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FUNDING CLIMATE AND ENERGY TRANSITION IN THE EU: THE UNTAPPED POTENTIAL OF REGIONAL FUNDS

ASSESSMENT OF THE EUROPEAN REGIONAL DEVELOPMENT AND COHESION FUNDS' INVESTMENTS IN ENERGY INFRASTRUCTURE 2014-2020



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EXECUTIVE SUMMARY

The EU's Cohesion Policy is the main source of funding for public infrastructure investments in many EU regions. When deciding on projects and investments from the EU purse, Member States can choose from a large menu of eligible measures, according to their development priorities and financing needs: from support for Small and Medium Sized Enterprises (SMEs) to funding Research and Innovation or Information and Communication Technology (ICT); from investing in transport, environmental protection and energy infrastructure to supporting social inclusion and quality employment.

This report analyses EU-27 European Regional Development Fund (ERDF) and Cohesion Fund (CF) spending in the areas related to clean energy and related infrastructure. Case studies from Estonia, Croatia, the Czech Republic, France, Poland, Portugal, Slovenia and Spain underpin the reports' main findings – on average EU Member States allocate only 9.7% of their European Regional Development Fund (ERDF) and Cohesion Fund (CF) to energy efficiency, renewable energy and related infrastructure, and research and innovation for climate action.

The share of clean energy infrastructure funding varies from country to country, while energy efficiency, renewable energy and smart electricity infrastructure is less of a priority in countries where EU funds have a high share in all public infrastructure investments.

And it is mostly in those countries that financing for fossil gas continues, risking to lock-in countries to fossil fuel dependency for decades while blocking a development path towards climate neutrality.

Of particular concern is the relatively high share of EU funding for biomass, where sustainability considerations are not guaranteed, and where other options like wind or solar seemed to be neglected.

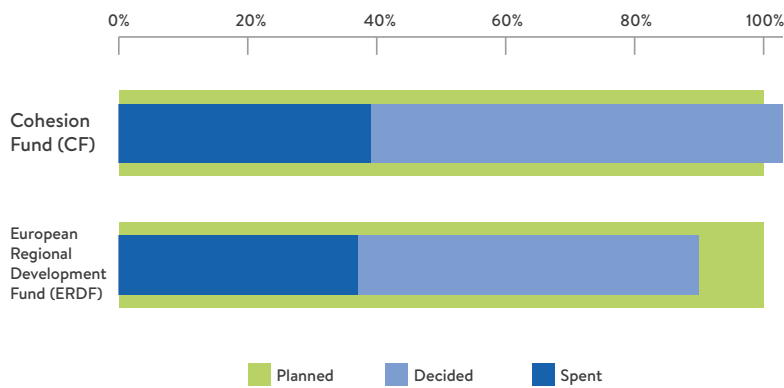
In some countries the administrative complexity, the lack of long-term planning and delays in the implementation of EU funds hinders the smooth rollout of clean energy projects.

EU Regional Development funding is enshrined in the European treaties, with the aim to promote economic, social and territorial cohesion within the EU. Its contribution and role in catalysing the just transition of our economies towards climate neutrality is of crucial importance, while creating jobs and promoting sustainable development. The current potential of EU funds to build resilient economies and to address environmental and social challenges remains largely untapped.

Member States, national, regional and local authorities are currently defining their EU funds spending priorities for the 2021-2027 EU budget cycle. In order to ensure those long-term investments contribute to the just transition and help create economic resilience, the current funding pattern has to change: a clear focus on the transition towards climate neutrality in all relevant sectors can be set by earmarking 40% of EU funds to the green and just transition, while all fossil fuel subsidies must be excluded. Climate neutrality objectives should be at the heart of each regional and sectoral spending plan. When deciding on concrete projects, strict sustainability criteria, in particular for biomass, should be applied. By promoting energy

efficiency in the housing sector, in combination with individual or municipal renewable energy solutions, Member States can create jobs and combat energy poverty. In the transport sector, funding should be shifted to enable sustainable mobility concepts. And last but not least, the early involvement of partners and stakeholders in the development of national and regional EU funds spending plans can guarantee quality investments and the smooth implementation of EU funds.

Graph 1: Implementation of Cohesion Fund and European Regional Development Fund, % of Planned



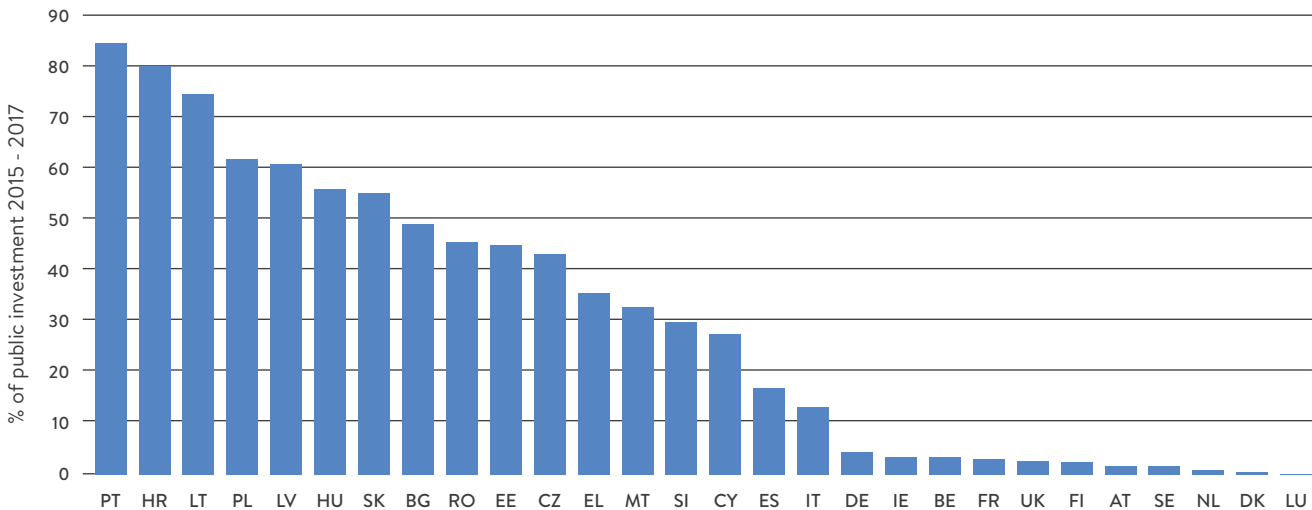
SOURCE: <https://cohesiondata.ec.europa.eu>; data retrieved 3rd March 2020

The EU budget cycle, i.e. the planning and implementation of measures financed by EU funds, covers a period of 7 years. The current EU budget period runs from 2014-2020 and the planning for the net period 2021-2027, the so called ‘programming’, has just started. This means that at the beginning of each cycle, Member States have to plan for, and anticipate, which measures they want to finance. Whereas each spending plan has to be settled at the beginning of each cycle, the contracting of concrete measures and projects, and subsequent cash flows to beneficiaries after completion of a project, happen bit by bit during the 7-years of implementation. A particular provision allows Member States to still spend EU funds 3 years after the official 7 years cycle has ended, i.e. EU funds from the 2014-2020 period can still be used, if available, until 2023. Graph 1 shows that by 2019, 90% of available European Regional Development Funds (ERDF) had been committed to concrete projects, and 35% of available ERDF resources had been paid out to beneficiaries.

THE ROLE OF EU FUNDS IN CATALYSING THE ENERGY TRANSITION

The European Union will have to ratchet up its climate ambition for the next decade in order to comply with its commitments under the Paris Agreement. To this end, a higher 2030 greenhouse gas GHG emission reduction target, and clear long-term planning to achieve climate neutrality before mid-century are needed. Meeting long-term climate objectives requires the deep decarbonisation of all sectors of the economy and will necessarily have to employ a substantial amount of private and public funding.

Cohesion Policy is crucial in this context given the significant share (between 40% - 80%) of EU funds in public infrastructure investments in particular in the EU's lesser developed regions in Central, Eastern and Southern Europe (See below graph 2).



Graph 2: Share of Cohesion Policy funding as % of public infrastructure investments; DG Regio, Seventh report on economic, social and territorial cohesion

The EU's Cohesion Policy funding 2021-2027 can be an impactful tool to deliver on more ambitious national 2030 climate and energy targets, and catalyse the transition towards climate neutrality, 100% renewables and fully energy-efficient economies, including the phasing out of fossil fuels.

However, in the current EU budget period from 2014 to 2020, Member States are only using a fraction of their available EU regional development funding to finance the clean and just energy transition. This report shows that, on average, only 9.7% of all European Regional Development Fund and Cohesion Fund are planned to be spent until 2020 on renewable energy sources, on energy efficiency (in housing, public buildings and business), on electricity infrastructure (like transmission, distribution, storage or 'smart grids'), and research & innovation and technology transfer focusing on the low-carbon economy.

EU funds spending of the 2021-2027 EU budget cycle is closely linked to the EU's climate and energy governance framework until 2030. Member States are obliged to report not only on investments needs under the impact of policies and measures section, but also on Union funds planned to be used for objectives linked to the different dimensions of their National Energy and Climate Plans (NECPs) i.e. greenhouse gas emission reductions and removals, promotion of the production and use of energy from renewable sources in electricity, heating and cooling, and transport; energy efficiency; energy security; energy transmission infrastructure; electricity infrastructure and research; and innovation and competitiveness.

The final NECPs, with most of them submitted by the end of 2019, are set to be the strategic framework for planning and allocating EU funds in the area of climate and energy for the period 2021-2027. With the adoption of the next EU budget 2021-2027 expected in the second half of 2020, the legislation for Cohesion Policy funding will be finalised in parallel. The drafting of EU funds spending plans - the programming of the so-called Partnership Agreements, Operational Programmes and Territorial Just Transition Plans - is already underway. The post-2020 EU Regional Development and Cohesion Funds will continue investing in energy and transport infrastructure, housing and waste management, research and innovation, and SMEs. Thus, in order to fully release the transformational potential of EU funds, the next Cohesion Policy spending plans, Partnership Agreements, Operational Programmes and Territorial Just Transition Plans must put climate neutrality at their very heart and shift spending priorities towards climate objectives.

The EU is now entering the last infrastructure investment cycle before it has to reach climate neutrality, by mid-century or earlier: energy investment decisions taken today will prescribe which infrastructure will be built in the coming decade and define what energy systems will look like 30-40 years ahead. Directing EU funds for 2021-2027 towards achieving climate neutrality is crucial given the role of EU funds within the European financing landscape and even more in the context of the European Green Deal. The Programming of EU funds 2021-2027, i.e. the shaping of Member States' investment priorities and spending plans in Partnership Agreements, Operational Programmes and Territorial Just Transition Plans, has to set national and regional investment pathways on track for the decarbonisation of all sectors of the economy. At the same time, investments which would lead to a carbon lock-in must be prevented.

LOW AMOUNTS OF FUNDING CLIMATE NEUTRALITY - OVERVIEW OF EU FUNDING 2014-2020

In the 2014-2020 EU budget cycle, the EU 27 are planning to spend EUR 258.3 billion from the European Regional Development Fund (EUR 195,015,670,851) and the Cohesion Fund (EUR 63,279,608,285), both funds relevant for investments in energy and transport infrastructure and the real economy such as SMEs, Research & Innovation or digital infrastructure.¹ The European Social Fund and the Youth Employment Initiative, both part of the current Cohesion Policy funding, have not been taken into account in this assessment.

See Table 1 below for country and sector-specific details on how EU 27 member states have allocated current EU Funds towards NECP-relevant areas, namely on renewable energy sources (wind, solar, biomass, hydro), on energy efficiency (in housing, public buildings and business), on electricity infrastructure (like transmission, distribution, storage or 'smart grids'), research & innovation and technology transfer focusing on the low-carbon economy, and their spending regarding fossil gas.

Table 1: EU funds 2014-2020 planned financial allocations in relation to climate and energy in millions euros (M€)

	RENEWABLE ENERGY	ENERGY EFFICIENCY	FOSSIL GAS INFRASTRUCTURE	ELECTRICITY INFRASTRUCTURE	RESEARCH & INNOVATION	SHARE IN TOTAL ERDF/CF	TOTAL AMOUNTS IN ERDF/CF 2014-2020
AT	0 €	61 M€	0 €	0 €	10 M€	13.4%	536 M€
BE	14 M€	81 M€	0 €	0 €	24 M€	12.5%	953 M€
BG	0 €	380 M€	38 M€	0 €	14 M€	6.7%	5,846 M€
CY	0 €	57 M€	0 €	0 €	0 €	9.6%	594 M€
CZ	148 M€	1,565 M€	0 €	166 M€	125 M€	11.1%	18,084 M€
DE	116 M€	1,249 M€	0 €	45 M€	243 M€	15.4%	10,770 M€
DK	0 €	41 M€	0 €	0 €	11 M€	25.6%	206 M€
EE	10 M€	277 M€	0 €	0 €	28 M€	10.8%	2,922 M€
ES	894 M€	1,708 M€	0 €	2 M€	0 €	12.6%	20,679 M€
FI	7 M€	57 M€	0 €	2 M€	58 M€	15.7%	791 M€
FR	407 M€	811 M€	0 €	21 M€	119 M€	16.1%	8,421 M€
GR	137 M€	591 M€	147 M€	231 M€	28 M€	8.3%	11,855 M€
HR	95 M€	322 M€	0 €	20 M€	40 M€	7.0%	6,831 M€
HU	642 M€	1,359 M€	0 €	0 €	0 €	11.9%	16,810 M€
IE	0 €	84 M€	0 €	0 €	0 €	20.6%	410 M€
IT	222 M€	1,463 M€	0 €	376 M€	0 €	9.6%	21,440 M€
LT	193 M€	516 M€	70 M€	92 M€	0 €	14.4%	5,550 M€
LU	2 M€	3 M€	0 €	0 €	360,192 €	29.6%	19 M€
LV	26 M€	365 M€	17 M€	23 M€	0 €	11.1%	3750 M€
MT	23 M€	22 M€	0 €	0 €	0 €	7.8%	595 M€
NL	12 M€	54 M€	0 €	2 M€	50 M€	23.3%	510 M€
PL	1078 M€	2,621 M€	620 M€	733 M€	471 M€	7.7%	63,413 M€
PT	161 M€	636 M€	0 €	0 €	256 M€	7.7%	13,638 M€
RO	94 M€	1,186 M€	46 M€	66 M€	15 M€	7.8%	17,511 M€
SE	5 M€	86 M€	0 €	0 €	74 M€	17.7%	934 M€
SI	41 M€	220 M€	0 €	20 M€	53 M€	14.4%	2,330 M€
SK	169 M€	701 M€	0 €	0 €	16 M€	6.6%	13,420 M€
TERRITORIAL COOPERATION	136 M€	204 M€	150,000 €	38 M€	167 M€	5.8%	9,466 M€
TOTAL	4638 M€	16727 M€	940 M€	1840 M€	1808 M€	9.7%	258,295 M€

TABLE 1 ALLOCATION DETAILS:

Renewable Energy: wind, solar, biomass, hydro, geo & RES integration.

Energy Efficiency: housing, public buildings, SMEs and large enterprises

Fossil Gas infrastructure: TEN-E and other

Electricity infrastructure: transmission, distribution, storage, 'smart grids'; TEN-E and other

Research & innovation: technology transfer and cooperation in enterprises focusing on the low-carbon economy

Share in total ERDF/CF: Renewable energy, energy efficiency, electricity infrastructure, research and innovation

TOTAL amounts European Regional Development Fund + Cohesion Fund 2014-2020

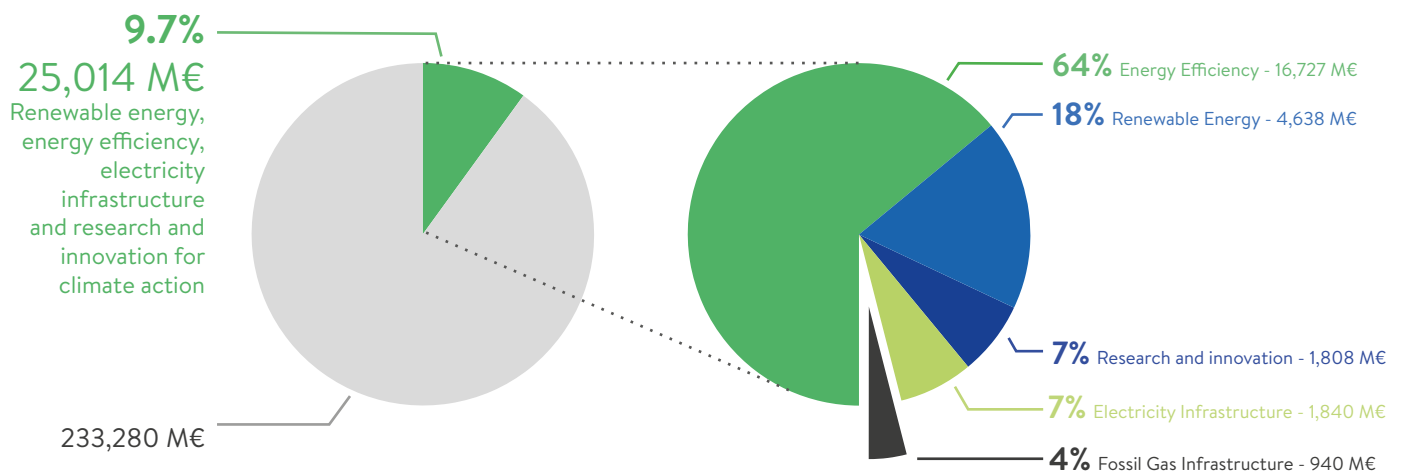
TABLE 1: Cohesion Policy funding 2014 -2020 - European Regional Development Fund (ERDF) and Cohesion Fund (CF) EU 27; total amounts of national envelopes and planned amounts for renewable energy, energy efficiency, electricity infrastructure, gas infrastructure and research and innovation for climate action; data reported for 2019. Funds 2014-2020 planned financial allocations in relation to climate and energy in millions Euros (M€).

SOURCE: calculation based on 'Categories of Intervention', <https://cohesiondata.ec.europa.eu>; data retrieved 3 March 2020

The Cohesion Policy legislation for the current 2014-2020 cycle requires Member States to earmark a certain percentage of their European Regional Development Funds (ERDF) and Cohesion Funds (CF) for climate action. More developed regions had to reserve 20%, transition regions 15% and less developed regions 12% of their EU funds to spend under an objective called 'shift to the low-carbon economy'². Despite this earmarking, actual allocations for the clean and efficient energy transition remain modest, with a share of 9.7% on average of all infrastructure-relevant EU funding measures, namely on renewable energy sources, energy efficiency, electricity infrastructure and storage, and research & innovation focusing on the low-carbon economy.

Graph 3: Total ERDF and CF, and share of climate and energy related infrastructure spending

Graph 4: EU funds planned financial allocations in relation to climate and energy infrastructure



GRAPH 3 & 4: Cohesion Policy funding 2014 -2020 - European Regional Development Fund (ERDF) and Cohesion Fund (CF) EU 27; total amount and planned amount for renewable energy, energy efficiency, electricity infrastructure and research and innovation for climate action; data reported for 2019.

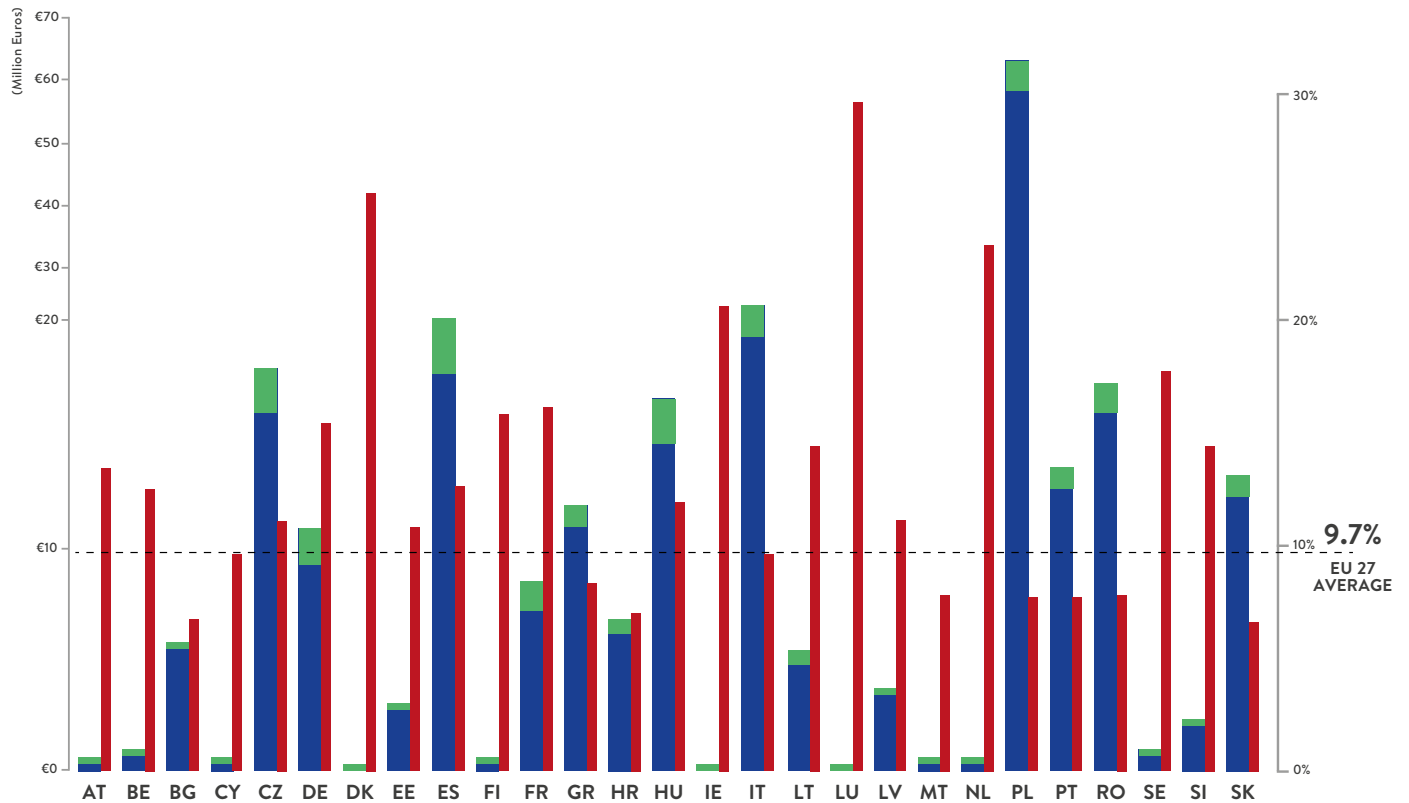
SOURCE: calculation based on 'Categories of Intervention', <https://cohesiondata.ec.europa.eu>; data retrieved 3 March 2020

Within this climate and energy-related spending, energy efficiency measures in housing, public buildings, SMEs and large enterprises are supposed to receive the largest share (see above graph 4), followed by investments in renewable energy sources such as wind, solar, biomass, hydro, geothermal and RES integration. Allocations towards electricity infrastructure such as transmission, distribution or storage of electricity and 'smart grids' are on the same level as support for research & innovation, technology transfer and cooperation in enterprises focusing on the low-carbon economy.

Six member states (BG, GR, LT, LV, PL, RO) have allocated EUR 940 million towards fossil gas infrastructure. However, EU funds should not subsidise fossil fuels in any way. Fossil fuel subsidies represent one of the biggest barriers to short and long-term climate action. Fossil fuel subsidies distort markets and dis-incentivise investments in renewable energy and energy efficiency. In particular, fossil gas investments will be unnecessary in the decades ahead because the EU already has sufficient infrastructure – such as pipelines and processing plants – to meet the continent’s future demand. Gas infrastructure has a lifetime of up to 50 years, any investment in gas will either end as a ‘stranded asset’ or will undermine, if not seriously hinder, the EU’s target of reaching climate neutrality by 2050. When it comes to its global warming potential, fossil gas is not better than coal, as fugitive methane emissions are massively underestimated in terms of climate impact and volume. The envisaged switch from ‘coal to gas’ in the housing sector by some Member States will lock-in countries to fossil fuel (import) dependency, while renewable energy solutions in the housing sector are available and becoming cheaper and cheaper. This is where EU funds have to come in, to finance modern and clean, no-regret solutions.

Remarkably, apart from Latvia and Lithuania, the four other Member States financing fossil gas find themselves below the average of spending towards energy efficiency, renewables, electricity infrastructure and storage, and research and innovation for climate action (see below graph 5).

Graph 5: Cohesion Policy funding 2014 -2020 - European Regional Development Fund (ERDF) and Cohesion Fund (CF) EU 27; Total and planned amounts per Member State (totals and its share in the total)



KEY:

- **Total amounts ERDF + CF 2014-2020**
- **ERDF/CF: total amounts allocated** towards renewable energy, energy efficiency, electricity infrastructure, research and innovation for climate action
- **Share in total ERDF/CF:** Renewable energy, energy efficiency, electricity infrastructure, research and innovation for climate action

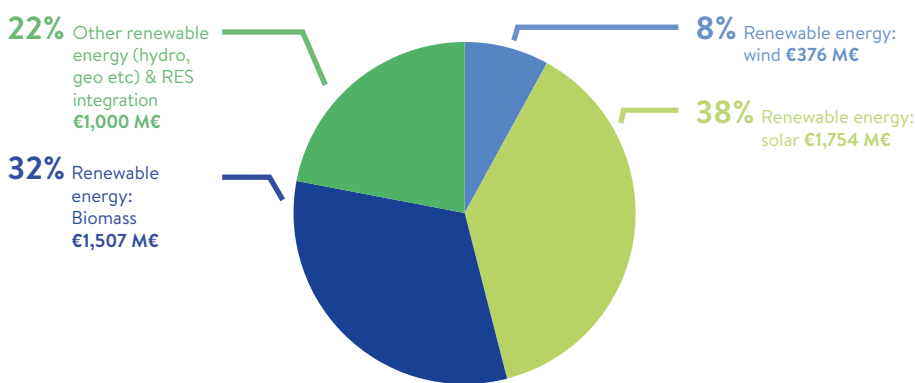
GRAPH 4: Cohesion Policy funding 2014–2020 - European Regional Development Fund (ERDF) and Cohesion Fund (CF) EU 27; total and planned amounts per Member State (total and its share in the total) for clean energy infrastructure.

SOURCE: own calculation based on 'Categories of Intervention', <https://cohesiondata.ec.europa.eu>; data retrieved 3 March 2020

In general, Member States in Central Eastern Europe (CEE) and Southern Europe, while receiving relatively the biggest amounts of EU funds, plan to spend relatively little on clean energy related infrastructure. This low ambition stands in stark contrast to some of the countries' claims and complaints about the high costs of the transition toward climate neutrality³. This trend has to be reversed in the next programming period 2021-2027. Allocations supporting the transition towards climate neutrality in all eligible sectors have to at least double, with 40% of ERDF resources being allocated to the 'green, low-carbon objective'.

Another worrying trend is the high share of EU funding support for biomass within the overall renewable energy investment areas (see below graph 6).

Graph 6: Renewable Energy technologies supported by EU funds; total planned allocations 2014-2020; 5 share in all Renewable Energy funding

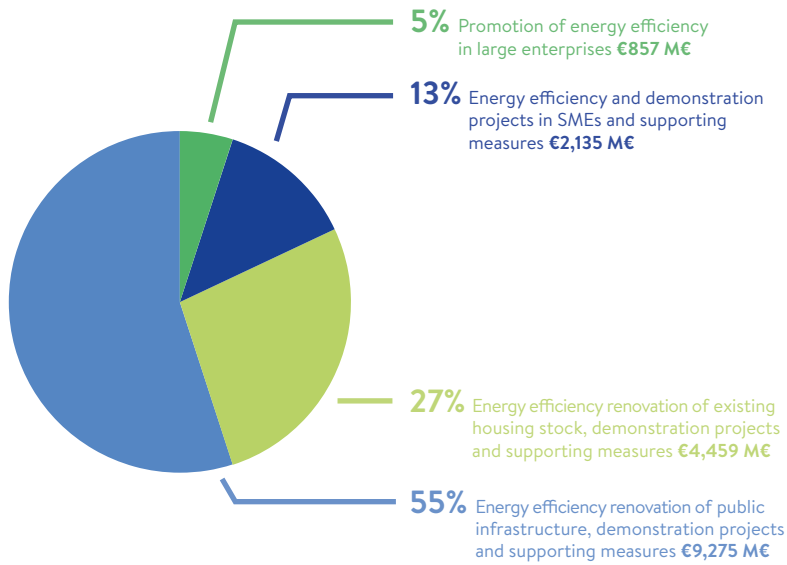


Graph 6: Cohesion Policy funding 2014 -2020; Total National Allocations European Regional Development Fund (ERDF) and Cohesion Fund (CF) EU 27 for renewable energy; planned allocations; data reported for 2019; source: own calculation based on 'Categories of Intervention', <https://cohesiondata.ec.europa.eu>; data retrieved 3 March 2020

The availability of sustainable biomass in the EU is rather limited and existing criteria for its sourcing as laid down in the Renewable Energy Directive are not science-based and rather inadequate⁴. A further increase in the use of biomass above sustainable levels will subsequently have an adverse effect on the climate and environment⁵. For these reasons, EU funds support for biomass should be rather limited and subject to strict and strong sustainability criteria.

Energy efficiency measures nominally get the highest share of EU funds among clean energy infrastructure measures, with more than half of energy efficiency allocations channelled towards public infrastructure (see below graph 7).

Graph 7: Energy Efficiency beneficiaries supported by EU funds; total planned allocations 2014-2020; % share in all Energy Efficiency funding



Graph: 7 Cohesion Policy funding 2014 -2020; Total National Allocations European Regional Development Fund (ERDF) and Cohesion Fund (CF) EU 27 for energy efficiency; planned allocations; data reported for 2019; source: own calculation based on 'Categories of Intervention'; <https://cohesiondata.ec.europa.eu>; data retrieved 3 March 2020

The inefficiency of Europe’s building stock, both public and residential buildings, needs to be addressed urgently as buildings alone account for 36% of the EU’s emissions. Poorly isolated and inefficient homes are one of the reasons for energy poverty in Europe.⁶ In order to bring EU funds closer to their citizens, Member States should increase the share of energy saving measures in the residential sector, pursuing integrated approaches to promoting energy efficiency and renewable energy solutions while designing well targeted and efficient financing schemes.

COUNTRY SHOWCASE

The following section highlights some of the main issues related to the current priorities of EU funds and formulates recommendations for spending post-2020 in a number of EU countries.

RENEWABLE ENERGY AND ENERGY EFFICIENCY FOR THE JUST TRANSITION AWAY FROM OIL SHALE AND TOWARDS CLIMATE NEUTRALITY IN ESTONIA

Transition to renewable energy

Estonia has used a minimal amount of EU funds for the development of renewable energy. For example, Estonia planned to spend EUR 10 million for biomass (as of 2019) and EUR 60 million for Combined Heat and Power (CHP) plants. Solar and wind power and electrical systems infrastructure (transmission lines, distribution network, energy storage, smart grid, etc.) would not be financed from EU funds, although they would play an important part in the energy transition.

In developing renewable energy, the government must not pursue the minimum target that it has set over the next decade up to 2030, foreseeing only a very small increase in the share of renewable energy, from 34% in 2020 to a 42% share by 2030. Instead, the government must seize the opportunity to ensure sustainable energy security and unleash the export potential, both by investing in renewable energy and in related technologies and knowledge.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

- allocate significantly more resources to renewable energy and related electricity infrastructure, benefitting the development of fuel-free sources (sun, wind) only;
- plan investments and schemes that are designed to attract private investment in the field of renewable energy and enable the rapid and effective renewable energy deployment.

To this end, resources should be invested in ensuring fair and market-based competition in which companies operate and in which it is easy for individuals to invest in the renewable energy sector. Technical barriers facing private investment need to be addressed such as expanding areas suitable for wind energy, opening up free connection capacities and building transmission lines. Impact assessments and planning by government needs to be done effectively and inclusively. For wider use of renewables, there should be support for new international transmission capacities, connections from new offshore wind farms, smart networks, support for the development of community energy and to encourage the adoption of storage solutions.

Energy efficiency

Energy efficiency is expected to receive more funding in the current programming period than renewable energy (EUR 277 million as of 2019), but Estonia still has to actively expand the renovation of buildings. It is one of the most cost-effective ways to reduce greenhouse gas emissions while at the same time reducing energy poverty, creating jobs in the construction sector and reducing the need to import energy.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

- prioritise energy efficiency alongside renewable energy;
- thoroughly analyse the measures that have been used so far and find new ways to achieve the desired result most effectively and to leverage private investments.

Just transition in Ida-Virumaa

Although some attention has been paid to Ida-Virumaa, Estonia's oil shale hotspot, during the current EU funding period, the focus has not been on the just transition away from oil shale, but rather on reducing the economic backwardness of the region, focusing on social issues, unemployment and urban development. However, such planning and related investments will not necessarily ensure a sustainable future for Ida-Virumaa by providing development options that will allow it to adapt to rapidly changing climate policies.

Better planning in the EU funding period 2021-2027 has to take into account the necessities of increasingly ambitious climate policies such as rising CO2 prices and upwards reviews of the EU's 2030 climate and energy targets.

RECOMMENDATIONS FOR EU FUNDS 2021-2027 IN THE CONTEXT OF THE JUST TRANSITION:

- Plan for and implement ambitious climate policies when developing the territorial just transition plan for Ida-Virumaa and Estonia, aiming to achieve climate neutrality throughout Estonia by 2035.
- The plan should encompass effective solutions for sustainable energy security (see points above on renewable energy and energy efficiency). Estonia should not grant oil shale a special status with direct and indirect subsidies from the EU or the government for its continued operation and expansion of the shale oil industry, which is currently the course of action.
- The just transition plan should include a clear decision to exit oil shale, including oil production.
- The development of the just transition plan should be inclusive for all stakeholders and take place in collaboration with experts with long-term practical experience in developing just transition plans and/or coordinating the transition. A bottom-up approach and cooperation between parties should be encouraged.
- The plan must take into account climate change, social and economic aspects, include specific steps for the transition and sufficient sources of funding for its implementation. An analysis of current measures and their timeliness, adequacy and effectiveness needs to be done before the transition plan is made.
- In addition to the ERDF and CF, and contributions from the Just Transition Fund, a wide variety of financing sources, from the EU budget as well as from other national and international sources, should be exploited to ensure adequate funding for the implementation of the plan.

SLOVENIA TO MOVE OFF ROADS AND BIOMASS, TOWARDS SOLAR AND EFFICIENT HOUSING

Slovenia's commitment to achieve climate neutrality by 2050 requires all available financial resources to be pooled in favour of a just transition to climate neutrality. This is in particular the case for EU funds post-2020, which have to become consistent with climate neutrality objectives.

Sustainable, climate resilient and multimodal mobility at all levels

Transport is the largest sectoral source of greenhouse gas emissions, accounting for 32% of all greenhouse gas emissions in Slovenia and 51% of all greenhouse gas emissions in sectors not covered by the ETS. Of further concern is the current trajectory anticipating a 12% increase in transport emissions by 2030 compared to 2005.

The greatest potential for reducing transport emissions lies in the shift from individual to public passenger transport. This can only be done by an immediate updating and expanding of the existing rail and bus infrastructure and rolling stock, by harmonising rail linkage with bus and coach traffic, and by promoting multimodality by building P&R, safe biking and reliable public transport timetables. At the same time, it is essential to reduce traffic flows. This calls for the abandonment of plans to expand the existing road network and to build new roads. Instead, social practices that reduce the need for mobility, such as facilitating voluntary work from home, and changing the system of reimbursement for commuting, should be encouraged.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

- In order to ensure the successful implementation of these and other sustainable mobility measures, EU funding should be redirected to sustainable, climate resilient and multimodal mobility. To this end, EU funding should be diverted in the area of transport away from the financing of motorways, road and secondary road links, towards multimodal transport, railways, cycle lanes and pedestrian paths.

Transition to sustainable renewable energy sources and optimum utilisation of the grid for energy distribution and storage

The Slovenian National Energy and Climate Plan notes that solar power plants represent the largest development and environmentally acceptable potential for increasing electricity production from RES in Slovenia. The technical potential of electricity production is estimated at more than 20 TWh based on available space. The key limitation is the ability to integrate solar power plants into the electricity grid.

On the other hand, the National Energy and Climate Plan sets a non-ambitious target for renewable energy, with only a 27% share by 2030. The proposed contribution of 27% represents only a 2% increase in the share of RES in 10 years and represents a real halt to the development of RES in the next decade. However, trajectories prepared under the Energy Concept of Slovenia have shown the country must significantly increase its share of RES by 2030 in order to achieve long-term climate goals.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

A number of measures will be required to ensure the intended target and the potential higher share of RES:

- promote investment and technology to produce electricity from renewable energy sources and connect grids for energy storage purposes,
- eliminate administrative barriers to establishing a scheme to promote the development of local energy communities,
- increase capacity and expand the electricity distribution network for RES integration.

Successful implementation of the aforementioned and other necessary measures will require significant resources in the field of solar energy. These were relatively small in the current budgetary period, with only 14% of all funds earmarked for the renewable energy sector. The focus for EU funds should move away from biomass towards solar energy production, and storage and transmission.

Reducing energy consumption in residential buildings

Efficient use of energy and natural resources is a priority and key for an energy policy to increase economic development and decarbonisation. Slovenia's National Energy and Climate Plan (NECP) currently accounts for a large part of energy savings in the household sector. This sector will therefore need a large part of the investments needed to reduce energy consumption.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

- In the current budgetary period, less than 3% of funds are allocated to energy efficiency for private buildings. To ensure the successful implementation of energy efficiency targets, EU funding must also be better provided for household energy efficiency measures. To this end, the country must allocate a larger part of the EU's energy efficiency funds to private buildings.

IN SPAIN, RENEWABLES AND ENERGY EFFICIENCY MOVE ON THE RIGHT PATH, BUT OTHER GREEN INVESTMENTS BARELY TAKE OFF, PUTTING OVERALL GREEN BENEFITS AT RISK

For the period 2014-2020, around EUR 37.4 billion⁷ of EU funds (European Regional Development Fund (ERDF), European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF) and Youth Employment Initiative (YEI)) have been allocated to Spain - including EUR 19.4 billion from the ERDF through 64 national and regional programmes. The General State Administration manages the Multi-regional Operational Programme of Spain (POPE), which accounts for 66% of the funds allocated to a low-carbon economy, and the Autonomous Communities manage the remaining 34% through their regional operational programmes.

Despite the fact the low-carbon and climate-proof transformation of the Spanish economy should have been a key development priority underpinning EU-funded investments, only around 23% of all European Structural and Investment Funds (ESI) Funds –i.e. EUR 8.53 billion were allocated to climate change mitigation and adaptation measures, namely directed to Thematic Objectives 4, 5 and 7.

ERDF expenditure for the period 2014-2020 in Spain (with a total of EUR 19.4 billion) includes EUR 2.6 billion in relation to climate and energy, which represents 12.5%. In Spain, EU funding focuses mainly on energy efficiency (64.7%) and renewable energy (34.8%), while other relevant issues such as electrical infrastructure and environmental measures for GHG emissions reduction are largely ignored.

The financial allocation of ERDF to the Thematic Objective 4 “Favouring the transition to a low carbon economy in all sectors” in Spain amounts to EUR 3.7 billion⁸, equivalent to 17.9% of the total amount of the ERDF for Spain in the programming period 2014-2020. More than a third of that is destined for the promotion of energy efficiency, a quarter to make industrial processes more environmentally friendly and for the efficient use of SME resources, around 20% for the promotion of renewable energy, 16.7% for sustainable transport and ultimately 5.8% for electricity networks and distribution systems.

The Multi-regional Operational Programme (MOP) is the single biggest ERDF funded programme, with a total financial allocation of EUR 10.12 billion and an expected contribution to the fight against climate change of EUR 2.8 billion, under the objectives of the Sustainable Growth section: the Low Carbon Economy, Sustainable Transport and Sustainable Integrated Urban Development.

However, the MOP fails to address a critical issue, namely that much more effort and funding is needed to improve electrical interconnections in Spain in order to significantly reduce its energy dependence.

Within the Low Carbon Economy objective of EUR 2.11 billion, 3/4 is allocated to energy efficiency, approximately EUR 480 million for single projects in the low-carbon economy at the local level, and the rest to renewable energies. However, only 9.96% of the ERDF programmed support to Axis 4 was executed by October 2019 and only 17% was spent by December 2019. Moreover, the MOP Performance Framework shows a serious degree of non-compliance, especially in the less developed and transition regions, where indicators had not even reached the 65% milestones minimum by December 2018. In fact, only 8.55% of the EU’s initially programmed contribution to MOP’s Axis 4 had been executed by that date. In consequence, a performance reserve was withdrawn and reprogramming is required to help meet the 2023 deadline by which all EU funds of the current budget cycle must be spent.

The reprogramming will have consequences on climate change measures since financing will be reduced. Therefore, it will be paramount to orientate the reprogramming towards measures that might contribute substantially to moving towards a climate neutral economy.

Energy efficiency in public buildings is prioritised over the residential sector, neglecting issues of energy poverty. Also, in renewable energy, biomass gets almost as much as solar energy and potentially negative environmental impacts are not addressed.

EU funds should not, in any case, encourage the industrialisation of natural and rural areas by setting up ‘mega-power plants’ for renewable energy production (solar and wind) in the hands of a few companies and private investment funds, while limiting grid access for small self-consumption facilities and to the detriment of citizenship interests. It should be noted that in Spain self-consumption activity has barely taken off due to the existence of a series of regulatory barriers that have hindered its economic viability. Inappropriate planning of EU funds, low levels of climate mainstreaming and unplanned support for renewables could thus hinder the transition to the low-carbon economy.

Horizontal sustainability principles are not considered enough at the programming level. A holistic and integrated planning is missing for renewable infrastructures that should also include the needs of citizens, adequate land use and biodiversity conservation. The current approach risks converting the rural world into an energy producer destined for export to urban centres, demotivating a local economy in the energy sector and hindering access to clean energy self-generation by citizens. Thus, the transition to a low-carbon economy should not be based solely on the reduction of GHG emissions, but on a holistic approach that integrates the specificities of the territory, local communities, landscape and biodiversity conservation, together with profound socioeconomic change in production and consumption models.

RECOMMENDATIONS FOR EU FUNDS 2021-2027 IN THE CONTEXT OF THE JUST TRANSITION:

Spain is one of the areas in Europe most vulnerable to climate change. Certain areas in Spain are seriously water-stressed, and biodiversity conservation is a big challenge. In parallel, rapid population growth in urban areas has increased pressure on natural resources and land use, with effects (inter alia) on mobility, pollution and access to services. Smaller urban areas face problems related to connectivity, access to services and attractiveness for business. The transport sector is one of the biggest energy consuming sectors, while skills gaps and mismatches hinder productivity and technology diffusion, and impact the development of innovative competences in Spain.

Therefore, the Spanish government is urged to continue working on an efficient and effective allocation of EU funds for the next programming period following some pivotal lines of action:

- Sustainable renewable energy in strict alignment with biodiversity conservation and a particular focus on novel and pluralistic projects owned by energy communities. Better deployment of smart grids should bring storage solutions and enable demand and supply management. Finally the renewable energy transition in heating and cooling must avoid the systemic rollout of solid biomass-based heating plant installations.
- Energy efficiency and energy empowerment to accelerate the energy efficient renovation of the public building stock and residential buildings focusing on the energy poor. Industry should move from high-efficiency cogeneration to 100% RES installations in district heating and cooling. Special attention should be given to energy efficiency in rural development, mainly in farms and fisheries. Clean energy infrastructure and access to small grids in cross-border regions require specific attention.
- Sustainable multimodal urban mobility and low-carbon transport, supporting the move to an energy-efficient and decarbonised transport sector. Thus multimodal travel facilitation, intelligent transport systems, clean urban transport infrastructure, footpaths and cycle tracks should be promoted.
- Climate change adaptation, biodiversity and green infrastructures in particular financing ecosystem-based solutions.

In addition, other important issues strongly related to climate change barely taken into account should also be addressed through the EU funds:

- Sustainable rural development and territorial connectivity
- Research and innovation and innovative green technologies
- Entrepreneurship and the circular economy
- Capacity building and skill development for a new green labour market

FOR A CITIZEN FOCUSED, CLEAN ENERGY AND SUSTAINABLE TRANSPORT TRANSITION OF THE FRENCH REGIONS

More than EUR 10 billion of European structural and investment funds (ESF and ERDF) for 2014-2020 are directly under the management of French regional authorities. Although this money should contribute to reach the targets of the National Energy and Climate Plan (NECP) by providing support to implement regional Climate and Energy Plans (SRADDET), regional authorities seem to be reluctant to massively invest EU funding in climate action and the energy transition. French regional governments have only planned to spend an average of 15.8% of their envelopes on climate and energy transition projects, which is far below equivalent regional authorities in other Member States, such as Danish regions (25.6%) or Austrian regions (21.4%) for instance. However, it is important to note that priorities differ largely from one regional authority to another: the former regions Alsace and Lorraine and the new region Auvergne-Rhône-Alpes planned to spend respectively 30%, 26% and 23% of their envelopes in the energy transition. On the contrary, Provence-Alpes-Côte-d'Azur only reaches 10.5% and Pays-de-la-Loire 14.7%.

This does not help to reduce the additional investment gap in the energy and climate transition in France, which accounts for between EUR 25 billion and EUR 40 billion each year according to the European Commission.⁹ Therefore, there is a clear need for regional authorities to increase their spending of European structural and investment funds for the energy transition and climate action if they really want to take part in the much-needed transition toward a more resilient and low-emission society, while improving the quality of life of citizens.

In its recommendation on the French NECP and in the context of the European Semester, the European Commission underlines that there is a clear need to invest in building renovation in France, especially targeting social housing and low-income housing.¹⁰ More than 5 million households live in energy poverty in France, which is a major social challenge. They are mainly located in the Northern and Eastern parts of France. Some regional authorities such as Grand-Est or Bourgogne-Franche-Comté have decided to dedicate an important part of their ERDF funding to the renovation of private housing, in particular for low-income households, but there is still a lot of room for investments in this sector in other part of the territory. It becomes increasingly crucial at a time of increased concern about climate and social justice that regional authorities support the effort to renovate low-income households' houses and social housing.

The same goes for the development of renewable energies. France is lagging behind : with renewables only counting for 16.5 % of final energy consumption in 2018, France will very likely miss its 2020 target of 23% of renewables in final energy consumption. Regional authorities seem to lack interest in renewable projects since only 1% of the ERDF envelope is dedicated to renewables. Some regions like Normandie, Bourgogne-Franche-Comté, Pays-de-la-Loire, Grand-Est did not spend one euro of ERDF on solar or wind energy. French regions are missing the huge economic and employment potential of renewable energies. They should support citizens' projects as they can maximise benefits for local economies, especially in rural areas.

Transport is the highest GHG emitting sector in France and regional authorities have the power to support multi-modality, public transport infrastructures and services and low-emission transport modes. Many of them used ERDF opportunities to boost the transition in mobility. This is the case for Centre Val-de-Loire or the former region Nord-Pas-de-Calais, which invested respectively 22% and 15% of the envelopes in sustainable mobility projects. Others like Occitanie and Auvergne-Rhône-Alpes only dedicated 4% for this priority. The “Yellow Vests” movement highlighted that citizens, especially in rural areas, feel trapped because of the lack of transport alternatives to petrol and diesel cars. Regional authorities have the ability to implement other solutions and support citizens in the transition.

Finally, in the context of the economic, social and environmental crisis, the remaining EU funding managed by regional authorities should be gathered in a social and climate emergency plan, supporting quick wins to make society more resilient and less vulnerable in order to face the next crisis. The priority should be on projects which have high social and environmental benefits such as housing renovation for instance, citizens' project for renewables or the conversion of intensive industry sites.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

French regional authorities should focus at least 40% of the ERDF fund on the Policy Objective 2 for the ‘transition to a green, low-carbon Europe’ in order to support the ecological transition in all sectors and contribute to reaching the climate and energy transition targets of the NECP:

- Use the opportunity of ERDF funding to develop strong and comprehensive transition plans as part of the regions' Climate and Energy Plans (SRADDET).¹¹ These plans will identify transition needs and constraints in all regional territories and shape transformational projects, especially for rural and industrial areas. Regional authorities should follow the recommendations of the European Commission in that regard.
- Better target energy efficiency projects and programmes in order to scale-up the building renovation rate in social housing and for private housing. This should support deep and efficient renovations, aiming at erasing energy poverty, which concerns 5 million households in France. At least 20% of the ERDF envelope should be dedicated to this objective in France.
- Support the development of renewable energies, especially through citizens' projects, in order to boost the energy transition in France.
- Invest in sustainable transport and long-term intermodal infrastructures, supporting i.e the development of rail infrastructures, especially small local and regional lines, the deployment of low-emission charging infrastructures for vehicles, the greening of logistics framework, etc. ERDF should not fund road and aviation projects.

CZECHIA'S LOW ABSORPTION AND INCOHERENT STANDARDS UNDERMINE CLEAN ENERGY GOALS

While the Czech Republic was allocated approximately EUR 2.5 billion from the Cohesion Fund and the European Regional Development Fund under Thematic Objective 4 to support the shift to a low-carbon economy in the period 2014-2020, it has not been able to use the allocated funds efficiently and it will likely end up spending less than half of the allocated funds in this period.

Furthermore, the lack of consistency and climate protection standards in the way EU funds are distributed and spent result in projects that increase greenhouse gas emissions, undermining the positive effects of the few emissions-cutting projects. For example, it was possible to finance the switch from old coal-burning boilers to newer ones, also based on burning coal. This problem has been eventually resolved as it is no longer possible to switch to coal boilers with the support of EU funding. However, an EU-funded switch to gas boilers remains possible.

The largest portion of EU funds supporting the energy transformation was allocated towards energy efficiency. However, this is the area where most of the underspending has occurred and where the results have been the most dismal. The Czech Republic had set a goal to save 51 petajoules of energy until 2020 with the use of EU funds. However, by the end of 2017, only 1% of this energy savings goal was achieved and only 3% of the allocated funds for energy efficiency were spent.

In terms of support for renewable energy, the allocation was much lower than for energy efficiency and was not enough to spearhead profound change. Furthermore, most of the support from this envelope went to biomass and hydropower, which are already near the peak of their sustainable potential in the Czech Republic and their further development is either limited by natural resources (hydropower) or by the sustainability of sourcing (biomass).

Certain Operational Programmes that could have had the potential to spur the transition to a low-carbon economy, such as Transport or Innovation, did not address the problem of climate change and their contribution to decarbonisation remained neutral or even negative.

There were several reasons for the poor performance of EU funds in Czechia from the climate policy perspective. First, the late start of some of the Operational Programmes meant that much of the funds began to be spent with up to a two-year delay. Secondly, due to past corruption cases, the administrative conditions for potential applicants were stringent and burdensome, which made it difficult for smaller entities to apply for funding. This, combined with the pre-existing lack of capacities on the part of smaller municipalities and SMEs, meant that most of the funding went to larger metropolitan areas and large companies.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

In spite of all the aforesaid, EU funds play an important role for the Czech Republic. Therefore, it is important that in the next programming period the funding conditions are set in a better way, allowing for the high transformational potential of the funds to be utilised. The Strategy for Cohesion Policy in the Czech Republic after 2020, adopted in 2019, strives to remedy some of the ills of the past programming period even if its real effects are yet to be seen.

LOW ALLOCATIONS AND FAST UPTAKE REQUIRE HIGHER CLIMATE AMBITION FOR CLEAN ENERGY FUNDING IN POLAND

While in the course of the spending period some regions in Poland spent 2-3 times more EU funds on renewable energy and increasing the energy efficiency of public buildings than initially planned, the level of planned spending for low-emission energy in the period 2014-2020 is extremely low: only 7.7% of ERDF and CF funding has been allocated to clean energy infrastructure. This makes Poland the 4th least spending country in this regard.

A low funding priority for clean energy infrastructure comes in conjunction with a lack of strategic and long-term planning, with national energy or climate policies being outdated or not existing. While significant amounts of EU funds have been absorbed since Poland's accession to the EU, those contributions did not enable the country to meet its - modest - renewable energy target for 2020. At the same time, the government's financial support for the coal sector remained high.

The clean energy transition should be put into the hands of Polish citizens, single and associated, taking care of their constituencies, and organised by local authorities. And this is where EU funds should be put as well.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

- Higher allocations should be given to renewable energy sources. During the current period, RES allocations were overspent by 30% (for solar) in spite of a general delay in implementing EU funds. Legal barriers for investments in renewable energy from wind should be removed and allocations increased accordingly.
- Energy efficiency measures should be boosted as almost 100% of available funding has been spent. Thus energy efficiency measures are 'no-regret' options which demonstrate that they can be implemented without delay and help combat air pollution.
- However, programmes to increase the energy efficiency of private buildings have to be better prepared to address the current delay in the spending of EU funds in the housing sector.
- In general, a more integrated approach towards projects should be pursued, to integrate renewables, energy efficiency and other aspects like electricity storage.
- More spending on smart grids is required, as the current absorption rate of 88% underlines the need for more and better electricity connection and demand management.
- Nature-based solutions in cities and rural areas should be promoted that provide the triple dividend of climate change mitigation, adaptation and ecosystem protection. These types of projects received marginal attention in the current period.

ALL-ENCOMPASSING EU FUNDING FOR SUSTAINABLE DEVELOPMENT IN PORTUGAL NEEDED

EU funds in Portugal should place municipalities and inter-municipal communities in the driving seat for mitigating and adapting to climate change and the transition towards sustainable economies.

Boosting the energy transition

In both national and regional Operational Programmes, investment in the production capacity of renewable energy sources has, in many cases, been limited and bureaucratic. However, the scale of growth of the renewable energy sector needed in Portugal requires more EU funding for renewable energy sources than in the current financing period, especially for decentralised solar, closer to locations of consumption. Financing for decentralised production is essential so that consumers and businesses, especially SMEs, can play an active part and contribute to the country having greater production of electricity from renewable energy sources.

Greater investment in improving energy efficiency in public buildings is required - central and local public administration, hospitals and health centres, and schools. But above all special attention is needed for social housing buildings where low-income families reside, and who are unable to rehabilitate their homes (for example with insulation, replace single windows with double-glazing, purchase more efficient heating/cooling equipment, etc.).

Sustainable mobility and demand management

Only 3.3% of the Cohesion Funds were used to promote sustainable transport and resolve obstacles related to the most relevant transport infrastructure for the country. EU funds should prioritise the development of more sustainable, climate-resilient, intelligent, safe and intermodal mobility. There has been a divestment away from sustainable mobility in Portugal that has to be reversed with the improvement and modernisation of the network including, for example, an improvement in the rail connection to Spain.

The promotion of more sustainable and multimodal urban mobility requires EU funding for improved infrastructure and quality of service in public transport. This is particularly important as the current, carbon tax based funding might decrease in the future. More emission-free and intelligent transport systems, and innovative solutions for smart cities such as the recently introduced regional public transport passes should be funded in order to solve problems of pollution, noise and congestion in the main metropolitan areas which are significantly affecting public health.

Adaptation to climate change

Increased allocation of funds for climate change adaptation, risk prevention and resilience to natural disasters, especially in the most vulnerable cities, should include awareness campaigns, information and alert systems for citizens.

Promoting circularity and material reduction

Investments under the next EU budget cycle should essentially focus on activities that guarantee an effective circular economy. For this, the promotion of a genuine circular economy, involving all sectors of the economy and obeying the principles of the waste hierarchy, should aim at reducing the use of virgin resources, promoting the reuse, reparability, durability and non-toxicity of the products produced, as well as its recyclability at the end of life.

DELAYED IMPLEMENTATION HINDERS CROATIA'S PROGRESS ON CLIMATE ACTION

For Croatia it is important to invest in more ambitious climate goals and the transition towards a climate neutral economy in the new programming period.

During the current programming period in particular the calls for applications for promoting energy efficiency and renewable energies, and climate change adaptation and risk management were delayed, in some cases by 3 years. The consequence of the delay is an extremely low absorption of funding and it made unfavourable reallocations necessary, undermining climate change adaptation objectives.

Croatia has seriously underperformed in investment aiming to achieve its climate targets during the current programming period, which is particularly worrying given the fact that climate change could have significant impacts not only on the environment but also on the economy.

Croatia is committed to improve resilience and adaptation to climate change impacts and related specific disasters. However, apart from funds directly allocated for financing projects related to flood risks and the establishment of meteorological stations, available funds did not finance applied climate change adaptation research or other activities foreseen by the Operational Programme.

In addition, Croatia has underperformed in its investments related to increasing energy efficiency and investments in renewable energy sources in the construction, transport and industrial sectors. Although a significant number of projects have been funded by the end of 2019, out of over 1500 projects, only EUR 11.7 million have been invested in 27 renewable energy projects in the industrial sector. The aforementioned funds are for the sole purpose of setting up mini solar power plants. In regard to energy efficiency, in this programming period Croatia mainly invested in the renovation of public buildings (primarily elementary schools and other municipality owned buildings). Even though several calls for renovation of private residential buildings were open, the problem was that the total costs for the renovation were not eligible under the call. Beneficiaries could receive, depending on the call only 29%-60% of the needed budget. This means that despite being eligible under the calls, the residential sector largely did not benefit from EU funding. In consequence, citizens who were most in need did not benefit from direct support.

One of the reasons for the low absorption that has been identified relates to the over-complex management structure of the European Structural and Investment Funds (ESI Funds) system: complex bureaucratic procedures, delays in announcing call results, delays in concluding grant agreements with beneficiaries, and changes in reporting rules during project implementation.

It is further worrying that data on horizontal investments related to the implementation of climate targets is not available, indicating a lack of consistency and lack of climate standards in the allocation of funds, since it is not possible to monitor whether investments in other areas contributed to adaptation or mitigation measures.

RECOMMENDATIONS FOR EU FUNDS 2021-2027:

As a large number of investments in the new programming period will depend on EU funds, the governing structure adopted by the government for the new programming period should be more friendly to beneficiaries and transparent as well as less complex - with fewer layers of different governing bodies. The government should put additional effort into building administrative capacity for managing ESI Funds, which should, in turn, lead to fewer delays in opening the calls, evaluating project proposals and verifying the costs.

Within the new programming period, greater emphasis needs to be placed on meeting more ambitious climate targets, especially taking into account the measures foreseen by the National Energy and Climate Plan, as well as the long-term climate priorities of the European Union to achieve climate neutrality. All efforts to mitigate and reduce the effects of climate change should be supported by the entire EU budget. In this regard, civil society, in particular, can inform the programming and public policy-making processes.

Croatia only invested in the renovation of public and residential buildings, but not in other recommended measures. Based on the proposed reallocation of ESI Funds for the next 3 years nothing will change. Even though the European Commission recommended promoting climate change adaptation, risk prevention and disaster resilience, EU funds are set to be reallocated to a priority area that is increasing investment in business competitiveness.

Following the European Commission's recommendations on the 2019 National Reform Programme, Croatia should invest more in energy efficiency and smart energy systems to decrease its high energy intensity. However the recommendations also make the point that Croatia is especially vulnerable to climate risks, especially floods and forest fires. Based on these recommendations, the country should raise, not decrease, investments promoting climate change adaptation, risk prevention and management.

THE WAY AHEAD: THE ROLE OF THE EU FUNDS IN THE GREEN DEAL

In order to tap fully into the transformational potential of EU funds and to deliver on climate action in countries where the impact of Cohesion Policy is biggest, it is important to focus Cohesion Policy on the decarbonisation of sectors where EU funds are actually spent such as housing, public infrastructure, SMEs and mobility, and the just transition away from fossil fuels. Despite the current earmarking, allocations towards renewable energy and energy savings remain low. For that reason the Thematic Concentration for the ‘transition to a green, low-carbon Europe’ (Policy Objective 2) for Cohesion Policy 2021-2027 should increase to 40%.

The European Parliament took a very positive stance on the next EU Cohesion Policy, voting for the complete exclusion of all fossil fuels from EU regional development funds. The European Council, however, aims to keep fossil gas in the scope of EU funds. During the upcoming programming period the European Commission has to guarantee that no more fossil fuel subsidies will be provided via EU funds.

Finally, all expenditures stemming from EU funds, as a general principle, have to be in line with the objectives of the Paris Agreement. For this to happen it is important to align EU funds with long-term climate objectives. A strategic, long-term planning concept should be applied, putting climate-neutrality at the centre of spending plans, programmes and strategies for all EU funds. They should all follow the Energy Efficiency First principle and be embedded in sectoral and regional decarbonisation pathways. The European Commission’s proposal on the Just Transition Fund embraces the concept of climate neutrality by requiring the elaboration of ‘Territorial Just Transition Plans’ which should describe in detail the steps needed to guide the transition to low-carbon economies and to achieve climate neutrality. This approach should be applied to all relevant regional and sectoral Operational Programmes. As a consequence, EU funds should visibly increase the ambition of the National Energy and Climate Plans (NECPs), enabling the financing of measures needed to implement higher climate and energy targets in line with climate neutrality trajectories.

Faced with the existential threat of devastating climate change impacts, the EU has to prioritise urgent action addressing the climate emergency with the aim of implementing the Paris Agreement’s objective to limit temperature rise to 1.5°C. This will need a substantial increase of climate action in the short term with the aim of reducing greenhouse gas emissions to almost zero and substantially increasing the removal capacity of natural sinks within a few decades.

EU funds can contribute to addressing the climate urgency. But for EU funds to deliver on climate action, political commitment is required: all Member States have to set a course towards climate neutrality in the coming months during the programming process of EU funds for the period 2021-2027. It is the EU’s investments between now and 2030 that will make or break the bloc’s response to the climate crisis.

ENDNOTES

- 1 Data reported for 2019; source: calculation based on 'Categories of Intervention'; <https://cohesiondata.ec.europa.eu>; data retrieved 3 March 2020
- 2 Measure under the 'Thematic Objective 4: shift to the low-carbon economy' include:
 - (a) promoting the production and distribution of energy derived from renewable sources;
 - (b) promoting energy efficiency and renewable energy use in enterprises;
 - (c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;
 - (d) developing and implementing smart distribution systems that operate at low and medium voltage levels;
 - (e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures;
 - (f) promoting research and innovation in, and adoption of, low-carbon technologies;
 - (g) promoting the use of high-efficiency co-generation of heat and power based on useful heat demand;For reasons of demarcation, due to their very nature, investments into urban mobility (point e) and into co-generation (point g) have not been included in the calculation of clean energy infrastructure allocations.
- 3 See for example a letter by the 3 Baltic countries about the important role of EU funding for reaching climate neutrality: https://www.valitsus.ee/sites/default/files/news-related-files/3b_mff_climate_letter_29.11.2019.pdf
- 4 <https://www.transportenvironment.org/publications/how-much-sustainable-biomass-does-europe-have-2030>, <http://www.wwf.eu/?uNewsID=360753>
- 5 <https://bankwatch.org/wp-content/uploads/2019/06/biomass3.pdf>
- 6 <http://www.foeeurope.org/energy-poverty>
- 7 Partnership Agreement EC-SP. See pages 3-4-5: https://ec.europa.eu/info/sites/info/files/partnership-agreement-spain-summary-oct2014_en.pdf. Also see: https://ec.europa.eu/regional_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi_funds_country_factsheet_es_en.pdf
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- 9 https://ec.europa.eu/energy/sites/ener/files/documents/necp_factsheet_fr_final.pdf
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