



REACHING FOR A GREEN RECOVERY

WHAT HOLDS BACK PROGRESS IN TEN EU
RECOVERY AND RESILIENCE PLANS

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TABLE OF CONTENTS

INTRODUCTION	5
MAIN FINDINGS	6
CZECHIA	8
SUMMARY	8
Key investments for climate action	9
Key reforms for climate action	10
Key reforms not included	10
‘Do no significant harm’ principle assessment	11
Can the recovery plan pave the way for an improved NECP?	11
Participation	12
Recommendations	12
ESTONIA	13
SUMMARY	13
Key investments for climate action	14
Key investments not included	14
Key reforms for climate action	15
Key reforms not included	16
‘Do no significant harm’ principle assessment	16
Can the recovery plan pave the way for an improved NECP?	17
Gender perspective	18
Participation	18
Recommendations	19
HUNGARY	20
SUMMARY	20
Key investments for climate action	21
Key investments not included	22
Key reforms for climate action	23
Key reforms not included	24
Can the recovery plan pave the way for an improved NECP?	25
Participation	25
Recommendations	26

ITALY	27
SUMMARY	27
Key investments for climate action	28
Key reforms for climate action	29
Key reforms not included	29
‘Do no significant harm’ principle assessment	30
Can the recovery plan pave the way for an improved NECP?	30
Gender perspective	30
Participation	31
Recommendations	31
LATVIA	32
SUMMARY	32
Key investments for climate action	33
Key investments not included	34
Key reforms for climate action	35
‘Do no significant harm’ principle assessment	36
Can the recovery plan pave the way for an improved NECP?	36
Gender perspective	37
Participation	37
Recommendations	38
PORTUGAL	39
SUMMARY	39
Key investments for climate action	40
Key investments not included	40
Key reforms for climate action	41
Key reforms not included	42
‘Do no significant harm’ principle assessment	43
Can the recovery plan pave the way for an improved NECP?	43
Participation	43
Recommendations	44
ROMANIA	45
SUMMARY	45
Problematic investments from a climate perspective	46
Key investments not included	46
Key reforms for climate action	47
Key reforms not included	47
‘Do no significant harm’ principle assessment	48
Participation	48
Recommendations	49

SLOVAKIA	50
SUMMARY	50
Key investments for climate action.....	51
Key investments not included.....	52
Problematic reforms from a climate action perspective.....	53
Key reforms not included.....	54
‘Do no significant harm’ principle assessment.....	55
Can the recovery plan pave the way for an improved NECP?.....	55
Participation.....	56
Recommendations.....	56
SLOVENIA	57
SUMMARY	57
Key investments for climate action.....	58
Key investments not included.....	58
Key reforms for climate action.....	59
Key reforms not included.....	60
‘Do no significant harm’ principle assessment.....	60
Can the recovery plan pave the way for an improved NECP?.....	61
Participation.....	61
Recommendations.....	62
SPAIN	63
SUMMARY	63
Key investments for climate action.....	65
Key investments not included.....	66
Key reforms for climate action.....	66
Key reforms not included.....	67
‘Do no significant harm’ principle assessment.....	68
Can the recovery plan pave the way for an improved NECP?.....	69
Gender perspective.....	69
Participation.....	69
Recommendations.....	70

INTRODUCTION

The Recovery and Resilience Facility (RRF) entered into force in February 2021. It has financed reforms and investments in Member States from the start of the COVID-19 pandemic and will continue to do so until 2026. To finance a proportion of it, the European Commission, on behalf of the EU, borrowed for the very first time on capital markets. This facility enables Member States, in particular those with limited fiscal space, to finance additional investments, allowing them to recover from the pandemic-induced economic and social crisis and make their economies and societies more resilient.

To benefit from the Facility, Member States had to submit national recovery and resilience plans to the European Commission. Each recovery plan sets out the reforms and investments that Member States commit to implement by the end of 2026, and Member States can receive financing up to a previously agreed allocation. At least 37 per cent of the funds must be earmarked for climate action and be accompanied by reforms that will maximise the impact of these investments. None of the reforms or investments should harm the environment. **The RRF therefore provides an important opportunity for EU Member States to accelerate necessary investments for the green transition. But are they really making full use of this money?**

This report analyses ten final recovery plans, based on an assessment carried out by CEE Bankwatch Network's and CAN Europe's member organisations in these ten countries. In each country's analysis, we look at the key investments and reforms for climate action included in the national recovery plan, but also the important reforms and investments we have been advocating for but which are not part of the plan. We also analyse the quality of the Commission's assessment of the national plans from a 'do no significant harm' principle perspective, as well as the extent to which the recovery plan can pave the way for an improved national energy and climate plan (NECP), since Member States must revise their NECPs by 2023 to reflect the higher EU climate 2030 targets agreed on in 2020. Some country analyses include a short section on how gender equality considerations have been taken on board in the green transition investments and reforms, showing that insufficient attention is given to this crucial aspect; all outline to which extent environmental civil society organisations have been able to participate in the process of design, implementation and monitoring of the recovery plans. Each country analysis then includes recommendations addressed respectively to the Member State concerned and to the European Commission.

MAIN FINDINGS

The analysis shows that **there has been a purported effort to direct the recovery plans towards climate action** – even if the methodology used to determine the exact percentage of climate action under the various plans is questionable in some respects and could be improved in the future.

But this analysis equally shows that there are some recurring concerns that should be duly considered by Member States and the European Commission when implementing the plans, and when programming other EU funds.

Indeed, while many measures go in the right direction, **the investments earmarked for the green transition often pale in comparison to the green investment needs of Member States**. Several country assessments suggest that only a fraction of the investments needed for achieving the targets set out by respective national energy and climate plans (NECPs) are covered by the recovery plans – this is all the more concerning considering that these NECPs generally lack ambition and will soon be revised in order to reflect the newly agreed 2030 greenhouse gas emission reduction target and the outcomes of the ongoing negotiations of the Fit for 55 package.

Furthermore, as analysed more extensively in a Green 10 briefing¹ and evidenced throughout the country assessments in this report, several investments are likely to harm the environment and climate, casting doubt on whether the ‘do no significant harm’ principle was thoroughly implemented.

We highlight below some of the transversal problematic elements in the recovery plans examined.

First, several Member States are using the RRF to support fossil gas-related investments, such as fossil gas boilers as part of broader measures for building renovation and heating. Although according to the RRF regulation and its Technical guidance these investments could be financed in exceptional cases (e.g. when fossil gas boilers would have significant greenhouse gas and health benefits), some Member States are using this exception to prioritise investments in fossil gas over those in renewables sources. Extensive lock-in of gas infrastructure contradicts climate objectives. **There should be no support for fossil fuels by EU funds**.

Second, many plans dedicate important resources to hydrogen. Although the development of renewables-based hydrogen is necessary for sectors that are difficult to electrify,² a number of investments included in certain recovery plans are problematic. First, several recovery plans intend to finance fossil gas-based hydrogen and blended hydrogen instead of renewables-based hydrogen infrastructure, or fail to specify whether investments will be channelled exclusively to such hydrogen. Indirectly, these investments will consequently provide support to fossil gas. Second, even in cases where renewables-based hydrogen is prioritised, recovery plans fail to consider whether existing solutions that use renewables-based electrification are cheaper and greener. Considering its limited availability, inefficiency and high cost, **hydrogen should only be prioritised in sectors such as heavy industry like steel and chemicals, as well as aviation and shipping – only once other options are exhausted**. However, a number of recovery plans seem to make hydrogen roll-out a centrepiece of green transition investments, without maximising the potential of renewables-based electrification, the expansion of renewable energy capacity, and energy efficiency investments. As such, we recommend that Member States and the European Commission **strike the right balance** between the financing of hydrogen infrastructure (when based on renewables) and other crucial investments for the electrification of the energy system, the expansion of renewable energy capacity and energy savings. Further, recovery plans should include **an assessment of hydrogen needs**, including the sectoral end use of hydrogen and whether existing alternatives could be cheaper and more efficient.

1 Green 10 and Euronatur, [EU funds should never harm nature, climate or the environment: Statement of the Green 10 on the ‘do no significant harm’ principle](#), November 2021.

2 Climate Action Network Europe, [CAN Europe’s position on hydrogen](#), February 2021.

Third, most of the plans analysed include very little support to biodiversity and nature conservation, which is problematic *per se*, but also because these play an important role in fighting climate change and building resilience to climate change impacts (adaptation). Even worse, some of the plans' projects deemed positive for climate mitigation or adaptation pose important risks to nature and biodiversity (such as irrigation projects, a new hydropower plant and poorly planned flood protection projects). **Projects that may harm biodiversity and nature should be modified or not be funded under the RRF.** The 'do no significant harm' principle should be applied more strictly to ensure that this is the case.³ **The EU's nature conservation and biodiversity protection should be an integral part of the various EU funding facilities.** This will help meet the EU 2030 biodiversity and climate objectives.⁴

Fourth, vis-à-vis clean mobility, certain recovery plans place a heavy emphasis on infrastructure for accelerating the penetration of electric vehicles, but proportionally dedicate more limited funds for public transport, shared transport and active mobility investments. While electric vehicles' penetration should be accelerated, there should also be more efforts to encourage the use of **public transport, shared transport and active transport modes** (biking, walking), especially in cities. The objective should be to reduce road traffic and individual car use – and along with infrastructure investments, reforms such as regulation and taxation have a role to play.

Fifth, energy communities and prosumers are supported in some of the recovery plans, often with insufficient resources, but they are completely ignored in others. In short, the role of citizens in the energy transition is often neglected. This is regrettable for at least two reasons: on the one hand because decentralised energy has a strong untapped potential for the energy transition; and on the other, because such investments would ensure that the benefits of recovery spending are widely diffused throughout societies, promoting an inclusive recovery. We acknowledge the role that large energy companies have to play in the energy mix, but decentralisation and citizens' involvement must also be part of a fairer energy future. **Citizen-led energy communities need to be supported much more robustly through various EU funding instruments, national budgets and domestic laws.**

Last but not least, civic participation has been unsatisfactory in the design of all the plans analysed, to varying degrees.⁵ A green and just recovery from the crisis will not happen without the people. Civil society organisations, social partners and other stakeholders have a key role to play to ensure a successful recovery in Europe. In particular, governments need to better inform civil society, which needs to have a say in the preparation of the measures included in the recovery plans, and be involved in monitoring the implementation of the plans. For **the transition to be built with and for the people**, we recommend the establishment of **dedicated mechanisms at the national level** to ensure inclusive civil society participation in the monitoring and implementation of the plans.⁶

3 Green 10 and Euronatur, [EU funds should never harm nature, climate or the environment](#).

4 See Hans-Otto Pörtner et al., [Scientific outcome of the IPBES-IPCC co-sponsored workshop on biodiversity and climate change](#), IPBES secretariat, Bonn, Germany, 2021.

5 See more on CSOs participation in Civil Society Europe, [Civil Society and the National Recovery and Resilience Plans: A Reality Check](#), Civil Society Europe, December 2021.

6 Green 10 and Euronatur, [Good governance of the EU's national recovery and resilience plans](#), 12 September 2021.



CZECHIA

By the Centre for Transport and Energy
(CDE)

SUMMARY

The Czech recovery plan was approved by the European Commission on 6 September 2021. The climate spending target is said to be fulfilled. According to the Green Recovery Tracker, however, which uses a different methodology to calculate the percentage of climate-related investments, Czechia's recovery plan achieves a climate spending share of 25 per cent – below the EU's 37 per cent benchmark. Furthermore, the Tracker found that 15 per cent (EUR 1.1 billion) of the funds might have either a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the **importance of adequate scrutiny** during the future planning, review and implementation of the recovery measures.

Most of the plan is likely in line with the 'do no significant harm' principle, although this is challenging to ascertain, as detailed assessments of individual measures have not been made public. However, certain measures are problematic and in contradiction with the 'do no significant harm' principle. For example, the installation of fossil gas boilers, although allowed under the RRF regulation if strict criteria are met, is supported with a total allocation of up to EUR 67 million. Measures related to adaptation to climate change and biodiversity contained in sections 2.6 and 2.9 may also involve risks for nature, depending on how they are implemented. One example of this is a huge investment in reforestation. Unfortunately, there is no guarantee that this will not result in homogenous forests, which would be a missed opportunity to restore biodiversity.

In terms of investment choices, the recovery plan dedicates substantial funds for a modernised and electrified railway system, something welcome. The plan also includes investments for clean mobility (charging points and subsidies to purchase vehicles running on hydrogen and electricity). The planned modernisation of district heating infrastructure is welcome as well, as it is desperately needed for energy savings in the heating sector.

Among the most positive measures are the amendment of the decree about the energy efficiency of buildings and a reform that will allow energy communities to be considered a category of legal persons under national law. The recovery plan also includes the preparation of an assessment for the decarbonisation of district heating and the preparation of an assessment for the sustainable use of bioenergy and supply of biomass in Czechia. However, we fear that the decarbonisation assessment will be based on continued reliance on fossil gas from large, privately-owned heat power plants instead of focusing on fourth generation district heating, heat pumps and energy efficiency measures for the building stock.

The recovery plan also includes reforms in the field of the circular economy (i.e. implementation of new legislation for waste management and implementation of the Circular Czechia Strategy 2040).



KEY INVESTMENTS FOR CLIMATE ACTION

1. Modernisation of distribution of heat in district heating systems

District heating, which is based mainly on coal but undergoing retrofitting to accommodate fossil gas, covers 40 per cent of all Czech households and 70 per cent of all dwellings in multi-apartment buildings (a total of approximately 1.6 million households). The rest relies on the decentralised (individual) provision of heat/cooling. The distribution system is obsolete, resulting in high energy losses. The modernisation of the district heating distribution system is therefore a pivotal step, particularly because the infrastructure can also be used for renewable sources. The European Commission should make clear that, following this investment in the system's modernisation, no further investments may be made in technologies reliant on fossil gas in order to comply with the 'do no significant harm' principle. Instead, investments should directly target fourth generation district heating.

2. Electrification of railways

The electrification of railways is a major investment in the Czech recovery plan which will contribute to the decarbonisation of the railway infrastructure and the development of the TEN-T network.

3. Renovation and revitalisation of buildings for energy savings

Although this investment programme represents a huge opportunity for decarbonisation, the funds allocated are insufficient: the initially planned EUR 396 million was lowered to approximately EUR 333 million; however, more than EUR 700 million is needed to reach the targets of the Building's Renovation Strategy. Environmental civil society groups have been advocating for an increase in building renovations to hit the targets of this Strategy. Furthermore, the Czech government is using the recovery money to finance measures which were already planned and for which funding was already foreseen. Indeed, the New Green Savings programme (NZÚ) has long planned to operate with EUR 157 million per year from the revenues of emission allowances. However, according to the medium-term outlook in the approved 2021 budget of the State Environmental Fund of the Czech Republic, the New Green programme will only mobilise CZK 80 million (EUR 3.2 million) in 2022 and CZK 200 million (EUR 8 million) in 2023. As such, the EUR 333 million allocation from component 2.5 of the recovery plan will cover this shortfall in financing.

4. Investments in fast reforestation

Reforestation is positive in principle. However, the measure on reforestation included in the recovery plan presents risks, and there is a need for further scrutiny during the implementation phase (see below).



KEY REFORMS FOR CLIMATE ACTION

1. Support for energy communities

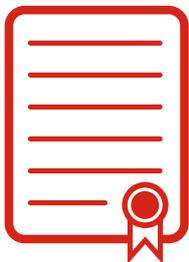
Energy communities are not yet legally defined in domestic legislation. The reform included in the recovery plan presents an important opportunity for the development of community-owned energy systems. A large number of local action groups have been desperately waiting for this, as it is complicated for them to develop new projects without an existing law to guide them.

2. Reforms related to the renovation wave

The plan includes reforms related to the renovation wave (namely an amendment to the decree about the energy efficiency of buildings, notably in light of the EU Energy Efficiency Directive) and the development of renewable energy sources (amendment to the Act n.165/2021 Sb. about supported energy sources and the adjustment of investment support from the EU and revenues from emission allowances).

3. Preparation of an assessment for the decarbonisation of district heating

This assessment should provide useful information and data. Note, however, that funding for fossil gas should be excluded from the recovery plan and from the Modernisation Fund, as this would hamper the transition to sustainable district heating.



KEY REFORMS NOT INCLUDED

1. Creation of a landscape plan for adaptation to climate change in the Czech Republic

This plan should be a binding reference document for landscaping, enumerating and quantifying the extent of natural infrastructure available for adaptation to climate change. The plan should contain a description of targets for the landscape, and include individual measures necessary to achieve adaptation. Such a plan should support an improvement of ecosystem services provided by the landscape. Measures and areas that reach above-standard ecosystem services (e.g. absorption and retention of carbon in the soil, water retention in the landscape, etc.) should be factored into national subsidy programmes, notably by providing incentives to farmers to convert to sustainable practices.

2. Revision of tax reduction for vehicles

The plan does not include the revision of the tax reduction for vehicles running on liquefied natural gas (LNG), which would reduce incentives for these kinds of vehicles.



‘DO NO SIGNIFICANT HARM’ PRINCIPLE ASSESSMENT

In its final assessment, the European Commission wrote:

Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in Czechia’s recovery and resilience plan is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of ‘do no significant harm’).

This would warrant an A rating under assessment criterion 2.4 of Annex V to the RRF Regulation.

However, the measure on reforestation presents risks, and there is a need for further scrutiny during the implementation phase. Indeed, in its final assessment, the Commission writes:

With estimated costs of EUR 335 million, reforestation represents a big contribution of one single measure to the climate target. This is justified by a commitment of Czechia to implement a system change that would provide for the creation of multigenerational forests with special composition, which is required for climate change adaptation.

There is no clear indication that multigenerational forests will be created, and the timeline for this measure (a target of 12,000 hectares of reforestation is foreseen by the third quarter of 2022) implies a fast forestation, which can lead to unnecessary emissions due to manufacturing, transport, operation and management. As such, the use of reforestation with the intention of growing productive forest can be harmful for biodiversity and the environment.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

Additional measures incentivising investments in renewable energy resources may be needed to fulfil the objective set by the current NECP (the current target is 22 per cent renewable energy sources in final energy consumption by 2030). Furthermore, a significant portion of this percentage is supposed to be achieved through the use of biomass. This is not a solution, as the extensive use of biomass can significantly contribute to climate change, air pollution and biodiversity loss, and to land use change. The NECP must be revised to reflect the higher EU ambitions.



PARTICIPATION

The whole drafting process of the plan was neither clear nor transparent, and environmental groups were not invited to participate. The situation slightly improved due to pressure from civil society. Roundtables were hosted by the government, but without clarity on who could participate and how. CDE's proposals submitted during the inter-ministerial consultations were partially reflected in the final plan, but without any further discussion (i.e. the government included them after the plan initially failed to meet the 37 per cent climate target). Findings from Civil Society Europe confirm that there were no proactive efforts to seek civil society organisations' views, and no feedback was shared with them when they made suggestions.⁷

RECOMMENDATIONS



The government of the Czech Republic should:

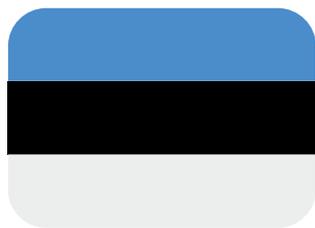
- Reconsider support for fossil gas boilers, and exclude fossil gas from all EU funds, including the RRF and Modernisation Fund. As a strict minimum, the government should ensure full compliance with the 'do no significant harm' criteria on fossil gas boilers.
- Ensure that reforestation measures do not result in limiting biodiversity by creating homogeneous forests rather than diverse and multigenerational forests.
- Reduce reliance on unsustainable biomass for hitting renewable energy targets, accelerating the deployment of other sustainable renewables, and reflect this commitment in the upcoming revision of the NECP.
- Change taxation rules to limit the use of combustion engine cars.
- Ensure effective and inclusive consultations throughout the implementation of the recovery plan and include a new related milestone.



The European Commission should:

- Pay particular attention to ensuring the 'do no significant harm' criteria for gas boilers is fully respected.
- Conduct close scrutiny regarding the implementation of the measure on reforestation.
- Demand the inclusion of a milestone on civic participation in the implementation of the recovery plan.
- Include the need to review the car tax scheme in the country-specific recommendations of the European Semester process.

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ESTONIA

By Estonian Green Movement

SUMMARY

Overall, it is undoubtedly positive to see that the Estonian government is harnessing the RRF to reach its climate goals. A progressive shift can be seen in several reforms and investments that aim to foster the green transition, e.g. supporting the renovation of buildings, promoting energy efficiency, rolling out renewable energy and heat storage, and developing renewables-based hydrogen. These dimensions are elaborated in more detail below.

However, the recovery plan's respect for the 'do no significant harm' principle is questionable. Although the plan repeatedly states that the proposed measures will adhere to the 'do no significant harm' principle, how compliance will be ensured is unclear. The descriptions of some reforms and investments remain general and thus these fall into a 'grey area' where support for environmentally harmful activities and sectors is not explicitly excluded. Such 'grey areas' include, for example, support for the 'digital revolution' of the economy, support for the competitiveness of companies in foreign markets, the introduction of resource-efficient green technologies that can be used to develop a cellulose industry (which could lead to increased logging volumes), and support for the business model of manufacturing companies.

According to the Green Recovery Tracker (GRT), Estonia's May 2021 draft recovery plan achieved a green spending share of 33 per cent, below the required 37 per cent target. The green tagging methodologies of the European Commission and the GRT are not directly comparable, as the latter is based on a more stringent climate mitigation definition. The GRT assessment also finds that 15 per cent of the funds may have a positive or negative impact on the green transition depending on the implementation of the relevant measures. The plan does not include any biodiversity measures, which is carelessness on the government's part, as the EU Biodiversity Strategy for 2030 requires extensive investments to which the recovery plan could have contributed.

As expected, the recovery plan's investments mostly focus on the digital sector, businesses and industry. The plan includes several positive and necessary investments but lacks the transformative measures for accelerating the green transition beyond the industry and businesses. The funds could have been harnessed for financing more systematic changes instead of merely providing financial incentives for businesses. For example, an environmental tax reform and additional investments in projects for nature conservation represent a missed opportunity for achieving transformative change. Although the recovery plan is going in the right direction, more vigorous transformative steps are urgently needed.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Piloting the production and use of renewables-based hydrogen

Building the infrastructure for producing and using renewables-based hydrogen is an important opportunity for storing excess onshore and offshore wind energy and replacing fossil fuels in key sectors of industry and transport where direct electrification is unfeasible. However, it must be ensured that biomass-based hydrogen will not be promoted. Further, as hydrogen produced from renewables is and likely will continue to be a scarce resource, its use must be limited to strategic areas where there are no viable alternatives. As such, the use of hydrogen must be avoided in buildings, passenger vehicles or rail transport where cheaper, safer and more efficient alternatives exist.

2. Piloting renewable electricity and heat storage

The investments in emerging electricity and heat storage technologies are a step in the right direction. Energy storage consortia should be launched to split the risks and the costs and benefits among actors across the value chain, and thereby avoid project failures. In addition, given the acuteness of the climate crisis, serious efforts should be made to scale up already operational and proven storage technologies. More broadly, until the government implements a substantial environmental tax reform, it should reconsider its rigid stance on not subsidising renewable energy storage infrastructure.

3. Support for the renovation of buildings

Through the recovery plan, Estonia will continue to invest in improving the energy efficiency of the residential sector and reducing energy poverty. The recovery plan will support building renovation, linking the planned investments with the achievement of the energy performance class C of a building after renovation. In addition, a higher support rate will be applied to accelerate renovation in the regions outside the largest cities. However, investments will need to be accompanied by reforms that reduce administrative barriers to uptake (see below).



KEY INVESTMENTS NOT INCLUDED

1. Terrestrial habitat inventories of the Natura 2000 areas

Forest habitat inventories have not been carried out on 49 per cent of forest areas that are already in the Natura 2000 network, meaning we may not know the full extent of how bad the status of forest habitats is in these areas. The lack of capacity for developing inventories has left valuable habitats unprotected. As a consequence, some habitats have been destroyed by clearcutting. These areas of investment should be prioritised, as the forestry sector has changed rapidly over the last five years, requiring an equally rapid reaction to minimise long-term damage to biodiversity.

2. Natura 2000 site-related maintenance and restoration measures for species and habitats in forests and woodlands

The status of most forest habitats of the Habitats Directive in Estonia is either 'inadequate' or 'bad', which is why investments are urgently needed to restore and protect biodiversity in Estonian forests. Although this is identified as a priority in the Estonian Prioritised Action Framework, financing has not been secured and the recovery plan fails to fill this investment gap.

3. Restoration of at least 10,000 hectares of semi-natural grasslands in Natura 2000 areas

According to the Habitats Directive, the status of high conservation value semi-natural grasslands is assessed as 'unfavourable-inadequate', which is why investments are needed to restore the condition of grasslands and improve the status of grassland species. A measure to do so is included in the Estonian Natura 2000 Prioritised Action Framework, but the recovery plan fails to mobilise funds for these investments.



KEY REFORMS FOR CLIMATE ACTION

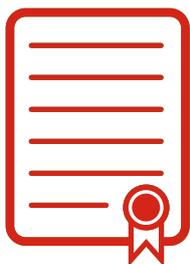
The proposed reforms can solve some of the systemic failures that have hindered the green transition in the energy and the buildings sectors. However, the implementation of the reforms relies largely on the capacity of the national and local governments to induce effective dialogue and cross-sector collaboration.

1. Promoting energy efficiency in buildings

This reform consists of reducing the administrative barriers to the energy renovation of buildings by raising awareness, training technical consultants, and advising apartment associations and private households. The reform is crucial for accelerating renovation outside the largest cities (Tallinn and Tartu), especially in Ida-Virumaa (a just transition region). Since 2015 when the state foundation KredEx first started issuing reconstruction grants to apartment associations in Estonia, very few renovation projects in Ida-Virumaa have benefited from the grant. The reform should therefore rely on interactive communication instead of merely providing information. Serious effort should be made to reach out to apartment associations and households that are in need of support but have not applied for it, offering them free energy audits and helping with submitting an application.

2. Raising the ambition of national energy policy and reducing administrative barriers

This reform focuses on increasing the ambition of Estonia's energy policy by renewing relevant national policy documents such as the Development Plan of the Energy Sector and the Basis of Climate Policy. Hopefully, this will send a clear and much-needed signal to all stakeholders about the inevitability and urgency of the renewable energy transition. In addition, the reform will include measures for reducing administrative barriers during planning procedures for wind and solar farms. We suggest that the government should consider introducing the 'one-stop-shop' model to make it easier and faster for project developers to establish wind and solar farms, as long as simplifications do not result in a deregulation of environmental licensing procedures which risks harming other environmental objectives. The reform is also accompanied by investments for strengthening the electricity grid, incentivising renewable electricity production in industrial areas and piloting storage projects. Along with investments in renewables-based hydrogen, these make up a consistent and coherent policy mix.



KEY REFORMS NOT INCLUDED

1. Discouraging personal car use in parallel to fostering public transport use and creating safe cycling conditions

While it is undoubtedly positive that the Estonian recovery plan aims to improve the public transport system and foster safe cycling conditions, it is unfortunate that Estonian Green Movement's suggestion for measures to discourage car use has not been adopted. Estonia's vehicle rate per 1,000 inhabitants is among the highest in the EU⁸ and Estonia is currently the only Member State that has not introduced a car tax.⁹ Thus, investments and reforms for minimising personal car use are crucial for meeting the ambitious emissions reduction targets in the transport sector. Among others, these could include introducing car-free city zones, lowering the speed limits, establishing a car or road tax, or halting the increase in parking lots.

2. Restoring forest habitats in Natura 2000 areas

The aforementioned investment in terrestrial habitat inventories should be complemented by a biodiversity protection reform, to ensure that the content of the protection legislation is aligned with biodiversity targets, and that protected areas cannot be harmed.



'DO NO SIGNIFICANT HARM' PRINCIPLE ASSESSMENT

1. As stated in the European Commission report, the recovery plan takes the 'do no significant harm' principle into consideration, covering all six environmental objectives. However, as we pointed out in previous sections, the 'do no significant harm' evaluation requires a more holistic and stricter understanding of 'no significant harm'. For example, the Estonian recovery plan's Component 2 strives to **accelerate the green transition in companies**. Although this is undoubtedly positive, the measures do not explicitly exclude potential support for environmentally harmful projects that contradict climate goals, e.g. the use of oil shale as feedstock for the chemical industry.

2. As long as Estonia's recovery plan offers no explicit definition of 'sustainable use of resources', there is a risk of overexploitation of natural ecosystems and loss of biodiversity fostered through the **valorisation of bioresources** (also part of Component 2). Indeed, the investment in resource-efficient green technologies primarily aims at increasing the efficiency of bioresource use, but this investment could be used for developing a cellulose (pulp and paper) industry in Estonia – which could result in an increase in forest logging. Further, the European Commission report highlights that even though Estonia's recovery plan contains no biodiversity objectives, climate change mitigation measures 'may be beneficial to the preservation of biodiversity'. However, climate change mitigation measures alone do not guarantee biodiversity protection and nature conservation. Furthermore, in some cases, there are measures included in the recovery plan that could harm the environment – hence the need for strict 'do no significant harm' criteria.

8 European Automobile Manufacturers' Association, '[Motorisation rates in the EU, by country and vehicle type](#)', ACEA, 1 February 2021.

9 Estonian Foresight Centre, '[Keskkonnahoidu mõjutavad maksud Eestis 2021](#)', September 2021.

3. The European Commission's assessment characterises **the Rail Baltic** construction measure as an important component of greening Estonia's transport system. While encouraging rail transport is indeed necessary for decarbonising the transport system, as currently planned the project directly threatens important ecosystems and habitats. A strict interpretation of the 'do no significant harm' principle would require either heavily modifying the construction plans or changing the planned route to protect biodiversity, something which environmental organisations have been advocating for since the beginning of the planning process.

We advise the government to invest in Rail Baltic only if there is assurance that the route will follow the existing railway line as much as possible instead of building a new track through Natura 2000 and other conservation areas. The proposed construction of the Ülemiste multimodal terminal further encourages the expansion of Rail Baltic in its current form. If Rail Baltic continues to be built through forests and wetlands of high conservation value (including areas of the Natura 2000 network), the project is expected to significantly harm biodiversity and ecosystems.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

The Estonian NECP was compiled on the basis of the National Development Plan of the Energy Sector that was published in 2017 but is now widely regarded as outdated. Currently, the NECP requires an 80 per cent greenhouse gas emissions reduction by 2050 (compared to 1990 levels), including a 70 per cent emissions reduction target by 2030. However, it does not explicitly include the goal of climate neutrality and includes large investments in the shale oil industry.



GENDER PERSPECTIVE

As of 2019, Estonia had the largest gender pay gap in the EU.¹⁰ Although Estonia's recovery plan states that the gender pay gap and gender equality index will receive attention, the focus on gender equality could be significantly improved across a number of reforms and investments of the recovery plan. For example, special measures for including women in the digital transition are currently lacking. The initial proposal for the distribution of funds mentions equal rights, but it also states that everyone will be included, regardless of gender, which points to a business-as-usual path. Estonia still witnesses high gender employment segregation, and bland statements without targeted investments are unlikely to improve the situation. Special measures for enhancing the inclusion and participation of women in the digital transition should be included.



PARTICIPATION

The participation process has not provided stakeholders with sufficient opportunities for meaningful dialogue. The most important strategic choices on the recovery plan came from the existing national strategy *Estonia 2035*, but the consultation process on this strategy took place before the COVID-19 crisis. Regarding climate mitigation and adaptation targets, the strategy predates the new, more ambitious EU targets.

Public engagement seminars in March 2021 were well organised but focused only on the technical details of reforms and investments. They also covered both the recovery plan and operational programme, limiting the time for substantial discussions. In May 2021, 10 days were given to environmental organisations to give feedback on a document of more than 400 pages. In addition, Estonian Green Movement has not received any feedback on its proposals for the recovery plan. Substantial collaboration with targeted stakeholders is crucial before designing the details of reforms and investments, not least to avoid hampering the implementation of the recovery plan due to disputes between stakeholders.

10

European Commission, [The gender pay gap situation in the EU](#), European Commission, accessed 20 January 2022.

RECOMMENDATIONS



The government of Estonia should:

- Include investments for nature protection and Natura 2000 areas (terrestrial habitat inventory and maintenance and restoration of these areas) in both the recovery plan and when planning for the use of other EU funds.
- Prioritise the use of hydrogen only in sectors where there are no cheaper, safer or more efficient clean alternatives, and only support renewables-based hydrogen.
- Conduct a more careful 'do no significant harm' assessment of the Rail Baltica project and consider changing the route to avoid harming biodiversity.
- Conduct a more careful 'do no significant harm' assessment for the measures in the plan related to the valorisation of bioresources.
- Consider adopting measures to discourage the use of personal cars by encouraging a shift to public transport and active mobility and include these in its revised NECP.
- Establish a monitoring committee for assessing the implementation of the proposed climate mitigation measures with a critical focus on the strict implementation of the 'do no significant harm' principle.
- Reduce the 'grey areas' whereby interventions could harm climate objectives, and provide a more accurate assessment of the share of climate-related spending.



The European Commission should:

- Ensure full respect for the 'do no significant harm' principle regarding the Rail Baltica project and the valorisation of bioresources.
- Demand the inclusion of a milestone on civic participation in the implementation of the recovery plan.
- Include the need to introduce a car or road tax in the country-specific recommendations of the European Semester.



HUNGARY

**By the National Society of Conservationists
(Friends of the Earth Hungary, MTVSZ)**

SUMMARY

Hungary submitted its recovery plan to the European Commission on 11 May 2021. The approval process was subsequently stalled due to the Commission's concerns about non-compliance with certain country-specific recommendations (anti-corruption, Rule of Law). The Commission has not yet accepted Hungary's plan. Therefore, this report assesses the final draft of the recovery plan submitted to the Commission. According to the Green Recovery Tracker, the Hungarian recovery plan has achieved a green spending share of 37 per cent. Furthermore, it found that 13 per cent of the funding might have either a positive or negative impact on the green transition depending on the implementation of the relevant measures.

As for reforms, the plan puts a strong emphasis on digitalisation in several sectors (education, healthcare, transport). Reforms related to the energy sector have the potential to diversify energy production by creating an enabling framework for energy communities and the deployment of renewable energy sources; the real impact of the reforms depends on the details of the legislation introduced. Reforms in the transport sector fail to aim at a reduction of transport needs. They do not recognise the interlinkages with other sectors (promotion of domestic tourism, teleworking or shortening supply chains) and do not encourage people to shift from private cars to public transport. The reforms in the component on circular economy are largely focused on the transformation of waste management and lack sufficient preventive measures (prevention being the upper echelon of the waste hierarchy).

The recovery plan contributes to a certain extent to reaching the current national renewable energy 2030 target but less to the energy efficiency targets. Measures on the reduction of energy use (e.g. emissions reductions in transport, energy saving in the building stock) are largely missing from the plan.

Nature protection is generally weak in the plan. Even though the Hungarian government abandoned the idea of using the RRF for large-scale irrigation projects and devoted more emphasis to water retention elements upon NGO proposals, there is no way to ensure these measures are implemented. Components of the plan lack substantial biodiversity conservation aspects, investments rarely incorporate nature conservation and restoration and there are no guarantees that conservation objectives will be met. The recovery plan allocates a meagre amount to biodiversity-related awareness raising and capacity building. The 'do no significant harm' assessments (or rather the summaries included in the recovery plan) are not consistently detailed. More detailed, full 'do no significant harm' assessments are not publicly available.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Support for the installation of residential photovoltaic systems with the optional electrification of heating systems

MTVSZ (along with the non-governmental think tank Energiaklub and other stakeholders) strongly criticised the draft measure in the recovery plan and the government's subsequent call for proposals (for potential beneficiaries to access the support scheme) on several grounds. As a result, the criteria and conditions of the call for proposals, published mid-October 2021, have been improved somewhat (as described below).

The key points of criticism were: With regard to the proposal for the electrification of household heating in combination with solar panels, we recommended an energy certificate which would verify the energy consumption performance of the house before the investment. This certificate would then guide the decision towards the most cost-effective and energy-optimal options for that particular house – i.e. determining the type of energy efficiency measures and renewable heating technology needed. Indeed, combining electricity with solar panels for heating is not necessarily always the best solution, as sufficient quantities of solar electricity may not be produced during the winter when heat is most needed. The risk is then that residents may have to use more expensive electricity from the grid, mostly based on fossil fuels or nuclear, for their heating panels. The solution would be threefold: a) requiring and financing the energy efficiency upgrade of the building (full insulation, deep renovation) so that heat demand would be reduced substantially, so that the heat produced (from any source) would not get lost. Once done, meeting the remaining heat demand from sustainable sources (renewable energy sources, heat pumps, etc.); b) decoupling the installation of solar panels from heating and using solar energy for covering other types of electricity demand; and c) meeting heat demand with heat pumps, ideally. In addition, we proposed that investments be linked to a mandatory minimum improvement of the energy performance of the buildings, and for renewable energy sources' investments to be combined with moderate or deep renovation in order to reduce the energy needs of the building in parallel with replacing their heating systems.

The first call for proposals (published mid-October 2021) is based on the above provisions. It provides a 100 per cent non-refundable grant for installing solar PV systems (max. 5 kilowatts peak (kWp)) with or without the electrification of the heating system (but only via heat pumps), electricity storage systems and upgrading of windows, for households with a per capita income lower than the average wage. A mandatory installation of electric heating panels has been eliminated from the call. For the upgrading of heating systems, an ex-ante and an ex-post energy certificate is required. The call is open for the submission of project proposals from 6 December 2021 onwards.

However, the measure is still not without deficiencies. Less than 1 per cent of households (approximately 33,000) will be awarded this grant over the next three years; owners of apartments can apply individually in residential buildings with a maximum of six flats. Although the goal of the call is to address energy poverty, the criteria are not fit to reach households in need: the income limit is too high and technical conditions are too demanding, so the non-refundable subsidies will be targeted too broadly, not only at households in real need. The grants will be used inefficiently as the return on investment (electricity cost savings) would justify making these grants partially refundable; this could offer funding opportunities for a wider number of beneficiaries. Further, insufficient requirements for the improvement of the energy performance of the buildings (non-mandatory upgrading of windows, no support to full renovation or wall insulation) may result in an energy waste lock-in, whereas the design of the funding scheme could encourage deeper renovation.

2. Community renewable energy production and use

This measure seeks to implement both environmentally and socially sustainable housing solutions using renewable energy, with revenue from a low-capacity solar power plant used to pay for the energy costs in these social housing units (through pre-payment meters)¹¹, supporting electric heating of bedrooms of small children. This measure can be considered partly positive. Despite its merits regarding the harnessing of renewable energy on a cooperative and community basis, it fails to require the refurbishment of buildings for improving their energy performance, and therefore misses the potential long-term benefits of such a system (i.e. sustainable reduction of energy demand).



KEY INVESTMENTS NOT INCLUDED

1. Energy efficiency housing renovation subsidy scheme

Based on a recent study of the Hungarian Energy Efficiency Institute (MEHI)¹² that suggests 1.4 million houses/flats in Hungary should be renovated in the next five years, MTVSZ and its partners have been advocating for a broad **energy efficiency housing renovation subsidy scheme with a 30 to 40 per cent non-reimbursable grant** to make sure these renovations really happen.

Such a grant scheme would have multiple benefits for the national economy, the study by MEHI revealed. If only about half of these, i.e. 650,000 flats, underwent cost-optimal renovation in five years, about 7.5 PJ of energy per year would be saved and nearly 420,000 tonnes of CO₂ emissions could be avoided. The state budget would also benefit (the revenue per unit of state aid would be 1.01 units for a 40 per cent grant and 1.35 units for a 30 per cent grant), and the additional employment generated by the increase in investment demand could exceed 100,000 full-time equivalent (FTE) jobs.

The recovery plan did not exploit this opportunity even though both the EU Recovery and Resilience Facility's Technical guidance (January 2021) and the EU Renovation Wave strategy, as well as the country-specific recommendations¹³ for Hungary, called for an increase in the energy efficiency of buildings.

The number of households that will be reached with the community solar energy production measure is unknown (indicator in the recovery plan: a total of 25,000 kWp solar electricity production capacity installed; probably to be introduced in a maximum of 233 settlements). Existing support for residential solar systems (34,920 households, or less than 1 per cent of households) is limited compared to the number of households in energy poverty. Moreover, the most vulnerable, energy-poor households are not likely to benefit from the scheme proposed in the recovery plan as they may not own their dwellings, and/or their roofs may not be suitable for mounting solar panels.

¹¹ Prepayment meters, also known as 'pay-as-you-go' meters, are a type of domestic energy meter that requires users to pay for energy before using it.

¹² Hungarian Energy Efficiency Institute, '[Encouraging deep renovation of residential buildings is necessary and worthwhile](#)', *Hungarian Energy Efficiency Institute*, 17 February 2021.

¹³ European Commission, [Recommendation for a COUNCIL RECOMMENDATION on the 2020 National Reform Programme of Hungary and delivering a Council opinion on the 2020 Convergence Programme of Hungary](#). COM/2020/517, European Commission, (26) and Recommendation nr. 3, 20 May 2020.

2. Deep and certified renovation of public buildings

MTVSZ called for **deep refurbishment**, potentially combined with renewable energy installations, regarding the planned **renovation of public buildings**, with energy certification before and after the investment to verify the positive impact achieved.

These deep and certified renovations would serve as good examples with the potential to raise climate and energy awareness among visitors, students and teachers.

From the final recovery plan, upgrades of public education buildings (Component A, Demographics and Public Education) have been taken out and those of universities (Component B, Highly Educated, Competitive Labour Force) now only require moderate renovations or only renewable energy installations. If this is approved in the final recovery plan, a significant amount of public buildings may be locked into energy waste for decades.

3. Integration of biodiversity considerations

MTVSZ called for the incorporation of projects that conserve or restore nature in infrastructure development. However, measures such as the use of vegetation for shading and temperature control, rainwater retention and sustainable rainwater management, wildlife-friendly solutions, increasing green areas and community composting are absent from the final recovery plan, which is a missed opportunity.



KEY REFORMS FOR CLIMATE ACTION

1. Legislative framework for energy communities

The legislative framework for energy communities may create a favourable legislative environment. However, the specifics of the legislation remain to be seen. The combination of legislation on **energy communities** and the introduction of gross metering¹⁴ represents an opportunity for the diversification and decentralisation of energy production and consumption. The successful design and implementation of the policy requires consulting a wide spectrum of stakeholders, and the policy design should entail possibilities for a wide range of different forms of energy communities.

2. Strengthening an economic culture based on local specifics

A measure in the component on settlements, 'Strengthening **an economic culture based on local specifics**, work experience and skills development', includes a welcome element of environmental awareness-raising, through the development of small gardens and the creation of tank gardens and model gardens. This component of the recovery plan also has an environmental health dimension, as it aims to create a liveable, healthy environment for beneficiaries and affected stakeholders. We recommend that training programmes enhance an environmentally conscious attitude. The need for and practice of healthy, green and sustainable lifestyles should be reflected in training, counselling and community development programmes and awareness-raising, and the programme should seek to promote sustainable, green and small-scale community development appropriate to the local conditions of villages.

¹⁴ According to legislation dated 30 June 2021, which will enter into force in 2024. Gross metering means that the unit price of the energy produced and the unit price of the energy purchased from the grid are determined separately. In contrast, net metering means that the unit price of the electricity fed into the system is the same as the unit price of the energy purchased from the grid.

3. Reforms in the transport sector

The proposed reforms may make public transport more attractive but will likely fail to divert passengers from private cars to public transport. These proposed reforms affect each field of intervention and comprise the introduction of an integrated transport management for the Budapest agglomeration, a better integration/articulation of national transport modes, the creation of a digital passenger information system and a tariff system. In combination, these measures may enhance the attractiveness and efficiency of public transport. However, these would need to be coupled with regulatory measures like congestion charging (where drivers must pay to enter certain zones in order to reduce traffic) in order to encourage modal shift. Further, the recovery plan fails to include measures that can address the reduction of transport needs (e.g. through the promotion of teleworking and domestic tourism, a preference for shorter supply chains in industry and agriculture, etc.).



KEY REFORMS NOT INCLUDED

1. Social partners' participation in decision-making

Contrary to the EU's country-specific recommendations for Hungary, which called for 'effective involvement of social partners and stakeholders in the policy-making process', the **reforms included in the plan itself will do little to strengthen social partners' participation** in policy-making. Instead, a series of proposed measures will strengthen a one-sided, top down approach that simply aims to communicate more information to citizens on government decisions. Reforms 5 and 6, described below, illustrate that approach:

Reform 5: Supporting data-driven decision-making and legislative process. The main objective of the reform is the data visualisation of legislation and its presentation in infographics: a pilot project would be implemented through a social partnership involving focus groups, the development of the database and the upgrade of expertise (e.g. staff training).

Reform 6: Extension of the Automated Administrative Decision-Making System: although the development may improve transparency, speed and related citizen confidence (e.g. in the administration of motor vehicles and land registers), it has nothing to do with the participation of social and societal partners in decision-making.

2. No measures to directly trigger/enforce modal shift

Regarding transport, MTVSZ noted in the consultation process that the investments and reforms envisaged in the relevant component are not in themselves capable of achieving the desired reduction in car traffic (based on private passenger miles). We recommended the government stimulate the **reduction of road traffic via traffic mitigation measures**, such as congestion charges, and restrictions on the circulation and distribution of combustion engine vehicles. This would reduce fuel consumption and directly encourage passengers to shift from private cars to public transport. Yet the recovery plan fails to include any related measures and reforms.

3. National regulation of the transition to a circular economy

Unfortunately, this component neither provides a relevant solution for reducing resource consumption, nor can it improve the recycling rate. According to the principles of the waste hierarchy, achieving a circular economy must first involve a reduction of resource use (materials and energy) in absolute terms, second reduce waste and finally recycle waste materials and energy. Instead, the recovery plan consists of an end-of-pipe solution: legislation that aims to increase waste collection and recycling rates, reduce landfill rates, and reduce waste generation by regulating by-products.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

As the Hungarian NECP was adopted in early 2020 along weak targets, we would expect the recovery plan to trigger a transformation of the economy that motivates the revision of the NECP to commit to more ambitious climate action. However, the recovery plan in its current form lacks some key instruments and measures that would trigger such a structural change in the economy. For example, the measures proposed are inadequate for driving a significant reduction of energy consumption through energy efficiency, especially in the housing sector.



PARTICIPATION

There was no public and predictable timetable for planning and consultation, and no timeframe for expressing views on the various drafts of the recovery plan. Unfortunately, this opaque process forced both planners and partners who provided comments (including MTVSZ) to do so in a rush. Civil Society Europe's analysis confirms that CSOs were not involved adequately, inclusively or in a timely manner in the drafting process of the plan.¹⁵

However, we welcome the government's subsequent decision to set up a monitoring committee for the implementation phase of the recovery plan. We believe it is essential that interested social partners are given a role in the implementation of the plan's programmes and in monitoring its progress. Contributing to environmental objectives and minimising negative impacts on the environment is a key aspect of EU regional policy and the recovery plan. Therefore, we have proposed and requested that representatives of green CSOs be included in the recovery plan monitoring committee and elected/delegated on the basis of the principles set out in the European Code of Conduct on Partnership. However, the members of the monitoring committee have been selected by the government and the request of the Green NGO Cooperation¹⁶ to delegate an elected member to the Committee has been rejected – which exposes the important flaws in this exercise.

15 Civil Society Europe, [Civil Society and the National Recovery and Resilience Plans: A Reality Check](#).

16 Green NGO Cooperation is a long-established structure ('umbrella') functioning as a 'green NGO parliament'. It is used to elect delegates to various advisory and consultative bodies to the government, including the monitoring committees of operational programmes.

RECOMMENDATIONS



The government of Hungary should:

- Ensure that measures to improve heating systems in buildings include an energy performance solution audit, that funding schemes support the investments recommended by the audit and that effective monitoring systems are put in place.
- Given the shortcomings of the recovery plan, and in line with the country-specific recommendations, harness the European Structural and Investment Funds (ESIF) to provide more support to energy efficiency in public buildings and households.
- Integrate projects that restore and conserve nature in infrastructure development under other EU funds.
- Involve public institutions, and civil society organisations that are active in climate, energy transition and green issues, throughout the implementation of the recovery plan. This includes consulting the policy design of funding schemes and calls for proposals (i.e. criteria for participation in funding schemes) with civil society organisations. This could significantly expand the green dimension of the recovery plan and prevent damage to environmental targets. The implementation documents of the recovery plan should be put to public consultation.
- Introduce measures to reduce the use of personal cars and overall resource consumption, and include such commitments in a revised, more ambitious NECP.
- Strengthen environmental authorities to ensure that the implementation of the recovery plan is in accordance with the 'do no significant harm' principle and environmental legislation.



The European Commission should:

- Continue to call for an effective and proportionate involvement of social partners, civil society representatives and stakeholders in the policy design of measures, and throughout the implementation of the recovery plan, in particular in the monitoring committee.
- Monitor closely and ensure that the country-specific recommendations take effect. This is particularly important vis-a-vis the retrofitting of buildings to increase their energy performance.
- Monitor the spending of EU funds more efficiently to avoid problems like corruption.
- Scrutinise the measures' adherence to the 'do no significant harm' principle and environmental and climate legislation more closely.



ITALY

By Legambiente

SUMMARY

Italy is the largest recipient of NextGenerationEU funds in absolute terms. The main green transition-related reforms in the recovery plan are: a) the permitting process for the approval of projects from renewable sources, which is the most significant barrier to the diffusion of renewable energy; b) the reduction of the timeframe for the evaluation of the environmental impact of projects; and c) the approval of a law on land use with the aim of pushing reuse and regeneration.

According to the European Commission's assessment, the plan allocates 37.5 per cent of the total funds for the green transition, but not all these investments necessarily contribute to climate objectives. Using a different climate tagging methodology than the one employed by the Commission, the Green Recovery Tracker assessed that Italy's final recovery plan achieves a green spending share of 16 per cent, and that 26 per cent of the recovery plan's funds may have a positive or negative impact on the green transition depending on the implementation of the relevant measures.

As a result of the application of the 'do no significant harm' principle, the recovery plan will not finance roads and does not include investments in gas plants, despite the fact that various political parties were asking for that.

The overwhelming majority of sustainable mobility investments focus on expanding high-speed railway infrastructure. However, the plan's investments in sustainable urban mobility are limited. In our view, investments for reducing congestion and pollution in Italian cities should be part and parcel of the recovery plan. Investments are also planned for the dissemination of renewable sources, energy efficiency and the production of hydrogen, and the redevelopment of suburbs.



KEY INVESTMENTS FOR CLIMATE ACTION

Only a limited share of the investments concerns urban mobility, whereas a large amount of investments is planned for high-speed rail (EUR 35 billion). What is missing is an analysis and a strategy for reducing greenhouse gas emissions in urban infrastructure and sustainable mobility. Cities should have been an investment priority, as cities are where most people live and most pollution emanates from.

The recovery plan includes investments in offshore wind and solar plants, funding for the construction of solar plants on the roofs of agricultural structures, and access to credit for the creation of energy communities. However, there is no analysis explaining why these interventions are a priority to reduce emissions and meet national renewables objectives. The recovery plan notably entails the installation of 3.5 gigawatts (GW) of renewables over six years, which covers a small proportion of the current NECP's target of 7 GW per year by 2030. The recovery plan should have included a more ambitious strategy to roll out offshore wind farms, which have significant potential but are still underdeveloped in Italy.

The recovery plan allocates significant investments for the energy upgrade of the building stock (EUR 13.95 billion), through the extension of a super deduction which returns 110 per cent of the expenditure on the investments made. Although we welcome the choice to focus on energy efficiency, its application is contradictory. Indeed, the criteria are not stringent enough, as the super deduction scheme can be accessed even when the investment leads to an improvement of just two energy classes. Further, the scheme is not designed to prioritise energy poverty, as everyone has access to the incentive. Last but not least, the installation of fossil gas boilers is eligible as part of the energy efficiency measures, something which may lock households and the Italian building stock into a carbon intensive technology for decades.



KEY REFORMS FOR CLIMATE ACTION

1. Licensing for renewable energy projects

In the recovery plan, the Italian government commits to reforming the **licensing process of renewable energy projects** to accelerate their deployment. Today, burdensome rules about permits are hindering the deployment of renewables in cities in particular, and across Italy more widely. This is good as long as such changes do not restrict civic participation and do not result in environmental licensing deregulation.

2. Regeneration of suburbs

The recovery plan includes the **regeneration of suburbs**, with resources that could support a new wave of sustainable urban development policies for Italian cities.

3. Law on land use

The recovery plan commits Italy to adopt **a law on land use**, which has been a longstanding demand of environmental organisations, and which could help increase reuse in construction and accelerate urban regeneration.



KEY REFORMS NOT INCLUDED

1. Environmental taxation

The **reform of environmental taxation** with the phase-out of fossil fuel subsidies. According to the Ministry of the Environment, fossil fuel subsidies amount to EUR 19 billion per annum. Eliminating incentives for fossil gas plants is notably of paramount importance.

2. Climate Change Adaptation Plan

The roll-out of a **Climate Change Adaptation Plan**, which is crucial for addressing the growing impacts of extreme weather phenomena and avoiding funding projects that are not resilient to the impacts of climate change.

3. Energy requalification interventions

A reform of the **energy requalification interventions of the building stock** with incentives related to access to credit and the reduction of consumption (which is not the case today): i.e. regulatory measures aimed at improving buildings' energy performance need to be strengthened (e.g. minimum energy performance requirements/standards).



‘DO NO SIGNIFICANT HARM’ PRINCIPLE ASSESSMENT

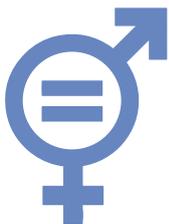
Only a small number of projects integrate a process of informing and providing for the participation of the populations involved. There is a risk that some of these projects may do significant harm to the environment.

The plan provides significant resources for **hydrogen production**, without making clear whether investments will consist of hydrogen produced from renewables or fossil fuels. If the Italian government is serious about harnessing the recovery plan for contributing to climate targets, only plants that produce hydrogen from renewables, for sectors where there are no more efficient alternatives, should be financed. In an alternative scenario, fossil-fuels-based hydrogen could significantly harm climate targets.

The recovery plan provides billions of euros for the ‘super bonus’, an **incentive for the energy retrofit of buildings** which provides beneficiaries with a return equal to 110 per cent of the expenditure. The problem is that this super deduction allows its recipients to install fossil gas boilers, an option which could significantly impact Italy’s ability to meet its climate targets.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

The plan can help by accelerating some investments in renewables and efficiency, helping overcome the barriers that have blocked their full development. However, the NECP needs to be adapted to the new European targets.



GENDER PERSPECTIVE

The recovery plan is explicit about reducing inequality, including gender inequality, but it is not clear how the proposed measures will lead to better societal outcomes such as work-life balance, flexibility of working hours, life satisfaction and support for women’s access to paid work. This should be made clear and explicit in the plan.



PARTICIPATION

No participation of stakeholders was organised in order to allow citizens to contribute to proposals and plans. Now, there is a website (italiadomani.gov.it) to inform the public about the implementation of investments and projects, and to allow for external scrutiny. This website provides information on the timeline and the projects that are going forward. There is currently not much information on the projects because many are still to be defined, and their 'do no significant harm' assessments are still to be carried out.

RECOMMENDATIONS



The Italian government should:

- Invest more in clean urban mobility, in particular active transport modes and public transport. Moving forward, given the insufficient investments in the recovery plan, such investments should be included in other EU funds.
- Make sure the high-speed rail lines will abide by the 'do no significant harm' principle, and not harm the environment.
- Not use EU funds to support fossil gas boilers
- Map and phase out fossil fuel subsidies in a socially just manner and put in place an environmental tax reform.
- Adopt and roll-out a climate adaptation plan.
- Only invest in renewables-based hydrogen, and only promote its use when there are no cheaper clean alternatives.
- Set up the mechanisms required to ensure effective and genuine civil society participation in the implementation and monitoring of the recovery plan, at various governance levels (local, regional, national).



The European Commission should:

- Assess the full implications of the 'do no significant harm' principle more carefully during the implementation of the recovery plan, in particular for high-speed rail lines and fossil gas boilers.
- Encourage the phase-out of fossil fuel subsidies, and promote an environmental tax reform in the European Semester process.
- Require the inclusion of a milestone regarding CSO participation throughout the implementation of the recovery plan.

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LATVIA

By Green Liberty

SUMMARY

Latvia's recovery plan represents a step forward in terms of energy transition, including support to mobility and electric transport and improving buildings' energy efficiency. Nonetheless, the overall content of the recovery plan is insufficient to align Latvia's economic model with the objectives of the Paris Agreement. The plan includes activities that can partially contribute to decarbonisation, if combined with allocations from other EU funds and investment mechanisms, but there is no ambitious climate strategy underpinning the investments and reforms.

The climate spending target of at least 37 per cent dedicated to the green transition is in theory met by the plan. However, when scrutinising investments planned under the 'climate' category, there are problematic measures which could harm environmental objectives such as biodiversity – for example, irrigation systems that affect freshwater ecosystems. The plan includes investments in 29 irrigation projects, which are contradictory to the EU's nature conservation policy, the EU Green Deal and the EU Biodiversity Strategy for 2030. The EU aims at the conservation and restoration of wetland habitats; hence, irrigation projects are not compatible with these objectives. During the European Commission's evaluation of Latvia's recovery plan, the Commission came to the questionable conclusion that climate investments are inherently also supportive of biodiversity. In addition, despite significant efforts by CSOs, the recovery plan fails to include investments targeting biodiversity and nature protection.

According to the Green Recovery Tracker, which uses a different green tagging methodology than the European Commission, Latvia's draft recovery plan (January 2021) achieved a climate spending share of 29.6 per cent. Six per cent of the funds were expected to have a negative impact on climate mitigation, and almost 17 per cent may have either a positive or negative impact depending on the implementation of the relevant measures.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Investments to improve energy efficiency in apartments and public buildings and transition to renewable energy technologies

These measures are positive and will contribute to energy efficiency in multi-apartment buildings. However, the number of buildings targeted is too small to be significant: the *plan addresses the renovation of 182 apartment buildings*.

This component of the plan also lacks transformative elements for accelerating energy efficiency improvements in the residential housing sector:

- Measures to remove administrative barriers should be included. For instance, the measures should offer a way to ease the process of collective decision-making for the renovation of buildings made up of apartment associations, as well as a way to widely introduce individual heat meters in multi-apartment buildings to encourage energy savings.
- The cost of preparing project applications for construction projects in order to benefit from energy efficiency measures remains a challenge. Depending on the consulting company, the size of the building and the type of renovation, evidence suggests that the preparation of these documents costs EUR 10 000 on average. Apartment owners often do not have such resources, and the returns from cost savings to recoup investment costs take several years. At the moment, there are no support mechanisms to address this challenge and support the rolling out of energy efficiency measures.
- Energy efficiency works are subject to a 21 per cent value-added tax (VAT) rate, which discourages people from investing in energy efficiency measures. By contrast and paradoxically, the 12 per cent VAT rate for the consumption of heating materials remains unchanged.
- Rising construction costs due to a lack of competition and labour and growing demand for construction materials, and rising production costs for building materials due to inflation (electricity, gas, etc.), are not addressed. This poses a risk to the implementation of energy efficiency measures. However, the recovery plan fails to harness recovery funds for offsetting part of these inflation costs via additional finance and subsidies for energy efficiency measures.

2. Investments to improve urban mobility

Investments to improve **urban mobility** such as the investments in five multimodal transport corridors in the Riga metropolitan area. Almost half of Latvia's population lives or works in Riga. Given that transport is one of Latvia's main contributors to greenhouse gas emissions, this investment could increase the use of public transport and contribute to emissions reductions.

3. Investments to modernise electricity transmission and distribution

The updated plan allocates a significant amount to the '**Modernisation of electricity transmission and distribution networks**', which will improve the integration of renewable energy in the system. This is a positive investment programme, and an increased penetration of renewables could be combined with a plan for eliminating fossil fuel subsidies.



KEY INVESTMENTS NOT INCLUDED

1. Lack of investments that target biodiversity

The latest Habitats Directive Article 17 country report covering the period from 2013 to 2018 shows that 38 per cent of habitats of EU importance in Latvia are in 'bad' conservation status, while only 10 per cent are in 'good' conservation status. According to the report, specific habitat management actions are needed to improve the conservation status of habitats of EU importance. There is no national biodiversity strategy, and the new EU Biodiversity Strategy for 2030 is the guiding framework for biodiversity targeted activities.

Based on this strategy, environmental CSOs suggested a set of important investments to be included in the recovery plan. For example: capacity building for nature conservation institutions; development and management of the Natura 2000 network; the restoration of the habitats of European importance; and the development of a voluntary 'Payments for Ecosystem Services' system in Latvia.

All the suggested activities were compatible with the priorities listed in the new Latvian Priority Action Framework (PAF) for 2021 to 2027. The priority actions included in the PAF for 2021 to 2027 should have been included in the recovery plan. By failing to secure additional guaranteed funding for the priorities set out in the PAF, Latvia has missed an important opportunity.

During the European Commission's assessment of the recovery plan, this issue was left for the competent national authorities to decide.

2. New connections in infrastructure for heat supply

There is a great potential to reduce emissions by improving buildings' central heating systems. It is therefore important to invest in the **promotion of new connections in infrastructure to increase renewables-based heat supply** through zero-emission technologies (heat pumps, solar panels) and storage technologies (storage tanks, electric batteries). However, the plan allocates no resources for this. In addition, the resources allocated for energy efficiency improvements are largely insufficient.



KEY REFORMS FOR CLIMATE ACTION

Under the section on climate action and sustainability, there are only three reforms. Of those, two are positive, and the third, which concerns irrigation, presents a significant risk for the environment.

1. Greening of Riga metropolis transport system

Under 'Reducing emissions in the transport sector', the recovery plan proposes the 'Greening of Riga metropolis transport system - Public transport reform'. This reform could represent a significant contribution towards the achievement of climate targets. The milestone for this reform is a multimodal public transport route network creation with a single and harmonised timetable, a single fare and discount policy, and a single ticket in an integrated public transport booking system. If this programme is implemented in a way that takes into account people's needs through an integrated transport planning approach, it could significantly increase the uptake of public transport. However, it should be complemented with reforms to lower congestion (e.g. through emissions zoning), as well as administrative and/or fiscal measures to encourage behavioural change.

The first draft of the recovery plan included measures to incentivise biomethane use, something which environmental non-governmental organisations opposed without having a proper biomethane certification system in place. The main objection from the environmental organisations was that investments in biomethane would not be the most effective use of public funds for reducing emissions in the transport sector. The Latvian government's response was to remove these measures, but they were not replaced by alternative investments or reforms. Overall, it translated into less funding for decarbonising the transport sector.

2. Decarbonisation of electrification

The target for improving energy efficiency includes **a reform to decarbonise electrification**. This includes positive investments such as those in infrastructure for wind energy development. However, the only related milestone mentioned is 'available charging points for electric cars'. Although the development of charging points for electric vehicles should be encouraged, this milestone does not correspond to the broader objective of decarbonising the electricity system. Indeed, electric vehicles can be powered using fossil-based electricity, and charging points will not make electric vehicles greener without an enhanced penetration of RES in the electricity mix.



'DO NO SIGNIFICANT HARM' PRINCIPLE ASSESSMENT

Most of the climate-related measures in the recovery plan will clearly have a positive impact on the climate and environment, with very limited negative impacts.

However, the 'do no significant harm' principle screening was a formality. Climate-adaptation-related investments and reforms do not necessarily contribute to biodiversity and, in some cases, they could harm the objectives of the EU Biodiversity Strategy for 2030 and nature conservation directives, including the Birds Directive, the Habitats Directive and the Water Framework Directive. The Commission fully relied on the formal arguments provided by the Latvian government regarding investments that entail biodiversity risks (e.g. irrigation projects) when performing their assessment. Moreover, the Commission emphasised that the 'do no significant harm' principle is a better guarantee than other formal procedures. We do not agree, as a superficial 'do no significant harm' assessment cannot replace environmental impact assessments and strategic environmental assessments, which, in the case of large projects, can take several months and involve experts and consultants.

The recovery plan assessment procedures also revealed significant gaps in strategic environmental assessment (SEA) procedures. Formally, a SEA was undertaken for the Latvian recovery plan, but its quality was poor. The SEA was made by the Ministry of Finance under a very short timeframe and with limited capacity. No experts were consulted or invited to contribute, and only one public discussion on the SEA was undertaken. The SEA formally concluded that the recovery plan has no negative impact on the environment and biodiversity.

Despite the Commission's assessment, a number of climate adaptation measures proposed by the Ministry of Agriculture could pose a 'do no significant harm' risk. For example, investments in flood risk reduction infrastructure include renovations of polder pumping stations, the restoration of protective dams and the restoration of regulated sections of rivers – all 'grey' infrastructure solutions. During the recovery plan evaluation procedure, neither the national authorities nor the European Commission revealed any details about the **29 irrigation projects** that will be financed by the RRF. Despite several formal requests, this information remains undisclosed. Without detailed information, it remains impossible to scrutinise the quality of the 'do no significant harm' screening of these measures. It is surprising that the Commission accepted these investments despite the threat they pose to reaching climate targets and to biodiversity.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

The NECP (which has been in force since 2019) will be revised in the coming years, as the Fit for 55 package requires more ambitious national targets. The recovery plan is a short-term planning document and is in line with the existing NECP, but is not aligned with more ambitious targets.



GENDER PERSPECTIVE

The recovery plan mentions that many activities integrate a gender equality approach. Regarding the gender dimension of climate measures, only one element is included – that the training and capacity building for the State Fire and Rescue Services would ensure equal work opportunities from a gender perspective.



PARTICIPATION

1. During the development of the recovery plan

The design process was not satisfactory from a transparency standpoint, as it failed to involve all stakeholders in meaningful consultations. Non-governmental organisations participated in several meetings, when possible, and shared their views. There were no structured working groups organised for discussing proposals in detail and identifying optimal reforms and investments.

The recovery plan was subjected to an SEA. The SEA process was not aligned with best practices: it was prepared in haste without the involvement of environmental experts. The conclusions of the SEA, which state that the recovery plan will not have negative effects on the environment and biodiversity, are vague and questionable. During the SEA's public consultation procedure, environmental organisations submitted comments, objected to the SEA and came up with concrete proposals for biodiversity-related measures in the recovery plan. All suggestions were rejected, and the assessments, comments and objections sent to all ministries involved were ignored.

Finally, stakeholders did not have the chance to comment on key 'last minute' investments and reforms included in the recovery plan. This is the case for the measures for regulating wind farm investments in state-owned forest lands, whose impacts on biodiversity have not been assessed.

2. Early stages of the recovery plan's implementation

Green Liberty advocated for the involvement of civil society in the early stages of implementation of the plan and for the establishment of a monitoring committee, but received no response from the Ministry of Finance.

In October 2021, several stakeholders, including environmental non-governmental organisations, were invited to discuss the possibility of setting up national working groups for the review of the NECP. These will focus on the transposition of the Fit for 55 package as well as some aspects of the implementation of the recovery plan. This might be a good opportunity to strengthen the coherence of these crucial strategic documents from the perspective of climate action. The fact that the government (the Cabinet of Ministers) acknowledged the need for a deliberative process is positive. However, a full-fledged monitoring committee would be needed to ensure ownership and quality implementation of the recovery plan.

RECOMMENDATIONS



The government of Latvia should:

- Remove the 29 irrigation projects from the recovery plan, given the lack of information and the high risks they pose to biodiversity.
- Address the institutional and financial obstacles for accelerating building renovations, including simplifying administrative processes.
- Include additional investments for renewables-based heating systems in the programming of other EU funds.
- Include measures for biodiversity and the development and management of the Natura 2000 network.
- Adopt further reforms to encourage a modal shift from individual cars in transport, including regulatory (e.g. urban low emission zones) and fiscal measures.
- Complement investments in charging points for electric vehicles with investments for the stronger penetration of RES in the electricity mix, to ensure that electric vehicles will not use electricity from fossil sources.
- Map fossil fuel subsidies and commit to a phase-out date, combined with social justice (just transformation) measures where relevant.
- Ensure that the working groups reviewing the NECP also play a role in monitoring the implementation of the recovery plan's climate-related investments and reforms.
- Urgently establish a dedicated committee to monitor the implementation of the recovery plan.



The European Commission should:

- Reassess the 'do no significant harm' principle for irrigation projects to carefully check whether they risk harming biodiversity, and not fund them if that is the case. Carefully monitor respect for the principle with regard to upcoming national regulations for building wind farms in state-owned forests. Support from the recovery plan should first go towards the assessment of the feasibility, benefits and risks of such projects before reforms are implemented and regulations adopted, to ensure they are well designed.
- Encourage the phase-out of fossil fuel subsidies under the European Semester.
- Recommend the Latvian government increase biodiversity-related investments in its operational plans for the programming period from 2021 to 2027, given the absence of biodiversity-related investments in the recovery plan.
- Encourage the leveraging of other EU funding streams for accelerating energy efficiency investments.

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PORTUGAL

By ZERO – Associação Sistema Terrestre Sustentável

SUMMARY

Portugal's recovery and resilience plan could have been more ambitious and transformative. In addition, it contains measures that may harm the environment. Although in March 2021, the Portuguese government announced that 47 per cent of total funds would be dedicated to the green transition, the evaluation of the final recovery plan by the European Commission suggests a figure of 37.9 per cent. This is slightly lower than the average funds dedicated to the green transition across all Member States (42 per cent).

Furthermore, the Green Recovery Tracker analysed the February 2021 version of the recovery plan, and found that the latter achieves a climate spending share of only 17 per cent. The Green Recovery Tracker methodology focuses on investments and reforms that significantly contribute to climate mitigation only – a different climate tagging methodology than the one used by the European Commission. The analysis also concludes that 3.5 per cent of total funds mobilised would have a negative impact on climate mitigation, and that 42 per cent may have a positive or negative impact depending on the way the relevant measures are implemented.

Despite the sizeable total value of investments and some positive elements, several areas are neglected. For example, although the recovery plan emphasises energy efficiency, it does not include strategies for increasing self-consumption and cooperative energy, and reforms and investments for accelerating the transition to a circular economy.

The plan includes many construction projects that have not had an environmental impact evaluation yet, casting doubt on whether the 'do no significant harm' principle has been properly implemented.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Increase the network of charging points for electric vehicles

This is a positive investment programme, as increasing the network of charging points will make a difference in increasing the penetration of electric vehicles in the transport mix, consequently reducing carbon emissions. However, the government also decided to link this investment with a significant expansion of the road network, which hinders the objective of reducing private passenger miles via the use of public transport.

2. The landscape transformation plan

This plan, mentioned in the recovery plan, was defined by the Portuguese government as a way to systematically and sustainably develop forest management (for improving resilience to wildfires and protecting biodiversity), along with combined agricultural, agroforestry and silvo-pastoral activities. This investment in the transformation of landscape is positive, but the amount is insufficient compared to the investment needs.



KEY INVESTMENTS NOT INCLUDED

1. Requalification of workers

The recovery plan includes a component on qualifications and competences. However, this component does not entail any mention of 'green jobs' and the necessary investments and reforms for the requalification of workers in carbon intensive industries. For example, investments for retraining via qualifications that allow the transition of the workforce, while alleviating workers' concerns, could have been included in the plan.

2. Transition to a circular economy

There is no investment in the recovery plan associated with accelerating the transition to a circular economy, or with an increase in recycling and reuse to reduce the accumulation of waste landfills. The recovery plan could have been used to support municipalities and roll out programmes that encourage local businesses to reduce the waste that ends up in landfills consequently reducing the amount of waste while increasing spending in the local economy via recycling and reuse practices.



KEY REFORMS FOR CLIMATE ACTION

1. Agriculture, food and agroindustry

The reform entitled 'an agenda of research and innovation in sustainability in agriculture, food and agroindustry' represents an excellent opportunity.

This reform will likely increase the resilience of the food sector, improve local production and allow for adaptation to climate change. However, the reform was supposed to be concluded by June 2020, which did not happen, and information on its details and relevant milestones is still missing. The reform should have been based on more extensive partnerships and stakeholder participation, in order to build on best practices in the food and agricultural sectors.

2. National Strategy for Hydrogen

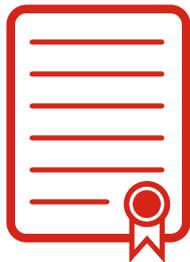
The reform aimed at implementing the National Strategy for Hydrogen is an important opportunity that will enable the use of hydrogen as an energy source.

However, hydrogen needs to be fully supplied by renewable sources. If the plan would support the production of hydrogen for serving local consumption, with minimal transport, it could reduce dependence on gas and other fossil fuels. Although we broadly consider this reform positive, we are concerned that the whole hydrogen plan, as it stands, is dependent on the mixture of hydrogen with fossil gas and on the use of natural gas transport systems that only allow up to 22 per cent of hydrogen in the system, thus maintaining Portugal's dependence on fossil fuels instead of transitioning to 100 per cent renewable energy.

3. Public transport reform

A proper reform of the **transport ecosystem** could be one of the best opportunities to reduce emissions associated with private transport, by promoting the expansion and use of public transport.

If designed properly, this reform could increase the use of public transport. However, this plan seems to promote new construction works and the digitalisation of the ticketing system, instead of an increase in the network of public transportation. Without expanding the network, any reform will be limited in scope to the population already served.



KEY REFORMS NOT INCLUDED

1. Creation of self-sustainable neighbourhoods

A successful climate transition requires the creation of **self-sustainable neighbourhoods** in terms of renewable energy generation and direct storage and use. The Portuguese recovery plan does not include reforms and investments that address this.

The hydrogen strategy entails no connection with local production and consumption, and there is no legislation that would support this. The use of a huge network of pipelines and electricity transmission infrastructure can be considered a waste of resources. Their construction will have an impact on the environment, and hydrogen is expected to be shipped to the rest of Europe, with an associated climate cost – without starting with assessing and fulfilling local needs.

2. Incorporating circular economy practices in industry

The recovery plan should have been an opportunity to reform industrial parks by supporting and encouraging **circular economy** practices based on principles of 'industrial symbiosis' (circularity between different industries). This could involve changing the legislation that regulates the municipal plans, and tax breaks for industries that use the residues of nearby industries. The recovery plan does not address this opportunity.

3. Reform of water management planning

The recovery plan includes water management investments, but no **reform of the water management planning system**. Considering the needs in a territory that will be subjected to longer periods of drought in the future, the entire planning of the water management system should be reformed, including, for instance, making mandatory the use and storage of rainwater and grey water.



‘DO NO SIGNIFICANT HARM’ PRINCIPLE ASSESSMENT

Despite the presence of milestones and timelines, several recommendations from the European Commission and the national public consultation regarding the need for data to support measures were only partially addressed, and certain measures lack projections and methodologies for evaluation. The European Commission should pay greater attention to the respect for the ‘do no significant harm’ principle when assessing the implementation of the recovery plan. For instance, the expansion of the road network proposed in the recovery plan was approved on the condition that it would be complemented by investments in electric vehicle charging points. The Commission has assumed that the ‘do no significant harm’ principle is respected in the road expansion measure because these investments are connected with an expansion of the network of charging points for electric vehicles – yet roads do not become more environmentally friendly simply because charging points for electric vehicles have been added. Furthermore, if the charging stations are not constructed, it is unclear whether the investment in building roads will then be rejected ex-post based on the ‘do no significant harm’ principle. The call for more investments in road infrastructure assumes that low accessibility in some areas is a cause of inequality – yet we need more than measures like this to address the root causes of socio-economic inequalities in Portugal.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

The recovery plan refers to the existing NECP targets, not to more ambitious targets. The recovery plan alone is not sufficient to achieve more ambitious emissions reduction targets that will need to be reflected in the future revised NECP.



PARTICIPATION

Stakeholders’ involvement was not satisfactory, because there was only a brief period of public consultation, with very minimal information about the measures disclosed and subsequently able to be discussed. We are calling for more direct involvement of civil society organisations in the oversight of the implementation of the plan.

For all investments, we demand, as described in legislation, that they pass through environmental impact evaluations before commencing. We also call for project fiches and the ‘do no significant harm’ assessments to be made publicly available, which has not been the case so far.

The committee that will monitor the implementation of the recovery plan has no member from the environmental civil society organisations and it can only issue non-binding recommendations. This is problematic, notably because environmental organisations could play an important role in flagging the possible risks of significant harm to the environment.

RECOMMENDATIONS



The government of Portugal should:

- Make sure that all investments have defined methodologies for evaluation before starting to implement them.
- Produce hydrogen via renewable sources only, and, instead of a small number of larger plants, it should be produced through smaller localised infrastructure, near water treatment plants and nearer to the location of use.
- Include investments for accelerating the circular economy transition (especially in the industrial sector), for reducing the amount of waste, and for the development of energy communities and prosumers in the programming of the other EU funds.
- Include investments in the reskilling of workers in polluting industries and the development of the public transportation network.
- Introduce a water management reform to adapt to the increasing risk of drought, as investments alone are insufficient when not backed by an adequate regulatory framework.
- Expand the public transport network, to serve more people while reducing transport costs, as a way to encourage a reduction in the use of individual cars to the benefit of public transportation and other active transport modes.
- Include at least one environmental civil society organisation in the monitoring committee for the implementation of the recovery plan.



The European Commission should:

- Further assess the compliance of the expansion of the road network with the 'do no significant harm' principle: simply adding charging points for electric vehicles is not sufficient to ensure compliance with this principle.
- Make sure that EU funds encourage investments in public transport, as well as active modes where possible (i.e. in urban centres).
- Require the inclusion of a milestone for civil society's participation in the implementation of the recovery plan.



ROMANIA

By Bankwatch Romania

SUMMARY

Romania's final recovery and resilience plan contains 171 measures divided between 64 reforms and 107 investments and is structured around six pillars and 15 components. The financial allocation amounts to approximately EUR 29.2 billion, out of which EUR 14.2 billion are grants and EUR 14.9 billion loans under the Recovery and Resilience Facility. The measures supporting climate action account for **41 per cent of the plan's total allocation**, while **20.5 per cent** of the financial resources are allocated for the digital transition. According to the Green Recovery Tracker, which uses a more stringent climate tagging methodology than the European Commission, the version of the plan published in March 2021 achieved a green spending share of 24 per cent, below the EU's 37 per cent benchmark. In addition, 12.8 per cent of all funds would have a negative impact, while 35 per cent may have a positive or negative impact on the green transition depending on how relevant measures will be implemented.

The **total financial allocations for the Green transition pillar** amount to approximately **EUR 15.3 billion**, out of which EUR 7.6 billion will go to measures for the Sustainable transport component (the largest share of financial resources), followed by the Renovation wave component (energy efficiency). The budget for the Decarbonisation of the energy sector totals EUR 1.6 billion. Water and waste management measures total EUR 2.7 billion in loans, and the Forests and biodiversity protection component receives the smallest amount, totalling EUR 1.17 billion.

The Green transition pillar includes some important measures to accelerate the decarbonisation process, including: phasing out coal power production by 2032, financial and legislative support for increasing renewables penetration, financial incentives for storage infrastructure, and investments for improving the energy efficiency of public and private buildings. Although 41 per cent of the plan's expenditures are related to the green transition, a considerable proportion of the recovery plan's investments goes to **fossil gas projects**, including infrastructure related to gas-based generation, distribution and transport. In addition, some of the recovery measures focus on developing **hydrogen** as a means for decarbonising the energy sector, despite the technical and economic feasibility of the technology remaining questionable. The hydrogen component has been added to fossil gas projects only ensure that these projects meet the RRF's environmental requirements (the 'do no significant harm' principle).

PROBLEMATIC INVESTMENTS FROM A CLIMATE PERSPECTIVE

1. Fossil gas and hydrogen distribution network

This investment consists of building a fossil gas distribution system in the Oltenia region which will be ready to carry at least 20 per cent renewable hydrogen by 2026 and 100 per cent renewable hydrogen in 2030. This investment is proposed as an alternative to the region's heating mix, currently based on biomass and coal. It includes as sub-investments 100 megawatts (MW) in electrolyzers that will produce approximately 10,000 tonnes of hydrogen by 2025. Using hydrogen for heating homes is one of the most inefficient, expensive and unsustainable heating methods. Decarbonising the heating sector in a region already affected by the use of fossil fuels should have been undertaken by: improving the energy efficiency of buildings, electrifying heating systems from renewable energy sources and promoting decentralised renewable energy communities. Unlike hydrogen, these measures can be implemented immediately to reduce carbon emissions. It also remains unclear whether the recovery plan includes financial incentives for individual residential hydrogen boilers and the necessary infrastructure in buildings, or whether these costs are expected to be partly borne by consumers themselves.

2. Installation of at least 300 MW gas-fired cogeneration or combined heat and power (CHP) enabled for the use of renewables and low-carbon gases

This investment is proposed as a way to mitigate the challenges of transitioning away from coal-fired heat and electricity production, but this will be done by switching from coal to fossil gas, perpetuating carbon lock-in. Instead, Romania should focus on increasing the penetration of wind and solar energy, in combination with power-to-heat and power-to-mobility solutions.¹⁷ Indeed, these solutions can decarbonise both the thermal energy sector as well as a considerable part of the transport sector. They would also contribute to the reduction of carbon emissions at a faster rate, six to nine times more efficiently than investments in hydrogen and fossil gas power plants.



KEY INVESTMENTS NOT INCLUDED

1. Offshore wind power investments

The final Romanian recovery plan fails to put forward concrete investments in offshore wind, the only variable baseload power generation technology. The only measure proposed vis-à-vis offshore wind is to establish a legislative framework for the development of the sector, but without prioritising concrete projects or investments in research and innovation. The recovery plan instead favours the implementation of fossil-gas-based energy projects or other technologies whose economic and technical feasibility remains unproven.

2. Decentralisation of the energy system – promotion of renewable energy communities

Apart from some measures dedicated to the prosumers sector, the plan does not include any specific measures for the promotion of renewable energy communities.

17 Andrei David Korberg, '[De la un sistem energetic fosil la un sistem energetic 100% regenerabil în 6 pași](#)', *InfoClima*, accessed 20 January 2022.



KEY REFORMS FOR CLIMATE ACTION

1. Concrete coal phase-out date

The Romanian recovery plan is the only official document that sets a concrete **coal phase-out date**, a much needed step to accelerate the decarbonisation process. The Romanian recovery plan has set 2032 as this coal phase-out date. While this is a concrete step towards a decarbonised energy system, 2032 is too late for Romania to align its emissions targets with the Paris Agreement. Crucially, coal-based units are expected to be switched to fossil gas, which contributes to the climate crisis and poses serious economic risks (stranded assets, the rising price of gas). Unfortunately, despite new plans for establishing legislative support measures for the renewable sector, these come too late to accelerate the development of Romania's renewable energy industry.

2. A new Energy Law

A new Energy Law entering into force by the second quarter of 2023 will include provisions related to the reintroduction of power purchase agreements (PPAs), implementing the Contracts for Difference support scheme and simplifying the licensing and permitting procedures for renewable investments. The legislative support measures should have been introduced sooner. Indeed, the aforementioned measures were already included in the NECP, but no concrete steps have been taken despite frequent requests from the renewables industry. This commitment is welcome, with the caveat that the law should be elaborated in a transparent and participatory manner.

3. Legislative framework for the offshore renewable energy sector

The plan anticipates the elaboration of the **legislative framework for the offshore renewable energy** sector as part of the reform establishing a new Energy Law. The offshore renewable energy framework will be completed by the second quarter of 2023. Neither concrete projects for increasing offshore renewable capacity nor investments in research and innovation have been included in the recovery plan.



KEY REFORMS NOT INCLUDED

The recovery plan does not propose any measure or specific investment for increasing the energy efficiency of existing district heating systems. One of the European Commission's recommendations on the final NECP was to foster energy efficiency for district heating networks, a challenge that the recovery plan fails to address. It only puts forward investment proposals based on fossil fuels and technologies related to carriers such as hydrogen, an energy carrier whose efficiency and cost remain debated.



‘DO NO SIGNIFICANT HARM’ PRINCIPLE ASSESSMENT

The Commission states that the fossil-gas-based projects in Romania’s plan respect the ‘do no significant harm’ principle, only because a hydrogen component has been added to the initial plans. The hydrogen sector in Romania is at an incipient stage and its technical and economic feasibility is still to be demonstrated in sectors such as heating or electricity production. Instead of proposing hydrogen solutions for hard-to-abate sectors, the Romanian recovery plan proposes putative hydrogen-based solutions in sectors where renewable energy alternatives already exist as demonstrably technologically feasible and economically viable options for a transition to a decarbonised system.



PARTICIPATION

The recovery plan was subjected to thematic public consultations with representatives of local and regional authorities, civil society organisations, social partners and other relevant stakeholders. However, these consultations were organised without a concrete agenda, or details on how the issues raised by the public would be addressed in the recovery plan. Moreover, civil society was given the possibility to send project or reform proposals and contribute to the decision-making process, a practice that we welcome. Unfortunately, the Ministry failed to indicate whether and which of these proposals were integrated in the plan. It is important not only to consult with stakeholders, but also to provide feedback on their input.

Regarding the monitoring of the recovery plan during the implementation phase, the government has not yet issued clear proposals on whether and how civil society organisations will be involved. In particular, it will be important to make sure that environmental groups are consulted on the implementation of investments and reforms relevant to their mandate, from energy to water management.

RECOMMENDATIONS



The government of Romania should:

- Stop financing investments in the production, distribution and transport of fossil gas, and find a better balance between investments in hydrogen (which remains an inefficient and uneconomic carrier) and the expansion of renewables and renewables-based electricity. The fast deployment of renewable energy such as wind and solar will be needed for the production of renewable hydrogen, in any case. This means that part of the investments planned for fossil gas and hydrogen should be redirected to improving the energy efficiency in buildings, heating measures based on direct electrification from renewable sources, decentralised renewable energy communities, offshore renewable energy, and related research and innovation. First, we consider that the recovery plan should be amended in this respect, and second the Romanian government should integrate such investments when harnessing other EU structural and investment funds.
- Anticipate the coal phase-out date and prepare a just transition plan by involving workers, local authorities, local communities, social partners and civil society organisations to ensure the transition delivers for people whose income is currently reliant on the coal industry.
- Anticipate the adoption of the new Energy Law to encourage and facilitate investments in renewables.
- Set up a comprehensive, publicly available database that includes all of the recovery plan's expenditures, to allow for proper monitoring of its implementation. Moreover, the authorities should increase the level of transparency during the implementation phase, strengthen the dialogue with stakeholders, and provide information about the fulfilment of targets and milestones.



The European Commission should:

- Ensure that the EU stops funding fossil gas, and that hydrogen is only supported when it is produced from renewable sources and there are no cheaper and more efficient clean alternatives. The hydrogen component has been added to fossil gas projects only to meet the RRF's 'do no significant harm' requirements. In our view, the approval of these projects is due to an excessively restrictive interpretation of the 'do no significant harm' principle.
- Ensure that the programming of the other EU funds includes investments that will effectively contribute to the objectives of the European Green Deal and the Paris Agreement – among others: investments in the energy efficiency of existing district heating systems, renewable energy (especially offshore wind and solar) for heating and mobility, and the promotion of energy communities.
- Request that the government of Romania put in place an effective stakeholder engagement and participation mechanism that includes CSOs to monitor the implementation of the recovery plan.



SLOVAKIA

By Friends of the Earth-CEPA /
CEE Bankwatch Network

SUMMARY

The Slovak recovery plan allocates EUR 2 billion for building renovations for the period from 2021 to 2024. This amount is insufficient, as the annual amount needed to meet the existing energy efficiency target – which is not ambitious enough – is assessed at EUR 2.2 billion a year.

In addition, the Slovak Environment Agency should support the best projects, i.e. those able to finance the deep renovation of family houses, generating at least 60 per cent primary energy savings. In view of the massive interest in this building renovation programme, the Agency should not take a fast and indiscriminate spending approach, but rather a deliberate and targeted one. It should also prioritise support for low-income households.

Suboptimal renovations can hinder the decarbonisation of the building stock in the long-term. The Ministry of Transport and Construction should therefore withdraw the amendment proposed to regulation 364/2012 aiming at lowering energy standards for new buildings by 40 per cent, as this may hamper decarbonisation efforts. This amendment has been criticised by the Government Office, the Ministry of Environment, construction experts, municipalities and civil society.

Amendments to the Spatial Planning Act and Construction Act are also problematic. Streamlining the permitting process must not interfere with the protection of health, the environment, access to information and decision-making on the environment.

The EUR 232 million allocation for the renewable energy component in the recovery plan is insufficient. The inclusion of support to **energy communities and municipalities** under this allocation was refused on the grounds that such funding is already planned to be financed by the European Structural and Investment Funds (ESIF), and the European Commission reportedly asked Slovakia to clearly denote in the recovery plan when something is being funded under a different EU funding instrument. However, these seem to be double standards, as subsidies for the installation of fossil gas boilers are present both in the recovery plan and in operational programmes under the ESIF.

Preparing and building regional capacities for planning decarbonisation is essential – but is not part of the recovery plan. Regional Sustainable Energy Centres (RSEC) and financial instruments should address proper planning, the selection of projects and their respective financing.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Fast and unambitious renovation of family houses

The Slovak Environment Agency manages the programme for improving the energy efficiency of family houses, with a EUR 528 million allocation to support 30,000 households out of a total of 1,060,000 houses in Slovakia. The Agency expects high interest from households, who will obtain an approximately EUR 16,600 subsidy to renovate their home; replace their boilers; and install water retention solutions, green roofs, shading, composters and other equipment.¹⁸

According to the Slovak recovery plan: 'Energy consumption in buildings should be reduced by 40% by 2050 compared to 2020'. Unfortunately, the criteria set only a medium standard renovation threshold of at least 30 per cent primary energy savings. This is problematic, as this level of renovation means additional spending will be needed in the future to ensure effective decarbonisation. Public resources should incentivise deeper energy savings, rather than prioritise quick financing. **Therefore, the Slovak Environment Agency should only support the best projects, requiring a threshold of at least 60 per cent primary energy savings for this renovation scheme.** The European Commission's assessment failed to recommend such an approach.¹⁹ **The Agency should also find ways to prioritise support for low-income, energy poor households through this programme.**

2. Underfinanced renewable energy and wrong reporting since 2010

The European Commission's assessment²⁰ identifies that the Slovak 19.2 per cent target for renewables is well below the 24 per cent share calculated in line with the formula in Annex II of the Regulation (EU) 2018/1999. This 19.2 per cent target for renewables was meant to contribute to an EU renewable energy target of 27 per cent, which was never adopted. Instead, the EU set a 2030 renewable energy target of at least 32 per cent in 2018. Slovakia did not adjust its national contribution in the NECP. The European Commission is now proposing to raise the EU target further from 32 to 40 per cent in the Fit for 55 package.²¹

In addition, Slovakia's NECP is based on inaccurate data on the amount of renewable energy sources currently being used in Slovakia, a figure which was revised upwards by five per cent in 2019 according to the findings of the Slovak hydro-meteorological institute.²² **Slovakia reported incorrect data to Eurostat over the past years and will have to recalculate the renewable energy sources data it has collected since 2010 to include biomass heating in households and other 'below-the-radar' sources.**²³ These new data should be considered by policymakers due to their possible impacts on biodiversity. Slovakia indeed does not have adequate renewable energy source sustainability criteria, in spite of the fact that the Environmental Strategy 2030 announced that they would be set.²⁴

18 Tomáš Grečko, 'Na obnovu rodinných domov je nachystaných pol miliardy eur. Prednosť majú najrýchlejší', *Denník N*, 14 October 2021.

19 European Commission, [COMMISSION STAFF WORKING DOCUMENT Analysis of the recovery and resilience plan of Slovakia Accompanying the document Proposal for a COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Slovakia](#), SWD/2021/161 final, 21 June 2021.

20 Ibid.

21 European Commission, [Delivering the Green Deal](#), *European Commission*, accessed 20 January 2022.

22 Irena Jenčová, 'Slovensko sa ocitlo medzi európskou špičkou v obnoviteľnej energii. Veľmi sa tým nechvália', *EURACTIV.sk*, 18 January 2021.

23 Irena Jenčová, 'Analytická SHMÚ: Čísla o spotrebe biomasy nesedeli už roky, nikoho to nezaujímalo', *EURACTIV.sk*, 29 January 2021.

24 [Greener Slovakia: Strategy of the Environmental Policy of the Slovak Republic until 2030](#), *Ministry of Environment of the Slovak Republic*, February 2019.

The investment costs for the unambitious 19.2 per cent target are EUR 4.3 billion with annual investment needs of EUR 180 million for electricity generation and EUR 250 million for heat generation. Yet the **Slovak recovery plan falls short of these annual investment targets, as it allocates a total of EUR 232 million** to be invested over six years for expanding renewable energy source capacity, repowering existing renewable energy sources and increasing grid flexibility to enable higher renewable energy source integration.



KEY INVESTMENTS NOT INCLUDED

Commission too strict on financing for renewable energy communities

Civil society organisations advocated for the integration of investments in clean community energy and municipal energy schemes in the recovery plan. Although the Ministry of Economy initially took this proposal on board, it later informed the civil society organisations that the European Commission had rejected this investment programme in order to prevent double financing: *'The comment was not accepted due to the [European Commission's] request for the clearest possible definition of the dividing lines between the various sources of funding. In this context, support for prosumers is planned primarily through the European Structural and Investment Fund (ESIF).'*

On the other hand, investment support for fossil gas boilers is planned both in the recovery plan and in the current and future ESIF. This is a worrying manifestation of double standards, which prioritise fossil gas and deprioritise RES support for prosumers.

PROBLEMATIC REFORMS FROM A CLIMATE ACTION PERSPECTIVE

1. Lowering energy performance standards for new buildings

Buildings' energy efficiency should be the number one response to the energy crisis and our dependence on fossil gas imports. However, the recent amendment to regulation 364/2012²⁵ from the Ministry of Transport and Construction aims to **lower the energy performance standards of new buildings by 40 per cent, which strongly undermines decarbonisation efforts**. This attempt to decrease the standards has been criticised by the Government Office, the Ministry of Environment, construction experts, municipalities and civil society.²⁶ **The Slovak government should withdraw the amendment to the regulation.**

2. Amendments to the Spatial Planning Act and Construction Act

Streamlining the licensing process, which these amendments aim to do, is in itself a good approach. Still, it must not interfere with or be prioritised over other values protected by the Constitution of the Slovak Republic: protection of health, the environment, access to information and decision-making on environmental issues.

According to CSOs, the main shortcomings in the proposal for new legislation are:²⁷

- Concentrating power in one office increases the risk of corruption.
- Interference with the competencies of municipalities and self-governing regions. In the area of spatial planning, this conflicts with municipalities' legal and constitutional obligations.
- Significantly limited public participation in spatial planning and construction proceedings conflicts with the Aarhus Convention.
- The wording of the proposed laws is confusing. On the one hand, the laws contain several general, insufficiently defined terms from a legal standpoint. On the other hand, they omit essential terms that have legal basis (such as environmental protection).
- The proposed laws limit the ability to protect other interests in the territory, including nature.

The drafting of the new legislation did not respect the legal procedures or the legislative rules of the government: no preliminary information was submitted, no legislative intention was approved and no impact assessment was carried out. Crucially, the timeframe of the public consultation was extremely short, hence undermining the possibility for the public and civil society to provide comments.

25 Ministry of Transport and Construction of the Slovak Republic, [LP/2021/409 Vyhláška Ministerstva dopravy a výstavby Slovenskej republiky, ktorou sa mení a dopĺňa vyhláška Ministerstva dopravy, výstavby a regionálneho rozvoja Slovenskej republiky č. 364/2012 Z. z., ktorou sa vykonáva zákon č. 555/2005 Z. z. o energetickej hospodárnosti budov a o zmene a doplnení niektorých zákonov v znení neskorších predpisov v znení neskorších predpisov](#), *Slov-Lex*, last updated 18 January 2022.

26 Irena Jenčová, 'Oslabenie energetických noriem budov kritizujú stavebníci, mestá aj Úrad vlády', *EURACTIV.sk*, 3 September 2021.

27 [Hromadná Pripomienka k Návrhom Zákonov o Územnom Plánovaní a Výstavbe](#), *MojaPetícia.sk*, accessed 20 January 2022.



KEY REFORMS NOT INCLUDED

1. Preparation of the conditions for the regions' decarbonisation

Civil society and energy experts call for essential structural reforms for decarbonisation. In particular:

- The preparation of an organisational-administrative model for the future **Regional Sustainable Energy Centres** (RSEC) and ensuring consensus on the model among the critical regional development stakeholders (especially local governments);
- The development of standardised methodologies for regional energy planning;
- The upgrade of professional capacities in the RSEC, a system of continuous professional education for RSEC personnel and a unified model of regional energy information systems.

The Ministries consider RSEC as a crucial energy efficiency measure, reflected in Annex II of the Slovak NECP.²⁸ However, the reform was not included in the recovery plan, reportedly because the RSEC would be financed under the ESIF.

2. Circular economy and Green Public Procurement

It is necessary to set up a fair, transparent and clear system that supports the circular economy, and to establish rules for green public procurement. The recovery plan includes some reforms, but these are either insufficient or vague (e.g. it is not clear how the sorted construction waste will be handled, as material flows of sorted waste are not closed). Slovakia has systemic shortcomings in the circular economy area, despite its significant economic and social potential. Green Public Procurement should be made mandatory for all ministries and public authorities.²⁹

28 Ministry of Economy of the Slovak Republic, [Integrovaný národný energetický a klimatický plán na roky 2021-2030](#), Ministry of Economy of the Slovak Republic, December 2019.

29 Juraj Melichár, [Comment on LP/2021/112 Plán obnovy a odolnosti Slovenskej republiky](#), *Slov-Lex*, 22 March 2021.



‘DO NO SIGNIFICANT HARM’ PRINCIPLE ASSESSMENT

The Commission’s exemption for gas boilers is not in line with its toolbox

The Slovak Ministry of Environment wanted to address air quality infringements by copying the Czech model, whereby subsidies are provided for fossil gas boilers in the context of wider incentives for energy efficiency. The Slovak recovery plan prioritises fossil gas boilers, with minor mentions of solar energy, and ignores heat pumps as a viable alternative due to the assumption that people will not be interested.

The Slovak authorities should take into account the fact that 36 per cent of the beneficiaries of the equivalent scheme in Czechia preferred heat pumps over fossil gas boilers (25 per cent) and biomass boilers (20 per cent).³⁰ In addition, Slovakia decreased the allocation and target value by 30 per cent in a similar boiler subsidy for low emission sources (i.e. fossil gas) financed from the operational programme Quality of Environment, version 12, in June 2021 to avoid decommitment and support other, more successful measures.

To conclude, the Slovak authorities should incentivise energy efficiency measures, renewables and heat storage instead of gas boilers. The European Commission should reject the current plans on the grounds of the ‘do no significant harm’ principle, and propose amendments prioritising clean energy alternatives.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

Slovakia does not have a decarbonisation plan that details its pathway to carbon neutrality. Slovakia also lacks a document with sectoral decarbonisation targets. The NECP estimates that the total investment needs to reach the unambitious 19.2 per cent renewable energy sources contribution by 2030 are of around EUR 4.3 billion and the investment needs for energy efficiency measures at EUR 2.2 billion per year. The upwards revision of targets in the context of the Fit for 55 package will evidently increase investment needs. However, the recovery plan only dedicates EUR 232 million to clean energy deployment, which is a missed opportunity as it is unlikely that the funding from the ESIF, the Modernisation Fund and other EU funding sources can easily cover this investment gap.³¹

30 Ministry of Environment of the Slovak Republic, [Kotlíková Dotácia – Skúsenosti s Uplatňovaním v ČR](#), Efektívne riadenie kvality ovzdušia 2021, *Populair*, 7-8 September 2021.

31 European Commission, [COMMISSION STAFF WORKING DOCUMENT: Assessment of the final national energy and climate plan of Slovakia](#), SWD(2020) 924 final, *European Commission*, 14 October 2020.



PARTICIPATION

Although there was a broad stakeholder consultation organised in September 2020, the preparation of the Slovak recovery plan was neither participatory, nor in line with the partnership principle. The Slovak government only formally consulted civil society and other experts at the end of the process.

In future stages, the national authorities should not pre-select a group of like-minded stakeholders to provide comments and monitor the implementation of the recovery plan, but rather seek to ensure the effective and inclusive participation of civil society organisations.

RECOMMENDATIONS



The Slovak government should:

- Prioritise building renovation measures for low-income households and make sure support targets renovations that maximise energy savings (deep renovation).
- Ensure that the ongoing legislative reform on energy standards for new buildings does not lower energy efficiency requirements.
- Stop public funding for fossil gas boilers and invest in viable and more cost effective alternatives such as energy efficiency, heat pumps, renewable energy sources and community-led initiatives instead.
- Withdraw the proposed amendments to the Spatial Planning Act and Construction Act and ensure future changes do not restrict civic participation, and do not result in environmental licensing deregulation.
- Introduce a legislative reform to promote the circular economy transition and Green Public Procurement.
- Engage in structural reforms to facilitate regional decarbonisation plans. In particular, Regional Sustainable Energy Centres (RSEC) and financial instruments (energy performance contracting) are essential measures for proper planning and an effective selection of projects while ensuring their financing.



The European Commission should:

- Ensure that more financial support is provided for energy communities under the RRF and other relevant EU funds.
- Encourage more stringent and ambitious criteria for building renovations to fully tap into the vast energy saving potential of the sector.
- Ensure that the exemption for gas boilers strictly complies with the 'do no significant harm' Technical guidance.
- The RRF, ESIF and other EU funds should shift support currently slated for fossil gas boilers and unsustainable biomass to more sustainable renewables.
- Require the Slovak government to establish an effective and inclusive mechanism to ensure civil society participation in the implementation and monitoring of the recovery plan.



SLOVENIA

By Umanotera & Focus

SUMMARY

The final recovery plan has been improved compared to earlier draft versions. The projects that were clearly incompatible with the 'do no significant harm' principle have been removed. The overall volume of the recovery plan was reduced from EUR 5 billion to EUR 2.5 billion. According to the RRF's green tagging methodology, 42 per cent of the plan's expenditures are allocated to reforms and investments that support climate objectives. However, it is unlikely that the plan will substantially contribute to the achievement of ambitious climate targets, as it includes few significant investments for climate change.

Moreover, investments such as the construction of new hydroelectric power plants and flood protection measures may lead to extensive habitat destruction. Flood protection receives the largest financial allocation. Flood protection is a much-needed climate change adaptation measure in Slovenia. However, most of those projects will likely consist of grey/built infrastructure that will likely lead to extensive riverbank (and related habitat) destruction. In short, the 'do no significant harm' principle has not been applied rigorously.

According to the Green Recovery Tracker (GRT), the April 2021 version of Slovenia's recovery plan achieved a green spending share of 21 per cent. As this was far below the 37 per cent target, it raises doubts about the quality of climate investments in the final recovery plan. The low climate share resulting from the GRT methodology is due to the fact that the methodology used under the RRF is less stringent, as it allows the climate tagging of investments that are not narrowly focused on climate change.

Some of the reforms included in the recovery plan, such as the promotion of RES in Slovenia and the reform of the organisation of public passenger transport, are a step in the right direction. However, these reforms are backed by very limited investments. Further, the reform pillar of Slovenia's recovery plan lists amendments to environmental legislation that aim at relaxing relevant rules and procedures to ease the implementation of projects under the upcoming investment cycle (the Multiannual Financial Framework (MFF) and recovery package). This provision may lead to environmental deregulation. Indicatively, the proposed changes to the Environmental Protection Act following the adoption of the recovery plan limited, and even excluded, the legal standing of non-governmental organisations in relevant environmental licensing procedures. These amendments were later removed.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Expanding renewable energy sources

Only EUR 50 million of the recovery plan are dedicated to **expanding renewable energy sources**. This is too little. But even more concerning is the fact that the recovery plan prioritises a hydropower plant that is likely to significantly harm biodiversity. The recovery plan specifies that investments in solar plants for public buildings will only be financed via the recovery plan if investments in hydropower cannot be completed in the recovery plan's time frame.

2. Investments in the power distribution grid

The recovery plan includes **investments in the power distribution grid**. This is urgently needed in order to support renewable energy source penetration and low-carbon energy technologies such as heat pumps and electric vehicles. The distribution grid has frequently been flagged as an obstacle to integrating such technologies in the electricity system. The NECP estimates investment needs in distribution grids to be more than EUR 400 million per year. In contrast, the EUR 80 million included in the recovery plan for the entire period of the programme appear completely insufficient. As such, the recovery plan is not fit for filling investment needs to reach the targets of the existing NECP, let alone for catalysing more ambitious targets. Indeed, the renewable energy penetration target included in the existing NECP lacks ambition (27 per cent by 2030) and will need to be increased in line with the Fit for 55 package. This implies even larger investment needs for the distribution grid, as much of the additional renewable energy capacity will have to come from distributed solar power plants. Slovenia already ranks lowest in the EU in terms of share of wind and solar in the energy mix and added capacity of renewable energy sources between 2005 and 2019.



KEY INVESTMENTS NOT INCLUDED

1. Investments in walking and cycling infrastructure

As transport is the largest source of emissions in Slovenia, a rapid expansion of cycling, walking and shared transport infrastructure is crucial to reduce passenger car traffic (besides investment in public passenger transport and railway infrastructure). The recovery plan should have supported municipal investments in cycling connections and the expansion of walking infrastructure. To complement public transport, other forms of transport such as cycling, walking and shared transport modes should take up as much of the short-distance travel as possible. In addition to being climate-friendly mobility modes, these also contribute to positive health outcomes.

2. Investments for the decarbonisation of energy intensive industries

As a country with a very energy intensive economy, Slovenia needs to put significant efforts into decarbonising its industrial sector. This requires incentives and regulation for the industry to reform, as well as financial support. Unfortunately, the criteria for industry-related investments financed by the recovery plan are not stringent enough and will not trigger a deep decarbonisation in energy intensive industry. They will only lead to marginal (e.g. 10 per cent) improvements in energy and material use.



KEY REFORMS FOR CLIMATE ACTION

1. Reform of the organisation of public transport for passengers

The transport sector is by far the largest source of emissions, causing as much as 52.1 per cent of non-ETS greenhouse gas emissions in 2019. Beside agriculture, transport is the only sector in which emissions increased over the period from 2005 to 2019. Additionally, the number of users of public transport in Slovenia is declining, the management system is extremely dispersed and intermodality is poor. In this regard, the proposed establishment of a comprehensive system of integrated public transport is positive and presents an opportunity for Slovenia to reduce its emissions. Yet for this reform to be effective, much higher investments in public transport infrastructure, railway infrastructure and multi-modal infrastructure are required.

2. Adoption of the legal basis to establish a financial facility for the energy renovation of buildings of the narrow public sector (government administration buildings) (end of 2023)

Many refurbishments of public buildings are currently financed through public-private partnerships, using the energy service contracting (ESCO) model. This public-private approach has limitations, since on the one hand capital intensive buildings with long payback periods (cultural heritage buildings) remain unrenovated; and on the other hand, capital flows (cost savings) from more lucrative investments go to private companies. As a consequence, the public purse is losing a potential revenue stream that could have been harnessed to refurbish more capital-intensive projects. A public ESCO is envisioned to overcome this problem. Unfortunately, the measure will only apply to narrow public administration buildings (i.e. not for upgrading the energy performance of wider public buildings such as schools or hospitals).



KEY REFORMS NOT INCLUDED

1. Specific commitment to phase-out fossil fuels

A clear and specific commitment and timeline for phasing out fossil fuel subsidies, in spite of the fact that it was announced in several strategic documents. This should notably include the refunds and rebates from the energy excise duty.

2. Reimbursements for commuters

The system of reimbursement of costs for work commuting should be urgently changed. Currently, the reimbursement is based on the distance between home and workplace, and does not provide incentives for using public transport. Reimbursement should be based on actual use of public transport, wherever available.

3. Carbon budget

The remaining Paris compatible carbon budget of Slovenia needs to be researched and officially defined (including the carbon budget of respective sectors). This should then be taken as the basis for assessing the compatibility of future investments, plans and reforms with the Paris Agreement.



'DO NO SIGNIFICANT HARM' PRINCIPLE ASSESSMENT

1. Although the Commission states that no reforms and investments included in Slovenia's recovery plan are expected to do significant harm to environmental objectives, **the Mokrice hydropower plant** (although not explicitly named) is included in the recovery plan, and is likely to breach the 'do no significant harm' principle. The Mokrice hydropower plant is a project with a long history of procedural misconducts, has been assessed as having a significant impact on the environment in past impact assessments and is located in a Natura 2000 area. Although the likelihood of the project being implemented in the time frame of the recovery plan is highly questionable, the government has included it in the recovery plan.

2. Flood protection is one of the measures with the highest financial allocation. Although investing in flood protection is necessary for climate change adaptation, the bulk of the projects will likely consist of grey/built infrastructure that would lead to extensive destruction of riverbanks and adjacent habitats. The 'do no significant harm' assessment of flood protection measures is extremely vague, without any reference to specific projects, but has been accepted by the European Commission.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

Although it is extremely unlikely that the recovery plan will increase the ambition of the NECP, some investments and reforms could partly support the implementation of measures included in Slovenia's NECP. For example, this includes overdue investments in rail infrastructure, investments in the distribution grid, energy efficiency measures in public buildings, and – if well designed – subsidies for the low-carbon transition in industry. However, the size of these investments is largely lagging behind the volume of investment needs identified in the NECP.



PARTICIPATION

In Slovenia, public consultations on the recovery plan were open only to a handful of selected businesses and local authorities. No formal dialogue took place and no consultation mechanism was established. The Slovenian government claimed that more than 2,000 stakeholders have been involved in the preparation of the recovery plan. However, most consultative activities were only short online presentations of the plan and included only businesses and local authorities. Civil society organisations were excluded from the process. Furthermore, the first draft of the recovery plan, presented in December 2020, was only disclosed to the public following a leak by *Mladina*, a Slovenian weekly journal.

RECOMMENDATIONS



The government of Slovenia should:

- Stop using public resources, whether from the RRF or other sources, to fund the construction of a hydropower plant in a Natura 2000 area.
- Further assess the 'do no significant harm' compliance of proposed flood prevention measures to avoid habitat destruction.
- Ensure that recovery plan measures for industrial decarbonisation genuinely contribute to deep decarbonisation, by setting clear criteria and preconditions. Additional measures to unlock the potential of higher energy savings through the transition to a circular economy are needed.
- Set a higher 2030 renewable energy target than what is in the current Slovenian NECP (27 per cent target), and include additional investments and reforms to reach ambitious targets in the programming of the EU's cohesion funds.
- Include more investments in renewable energy sources, distribution grids, walking and cycling infrastructure, and railway and wider public transport infrastructure as part of the programming process of other EU funds (Structural and Investment Funds).
- Reform the tax/subsidies system to avoid encouraging the use of cars for commuting to work.
- Map all fossil fuels subsidies and plan the flanking social justice measures in order to end them all. Set clear deadlines for closing coal-fired power plants before 2030.



The European Commission should:

- Pay particular attention to the full respect for the 'do no significant harm' criteria, by (a) closely monitoring industrial emissions of carbon-heavy industries benefiting from support under the recovery plan; (b) ensuring that flood prevention measures do no significant harm to the environment; and (c) rejecting the construction of any hydropower project built in a Natura 2000 area.
- Request the inclusion of a milestone on civic participation throughout the implementation of the plan.
- Recommend Slovenia end fossil fuel subsidies in the country-specific recommendations of the European Semester process.

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SPAIN

By eco-union

SUMMARY

The recovery plan of Spain includes **102 reform proposals and 110 investments** embedded in **30 thematic components**. These range from sustainable mobility and urban sustainable development to just transition programmes, the transformation of Spanish industry, digitalisation, the rural agenda and the modernisation of the public administration.

The overall plan aims at contributing to reaching **climate neutrality by 2050**, but it does not tackle the lack of ambition of the National Energy and Climate Plan (NECP), which aims to reduce emissions by only 23 per cent by 2030 and predates the newly agreed EU 55 per cent emissions reduction target. According to the Spanish government, the 37 per cent **green investment target** is met, reaching 39 per cent of planned investments. Using a different green tagging methodology, a preliminary assessment by the Green Recovery Tracker (in April 2021) found that Spain's draft recovery plan achieved a climate spending share of 31 per cent, below the EU's 37 per cent benchmark. Furthermore, 17 per cent of the funds (EUR 12.1 billion) may have a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the importance of further scrutiny during the further planning, review and implementation of the recovery measures.

In relation to the **energy transition**, the recovery plan is designed to support the **National Energy Poverty** strategy and the **Just Transition** strategy. Some transversal actions include energy efficiency and the expansion of renewable energy. There are concerns, however, that the rapid energy transition could harm the **protection of nature and biodiversity**, mainly due to **poor land use planning** which may lead to the deployment of renewable energy technologies in protected, productive (cropland) or disputed areas. This will require particular scrutiny during the implementation phase of the plan. The recovery plan entails no investment in fossil fuels, which is welcome. However, some investments will require careful follow-up to ensure the 'do no significant harm' principle is fully respected. This is the case for investments in waste management (which need to avoid leakages, incineration or landfilling of waste), as well as support for industrial production (which will have to translate into sufficient decarbonisation).

Given that Spain's main source of greenhouse gas emissions is transport (27 per cent³²), the recovery plan should be more ambitious in supporting and promoting **low-emissions transport systems**. The NECP provides significant support to the deployment of electric mobility, mainly through electric vehicles, while investments in **railway and public transportation** are not ambitious enough. In addition, the NECP aims to forbid the sale of combustion engine vehicles by 2040, which is not in line with the European Commission's proposal for a 2035 deadline. There is an excessive focus on the promotion of **electric vehicles** while investments in **railways and public transport** are not ambitious.

Further, the recovery plan aims to protect ecosystem services but fails to invest in a deep transformation of the agri-food system to make it sustainable. In addition, depending on how it is done, the reactivation of certain sectors such as **tourism and transportation** may boost emissions.

Overall, the recovery plan has a short-term post-pandemic recovery orientation and may not drive a long-term structural transformation of the Spanish economy. Additionally, the plan is expected to channel a significant amount of funds to large companies, while small and medium-sized enterprises, which represent 98.8 per cent of Spanish businesses, may find it difficult to access EU funds due to a lack of resources and capacity.

32 Ministry for the Ecological Transition and Demographic Challenge, [Summary of Inventario nacional de emisiones a la atmósfera: emisiones de gases de efecto invernadero](#) (Serie 1990-2019), *Ministry for the Ecological Transition and Demographic Challenge*, March 2021.



KEY INVESTMENTS FOR CLIMATE ACTION

1. Building renovations (EUR 6.820 million)

The recovery plan dedicates one of the 30 components to investments in building renovation. This component includes several programmes, tackling different areas, all aiming to reduce energy consumption. The plan for the social and economic recovery in residential areas aims to reduce demand by 3,000 gigawatt hours per year (GWh/year); the energy rehabilitation programme in existing buildings aims to reduce demand by 639 GWh/year, and the programme for rural areas is expected to reduce demand by 900 GWh/year. These targets are in line with the current 2030 national energy efficiency contribution of 39.5 per cent included in the NECP. This contribution has been deemed sufficient by the European Commission in relation to the current EU 2030 energy efficiency target of 32.5 per cent.

2. Energy transition (EUR 6.385 million)

The energy transition scheme is composed of four complementary components. First, EUR 3.165 million will be used to finance the deployment of renewable energy sources integrated in buildings and industrial processes. Second, complementary investments in transmission infrastructure and digitalisation (EUR 1.365 million) are expected to support additional RES penetration. Third, the development of green hydrogen as an energy vector from renewable sources will receive EUR 1.555 million. Finally, EUR 300 million will support a just transition, complementing the EU Just Transition Fund.

Even though renewables-based hydrogen has the potential to decarbonise certain non-electrifiable sectors like heavy industry, it is not efficient for other sectors (like transport), as it is an energy vector rather than an energy source, so energy is lost in the transportation, and there is no guarantee that the energy transported will be green.

3. Sustainable mobility (EUR 13.203 million)

The recovery plan includes a sustainable mobility plan in urban and metropolitan areas (EUR 6.536 million). Its goals are to increase electric vehicles' penetration, promote areas of low emissions in large cities, improve commuter trains' connectivity and support the digitalisation of transport. The remaining EUR 6.777 million will be invested in medium and long distance railway infrastructure, including infrastructure to improve connectivity with France and Portugal. Nearly EUR 1 billion is also dedicated to freight and modal shift investments and EUR 800 million for the digitalisation of transportation. Overall, while reducing emissions from private transport via infrastructure for electric vehicles is certainly important, we need to stress the following: (a) charging points need to be powered with renewable energy sources, as otherwise increasing electric vehicles' penetration will only shift pollution from cities to electricity production sites; and (b) especially in urban contexts, the promotion of electrical vehicles should not be prioritised over favouring a modal shift towards railway and other clean mobility modes (cycling, carpooling, etc.).



KEY INVESTMENTS NOT INCLUDED

1. Agri-food system shift

The recovery plan fails to take into account the impact of the current agricultural system on greenhouse gas emissions and biodiversity. While the measures included in the recovery plan mainly focus on water consumption reduction (something positive) and the digitalisation of the primary sector, the recovery plan fails to include investments and reforms for the systemic transformation of harmful agricultural practices and ecosystem conservation. For example, attention should be paid to manure management, which could be used for biogas, and to the nitrogen cycle distortions derived from fertilisers' misuse. The recovery plan could also have included investments and reforms promoting sustainable and eco-friendly diets and food waste reduction.

2. Modal shift in transport

The large amounts invested in the deployment of electric vehicles could reduce the impact of modal shift measures related to sustainable urban mobility (public transport, bike lanes, low emission areas, car sharing, etc). A genuinely transformative urban mobility planning needs to be based on measures that minimise the use of individual car transport, while taking into account gender and social justice considerations in mobility planning.



KEY REFORMS FOR CLIMATE ACTION

1. Renewable energy deployment and integration (component 7)

The reform of the regulation related to energy production prioritises transparency and competitiveness for boosting the penetration of renewable energy sources into the system. The recovery plan's philosophy consists of a short-term push of renewable energy installation as a means to recover from the current crisis. This being said, a stable regulatory framework will facilitate the achievement of the targets for renewable energy production (60 per cent by 2025 and 74 per cent by 2030). Energy production only represents 14 per cent of greenhouse gas emissions in Spain because of the large dependency on fossil fuel imports. Increasing the capacity to produce renewable energy would therefore reduce emissions, as well as Spain's dependence on energy imports.

2. Conservation and restoration of ecosystems and biodiversity (component 4)

This reform may boost projects that conserve or restore nature, addressing both climate change and biodiversity loss. The reform will update Spain's **biodiversity framework** by aligning it with the EU's Biodiversity Strategy for 2030. It comprises strategies for the preservation of marine ecosystems, pollinating insects and their ecosystem services, and wetlands as well as the recovery of endangered species. This reform includes targets to **protect 30 per cent of marine and terrestrial territory by 2030** and manage it sustainably, and to reduce **the number of endangered species by half**.

3. Reform of the public administration (component 11)

As highlighted in several European Semester reports, Spain has structural governance flaws that need to be addressed. The reform of the public administration proposed in the recovery plan goes beyond modernising the general administration: it includes a deep digitalisation of procedures at all institutional levels, and the energy transition of public administration infrastructure. The government's lead on this topic should accelerate the deployment of green investments and enhance local authorities', communities' and the private sector's contribution to climate action.



KEY REFORMS NOT INCLUDED

1. Self-consumption and energy production communities

The recovery plan mobilises EUR 100 million to promote self-consumption and energy communities for boosting the energy transition. Although this is positive, it is clearly insufficient compared to the demands of civil society organisations. Following the recovery plan, Spanish authorities published a Roadmap for Self-consumption, setting the objective to reach nine gigawatts (GW) of installed capacity.³³ This is a relatively modest target that could be increased to 14 GW if the legal framework is amended, citizens are actively engaged and more financial incentives are provided to households and energy communities. Furthermore, the Spanish government has not yet published the National Strategy on Self-consumption, which should set the framework in which self-consumption and energy communities should operate.

2. Sustainable, secure and connected mobility

Given that transport accounts for 27 per cent of Spain's greenhouse gas emissions, of which 93 per cent are from road transport, a modal shift is crucial. However, the reforms and investments planned for the railway prioritise long-distance trains instead of regional and commuter trains. Notably, vis-à-vis long-distance trains, the recovery plan does not mention night trains, which could be one of the instruments to encourage a shift from aviation to rail transport.

3. Tax reform

The recovery plan fails to include substantial reforms on **green taxation**, to encourage a phase-out of harmful activities while incentivising environmentally-friendly ones. Indeed, the plan fails to include a commitment for phasing out fossil fuels subsidies, or for taxing polluting activities. The only measures included are: (a) a road tax, i.e. drivers will have to pay a fee to use state-owned roads as per the 'polluter pays' principle; (b) other taxes on **plastics and waste**. Overall, the recovery plan lacks an integrated and transversal approach towards green taxation.

4. The Circular Economy regulation proposal

This proposal mainly includes measures on recycling, instead of focusing on the upper echelons of waste management such as waste prevention.

33

Ministry for the Ecological Transition and Demographic Challenge, [Hoja de ruta del autoconsumo \(borrador\)](#), accessed 20 January 2022.



‘DO NO SIGNIFICANT HARM’ PRINCIPLE ASSESSMENT

The European Commission considers that no measures of the recovery plan are expected to violate the ‘do no significant harm’ principle in Spain. Nonetheless, some investments and reforms will require special consideration throughout the implementation phase to ensure that they do not violate this principle:

1. Strategic projects covering installations under the EU Emissions Trading System (ETS)

The industrial policy component of the recovery plan will support industrial projects for which there are no decarbonisation alternatives. In this case, industries have to demonstrate that they emit the lowest level of emissions possible in order to benefit from the free allocation of the carbon market under the ETS. These facilities will have to report their progressive decrease in emissions to respect the ‘do no significant harm’ principle. Special attention will be needed in the selection of these industrial installations and in their compliance with the lowest possible level of emissions objective.

2. Specific waste management activities

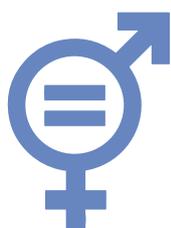
Spain is planning to increase the resource efficiency of existing mechanical biological treatment (MBT) facilities. The objective is to avoid an increase of waste incineration or landfilling while promoting circularity of waste. This is a positive measure, and the European Commission considers the measure compliant with the ‘do no significant harm’ principle. According to the European Commission’s assessment, the criteria included in the milestones and targets should prevent an increase in incineration or landfilling. Nonetheless, this measure will have to be monitored since it will be implemented at the plant level, i.e. not by public authorities.

3. Improving the efficiency and sustainability of water irrigation

The recovery plan’s third component on agri-food and fisheries includes a regulatory change regarding irrigation through the use of reclaimed water, the promotion of water efficiency practices and the prevention of further irrigation installations. These initiatives are positive, but special attention needs to be paid to the sustainable use of water and marine resources in order to comply with the ‘do no significant harm’ principle. Any deviation from what is described in the plan would imply a violation of this principle.

CAN THE RECOVERY PLAN PAVE THE WAY FOR AN IMPROVED NECP?

The Spanish NECP has low ambitions in terms of greenhouse gas emissions reductions. The current objective of a 23 per cent emissions reduction by 2030 compared to 1990 levels is not in line with the new European ambition of a 55 per cent emission reduction, and should be increased. The NECP is based on two main pillars, energy efficiency and renewable energy penetration. Spain's objective in order to contribute to the current EU 2030 energy efficiency target is to reduce its primary energy consumption by 39.5 per cent (compared to baseline projections), while its national contribution to the EU 2030 renewable energy target is a share of 42 per cent renewable energy in gross final energy consumption for 2030. Energy production is only responsible for 14 per cent of Spanish greenhouse gas emissions, as the majority of energy consumed is mostly imported. It is therefore problematic that these two pillars fail to tackle emissions in a broader and cross-sectoral perspective. Whilst the measures included in the recovery plan will fulfil investment needs for achieving an unambitious 23 per cent target, the recovery plan should have been more ambitious in light of the need to align the NECP with the new EU target. Indeed, a more ambitious target will entail substantial additional investment needs, and part of those could have been covered by the RRF.



GENDER PERSPECTIVE

The climate measures proposed can be expected to have little impact on gender equality. In fact, only the measures for the energy upgrade of buildings may have a positive impact on women. Energy efficiency upgrades could indeed reduce energy needs and energy bills of vulnerable households, including women.

The components of the recovery plan on the care economy, the labour market, education and digitalisation in principle, address the gender dimension.



PARTICIPATION

There was no public participation nor public consultation during the design of the recovery plan. The 'big four' consulting firms (KPMG, Deloitte, PWC and EY) and the Spanish business association (CEOE) were able to directly interact with the government. In contrast, regional and local authorities had little say in the elaboration of the recovery plan. With the exception of trade unions, consultations with other stakeholders, such as environmental or social non-governmental organisations, have been marginal and not transparent.

Similarly, no monitoring committee or other formal consultation mechanisms have been set for the implementation phase. As such, there is also a **lack of transparency** on how the recovery plan and individual measures will be monitored throughout its implementation. To date, the sole provision is a webpage where some of the programmes are described, and where the wider public can share comments on specific projects.

RECOMMENDATIONS



The government of Spain should:

- When programming other EU funds, introduce reforms and investments for a sustainable transition of the agricultural sector, notably reducing its adverse impacts on climate and biodiversity. Spain should also invest to tackle non-carbon agricultural emissions, mainly nitrogen from fertilisers and methane from livestock.
- Invest more in sustainable urban mobility (beyond electric vehicles), in regional and commuter trains (beyond long distance trains), and promote night trains. Such investments could be integrated in the programming of other EU funds (structural and investment funds).
- Make sure renewables-based hydrogen is only used when it is the most efficient option and there are no other cheaper carriers based on clean energy sources.
- Propose an integrated and transversal strategy for a progressive green taxation, beyond ad hoc measures
- Pay more attention to waste reduction, notably in the framework of the national Circular Economy regulation proposal, and set ambitious waste reduction targets. Related investments can be included in the programming of the other EU funds.
- Publish the National Strategy on Self-consumption and set clear and ambitious targets regarding self-consumption and energy communities
- Ensure that all recovery plan investments and reforms are implemented with the maximum level of transparency and in consultation with all relevant stakeholders. Consider the establishment of formal monitoring mechanisms and processes to ensure such engagement is effective.



The European Commission should:

- Pay particular attention to the full respect for the 'do no significant harm' criteria by closely monitoring: (a) the industrial emissions of carbon-heavy industries benefiting from free ETS allocations and support under the recovery plan; (b) the strict implementation of projects related to water use as described in the related milestones and targets.
- Request the inclusion of a milestone on civic participation in the implementation of the recovery plan.
- Address the need to foster a more holistic approach to environmental taxes in Spain under the European Semester.



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