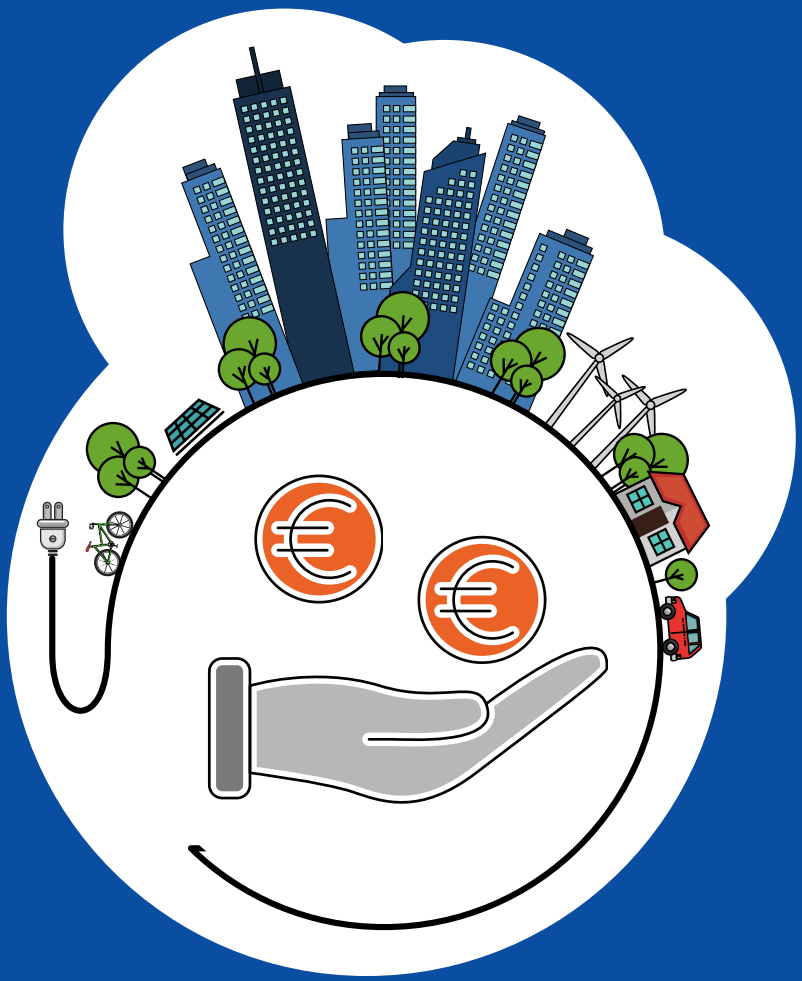
EU FUNDS FOR A GREEN RECOVERY:

RECOMMENDATIONS TO STEER EU REGIONAL AND RECOVERY FUNDING TOWARDS CLIMATE NEUTRALITY



CAN CLIMATE ACTION NETWORK Europe

CEE Bankwatch Network

Unify BRINGING THE EU TOGETHER ON CLIMATE ACTION

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INTRODUCTION

The European Union is committed to achieving climate neutrality by mid-century. Today the EU acknowledges that the current level of climate ambition is not enough to limit the global temperature increase to 1.5°C and the 2030 climate target needs to be increased. Plans to increase the EU's 2030 greenhouse gas emission reduction target are underway as part of the EU's commitments under the Paris Agreement.

The EU's 2030 climate and energy governance framework is a key tool for delivering its climate and energy objectives. As part of this climate and energy framework, each Member State is required to outline plans for reaching specific targets through a National Energy and Climate Plan (NECP). NECPs set out climate and energy targets, and policies and measures until 2030. They provide an important opportunity for Member States to lay the groundwork for a more ambitious emission reduction target of at least 65% by 2030.

Tackling climate change requires urgent, ambitious action, including more and better targeted funding from the EU budget. NECPs also need to outline the concrete investments they will prioritise under the upcoming 2021-2027 EU budget. While the European Commission's final assessment of NECPs is set for autumn 2020, Member States have already started to develop their post-2020 EU funds spending plans.

The negotiations on 2030 climate ambition and EU financing have fallen in a period where the Covid-19 pandemic has led to an unprecedented economic shock which will impact the EU for years ahead. Europe is facing a recession and the EU and Member States are developing longer-term 'economic recovery' packages, tapping into the public purse to stimulate investments. In this context, the European Commission has proposed an 'EU recovery package', based on a revamped EU long-term budget, the Multiannual Financial Framework (MFF) for the 2021-2027 period.

The upcoming development of EU funds' spending plans at national level as well as the additional 'economic recovery plans' will ultimately determine the direction of the recovery. Decision making on the implementation of the next EU budget including the significant amounts of recovery funding is therefore crucial to put the EU on a pathway towards climate neutrality. Investment decisions taken to stimulate the economy need to contribute to achieving more ambitious 2030 climate and energy targets at the same time. EU financing also needs to embrace the long-term transition to climate neutrality as set down in the European Green Deal. Greater investments in the transition of all sectors of the economy are needed to ensure a sustainable, green and just economic recovery and to shape the EU's long-term pathway to achieving the Paris Agreement's objective of limiting global temperature rise to 1.5° C.

Against this background, CEE Bankwatch Network and Climate Action Network (CAN) Europe have analysed the NECPs of 14 EU countries - Bulgaria, Croatia, Czechia, Denmark, Estonia, France, Hungary, Latvia, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. In particular, concrete investment proposals in the NECPs have been analysed for their relevance at national level -either positive or negative- and their funding projection. Recommendations for each country set out in the country assessment pages are based on national NGO assessments and country specific needs, so in no case should this qualitative self-analysis lead to a comparison between countries.

This report highlights investments and measures as listed in NECPs. It proposes new measures which have a great potential to boost climate ambition and a green recovery, and should receive EU and recovery funding as a priority. At the same time, it also points out the harmful investments which should not be supported by EU funds in order to avoid a high-emission lock-in and to prevent biodiversity loss and ecosystem degradation.

MAIN FINDINGS and RECOMMENDATIONS

Overall we have found some promising investment approaches and measures to be funded in the NECPs of the countries analysed. In particular, improvements in energy efficiency planning and investments that can unlock energy savings in the housing sector or in public infrastructure. Building renovation is also often seen as a way to tackle energy poverty.

However, NECPs also show new - though largely untapped - EU financing opportunities for more diverse and sustainable renewable energy mixes, such as for wind and solar, which are important to increase the overall national renewable electricity shares. Similarly, there is also a growing, but so far unsatisfied appetite for community energy and 'prosumerism' in the majority of NECPs included in this report - up until very recently this would have been unimaginable.

The plans reveal a lack of funding for sustainable (urban) mobility measures, the electrification of transport, a modal shift to active and shared mobility in cities, and a shift from road to rail which all is important to address the high emissions from the transport sector.

At the same time it is important to promote nature based solutions and 'good forestry', often missing from proposed investments, as ecosystem protection and restoration is intrinsically tied to the climate and environmental transition. Ecosystems in a good conservation state guarantee healthier and more climate-resilient communities.

Last but not least, more emphasis should be put on bottom-up approaches such as Regional Energy Centres, or priority funding for local Sustainable Energy and Climate Action Plans (SECAPs) that can increase ownership and improve the quality and implementation of projects.

These recommendations all indicate pragmatic and progressive approaches to increasing energy efficiency and a stronger desire to achieve a zero-carbon energy transformation. Such measures should therefore be prioritised for receiving EU funds in order to further advance towards a climate-neutral economy and achieve more ambitious 2030 targets.

Yet our overall findings reveal that many harmful measures still remain in these NECPs, overshadowing the positive measures previously mentioned, and consequently risk undermining meaningful progress in the coming decade. Many of the plans, for example, outline their intentions to support the development of new fossil gas infrastructure or the exploitation of national fossil fuel resources, while they neglect to integrate a phasing out of coal. The use of biomass in low-efficiency heating systems delays investments in energy efficiency and small-scale renewables. Non-renewable energy sources are therefore on course to become stranded assets, however many of the NECPs point to a continued trend of further reliance on unsustainable energy use powered by fossil fuel generation or unsustainable biomass. These are just a few examples from our report's analysis, yet these planned increases in fossil gas use together with the continued use of subsidies to support fossil fuels are a serious cause for concern.

We therefore conclude that, at present, a number of NECPs are non-ambitious, fragmented and insufficient in terms of climate targets, renewable energy and energy efficiency contributions, policies and measures as well in their allocation of direct EU funding. If NECPs do indeed inform the spending of the next generation of EU funds, billions will be spent inefficiently and will not be invested in a credible decarbonisation strategy aligned with a more ambitious 2030 climate and energy framework.

In order to maximise the impact of EU funding, both to increase climate ambition and to ensure the recovery is sustainable, Member States need to direct their upcoming spending plans towards climate neutrality. During the programming of Partnership Agreements and Operational Programmes under Cohesion Policy, in the development of Territorial Just Transition Plans within the Just Transition Mechanism and while setting priorities for Recovery and Resilience Plans to receive support from the EU's Recovery Fund, Member States must seize all funding opportunities to catalyse the green, sustainable and just transition, whereas any climate and environmentally harmful spending has to be prevented.

COUNTRY ASSESSMENTS

BULGARIA

The Bulgarian Government considers the Green Deal goals as too ambitious. The government seems to oppose the idea of the increased climate targets by 2030, and there are no plans for phasing-out coal in the country. In February, the Council of Ministers approved Bulgaria's framework position stating the country needed over €33 billion for advancing the Green Deal objectives in the next 10 years. At the same time, Bulgaria supports the long-term goal of achieving EU-wide climate neutrality by 2050.

There is doubt, however, over whether funding is the only factor responsible for Bulgaria's lack of ambition for tackling the energy transition. Bulgaria continues to neglect the transition away from fossil fuels and in January 2020, despite the Bulgarian Parliament voting in favour of joining the Coal Regions in Transition Platform, the decision was taken to further protect the long-term capacity of coal plants, directly contradicting the opinion of the European Commission and many other Member States. Further cause for concern came when the Bulgarian Energy Minister, Ms Petkova, confirmed in the national parliament that the government intends to continue coal plant operation after 2030. It is of no surprise therefore that the Bulgarian NECP has not committed to a coal phase out.

A further problem is the Bulgarian transport sector. This is a major greenhouse gas emitter and yet alarmingly, a sector that continues to grow. Similar to the situation of coal, Bulgarian climate and transport goals deviate significantly from the common European strategy. Despite significant investments from EU funds in the transport sector since its accession, current data provided in the NECP reveals the problematic nature of the transport sector: high oil dependency, high energy intensity and consumption, continually rising GHG emissions and one of the highest accident rates in the EU.

These problems are exacerbated by the Bulgarian authorities' obsession with prioritising road transport and infrastructure development over other more climate friendly alternatives. This is again at odds with EU wide transport strategies which require a systematic reduction of road transport. For example, the very few railroad projects implemented in the last 15 years are still not finished and do not provide adequate passenger and freight services; freight railway transport dropped from 33% in 2002 to 19% in 2018, while the railway passenger transport represents just 2% of total km per passenger.

Funding opportunities for higher climate ambition and green recovery

The Bulgarian NECP places a certain emphasis on the development of electric transport, but the planned measures refer primarily to urban transport and remain fragmented into various separate projects.

The NECP lacks a detailed and effective climate strategy for reaching low to zero-emissions in the transport sector by 2030. Goals and targets are currently described using the vague and ambivalent term "promote". However, a more specific, result oriented term of "implement" should be used instead to foster a greater and more precise level of ambition.

A clear contingency plan should be outlined which focuses on the restoration and modernisation of the national rail infrastructure, including concrete terms and commitments. These should also prioritise the TEN-T (The Trans-European Transport Network) international corridors and the main internal needs of the country. As a member state, Bulgaria should first ensure a fast, safe and climate neutral mode of transport of passengers and goods through its territory for better alignment with the high quality European rail network.

BULGARIA

Apart from these highly needed improvements in the transport sector, Bulgaria should **develop and invest in a widespread renovation programme** that aims to achieve near zero energy consumption in buildings by renovating the building envelope and improving heating and ventilation and integrating technically available renewable energy systems such as rooftop PV and renewable heating systems. The programme should cover all types of buildings including family houses, and programmes should consider financial instruments and not only grants.

Significant improvement in energy efficiency could be achieved through **investing in roof-top PV and PV thermal in the state railways**. For example, the fitting of PV systems on the roofs and shelters in train stations, as well as other public buildings such as stadiums, swimming pools and sport halls that typically consume large quantities of hot water. This could be accompanied by greater consideration of renewables-focused grid development and upgrades and cost-efficient storage development, including proper follow-up of the European hydrogen projects. Such measures would greatly contribute to achieving the 2030 energy and climate targets.

Support for the replacement of inefficient domestic heating should also be prioritised, while auctioning of renewable energy capacity in order to achieve cost-efficient market based RES development, absent from the NECP, should be urgently implemented.

Preventing subsidies that lock in emissions and harm the environment

The financing of large scale investments in roads using EU funds should be avoided, as for the last 15 years they have not aided a systematic transition in line with European priorities. Instead, this has worsened the problematic issues connected to road transport such as high external costs due to a lack of adequate toll systems, road security and most importantly the incompatibility with climate and biodiversity goals. Any further investments in the road sector would therefore impede the sustainable transition of the transport sector.

Another harmful measure outlined in the Bulgarian NECP is the absence of a 2030 coal-phase out date. This is made worse by the over reliance of nuclear energy in Bulgaria, which continues to make up a large share of the country's energy mix. Estimates show that by 2035, over 60% of the power mix will be from nuclear. The development of gas infrastructure and the expansion of oil exploration still commands attention and there is no sign of this changing. Taken together, all these factors seriously jeopardise the outlook for RES and threaten the country with serious lock-in effects that will last for decades.

CROATIA

Climate ambition in Croatia's final National Energy and Climate Plan remains low and insufficient. The level of ambition for reducing total greenhouse gas emissions by 2030 is 35.4% compared to 1990. In the non-ETS sectors, Croatia still refers to the 7% reduction target set by the EU, although emission reductions are projected to be 12.7-18.5% compared to 2005 levels in 2030. The NECP manifests low ambition on energy efficiency, renewable energy and in the transport sector. At the time a coal phase out is not envisaged.

Low level of investment in these areas in the past is one of the reasons for the current low ambition. How future measures will be implemented, sources and amounts of financing needs remain unclear. The government is planning to possibly fund almost half of the envisaged measures from the European Structural and Investment Fund (ESIF). However, in the previous programming period a lot of indicators for energy and climate objectives were not fulfilled. Moreover, funds initially allocated to climate goals were reallocated at the end of 2019 towards businesses without climate or green energy objectives.

Funding opportunities for higher climate ambition and green recovery

Energy efficiency in residential, family and public buildings. In the new programming period, measures directed towards increasing energy efficiency in residential buildings and family households should be prioritised. To stimulate green growth and green recovery in the next programming period, the new Operational Programmes must include plans to renovate residential and public buildings. They must also envisage funding for measures targeting an increase in the efficiency of the heating system and to alleviate energy poverty.

Programmes for the renovation of residential buildings, family households and public buildings should aim for deep renovation to achieve nearly zero-energy buildings. Technical assistance should be available for applicants to ensure that they are well informed about the measures.

Investmenting in energy efficiency in buildings would preserve jobs in Croatia's construction sector, create new jobs and stimulate both public and private investments, thus contributing to the green recovery. Other related sectors would benefit as well, for example, innovation and the development of new technologies, the production of new sustainable materials, new heating and cooling systems based on renewable energy sources. These measures should go along with information campaigns, education and capacity building for the use of renewable energy sources.

Investmenting in energy efficiency would not only create new jobs but would contribute to a decrease in greenhouse gas emission. Investments in district heating and cooling require more renewable energy sources at the level of 1.0 % per year in the next period, compared to the share in 2020. Investment in the renovation of residential and public buildings would reduce final energy consumption, consequently decreasing energy production and dependence on fossil energy sources.

In addition, increased investment in energy efficiency would also reduce energy poverty since the residential stock is expected to grow at an average rate of approximately 6,600 residential units from 2021 to 2030. This will save later costs on measures for citizens most vulnerable to energy poverty. These funds could then be directed towards health or the education sector since research results show that people living in energy poverty have poor access to education and the job market, and are more likely to suffer from poorer health.

CROATIA

Preventing subsidies that lock-in emissions and harm the environment

The Croatian NECP includes several measures which should not receive funding in the next period. This is not only because they are not contributing to the green recovery, but also because they are contributing to an increase of GHG emissions as well as encouraging fossil fuels.

Fossil gas. The construction of a Liquified Natural Gas terminal, the 'Floating Storage Regasification Unit' (ES-5) is planned. Its maximum annual natural gas supply will amount up to 2.6 billion cubic meters. It is estimated that the total investment in the first phase of construction of the liquefied natural gas terminal would amount to slightly more than HRK 1.7 billion. Commissioning is planned for 1 January 2021.

More fossil gas support is foreseen by a measure (ES-6) to 'construct new gas supply routes, interconnections and gas storage facilities' in accordance with the 10-Year Transmission Grid Development Plan.

Oil exploration. The planned 'development of the Adriatic oil and derivatives market and the optimisation of its storage capacities' (ES-7) reveals Croatia's distance from climate neutrality objectives. The reason given for this measure in the NECP is that "regardless of the projected reduction in consumption of petroleum products by 2030/2050, their share in total energy consumption will still be significant and their uninterrupted supply needs to be ensured."

Similarly the planned 'exploration of potential hydrocarbon deposits in Slavonia, Dinarides and Adriatics' (ES-8), demonstrates a lack of commitment towards both decarbonisation requirements and ending the extraction of fossil fuels.

CZECHIA

The Czech NECP plans to increase the share of renewable energy sources in its gross energy consumption to 22% by 2030 (up from its current level of around 16%). Although this is an unnecessarily low level of ambition, attaining this target will nevertheless require considerable investments from both public and private sources, as well as from EU funds. Aligning available investments through Operational Programmes and the new recovery funding with the cleanest measures in the NECP will be crucial for the decarbonisation of Czechia.

According to an independent study, in order to reach the RES target set in the NECP by 2030, it is necessary to increase investment 6-fold compared to 2017 levels (which equalled 5.1 billion CZK). In order to install the necessary renewable energy capacity between 2021 and 2030, it is therefore necessary to invest 327.5 billion CZK (which is roughly 32.8 billion CZK per year).

The Ministry of Industry and Trade estimates in the NECP that the total operating support between 2021 and 2030 will amount to 511.2 billion CZK, while the total investment support in this period will amount to 51.6 billion CZK. From the Ministry's detailed plan, it is evident that only 46.4 billion CZK of this will go to newly installed sources, whereas the rest will go to support the sources already in operation.

In terms of energy efficiency, the required energy savings under the energy savings obligation is 8.4 PJ per year, which is 462 PJ from 2021 to 2030. For this, the Ministry estimates that the overall necessary investment will be 634.5 billion CZK, and 157.8 billion CZK of that will come from public sources. For building renovation, the Ministry intends to allocate 74.3 billion CZK from the relevant Operational Programmes.

As for infrastructure, the plan proposes a total investment of 651 billion CZK in the electrical grid. It also states that the investment plans for gas infrastructure are not publicly available.

Recently, the Covid-19 crisis has been used as a pretence for obscuring related participatory processes, including within the committees of the Operational Programmes and the Modernisation Fund. As a result, many of the strategic decisions are being made out of sight of environmental NGOs and the public.

Funding opportunities for higher climate ambition and green recovery

Energy savings in the buildings sector. One of the positive measures with a high potential impact on emissions reduction as well as on generating domestic employment is energy savings, particularly in the buildings sector. Buildings account for more than 40% of energy consumption in Czechia and the economic potential of their renovation is rather untapped. Reducing the energy intensity of buildings would also help reduce energy poverty. The Czech Republic already has a good experience with the subsidy programme New Green Savings (Nová zelená úsporám), which should be kept and even expanded in order to meet the current climate and economic challenges.

Community renewable energy projects. However, the plan falls short on outlining investment needs for other measures that would help get the country on track for a low-carbon energy transformation. For example, specific support schemes for community energy are completely absent from the plan. Its strategies for improved agricultural technologies and processes are also inadequate. Investment plans for these measures should be developed in order for Czechia to be able to use the EU funding in an efficient and transparent way.

CZECHIA

Solar PV. Furthermore, the government has recently tabled a new amendment to the law on supported energy sources, which will in effect halt support for new as well as existing PV projects (acting retroactively). Under this proposal, PV projects would be excluded from government supported auctions, violating technological neutrality and strongly undermining the ability of Czechia to reach its renewable energy targets as set in the NECP. However, solar PV should still be eligible for EU funding, as they have the highest return on investment of all renewable energy sources in the Czech Republic, according to a study by Deloitte, and are a crucial component of reaching the country's NECP goal.

Preventing subsidies that lock-in emissions and harm the environment

Biomass and waste incineration. Given the scenarios presented in the Czech NECP, there is a clear risk of heavy investment in biomass-processing plants and waste-to-energy plants, undermining the sustainability of wood production, fostering over-reliance on first generation biofuels and/or hindering circular economy goals.

Nuclear. In addition, there is currently a very lively ongoing domestic debate on enhanced nuclear capacity in which the government intends to invest heavily in the construction of new blocks at the Dukovany (and/or Temelín) site(s). Given the financial requirements and the political priority of the matter, the Czech government will certainly try its best to reach for any cheap money at its disposal, including by attempting to have nuclear power included as a sustainable technology in the EU taxonomy for sustainable financing.

Fossil gas. To complement this, Czechia was among the eight governments asking the Commission to include natural gas infrastructure within its future funding schemes as part of the low-carbon transition. Inter alia, according to draft modalities, the government intends to fund a switch from coal to natural gas in district heating from the Modernisation Fund (if allowed to do so).

DENMARK

Denmark provides a good example for all EU Member States showing that going beyond the EU's low climate target level is possible. In Denmark, a Climate Law was agreed in December 2019, which included a 70% economy-wide target for emission reductions by 2030, compared to 1990 levels, along with the requisite for the country to be in line with the Paris Agreement goals. Policies and measures to achieve the increased climate target will be outlined in the upcoming Climate Action Plans. However, goals and projections in the current NECP do not yet match the new 70% target, the contribution to the EU's energy efficiency target is too low, a high level of biomass use needs to be addressed and fossil infrastructure still receives subsidies.

Funding opportunities for higher climate ambition and green recovery

Climate Action Plans to meet the 70% target. To meet the 70% emissions reduction goal, the Climate Action Plans will need to reduce emissions by 20MT by 2030 compared to the frozen policy scenario that is the basis for the Danish NECP. The parliament has so far agreed plans for a reduction of 3.4MT. The new (22 June 2020) agreement covers initiatives in several areas: building two "energy islands" of 5GW wind power capacity; R&D in electro-fuels and CCU/CCS; converting heavy industry to electricity or biogas/electro-gas; increased energy efficient in housing; decommissioning oil and gas furnaces with heat pumps and green district heating and establishing sustainability criteria for biomass and; decreasing waste incineration by improving waste sorting and the circular economy. In addition, the June decision contains a political agreement to introduce a uniform CO_2 tax across all sectors of the economy, which is considered an important tool to ensure a 70% reduction by 2030. This CO_2 tax is only agreed in principle. The government will present a legislative proposal by autumn 2020.

These first measures only amount to 3.4MT emission reductions (not yet including the reduction effect of the two energy islands or the CO_2 tax), which only amounts to about one sixth of the 20MT of CO_2 equivalent -reductions required by the 70% target. On a positive note, besides Carbon Capture and Storage (CCS), all the elements described in this first instalment of the Climate Action Plans are highly relevant for the green transition. There is room to go further. In fact, the recommendations from the Thirteen Climate Partnership representing the various sectors of the Danish economy, addressed some of the same elements with more ambition than the government showed in this first draft of its Climate Action Plans.

This first draft of the Climate Action Plans makes it clear that the final Climate Action Plans will require all sectors to deliver significant reductions. It is also positive that the government will address the problem of Denmark's over-use of biomass that is not sustainable. In contrast, the NECP foresaw that Danish biomass consumption would continue to rise till 2025 and only decline slightly after 2030.

Rail before road. The NECP mentions that the ongoing electrification of the Danish rail network will contribute to the (currently non-existing) green transition of Danish transport systems. Several years delay in modernizing the Danish rail network have resulted in Danish rail transport declining, while car traffic increase. Modernizing the rail network is critical to reversing the non environmentally-friendly trend in Danish transport.

Electrification of road. To address the CO_2 emissions of road traffic, since 2018 there has been a majority in the Danish parliament in favour of prohibiting the sale of new cars with fossil engines by 2030 at the latest. However, such a ban was deemed illegal by the European Commission. This situation highlights the urgent need for better EU regulatory and funding support for the electrification of road transport.

DENMARK

Preventing subsidies that lock-in emissions and harm the environment

Fossil gas expansion - the Baltic pipe. EU funds under the Connecting Europe Facility, have encouraged Denmark and Poland to agree to invest nearly €2 billion in the Baltic Pipe. The pipe will transport Norwegian fossil gas across Denmark and the Baltic Sea to Poland. Denmark's share of the investment is projected to be €0.84 billion. The Baltic Pipe business case is based on the (highly unrealistic) assumption of the pipe being used at a 90% capacity for the entire period from 2022-2052. If it is built, the Baltic Pipe will either become a stranded asset or create fossil fuel lock-in in both Poland and Denmark. To build the Baltic Pipe will also be counter to the EU's decision to become carbon neutral by 2050. The Baltic Pipe project was devised before the new Danish Climate Law and the EU Green Deal. The investment decision thus needs to be re-evaluated - and scrapped - based on the new political reality.

Continued fossil oil and gas exploration. The 8th licensing round for new oil and gas explorations in the Danish North Sea opened in June 2018, and the deadline for applications was February 2019. If the licensing goes ahead, the successful applicants will be permitted to produce oil in the Danish North Sea until at least 2056, despite the decision by the Danish parliament and the EU to be carbon neutral by 2050 at the latest.

The new climate ambitious government took over in June 2019, however the 8th licensing round has still not been abandoned, only postponed. Similar to the Baltic Pipe investment, the 8th licensing round was devised prior to both the new Danish Climate Law and the EU Green Deal. Since then there is a new situation, which requires Denmark to abandon all new licensing of new fossil extractions. In particular, in the context of 'economic recovery', oil and gas extraction must not continue, but rather be brought to an end.

ESTONIA

The Estonian energy sector was in crisis long before the coronavirus pandemic. Exceptionally high costs for CO2 emission allowances in 2019 effectively shut down the electricity production from oil shale, a local fossil fuel. A warm winter and low demand further complicated the viability of the industry, yet the government has been quick to offer direct and indirect subsidies to these struggling companies. These include lowering the oil shale resource tax in 2016 and making further adjustments in March 2020; lowering other industry taxes in May 2020; lowering the cost of diesel fuel specifically for oil shale mining areas in June 2020; changing the laws in order to allow large scale biomass co-firing; and deciding in the middle of the lockdown to invest in a new shale oil production plant.

2020 will be a deciding moment for Estonia. For the first time, different stakeholders are discussing together the prospects of a just transition for the carbon intensive oil shale sector and working on a Territorial Just Transition Plan for the most affected region, Ida-Virumaa. However, the discussion will be seen as hollow as long as the government keeps distorting the market in the background whilst simultaneously locking the country into further oil shale dependency for the coming decades. Their justification for doing so cites outdated development plans that also found their way into the most recent NECP. Estonia should embark on a visionary green recovery (for which the NECP has the right components in place) and not go for another brown bail-out (in the disguise of a response to the health crisis).

Funding opportunities for higher climate ambition and green recovery

Support for renewable energy sources - wind. Estonia has a lot of untapped wind potential, but most recent developments to promote renewables have been stuck in regulatory or national security disputes. Solving those disputes must go hand in hand with funding measures for developing renewable energy from wind, such as 'support for investments in wind farms' (EN2), the 'acquisition of air surveillance radars and radio systems' for the development of wind farms' (EN12), and the 'development of offshore wind farms (connection, planning) and joint projects' (EN13).

Energy efficiency in buildings. Much of the building stock in Estonia is outdated and needs renovation, which will generate clear energy savings and create jobs. Energy efficiency measures as listed in the NECP should receive priority funding, such as the 'renovation of public sector and business buildings (HF1) and the 'renovation of private homes and apartment buildings' (HF2).

Good forestry practices. Protecting the country's remaining biodiversity is the best solution to addressing the unfolding ecological crisis. Currently, it is under heavy pressure from logging. Nature and biodiversity protection should be supported via EU funding in the following areas: 'Natura 2000 support for private forest land' (MM5); 'Ensuring the protection of habitats' (MM7); and the 'Preservation of biological processes and maintenance of populations of species common in Estonia' (MM8).

In addition, 'Bioenergy production and increasing its share in agriculture' (M11) could help produce fuels from already available local biological sources and support SMEs. While, the 'Establishment of mileage-based road charges for heavy goods vehicles' (TR11) would decrease unnecessary heavy road traffic and also increase revenue for the country.

ESTONIA

Preventing subsidies that lock-in emissions and harm the environment

Harmful forestry practices. The NECP focuses on intensive forest management in order to increase the share of young forests by clear cutting old natural forests which currently act as large carbon sinks. Many forestry measures in the NECP are vague and referred to the new draft Forestry Development Plan. Development of the forest plan has run into hurdles due to controversies around the rejection of the Environmental Impact Assessment that the Ministry of Environment had commissioned. There is no evidence of "timely reforestation" measures providing any benefits on GHG emissions within the timescale of the NECP, and this can cause an increase of emissions for several decades. Therefore, 'Increasing the net growth of forests and carbon capture capacity for mitigating climate change through timely reforestation' (MM1), should be excluded from EU and other public funding.

Co-burning fossil fuels and biomass. The measure 'Renewable energy support via reverse auction (technology specific)' (EN6), opens up the possibility for biomass co-burning with oil shale in oil shale electricity plants. The government is already preparing for technology-specific auctioning where only oil shale power plants are eligible. This will prolong the use of fossil fuels in Estonia, because without the support of this measure oil shale use for electricity production would not be economically viable. This measure should be abolished and prominence given to a similar proposed measure that is technology neutral (EN5) or it should include a condition that it won't be used for the support of large scale and inefficient biomass burning.

High-speed rail infrastructure cutting through protected areas. Estonia currently does not have any passenger train services to EU countries to its south, and modern train connection with Central Europe would be important. The proposed measure 'Development of railway infrastructure (incl. construction of Rail Baltic)' (TR13), however, foresees a railway corridor for Rail Baltic which crosses Estonia through pristine natural locations instead of using existing railway corridors. Use of public funds for the creation of a new corridor through pristine forests and wetlands is not justified. In addition, the climate impact of this activity is not thoroughly assessed and EU funds should be conditional on limiting damage by using the existing railway corridor instead.

FRANCE

The recovery plan and EU funds for 2021-2027 are an opportunity for France to invest in structural transformations, aiming at making society more resilient and contributing to put the economy on the right emissions reduction trajectory. The French NECP recognises that France will not comply with its current 2030 target "if no additional measures than the ones indicated in the NECP are implemented". A failure to meet increased targets is therefore even more likely as highlighted by the French High Council for Climate Change. Investmenting recovery and EU Funds should start the necessary transformations and support an increased climate ambition of at least 65% by 2030. That is why at least 50% of EU funds should be invested in the climate and energy transition in France (recovery package and cohesion policy) and no harmful investments should happen.

Funding opportunities for higher climate ambition and green recovery

Tackling energy poverty and improving building efficiency. More than 5.6 million households suffer from energy poverty. A significant gap between the objectives of building renovations and measures to achieve high-performing renovation exists. France is far from its objective of 500 000 high-performing renovations per year required to achieve the objectives in terms of reduction of energy consumption in the buildings sector in 2030. According to I4CE, €16.1 billion should be invested, per year, in the private housing sector and €2.9 billion in commercial buildings.

Therefore, France should invest at least 20% of its ERDF (European Regional Development Fund) and a large part of the recovery envelope in high-performing renovations, targeting the most precarious households first, as the European Commission recommended. This should be supported by the set-up of a "one-stop-shop" public service for energy renovation.

Reducing emissions in transport. The NECP includes an ambitious objective to completely decarbonise transport by 2050, but at the same time it does not include measures to reduce transport demand and improve modal shift. Road transport is still the main transport mode for goods, accounting for 85% of the freight in France. This means there is still room to develop more trains and water transport. According to I4CE, there is a massive gap in investments on the decarbonation of transport. It suggests that €1.6 billion is needed per year in building and reinforcing cycling infrastructures in order to reach a 12% share of bicycles by 2030. Similarly railways would need €4.1 billion in investments per year for the development and renovation of the railway network (with a public investment of €2.7 billion per year instead of €1.7 billion currently).

Therefore, France should massively invest EU recovery funds in the renovation of the railway network to the benefit of regional services, freight and night trains. Multimodal platforms and stations should be targeted as well as the development of intermodal ticketing services. Finally, recovery and EU Funds should also support the deployment of low-emission charging infrastructures for vehicles, and no further airport or road projects should be funded.

FRANCE

Boosting renewable energies. France clearly lags behind when it comes to the development of renewable energies, despite a high potential. In 2018, only 16.5% of the energy consumption in France came from renewable energy sources, far below its 2020 target (23%). The planned increase of offshore wind power capacities in the French NECP (1 GW/year from 2024) only partially compensates the reduction of ambition in the development of onshore wind energy and roof solar photovoltaics. In order to boost the energy transition, as well as to create many quality and local jobs, France should massively increase its use of EU funds for renewable energies, especially by taking into account local needs. To reach an annual investment of €7.9 billion in renewable energies, which is recommended by I4CE, public investments should aim at an objective of €2.3 billion instead of the current level of €1.6 billion.

EU Funds should set up support mechanisms for energy produced by citizens, aiming for at least 15% of renewable energy to be created by citizens, local communities and local economic stakeholders by 2030. Public procurement should aim for 100% renewable and local energy in public buildings.

Initiating an ambitious transition towards agroecology. The recovery plan should pave the way for a new agricultural and food system based on two main actions: the diversification and the relocalisation of the agricultural production, and the ambitious support of sustainable practices. EU funds should not support precision farming.

Preventing subsidies that lock-in emissions and harm the environment

Phasing out fossil fuel subsidies and projects. The French NECP recognises €4.77 billion of fossil fuel subsidies, whereas different analyses show that €18 billion of fossil fuel subsidies still exist. EU support should be conditional on a clear plan to phase out fossil fuel subsidies in France. In addition, EU funds should not target fossil fuel projects, including airport and motorway extension.

No waste of money on nuclear. The recovery should aim to make the energy system more resilient and sustainable. Therefore, investing in nuclear would be a complete waste of resources, and would keep the country and society highly dependent on a costly and non-reliable source of energy.

HUNGARY

After years of climate crisis scepticism and minimal climate action, at the end of 2019 the Hungarian government finally declared its support for reaching national carbon neutrality by 2050, framing itself as 'a champion of climate action'. Hungary published its NECP along with a National Energy Strategy 2030, a draft Long-term Strategy, and a Climate and Nature Protection Action Plan.

Yet, the final NECP lacks ambition and contains insufficient incentives to put Hungary on course for a crisis-resilient energy transition. Moreover, these plans neither comply with the Paris Agreement objectives nor put Hungary on track for carbon neutrality by 2050, instead failing to stimulate a much needed energy transition and structural change in the economy.

The Hungarian NECP contains a 40% nation-wide emission reduction target by 2030, yet this is insufficient (reductions of this size were almost reached in 2013). This would result in a significantly steeper and more costly emission reduction trajectory after 2030 in order to achieve climate neutrality. The 2040 outlook scenario of the NECP calculations, including emissions cuts, are even more modest than for 2030. The NECP allows the increase of final gross energy consumption to 2005 levels (a 10 PJ increase) by 2030 and beyond, however after 2030 these must be from carbon free sources. Moreover, only 21% of this consumption would be renewable by 2030 according to the NECP RES target. All in all, the final NECP addresses some key energy transition issues, but the planned policies and measures are often not ambitious enough, resulting in needs only being partially addressed.

The estimated total investment needs based on this NECP amount to roughly €44.5 billion (by 2030), about ten times the amount Hungary has spent on climate action since 2014 from cohesion policy funds. It is in the common interest to finance climate-friendly and crisis-resistant measures in the NECP with EU funding to the highest possible extent.

Funding opportunities for higher climate ambition and green recovery

Regional decarbonisation strategy and action plan. The NECP proposes, albeit vaguely, the preparation of a decarbonisation strategy and action plan for the most affected region, as well as to help the 100,000 lignite-heating households to switch to cleaner heating. To ensure a just transition, the strategy focuses on labour market interventions to promote green employment, as well as training and the promotion of equal opportunities for vulnerable social groups and regions.

Diverse financing opportunities for renewables, including energy communities. The NECP suggests financing the following items from the 2021-2027 Operational Programmes: 1. self-consumption/prosumers and community PV development; 2. local renewable heating and cooling (individual heat pumps and biomass heating, village heating systems); 3. renewable based district heating (co-generation); 4. agri-waste based biogas plants; 5. smart metering, electricity storage and grid flexibility developments. District heating, renewable energy electricity system integration and storage pilot projects would potentially be financed from the Modernisation Fund and quota revenues. Quota revenues are also supposed to finance pilot projects in Demand Side Response, community energy and power-to-gas. Renewables in transport will be financed from the 2021-2027 Operational Programmes and European Investment Bank loans (public transport), as well as the Connecting Europe Facility and the European Clean Mobility Fund.

HUNGARY

Unfortunately, "energy communities" in the NECP seem to be interpreted as independent aggregators or collective prosumer units, which would limit their scope (in contrast to suggestions in the Renewable Energy Directive adopted in 2018 (RED II)). Still, the pilot project calls, launched in spring 2020 (and also mentioned in the NECP), on energy communities, municipal heating systems and a regulatory sandbox, provide good opportunities to test the proposed measures (in 2021).

Increasing energy efficiency still has high potential. The few measures proposed will not be sufficient to achieve even the low national energy efficiency contribution target. Industrial innovation and energy efficiency in district heating is supposed to be financed from the European Bank for Reconstruction and Development and other loans, as well as the 2021-2027 Operational Programmes. Regarding the renovation of residential buildings, an energy efficiency obligation scheme for energy suppliers is proposed but is not likely to be attractive enough to cover complex, deep renovations of single houses (even if they have the biggest efficiency potential), due to the scale of renovations needed. Scheme rules should prioritise and incentivise these measures and/or additional support schemes, potentially based on EU funds, should be developed in order to make energy efficient renovation attainable for those in highest need. This would also tackle the issue of energy poverty. Other relevant NECP measures include strengthening the Energy Saving Companies (ESCO) system and financing, enhancement of furnace replacement and expanding the National Network of Energetics so that it can provide investment advice to the public.

Preventing subsidies that lock-in emissions and harm the environment

A foreseen increase in total final energy consumption, fossil fuel subsidies kept alive. The energy efficiency contribution of 785 PJ = 18,75 Mtoe for final energy consumption means an increase in emissions compared to today's level (775 PJ). A further increase between 2030 and 2040 is also allowed beyond the aforementioned target from "carbon-free" (meaning mostly nuclear) sources. The increase in emissions in certain sectors (agriculture, transport) is also taken for granted and proposed measures are weak.

Furthermore, instead of aiming for the phasing out of fossil fuel subsidies, the NECP instead elaborates on supporting the development of national fossil fuel resources by price support for national (shale) gas extraction or treating national lignite as a strategic reserve.

Against this background, the electrification of transport is barely noticeable and transport policies listed in the NECP are outdated: electrification should only be complementary to the promotion of micro-mobility and short supply chains, while current policies including tax reduction on any kind of company vehicles must be phased out.

Unsustainably high role of biomass. The NECP regards biomass as an important factor in improving flexibility in both electricity and heating, but a sustainability analysis of the sources of biomass is missing from the NECP. The NECP also does not take wind energy into consideration enough, although it could have an important role in balancing photovoltaics.

LATVIA

The Latvian government is demonstrating increased climate ambition in its final NECP. New business opportunities offered by climate technologies in a low-carbon economy are the main driver of this. However, despite the prospects for green growth, the NECP exposes significant gaps and shortages in present energy systems which face growing demands for public investment.

The Soviet housing stock as well as an ageing transport system dominated by diesel cars are the main cause of Latvia's efficiency problem. There is also large potential for energy savings in industry and manufacturing: 80% of GHG emissions, for example, come from the non-ETS sectors, meaning that small-scale heating systems, transport and agriculture will require significant decarbonisation measures.

Latvia has the third highest share of RES in the EU, yet biomass accounts for more than 80% in its RES mix. Further development of RES generation is complicated by the legacy of costly support schemes, changing regulatory frameworks and lack of spatial planning. Therefore, in order to mobilise more investment and build public trust, decarbonisation measures must address the question of how costs and benefits are shared socially. Since politicians stress the role of new business opportunities in the low-carbon economy, Latvia's NECP will benefit from projects that prioritise citizen action and collective entrepreneurship.

Funding opportunities for higher climate ambition and green recovery

Investments in district heating systems with a strong decarbonisation focus. The measure "Improving energy efficiency and promoting the use of RES technologies in the heating and cooling and industry" is the second most capital intensive sector after energy efficiency in buildings. The funding plan estimates that more than €1.2 billion euros will be needed to implement the measures with EU structural funds, state and municipal budgets, the Modernisation Fund and private investments.

The NECP allocates approximately €550 million for increasing the share of RES in district heating and connecting new clients to more efficient networks. An additional €60 million will fund projects in low temperature heating systems and waste heat recovery.

In Latvia's industry sector, €225 million will be spent on modernising heating systems, combining RES uptake and efficiency measures. As district heating is technically not feasible in all areas, €267 million will support the modernisation of local and individual heating systems. Moreover, €560 million is earmarked for research and innovation in technology.

These investments correspond to the needs identified in order to reach the 2030 target.

The NECP stresses that ageing energy infrastructure and a need for more customers are the main challenges. Also, no district cooling systems have been developed yet. The share of RES (biomass) in the heating sector has increased from 40.7% in 2010 to 54.6% in 2017. For households, nearly 80% of energy sources are solid biomass. The NECP therefore recognises that integrating zero-emission RES in heating and low-carbon cooling will require more planning and funding efforts.

The first large-scale solar district heating project was implemented by the Latvian Association of Heating Companies in 2019 and more low-carbon projects are on the agenda. However, district heating was not prioritised to the same extent in the National Development Plan 2021-2027, which is the main blueprint for the programming of EU funds. More effort is therefore needed to secure public funding for this sector, which will hopefully lead to concrete measures in the next operational programme.

LATVIA

Resource allocation for supporting prosumers and energy communities. The NECP promises to give more attention to community projects and households under the measure "Promoting economically justified self-generation and self-consumption of energy".

This measure consists of drafting regulations for active users and energy communities; extending the metering system; completing studies on feasible business models for energy communities; promoting green energy purchases in the public sector and designing effective tariffs for energy distribution and transmission services. In addition, about €2 million for RES technologies on farms could be designated in the Rural Development Programme.

There are several additional related and supportive horizontal measures, such as establishing a contact point (as stipulated in the Renewable Energy Directive), drafting guidelines for socially responsible RES projects that benefit local communities, and launching a state fund for supporting energy efficiency and RES.

These are all commendable incentives that will contribute to the transposition of the Renewable Energy and Internal Market Directives under the Clean Energy Package. Unfortunately, the NECP does not allocate any major funding for these measures. Therefore, there is a risk that proposed administrative and regulatory measures rely on private finance and are therefore unable to meet their full d potential, such as the creation of community renewable energy projects.

Public funding for launching community-owned renewable energy projects in heating and electricity. The NECP is currently missing public funding for community energy projects that meet the decentralisation and digitalisation challenges. Funding already allocated under different measures could be reallocated to projects that incorporate community-led governance and shared ownership.

Preventing subsidies that lock-in emissions and harm the environment

Latvia's NECP favours natural gas as a more affordable alternative fuel. Transport accounts for almost ⅓ of energy consumption in Latvia, with road transport accounting for the largest share (82.6% in 2018). In 2017, transport was the source of 28.5% of total GHG emissions. According to the NECP, the main challenges are an old vehicle fleet and dominance of diesel cars, a small share of RES and electric vehicles, and the growing use of private cars. Measures responding to these challenges are listed in the action line 5, "Improving energy efficiency, promoting the use of alternative fuels and RES technologies in transport". The total investments estimated in the NECP amount to €989 million.

One of the target indicators for the transport system in 2030 is "30,000 natural gas (including biomethane) vehicles". The NECP indicates that €10 million could be allocated to support the purchase of gas vehicles through state loans or warranty payments.

This measure is intended to promote the uptake of Compressed Natural Gas. Since the consumption of natural gas in heating and electricity will decrease, gas companies have strongly advocated for growth in alternative fuels. Although gas vehicles can also use biomethane, which adds to the share of RES, its amount will be limited and it is more suitable for local public transportation systems. Given that public funding is never sufficient for system change, only investments that exclude all types of fossil fuels and prioritise the shared benefits of low-carbon mobility should remain.

POLAND

Poland has a power system that is 78% coal-powered, providing close to 100,000 coal-related jobs. Meanwhile, its onshore wind sector is stalling. Some four million homes are poorly insulated and heated with coal boilers, and a great majority of the more than 500 district heating systems are inefficient and rely on coal. Poland also has a dramatic air pollution problem and a significant, albeit insufficiently studied, energy poverty problem. Its power system is dominated by a handful of large, fossil-heavy corporations which are state-owned, and as such, hold a disproportionate sway over policymaking.

On the positive side, the country also has citizens, local communities and new businesses that are eager to take the energy transition forward as soon as the regulatory barriers holding back renewables are eased and a little financial backing becomes available – as demonstrated by the impressive 1GW of rooftop PV capacity added to the system in just one year by prosumers.

Funding opportunities for higher climate ambition and green recovery

The Fund for Refurbishment and Repair of the housing stock. Poland has an effective measure promoting energy efficiency in buildings called the Fund for Refurbishment and Repair. It is financial support in the form of cheap loans with a so-called refurbishment surplus, that is a repayment of the interest rates that can be used to a certain percentage of the investment value. The surplus can be as high as 21%, when refurbishment and investment in RES take place simultaneously, or it can rise to 50% when a block of flats is refurbished. The measure applies to all types of housing stock: single, multifamily and communal housing. To access a loan, housing must carry out an energy audit and renovation must lead to at least 25% in energy savings. The scheme is managed by a BGK – Bank Gospodarstwa Krajowego - and is funded by the state.

This solution has been very popular since its establishment in 1999, attracting around 3000 applications per year from 2009. After 2012 it began to be neglected by the government and less money was allocated to the scheme. By 2019, over 2 bn PLN was channelled through this scheme, which translated into 1 bn PLN in savings on energy bills for those who received a loan. For a long time it was the only way to get support for the refurbishment of housing stock in Poland. It is also worth mentioning that this scheme is complementary to the "clean air" programme which has a substantially higher amount of funding.

The Clean Air (Czyste Powietrze) renovations scheme. Clean Air is a nation-wide public grant scheme to support building renovations, replacements for polluting heat sources and small-scale PV. It aims to address the air pollution problem by funding the replacement of polluting coal boilers in more than 3 million single-family homes in Poland over ten years.

The scheme has (almost) the right level of ambition when it comes to addressing air pollution. However, it has been rolled out too slowly due to poorly designed distribution channels and excessive red tape in the first 19 months of its operation. Its results so far have been disappointing, but this may change with the recently revamped distribution system and reduced administrative burden. Given that the scheme's priority is to cut air pollution, it does not devote enough attention to energy efficiency. For example, it does not require the beneficiaries to achieve any minimum energy savings or meet any prescribed energy efficiency standards. Worst of all, the scheme still supports the installation of new coal boilers, which makes it ineligible for EU funds. This may be the reason why the scheme is neither featured in the NECP's assessment of investment needs chapter nor is it in line for EU support (even though its total cost is estimated at €25 billion and no domestic sources to secure its financing throughout its duration have been identified).

POLAND

However, once its shortcomings are fixed, it would be ideally suited to support the EU's Renovation Wave and could channel EU funds towards major energy efficiency gains while supporting the deployment of small scale renewables, cutting air pollution and addressing energy poverty.

Co-financing Programme for Photovoltaic Micro Installations "My Electricity" (Mój prąd). On 30 August 2019, the National Fund for Environmental Protection and Water Management started the "My Electricity" priority programme. This is a grant scheme to support the development of renewable energy, specifically prosumer photovoltaic (PV) rooftop arrays. The goal of the programme is to increase electricity production from photovoltaic micro installations in Poland. The implementation of the programme can encourage further development of renewable energy to contribute to Poland's EU renewable energy obligations. The total amount available in grants is up to €235 million, financed from Poland's ETS proceeds. The programme will run until funds run out, or by 2025 at the latest. The money will allow co-financing of up to 200,000 installations that can generate approx. 1 TWh of green energy per year (all households in Poland consume approx. 30 TWh).

People eligible for funding are prosumers who hold contracts for electricity generated by micro-installations connected to the electricity network. Co-financing is available in the form of a subsidy covering up to 50% of the eligible costs of micro-installations included in the project (purchase and installation costs of solar installations), but not more than €1,100 for one installation. Co-financing is available for 2kW to 10kW photovoltaic micro installations. The average installation capacity is 5.6 kW, energy production is 5 MWh/year, the installation cost is around €1,000 and the payback time is around 7 years. The call for proposals takes place in a competitive mode. From the beginning of the "My Electricity" programme to 17 April 2020, 58,648 applications were submitted. As this programme has been very successful in promoting small scale PV in Poland, the programme should be extended and continue to be financed either from ETS proceeds, or EU funds, or both, and the target number of arrays to be supported should be increased to better match the high level of interest.

Fund for Low-emission Transport. In 2018, Poland established a new fund for the development of infrastructure and vehicles powered by alternative fuels. The Fund has an internal source of financing from excise taxes, energy fees and from emissions fees imposed on fuel producers. The fund is managed by the National Fund for Environmental Protection and Water Management. In June 2020, a few supporting schemes for the purchase of private electric cars, light commercial vans and taxis were issued under the fund.

The scheme for the purchase of private electric cars is for individuals. This support, given via grants of up to 15% of the value of the car (maximum ca €4,000) is not subject to income tax. It is expected to support the purchase of about 2,000 cars. Around 1,000 light commercial vehicles are also eligible for support covering up to 30% of the value of the vehicle and 50% of the value of a charging station. About 1,000 new electric taxis will also receive support covering up to 20% of the value of the vehicle and wall charging station. This Fund seems to have a stable source of financing of over 1 bn PLN per year. However, the fund focuses heavily on alternative fuels including fossil gas, while it rather neglects public transport. In order to speed-up the transition in the transport sector, a financing scheme should promote both the electrification and the development of public transport, beyond a currently existing 'eBus'-scheme, which promotes the electrification of the public transport fleet by 2030.

Whereas the above schemes demonstrate opportunities for financing the renewable energy transition in Poland, **some crucial elements are absent from current planning, such as comprehensive support for community energy and the just transition.**

POLAND

The NECP briefly mentions the role that energy co-operatives and clusters could play in stimulating the deployment of renewables and improving local energy security. However, it does not envisage any new measures to support community energy, implying instead that the recently amended laws will suffice. However, in reality, the focus of the new rules is on preventing local energy communities from creating a burden on distribution system operators. The laws are so restrictive that they make energy communities unfeasible in practice. This needs to change, and financial support should be made available to local communities for designing and deploying community energy, while DSOs should be supported in introducing innovations that will enable them to work with local energy communities rather than suppressing them.

In its NECP, Poland claims that its modest 21% RES target could be increased to 23% (still below the 25% recommended by the Commission) if Poland receives extra EU funding for a just transition. However, the link between just transition money and renewables is not explained, as the NECP does not mention any specific just transition measures. Indeed, it envisages that Poland will continue to rely heavily on coal well beyond the NECP's ten-year timeframe. This appears to be an increasingly unrealistic plan because of the rapidly eroding economic viability of coal mining in Poland. The NECP should therefore put forward a realistic coal phaseout schedule consistent with the EU's climate neutrality ambition and lay down specific measures to create new jobs, reskill workers, tackle air pollution, water shortages and other environmental problems in the coal regions, and promote energy efficiency and the deployment of renewables.

Preventing subsidies that lock-in emissions and harm the environment

Development of new gas infrastructure. The Polish NECP envisages substantial development of new gas infrastructure. The plan is to more than double gas generation capacity and considerably expand the network of distribution gas pipelines to enable homeowners and heating systems to switch from coal to gas as a heating fuel. If implemented, those plans risk consuming much of the funding available for the energy transition, slowing down progress in the deployment of renewables and clean heating, locking-in fossil gas and likely creating stranded assets.

PORTUGAL

The Portuguese NECP is in line with the Long Term Strategy's goal to reach carbon neutrality by 2050, and the Portuguese government recognises that this decade is the most important period to act in order to achieve the goals of the Paris Agreement. It sets a national economy-wide target of a 45-55% reduction in emissions by 2030 compared to 1990 levels, which is in line with the long-term strategy, and carbon neutrality by 2050. This economy-wide target represents a 40% emission reduction in the non-ETS sectors, which results in an overachievement of the Portuguese contribution to the EU target. The national contribution for renewable energy is also higher than the level indicated by the European Commission needed to achieve the current EU 2030 renewable target, and this is also expected to be met.

Despite these high ambitions, the goals for energy efficiency are modest, and it is not clear how the reductions will be achieved with the measures specified. Energy poverty is only recently being recognised as an area where action is needed in Portugal, but it is still being studied and concrete measures will only be decided at a later stage.

Funding opportunities for higher climate ambition and green recovery

There are three selected priority issues in Portugal where EU Funds should be most effectively applied to promote the decarbonisation of the society. These are: renewable electricity production, energy efficiency and public transportation. Investment in renewable sources for the energy transition is the cornerstone of the much needed decarbonisation, most specifically in Portugal there's a great potential for solar energy, which could be reached by supporting decentralised solar energy projects.

Energy efficiency in buildings is also a priority since it not only holds great potential to reduce GHG emissions but it also would address energy poverty. Finally, investment in the transport sector, which is responsible for a considerable share of the country's emissions and where there's still a long way to go in improving public transportation, would also contribute to a substantial reduction of GHG emissions. These following three selected measures as mentioned in the Portuguese NECP should receive priority EU funding:

Promote the uptake of distributed generation, boost prosumers and energy communities. Portugal faces a considerable challenge in the decade ahead by setting an ambitious target for renewables in its NECP. Solar energy in particular, represents a major opportunity in the country since the potential of this source is high given the amount of days of sun per year. The recent legal recognition of energy communities is an additional opportunity to accelerate investment in decentralised solar energy and improve the solar production capacity. Investment in decentralised production is essential so that consumers and businesses, especially SMEs, can play an active part in achieving the renewable energy goal. Moreover, this is an important measure as it contributes to a just transition and energy independence.

Promote the energy renovation of buildings and nearly zero-energy buildings (NZEB). Energy efficiency is still an area with great potential to reduce greenhouse gas emissions, besides being an area where Portugal is consistently underperforming. This combined with the energy poverty issue in the country, make it an investment priority. There needs to be greater investment in improving energy efficiency in public buildings - central and local public administration, hospitals and health centres, schools - but above all in social housing where low-income families reside and are often unable to renovate their homes including insulation, replacing single windows with double windows, purchasing more efficient heating and cooling equipment, etc. This is not only a climate priority issue but an important social measure as well.

PORTUGAL

Promote the shift to public transportation modes. The transport sector is responsible for a great share of greenhouse gas emissions in Europe, accounting for 24.3% of the emissions in Portugal. Public transport both in cities and between regions is not sufficient, making it an unsuitable option in most cases - it is therefore a priority area. In particular for railways, where there has been an increasing disinvestment through the years, the connections are still very limited and journey times are long. Inside larger cities, such as Lisbon, there are still many cars entering the city. Moving around the city by car is still more advantageous due to a lack of public transport options in some areas, e.g. getting to the capital from nearby areas by car can be 3 times faster. This has to be reversed with massive investment in the improvement of public transportation, including more connections, multimodal options, and improved infrastructure and quality of service.

ROMANIA

Despite being one of the Member States that supports the EU 2050 climate neutrality objective and recently supporting the EU to increase its 2030 climate target, Romania's National Energy and Climate Plan falls short on ambition and clear implementation actions that will help to achieve all national climate and energy targets. Compared to previous versions, there are slight improvements in terms of the share of renewable energy in the final energy consumption and the share of the energy savings in primary energy consumption, the NECP however represents once again a precautionary and out-dated vision for the transition to a clean energy system. It fails to make use of untapped potential in terms of renewable energy sources and energy efficiency measures.

The measures and policies set up throughout the NECP need financial support amounting to €22.6 billion, which will be covered from various European funding sources such as the Cohesion Policy, Just Transition Fund and Modernisation Fund, as well as other international finance institutions. When it comes to recovery measures following the recent Covid-19 crisis, Romania pledged to plan its economic recovery around green principles and to prioritise investments that promote the transition to a sustainable, decarbonised economy in line with the medium and long-term climate and energy goals. But these green commitments conflict with the fact that fossil fuel usage will remain at high levels decades ahead, as the NECP doesn't propose a coal phase-out date and plans considerable investment in natural gas production.

Funding opportunities for higher climate ambition and green recovery

Long-term energy efficiency measures for the residential sector. Romania's 2030 energy efficiency targets are set at a level of 32.5 Mtoe for primary energy consumption and a level of 25.7 Mtoe for final energy consumption in 2030, resulting in energy savings of 41.5% for primary consumption and 40.4% for final consumption, compared to PRIMES, the reference model for EU 2030 energy efficiency targets. In an estimated final energy consumption for 2019 of 22.86 Mtoe, the residential sector has a share of 41.64%, with an estimated consumption of 9.52 Mtoe. To address this, the NECP envisages the implementation of a long-term renovation strategy which aims to improve the national stock of buildings by reducing energy consumption and encouraging the use of renewable energy sources for heating and cooling. The Plan also mentions measures to clarify the necessary legislative framework for the operation of Energy Saving Companies (ESCOs) and the application of energy performance contracts. The amount of necessary investments is estimated at €12.8 billion which will be covered mostly by funds available in the next EU budget or other dedicated financing instruments.

Speeding up digitisation in renewable energy roll-out. Romania's NECP puts in the foreground the need for a digitalised energy system that will support a better integration of new renewable energy capacities and will contribute to a better implementation of energy efficiency measures. Prioritising investments for the development of smart meters and networks is another step taken on the transition path to a decarbonised and efficient energy system. For this, the National Energy Regulatory Authority has set a timetable for the implementation of intelligent electricity measurement systems establishing that by 2028, between 24% and 70% of the final consumers of each electricity distributor will benefit from such meters. In 2018, only 4.8% of Romanian consumers were equipped with smart meters.

ROMANIA

Preventing subsidies that lock-in emissions and harm the environment

More gas and no coal phase-out. Contrary to the decarbonisation path that Romania has to follow, by 2030, the installed coal capacity will still be almost 2 GW and the installed fossil gas capacities will amount to approximately 3 GW. The Plan fails to set a concrete coal phase-out date, and at the same time it prioritises huge investments in fossil gas production and distribution. Financing gas transmission and distribution networks or gas interconnection projects cannot be perceived as sustainable investments. Given the recently adopted 2050 climate neutrality target, investing in fossil gas now with the knowledge that it will need to be removed from the energy mix 20 years later is risky, putting Romania in a situation where it not only has to plan for a coal phase-out, but it also has to prepare for a second transition away from gas. This will double the investments and will postpone the clean energy transition that Romania has to implement.

Moreover, these investments risk becoming stranded assets given the NECP's prediction of a (absolute and relative) decline of natural gas in the final energy consumption for the period 2005-2017 and for the period 2020-2035. From 2005 to 2017, the use of natural gas in the final energy consumption consistently decreased. The estimates for the 2035 timeframe show that, despite a small increase in 2025, the use of natural gas will still remain at 2017 levels. Given this lack of significant change, high investments in natural gas projects may pose serious financial risks.

SLOVAKIA

The Slovak NECP was prepared on the basis of missing and outdated documents, such as the Low carbon growth study from January 2019. Its summary admits that the models do not reflect the EU climate and energy goals approved in June 2018. The Ministry of Environment committed to preparing a model for carbon neutrality, but only in the coming years. The new Slovak government will also review the cost-effectiveness of the Low-carbon Strategy (LTS) and the NECP, as well as adopt a climate change law and support energy decentralisation and deregulation. The upcoming Long Term Strategy on building renovations will also be vital for the revision of the Slovak NECP. The most worrying parts of the current NECP include massive support for roads and highways (78% of all transport investments), outdated trajectories for coal mining and support for waste incineration and fossil gas. However, Regional Energy Centres and criteria for sustainable use of all renewable energy sources do seem promising.

Funding opportunities for higher climate ambition and green recovery

Regional Energy Centres allow for the systematic and coordinated planning and implementation of energy efficiency in buildings, industry and renewables in Slovak regions. It is crucial to build sufficient technical, expert and financial capacities to implement climate and energy policies at the regional level. This ensures that local and regional authorities do not perceive national and European climate targets as an administrative burden but instead as an opportunity to save money, reduce emissions, create local jobs and increase environmental and economic resilience. Regional energy managers would also develop action plans, collect data, raise awareness and promote joint procurement for the purchase of energy services and other goods to keep money circulating within the regions.

Criteria for the sustainable use of all renewable energy sources by 2020 were included in the NECP according to the Strategy of the Environmental Policy of the Slovak Republic until 2030. However, the new government's recent manifesto emphasizes that, while supporting local renewable energy sources, electricity prices shouldn't increase. Moreover, deadlines to meet European energy and climate objectives might need to be extended. Thus the government's commitment to promote sustainable local renewables seems less strong.

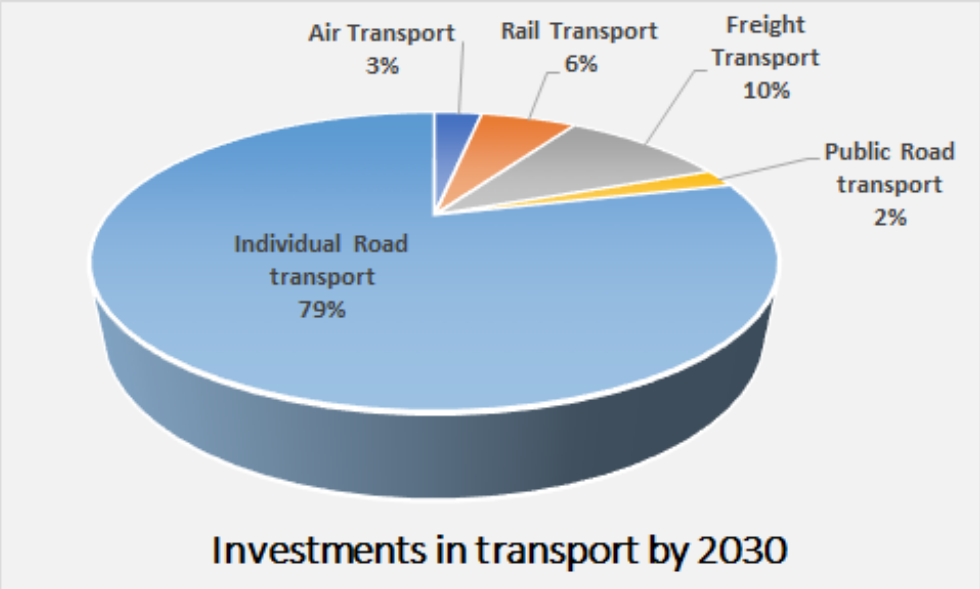
Preventing subsidies that lock-in emissions and harm the environment

Slovakia should finalise the most important provisions for carbon neutrality from the recently approved Low carbon Strategy (LTS) and revise the National energy and climate plan (NECP) to align with the upcoming Long Term Strategy on building renovations.

SLOVAKIA

Support for fossil gas powered boilers from EU funds is aimed at decreasing air pollution, but they are not integrated with measures to address energy poverty and climate protection. For example, households with lower incomes, which burn various solid fuels (from wood to waste) probably won't switch to fossil gas, given that this is more expensive than wood. Slovakia should integrate **subsidies for insulation, renewable energy sources and boilers in a user-friendly way**, like using common conditions or one application for all. The programmes should motivate applicants not only to replace heating sources or install renewables, but also to reduce heat losses to lower energy consumption in family homes. In addition, the country should also promote EU funded programmes for thermal insulation in single-family homes to improve the stock of single-family homes 20 fold by 2021.

Slovakia plans to invest 78% (€50,791 million) of all **transport investments** by 2030 in **individual passenger** road transport, failing to reflect the climate, air pollution and other goals. Investments planned for passenger railways, with a 7% share (€4,150 million), and public road transport, with a 2% share (2% with €1,302 million), are tragically low and not in line with decarbonisation goals. Transport is the most problematic sector due to its rise in GHG emissions (9-16% share) in recent decades (1990 - 2016). Freight transport on roads, railways and inland waterways accounts for 10% (€6,641 million) of all planned transport investments. Investment in cycling and pedestrian infrastructure is missing.



Local sustainable jobs. It is important to note Slovakia's €1.7 billion bill for imports of fossil gas in 2019. The NECP mentions systematic measures to reduce subsidies and the consumption of fossil fuels. To achieve this, energy efficiency must be increased and renewables that meet sustainability criteria need to be put in place. A systematic long-term policy to replace fossil fuels with energy efficiency and renewables would reduce the outflow of finances from regions for purchasing fuels and create local sustainable jobs. According to the International Renewable Energy Agency (IRENA), energy transformation in line with the Paris agreement would effectively pay for itself, with every euro spent bringing returns between three and eight euros. The transition would result in 7 million more jobs economy-wide.

SLOVENIA

The overall level of ambition in the Slovenian National Energy and Climate Plan falls short of meeting the Paris Agreement requirements. The Slovenian NECP sets a 20% non-ETS greenhouse gas emission reduction target which is higher than the one agreed at the EU level, and the national energy efficiency contribution at 35%. It also includes some new policies and measures, most notably in the field of transport and fossil fuel subsidies. It proposes an insufficient 27% renewable energy share by 2030, since the projected contribution represents only a 2% increase in the next 10 years.

In addition, the NECP foresees the use of coal for electricity production until 2050 and considers investments in carbon capture and storage technology. The use of gas for combined heat and power production is also expected to increase.

Funding opportunities for higher climate ambition and green recovery

Improving railway infrastructure. The Slovenian NECP envisages additional funding for a faster and more intensive development of railway infrastructure, preferably before the expansion of the motorway network, and includes a number of measures to improve railway infrastructure. In Slovenia, transport is responsible for as much as 51% of all greenhouse gas emissions in sectors not covered by the ETS, while it is the largest sectoral source of greenhouse gas emissions, accounting for 32%. Therefore, successful implementation of these measures will be key to achieving the national climate targets for transport. At the same time, Covid-19 is changing people's travel habits, making it an ideal time to promote and improve all forms of sustainable mobility.

The launch of long-term investment cycles in railway infrastructure brings, in addition to the short-term macroeconomic effects of construction, long-term positive sustainable effects on the health of the population, the economic performance of the country and environmental goals. It is therefore crucial that a large part of the post-2020 EU budget is used for upgrading and increasing the capacity of rail corridors, upgrading lines to meet TEN-T standards, fleet renewal and station development.

Renewable energy sources and energy efficiency in households. The NECP states that electricity generation in solar power plants represents the greatest development and environmentally acceptable potential for increasing electricity production from renewables in Slovenia. It's primarily focused on the integration of solar PV into buildings, where the technical potential of electricity production in relation to available areas is estimated at more than 20 TWh. In addition, the NECP outlines great potential for increasing electricity production from prosumers using solar power in households. It foresees investment incentives to encourage the production of electricity from renewables. In the field of energy efficiency the NECP plans to achieve a large part of energy savings in the household sector. Therefore households will bear a large part of the cost of reducing energy consumption.

For the above reasons, it is crucial that the funds in the next budgetary period are largely devoted to measures to promote renewable energy and energy efficiency in households. This is all the more important in the recovery period after the Covid-19 crisis, as declining incomes will make it more difficult for households to ensure energy efficiency and install their own sources of renewable electricity.

SLOVENIA

Electricity distribution network for RES integration. One of the key constraints to increasing the production of electricity from RES in Slovenia is the integration of solar power into the electricity grid. Therefore, in order to achieve the renewable energy targets set in NECP, it is crucial that adequate funds are allocated to improving the network integration of renewables in the next budget period and changes in consumer behaviour are encouraged.

Preventing subsidies that lock-in emissions and harm the environment

No new roads. Slovenia is at the very top of the EU in terms of the length of motorways per capita. While there is no direct measure for the building of new road infrastructure in the NECP, necessary investments of €1,041 million are planned for road transport between 2021 and 2030. Any investment in the expansion of roads should be excluded from the post-2020 EU budget, since road expansion does not improve traffic flow and does not eliminate congestion. Instead, it is harmful for the climate and causes air pollution. Available EU funds should instead be directed to measures that can contribute to the sustainable recovery of Slovenia.

No subsidies for gas. A large share of support in recent years has been for fossil gas based Combined Heat and Power (CHP) projects. The NECP proposes further development of the gas pipeline system. Natural gas is a fossil fuel and as such needs to be phased out in sectors where its use predominates. Therefore, any expansion of gas infrastructure and other gas projects must be excluded from the post-2020 EU budget. Instead it should be used for measures that can help achieve Slovenia's climate goals.

SPAIN

The Spanish Parliament will shortly make recommendations for the use of a massive release of public and private funds in response to the health and economic crises caused by the Covid-19 pandemic. The Spanish government is amongst several EU governments that support an ecological and zero-carbon transformation of the economy, respecting Just Transition principles, as the best way forward, and this is backed by a wide range of political, business, NGO and academic representatives.

The new funding framework recently proposed by the European Commission ('Repair and Prepare', in the form of additional funds available for coronavirus response and revised MFF proposals for 2021-2027), offers a unique opportunity to shape Spain's future, as the country would be one of the main beneficiaries of the new funding arrangements. It is vital that funds for economic stimulus and the creation or maintenance of jobs also ensure a just transition and other climate action measures. This is especially important where this will also produce other benefits e.g. improving air and water quality, public health, urban spaces and degraded areas; reversing rural depopulation and biodiversity decline; tackling social inequalities such as those of energy poverty or inadequate housing; reducing the dependency of agriculture on industrial fertilizers, irrigation and imported feed; stimulating innovation, R&D and the greater application of science-based policies.

In this sense, Spain's NECP and other similar strategic planning instruments are crucial in identifying priorities for investment aligned with EU climate, energy and other sustainable development objectives. The sections below identify three groups of measures in Spain's NECP where intelligent programming and use of EU funds offer particular promise and offer a range of benefits, both in ensuring that climate and energy policies and measures have sufficient support and create employment and economic opportunities, but also in maximizing synergies with other policies. On the other hand, EU funding support should not be provided for any infrastructure, projects or vehicles that risk prolonging Spain's already excessively high dependency on energy and transport based on burning imported fossil fuels.

Funding opportunities for higher climate ambition and green recovery

Sustainable Energy and Climate Action Plans ('SECAPs') in urban areas. Spanish municipalities have vital delivery roles relevant to climate and energy policy in sectors such as renewable energy 'prosumerism' (i.e. the production and self-consumption of renewable electricity generated from small scale installations – including under community ownership structures), energy efficiency, local transport and traffic, housing and urban development planning, air quality, waste collection and disposal, health and education, and public open spaces. EU funds should be used in Spain to develop and apply Sustainable Energy and Climate Action Plans (SECAPs) as frameworks for the application of NECP measures in towns and cities. In emission reduction terms, two main groups of measures can be identified: those related to promoting clean and more efficient energy use in buildings, and those associated with the transition to zero-carbon transport. The first group, includes greater renewable 'prosumerism' and local energy communities (M 1.2, M 1.3, M1.4, M 1.13, M 1.14 and M 1.18), measures to reduce energy poverty (M 4.5 y M 4.11), promotion of energy efficiency and renovation of buildings (M 2.6 y M 2.8). Measures in this group allow electricity generation to be brought closer to points of consumption, reducing distribution losses, increasing the involvement of consumers in the management of their own energy, and reducing the impacts of greater renewable energy production on biodiversity and rural landscapes. In the second group, better incentives and funding could drive a clean mobility revolution through improved urban and metropolitan transport planning; promoting Low Emission Zones, zero-carbon passenger and goods transport, carsharing, workplace transport strategies and teleworking (M 2.1). Other measures cover making more space in cities for public transport, pedestrians, cyclists and nature (M 2.2); and installing smart grid and charging infrastructure for electric transport (M 2.4 and M 3.3).

SPAIN

These measures offer support for those individuals, households and communities most disadvantaged by air pollution, poor housing conditions and low incomes, as well as creating jobs and providing savings for local businesses and public authorities. They have a good chance of success if clearly focused and adequately financed, with close involvement of affected communities, local authorities and other stakeholders, and strong communication and education strategies.

Nature based solutions, including protection of carbon sinks. Nature based solutions represent a key group of mitigation and adaptation measures to enhance and promote natural, forest and agricultural carbon sinks. Especially in carbon-rich ecosystems, improved compliance with objectives for protected areas and protected species could better protect and restore natural carbon storage functions and at the same time contribute to adaptation objectives, such as those in the draft National Adaptation Plan 2021-2030. Many of these are identified in the recently submitted Spanish 'Priority Action Framework for Natura 2000' and should be prioritised within the National Agriculture Strategy for the post 2022 period.

This group of measures (M 1.24 and M 1.25) includes: regeneration of wood pastures; promotion of poplar groves and native species to replace agricultural crops in flood areas; new woodland creation; forest management for fire prevention; promotion of sustainable conifer forest management; adjusting thinning/felling regimes for maximum carbon absorption; headwater/riparian tree planting in areas with high erosion risk; promotion of direct drilling and minimum tillage; and in woody crops (olive groves, vineyards, fruit orchards), maintenance of ground cover and soil incorporation of pruning wastes. At a more strategic level, Spanish authorities should use EU funding support to develop and publish maps and registers of natural carbon sinks and promote their importance for a 'net zero' future.

Reduction of GHG emissions in the agriculture sector. Agricultural emissions are considerable in Spain, making up 12% of domestic GHG emissions in 2018 and 20% of all non-ETS emissions. According to Spain's NECP, agricultural emissions in 2020 are projected to be 35 million tonnes of CO2-equivalent with a proposed reduction of approximately 18% by 2030 (to 30 million tonnes). However, the emission-heavy and water-thirsty agricultural intensification model makes Spanish farming vulnerable to the need to reduce emissions and adapt to climate change impacts, such as growing water scarcity and desertification risks. The NECP contemplates a series of measures to reduce these emissions (M 1.21) such as: promotion of dry herbaceous crop rotation; adjustment of nitrogen supply to the needs of the crop; and better slurry management (frequent cleaning of livestock units; store coverage; solid-liquid separation; compost manufacture from the solid fraction). These and other measures (M 2.10) should be given high priority in the agricultural policy funds and measures for Spain in the remainder of the extended current Common Agricultural Policy (until 2022) and in the period after 2022, through the new National Strategic Plan for Agriculture. Where climate change makes agriculture increasingly difficult, a just transition approach may be needed (M 1.15), following its initial application in areas affected by the closure of coal mines and coal and nuclear power stations.

The Spanish NECP also addresses the promotion of renewable energy from biomass with sustainability criteria (M 1.11), mainly through sustainable agricultural or forest wastes. This is to boost both the just transition, with the revitalisation of rural areas, and the circular economy, with the revaluation of organic waste.

SPAIN

Preventing subsidies that lock-in emissions and harm the environment

No new investments in new fossil fuel infrastructure or combustion engine vehicles. Spain has previously proposed a range of fossil fuel infrastructure and related projects for EU funding. This is not the case in the NECP and this position should be maintained, with careful attention to ensure that the gas market integration and consolidation foreseen in the NECP (M 4.4) to secure supply and protect consumers, is redirected towards investments in renewable gas (e.g. M1.8), guaranteeing a progressive reduction in the consumption of fossil fuel gas. In addition, the NECP contemplates the renovation of the car fleet with more efficient fossil-fuel powered vehicles (M 2.3) or electric vehicles (M2.4) although EU funding is not proposed for either measure. However, Spain recently approved a budget of €250-300 million to support both measures in 2020, in part co-financed by EU funds (ERDF 2014-2020). This means that EU funds are being used to support the purchase of fossil-fuel powered vehicles in 2020, and this must be avoided in the future, where EU funds for vehicles should instead be centred on zero emissions options and any associated infrastructure and just transition and other social needs.

CONCLUSIONS

Investment decisions taken in 2020 will shape the development of Europe's regions for decades to come. The EU budget and EU's recovery funding can contribute to addressing the climate urgency while offering a sustainable way out of the crises. This report recommends setting a more ambitious and greener path in the programming of the EU budget for 2021-2027 including the recovery funding for the coming years, so as to achieve climate neutrality well before mid-century and to deliver a 65% greenhouse gas emission reduction target by 2030. Spending EU funds on the climate and energy transition has the potential to create sustainable and green jobs and achieve greater economic recovery, social justice and environmental health, thereby driving real progress for people and society.

National Energy and Climate Plans offer some opportunities to invest in the green and just transition. However, very often a lack of coherence, low ambition and environmentally harmful and climate damaging subsidies prevent NECPs from becoming the blueprint for sustainable investment pathways.

The upcoming planning and programming of EU regional development and recovery funds has to make up for missing ambition in NECPs and prepare EU countries for the forthcoming increase in the 2030 climate target. This can be achieved by promoting investments and measures that pave the way for climate neutrality including: energy savings in housing and public infrastructure, more renewable energy from wind and solar, support for energy communities and bottom-up approaches, sustainable mobility and nature based solutions. At the same time, fossil fuels and unsustainable biomass must be kept out of spending plans.

It is the investments between now and 2030 that will make or break the EU's response to the climate crisis.

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