

Assessment of Slovakia's draft recovery and resilience plan

Key points

- Slovakia's draft recovery and resilience plan has been shared with the public, but consultation on the draft was rather formal and was not transparent or inclusive in line with the partnership principle.
- The plan will direct almost EUR 3 billion for green, climate-friendly investments, but nevertheless is based on outdated climate change targets.
- Particularly in the sectors of renovation, energy efficiency and transportation, proposed measures will not do enough to help Slovakia reach the necessary targets for decarbonisation and the reduction of greenhouse gas emissions.

Introduction

Slovakia has an opportunity to secure European Union funds for COVID-19 recovery through the Recovery and Resilience Facility (RRF), which should direct financial assistance to measures that also address the climate crisis. Thanks to a strong push from the European Commission, Slovakia's national recovery and resilience plan allocates nearly EUR 3 billion for green, climate-friendly investments. The plan includes commendable aims to renovate buildings, pursue renewable energy sources, clean up dirty industries and develop more sustainable transport infrastructure.

The devil, however, is in the details. The plan's premise is misguided in that it is based on Slovakia's outdated climate and energy strategies, which only plan to reduce greenhouse gas emissions by 47 per cent by 2030. The proposed renovation and efficiency measures are littered with false solutions, as is the country's approach to tackling the industry's pollution problem, and despite significant improvements for green transport, some investments still miss the mark.

All the more frustrating is that many of the issues with the plan explored below could have been addressed during the planning, had the government set out a transparent process for public engagement in line with the Commission's partnership principle.

Slovakia should propose a recovery plan that is less focused on trying to catch up with the EU's average GDP and more concerned with financing decarbonisation and resilience measures that will help Slovakia reach the EU's goal of reducing greenhouse gas emissions by 55 per cent by 2030 and achieving carbon neutrality by 2050.

For more information

Juraj Melichar
National coordinator
CEE Bankwatch Network, CEPA
juraj.melichar@bankwatch.org

CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

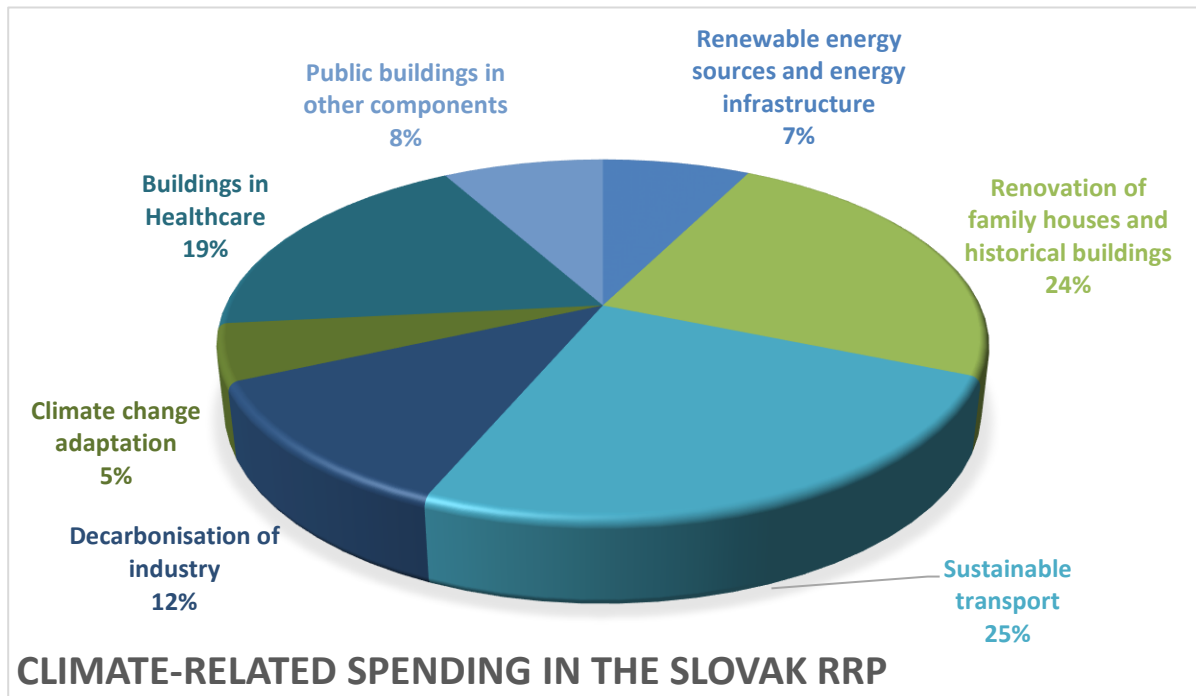
Learn more:
www.bankwatch.org/eu



This assessment, conducted after the official consultation process with the relevant ministries, reviews Slovakia's recovery and resilience plan from March 2021¹ and provides recommendations for the plan's improvement.

Figure 1 below summarises the share of climate-related spending in various components of the Slovak plan.

Figure 1: Climate-related spending in the Slovak recovery and resilience plan



Source: CEE Bankwatch, based [on data from the Ministry of Finance, Slovakia, March 2021](#)

Assessment

Outdated plans and no regional capacities

One of the critical problems with the Slovak recovery plan is that it is based on outdated documents, such as the National Energy and Climate Plan (NECP). The Slovak NECP was outdated even in 2020 when it was published. The main reason for this was the absence of updated decarbonisation models. At the time of drafting, there was not enough political will to update the models, and Slovak ministries did not have sufficient capacity to do so. The Ministry of Environment has been preparing a model for carbon neutrality since 2019, but only general information about the proposed measures is available. Thus, Slovakia does not have an appropriate model that would allow it to align recovery measures with 2030 and 2050 EU climate targets.

¹ This assessment is based on the [draft of Slovakia's recovery plan](#) published in March 2021.

Moreover, Slovakia will probably revise all of its reports on renewable energy shares that have been produced since 2010 due to incorrect reporting of data from households and small sources in the last decade. The current government's programme (which started in April 2020) states that it will review the NECP and Low Carbon strategy². However, the financing from the RRF and European Structural and Investment Funds (ESIF) will be allocated for specific programmes before the country's decarbonisation plans are in line with the 55 per cent GHG emissions reduction target by 2030 and the pathway to carbon neutrality by 2050.

A critical element for advancing decarbonisation is regional capacity. The draft recovery and resilience plan proposes one-stop shops in the regions that can assist households with applying for funding, which is a step in the right direction, but not sufficient. Thus far, the recommendations made by non-governmental organisations' (NGO) to support the preparation of capacities in the Regional Centres which would help orchestrate the planned decarbonisation at the regional level have not been considered. The NGO proposal will compliment actual decarbonisation planning and implementation and give the Regional Centres a much broader and deeper focus that could lead to more substantial change.

Slovak ministries should include a measure in the plan for 'Preparation of regional capacities for decarbonisation' with EUR 3 million.

Renovation of buildings

Proposed reform measures include integrating various public support measures, increasing transparency, complex assessments of historical buildings and dealing with construction waste. The last reform is the only circular economy initiative in the entire recovery plan.

All components of the recovery plan that include the modernisation and renovation of buildings should incentivise deep renovation above the minimum legislative standards. It is currently difficult to assess whether support for public historic buildings is an appropriate use of funding to contribute to carbon neutrality by 2050, because Slovakia lacks a decarbonisation model, a clear division of financing, and widespread regional decarbonisation strategies and capacities for preparing and implementing these strategies. The relevant ministry should also encourage the preservation of historical values – not only the pragmatic utilisation of public historical buildings.

The relevant ministries should incentivise deep renovation and double-check the proposed support for historical buildings with the Ministry of Environment's current draft of the new decarbonisation model.

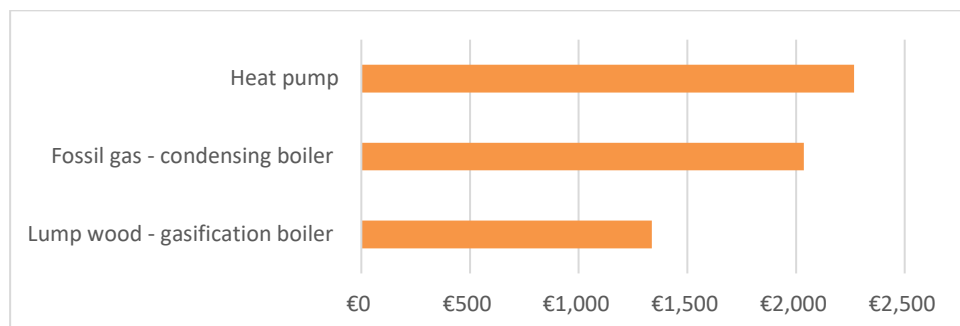
Fossil gas boilers a false solution for energy poverty

The plan includes an investment package for improving the energy efficiency of 40,000 family homes in Slovakia in an attempt to address energy poverty. The investment package includes a EUR 50 million allocation for fossil gas boilers. Households will not be able to access this support programme unless they implement other energy saving measures, which is relatively positive. However, the Ministry of

² Office of the Government of the Slovak Republic, [Návrh Programového vyhlásenia vlády Slovenskej republiky UV-8054/2020](#), 17 April 2020.

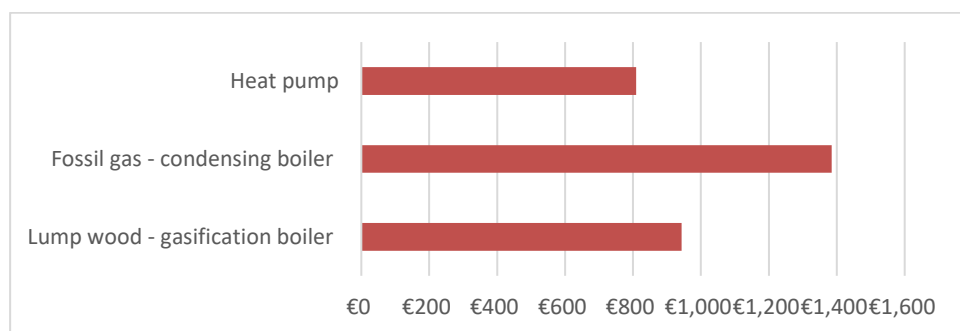
Environment has the false presumption that they will be able to teach the low-income households to use fossil gas instead of cheaper fuels. The Ministry thus wants to avoid infringing on EU air quality legislation. However, it is unlikely that low-income families will choose to switch to fossil gas from cheaper fuels, such as wood (and unfortunately waste), without crucial energy poverty measures.

Figure 2: Total annual costs of individual heat sources in Slovakia (10-year average)



Source: Based on data from [Slovak Innovation and Energy Agency, Ministry of Economy](#)

Figure 3: Annual costs of fuel for heating in Slovakia



Source: Based on data from [Slovak Environment Agency, Ministry of Environment](#)

As the data from both of the relevant Slovak agencies show in figure 2 and figure 3, fossil gas is the most expensive of the three selected fuel sources. Fossil gas is more expensive than wood but cheaper than heat pumps only when considering the average costs over a 10-year period. (However, heat pumps are much more affordable if considered from a 20-year cost trajectory, as they have higher initial costs, which can be subsidised, and the lowest operational costs.)

Moreover, Slovakia already has one of the worst ratios of energy-related spending to individual income in the EU³ and opting for the more expensive fossil fuel would only make it worse. More sustainable solutions should replace fossil gas boilers in the plan. The Slovak Academy of Sciences recommends examples of other Member States' good practices in tackling energy poverty⁴, such as supporting home renovation.

³ European Commission, [REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Energy prices and costs in Europe](#), *EUR-Lex*, 30 November 2016.

⁴ Dušana Dokupilová, Daniel Gerbery, and Richard Filčák, [Energetická chudoba na Slovensku 2020: od analýz k odporúčaniam pre verejnú politiku](#), Forecasting Works: Research TO Practice / Výskum PRE prax, 2020.

The Slovak draft recovery plan mentions solar energy systems and heat pumps, but these technologies have not yet been properly integrated into the plan's package of energy efficiency measures.

The Ministry of Environment should replace support for fossil gas boilers with renewable energy source (RES) systems, combined with deep renovation of houses and energy poverty measures.

The 'do no significant harm' principle is insufficient for preventing fossil fuel investments

The Technical guidance on the application of 'do no significant harm' in the Recovery and Resilience Facility Regulation states:

[S]upport for measures related to natural gas-based boilers and heating systems (and related distribution infrastructure) can exceptionally be given, on a case-by-case basis, if [it will]: ...

-lead to a significant improvement of the environment (notably due to pollution reduction) and public health, in particular in areas where the EU air quality standards set by Directive 2008/50/EU are exceeded or risk being exceeded, such as when replacing coal- or oil-based heating systems and boilers.⁵

This is insufficient to prevent harmful fossil fuel projects from being included in recovery plans. Such guidance allows countries like Slovakia to include measures that utilise fossil fuel sources like gas, such as the boilers mentioned in the previous section. Supporting fossil fuels will prevent countries from achieving carbon neutrality by 2050 at the latest and ignore the costs of missing the opportunity to use precious public resources for more sustainable solutions that are available today.

Renewable energy sources and energy infrastructure

Reform measures proposed under the renewable energy sources and energy infrastructure component of the recovery plan primarily focus on transposing the Clean Energy for all Europeans package⁶ into Slovak legislation. Overall, the component supports entrepreneurs and prioritises economic interests over environmental and social safeguards. On the other hand, the Ministry of Economy added communities and prosumers as additional eligible recipients of public finance due to civil society advocacy. However, in its later comments to the plan, the European Commission was very strict and refused to add these groups to maintain a clear division between the ESIF and RRF. Communities and prosumers are supposed to be almost solely financed from the ESIF.

The Ministry of Economy should add sustainability criteria for renewable energy sources tailored to Slovakia's needs – not only use the 'do no significant harm' principle and Renewable Energy Directive (RED II) criteria. The European Commission should prioritise support for energy communities and prosumers than insist on a clear division of funding between RRF and ESIF.

⁵ European Commission, [Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation, Official Journal of the European Union](#), 18 February 2021.

⁶ European Commission, [Clean Energy for all Europeans package](#), last accessed 23 April 2021.

Decarbonisation of industry

Cost-efficiency is the main principle for investments in the EUR 350 million decarbonisation of industry component of the plan. This component's reform measures include a phase-out of subsidies for electricity from domestic coal, which was approved in 2018 and will not be financed from the Recovery and Resilience Facility. Streamlining controls and improving integrated permitting for industry is another proposed reform measure that has raised attention from the environmental and access to justice points of view. A decreasing administrative burden should not come at the cost of derogation from environmental legislation, but more capacity should be allocated to assess whether the decarbonisation plans of the industries are in line with long-term climate goals and that stranded assets are avoided considering forthcoming improvements in the climate legislation.

The Ministry of Environment should check if the proposed measures are in line with the forthcoming carbon neutrality model.

Railway and cycling infrastructure, but also highway hydrogen infrastructure

Proposed reform measures in the area of sustainable transport focus on preparing investment projects and other public passenger transport and intermodal freight transport measures.

Slovakia's recovery plan includes EUR 700 million for a number of positive measures, including the development of low-carbon transport infrastructure, environmental freight transport and the promotion of ecological passenger transport. Unfortunately, it also plans to support the problematic construction of infrastructure for alternative fuels (e-mobility and hydrogen) on highways. Moreover, the construction of this charging and refuelling infrastructure on highways does not require a substantive 'do no significant harm' assessment according to the Technical guidance on the application of 'do no significant harm'.

Pedestrian, cycling and public transport infrastructure were neglected for decades as overpriced highways were financed as a state priority. Individual automobile transport (even electric) is much less efficient, socially accessible and environmentally sustainable than public transport systems. For this reason, **the plan's EUR 50 million allocation for 1,000 new electric and hydrogen recharge stations on highways should be switched from grants to loans.**

The partnership principle and participation

The Slovak Ministry of Finance sent the first draft of Slovakia's recovery plan to the European Commission on 23 December 2020. However, the Ministry only published the complete draft of Slovakia's plan for public consultation on 8 March 2021. With the tight deadline for submitting plans to the Commission, this three-month delay made public participation in the planning process mostly a formal exercise.

The Ministry of Finance should incorporate the partnership principle into the implementation structure of the recovery plan.

Conclusion

Despite the positive proposed measures in Slovakia's recovery plan, the current draft of the plan has a major flaw in that it is based on outdated targets for decarbonisation and greenhouse gas emissions reductions. This has impacted the ambition of the measures that are included in the plan, such as insufficient funding for regional decarbonisation capacities and building renovation, the inclusion of fossil gas as a solution to energy poverty, insufficient criteria for fossil fuels and renewable energy spending, and measures for the decarbonisation of industry and transport that fall short of Slovakia's needs with respect to climate change. Thus, the plan will not be fully in line with the European Green Deal. It is crucial for Slovakia update its decarbonisation model and to make changes to the measures proposed in the plan based on the recommendations provided in this briefing.

This publication has been prepared with the financial assistance of the European Union and is part of a project of the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Its content is the sole responsibility of CEE Bankwatch Network and can under no circumstances be regarded as reflecting the position of the donors.

Supported by:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety



European
Climate Initiative
EUKI

based on a decision of the German Bundestag



European
Climate
Foundation