprehensive assessment of impacts is performed prior to implementation of complex projects, e.g., establishment of multifunctional centres or realisation of sustainable urban mobility plans.
- Include climate change issues into the mid-term evaluation of EU funds' utilisation in Lithuania.
- Prepare attractive support and motivation schemes for citizens to become co-owners of renewable energy production.
- Prepare corresponding guidelines for project applicants where sustainability issues are required to be included in the project scope.
- Closely follow the principles of sustainability as described in the Partnership Agreement referring to the provisions of Article 8 of the Common Provisions Regulation; promote inclusion of GHG reduction criteria in the project selection schemes.
- Increase administrative capacity with regard to climate change issues in sectoral ministries.