

Assessment of Estonia's proposed Recovery and Resilience Facility measures

Key points

- Estonia has not shared an overarching plan that details how the country will utilise the Recovery and Resilience Facility (RRF), but only brief documents on individual proposed measures without an assessment of the 'do no significant harm' principle.
- The measures lack a strategic framework and analysis of how they support each other in pursuing the RRF's strategic goals, indicating that the funds may not be effective in the long term.
- Proposed measures appear to largely support the green transition, e.g. via a fund for enterprises' green transition; measures for decarbonising the transportation sector; and investments in renewables and energy efficiency.
- Many measures could jeopardise the European Green Deal, e.g. if they extend the longevity of polluting sectors or hamper progress on environmental goals not directly related to climate.
- Although there were basic public consultations on many proposed measures, there were none on some potentially harmful measures, e.g. investments in bio resources and railway infrastructure.
- Proposed measures disregard biodiversity, despite shortcomings in Estonia's conservation work, the decreasing carbon sink and earlier recommendations from the European Commission.

Introduction

The Recovery and Resilience Facility (RRF) provides an ideal opportunity for Estonia to recover from the COVID-19 pandemic and make its society more sustainable and resilient to future shocks. In its planning process, Estonia will combine the RRF with other EU funds to determine how to finance the long-term priority areas outlined in the general national strategy 'Estonia 2035' most effectively.

Unlike many other countries with more advanced recovery plan drafts, as of 18 April 2021, the state had published only brief two-page documents outlining the proposed

For more information

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measures and budget allocated for these¹. Further, there was a week of consultations in March for selected measures, but these provided limited additional information on the specific plans for each measure and on Estonia's recovery and resilience plan as a whole¹. These documents and consultations do not allow for a thorough review of the recovery plan itself, e.g. no information has been provided on measures' compliance with the 'do no significant harm' principle. Still, they provide indications to assess the measures' alignment, and therefore the overall alignment of Estonia's recovery plans, with the European Green Deal.

Despite the noteworthy share of green investments in the measures, a vast proportion could either positively or adversely affect climate change mitigation and adaptation goals, depending on their further planning and implementation. Thus, there is a need to ensure that the detailed eligibility and implementation criteria planned for such measures are aligned with the Green Deal.

Assessment²

Estonia's total allocation from the RRF – an estimated EUR 0.9 to 1.1 billion – will be channelled towards five areas: healthcare and social protection (EUR 446 million), business (EUR 337 million), e-governance (EUR 135 million), energy and energy efficiency (EUR 92 million) and transportation (EUR 96 million). While some measures included under these areas will likely have no significant effect on climate goals, most will have either a positive or likely but uncertain impact on climate goals.

A. Positive effect on climate goals (EUR 322 million, 29 per cent of the total)

Some of the more notable positive measures include **investments in the energy grid, energy storage and renewables** (EUR 45 million); **increasing the energy efficiency of buildings** (EUR 47 million); and **a green fund for investing in companies' green transition** (EUR 100 million). Promoting the **introduction of integrated renewables-based hydrogen technologies** (EUR 50 million) might also lead to a positive climate impact, but concerns have been raised that the measure has been designed based on overly optimistic expectations and might face severe implementation problems.

Measures that will positively contribute to the decarbonisation of the transportation sector and hence the climate goals include **constructing an additional tram line** in Tallinn (EUR 26 million), **restoring a section of a former railroad line** in Northern Estonia (EUR 34 million) and **municipal investments in cycling paths** (EUR 5 million).

B. Likely but uncertain effect on climate goals (EUR 629 million, 57 per cent of the total)

Most other measures will likely affect climate goals, but due to the low level of detail provided about them, it is uncertain to what extent they are in alignment with the European Green Deal and meet the criteria set forth in the European Commission's Technical Guidance for the RRF. For example, it cannot be ruled out that many of the proposed measures could be used to support the growth of companies and sectors that significantly

¹ Republic of Estonia, Ministry of Finance, [2021-2027 planeerimine](#), last accessed on 18 April 2021.

² The assessment is based primarily on materials produced and shared by the Estonian government up to 18 April 2021.

reinforce climate change and environmental degradation, e.g. extracting and processing mineral resources and fossil fuels. Such measures include **supporting the export capacity of Estonian enterprises** (EUR 33 million), **adopting innovative and resource-efficient technologies** (EUR 23 million), **supporting industries to align their production with international standards** (EUR 9 million) and **digitisation and automation of enterprises** (EUR 73 million). Encouraging the longevity of harmful sectors instead of supporting genuinely sustainable ones, however, contradicts the goals of the Green Deal.

Investments in technological and product innovation in bio resource-related sectors (EUR 24 million) might be positive *per se*, but it is unclear whether this measure will fuel increasing logging intensity, which has adverse environmental and climate impacts. In addition, the measure proposing the **construction of a joint transport terminal of Rail Baltic** to Tallinn (EUR 31 million) could have a positive impact on decarbonisation, but its construction further encourages the expansion of Rail Baltic, which would negatively impact biodiversity, as it likely involves clearing bogs and forests of high conservation value to make way for the railroad, thus causing significant environmental harm.

When assessed from a purely climate perspective, two measures with potential healthcare-related benefits could have either a positive or a negative environmental and climate impact. First, although **purchasing two helicopters and developing emergency service capacities** (EUR 56 million) supports the use of helicopters as one of the modes of transport with the highest emissions, the measure's goals include putting out forest and landscape fires and monitoring the environment and marine pollution. Second, although **constructing Tallinn Hospital** (EUR 380 million) likely involves a significant amount of concrete, the measure aims to aggregate individual hospitals currently based in older buildings across the capital into a central, probably more energy efficient one.

Proposed RRF measures neglect biodiversity

Both the Technical Guidance for the RRF and the EU Biodiversity Strategy 2030 highlight the need to allocate a larger proportion of EU funds for protecting and restoring biodiversity as part of the requirement to invest at least 37 per cent of the RRF in the green transition. Despite this and the central role of preserving biodiversity and ecosystems in climate change mitigation and adaptation, Estonia has not proposed any RRF measures on these, even though its land use, land-use change and forestry sector is projected to become a net emitter of CO₂ by 2030³. This means that the sector will emit more emissions than it can store, mainly due to intensive logging that has led to a fast-paced loss of the carbon sink.

From the view of conservation, for instance, the status of most forest habitat types of the Habitats' Directive in Estonia is either inadequate or bad⁴, suggesting that the state has not fulfilled its duty to ensure and restore the favourable status of these as required by the directive. In addition, 49 per cent of the forest area within the

³ Republic of Estonia, Ministry of the Environment, [Report pursuant to Article 39 of Regulation \(EU\) 2018/1999, Estonia, 2021](#)

⁴ Republic of Estonia, Ministry of Environment, [Prioritised Action Framework \(PAF\) for NATURA 2000 in Estonia](#)

Natura 2000 network in Estonia is not covered⁵ by the Habitats' Directive forest habitat inventory, indicating that forests with potentially high conservation value may not be adequately protected from intense logging.

Using the RRF to invest in improving the status of forests and other habitats and in taking inventory of the land within the Natura 2000 network, for example, would help to capture and store carbon and ensure that ecosystems that need to adapt to climate change are preserved. Thus, it would also contribute to the climate goals of the facility.

Conclusion

Issues and recommendations

- The Estonian state has not shared a draft of an RRF-specific plan that details the country's strategic goals for and approach to utilising the facility. Such a plan would help to assess not just the relevance and effectiveness of individual RRF measures, but also how they support each other in pursuing these strategic goals. Even though Estonia claims the proposed measures are based on the general national strategy 'Estonia 2035', this strategy was drafted largely before the pandemic and it does not provide sufficient RRF-related details.
 - **Recommendation:** Estonia should draft and publish an RRF-specific plan with strategic goals for the use of the facility. This is critical to assess the individual measures together and ensure that the environmental and climate-related objectives are met most effectively.
- A large proportion of measures could have either a positive or negative climate effect. For instance, there is a considerable risk of designing and implementing 'green' policies for resource-intensive and heavily polluting sectors with weak climate conditions, which might fall well short of the change that is needed to reach the goals of the European Green Deal. In addition, for many potentially harmful measures, such as investing in bio resources and larger transportation infrastructure, there were no public consultations, i.e. no ability to receive more information or provide feedback.
 - **Recommendation:** A comprehensive assessment of the 'do no significant harm' principle, as per the European Commission's Technical Guidance for the RRF, should be made public and alternatives to measures that support business as usual or lock-in effects should be discussed. The detailed eligibility and implementation criteria planned for such measures should be transparent and aligned with the Green Deal. Estonia must ensure public consultation in the planning of all proposed RRF measures.
- For measures currently defined as 'green', e.g. the green fund for enterprises (EUR 100 million) or green technologies (EUR 23 million), it is unclear to both businesses and environmental organisations alike

⁵ [Response to a request for information from the Estonian Environmental Agency](#) on 12 December 2020

what the state aims to achieve. Without a proper framework for what is to be achieved with the measures classified as green, the funds will likely not be as effective in the long term.

- **Recommendation:** For measures defined as ‘green’, the criteria from the EU Taxonomy on sustainable activities should be set as the standard to ensure their long-term sustainability and effectiveness. The detailed eligibility and implementation criteria planned for such measures should be transparent and aligned with the Green Deal. The stakeholders should be involved in decision-making and monitoring to increase the ownership of the transition process.
- The proposed RRF measures disregard investments in biodiversity, despite shortcomings in the conservation work and the decreasing carbon sink of Estonia, as well as the recommendations made by the European Commission.
 - **Recommendation:** A significantly larger focus should be placed on investing in biodiversity and in preserving and restoring the favourable condition of different types of ecosystems.

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