IS THE EU RECOVERY AND RESILIENCE FACILITY ENABLING A GREEN RECOVERY?

Summary of findings from the Green Recovery Tracker

Analysis of recovery plans and measures in 15 EU states shows that national recovery plans are currently falling short of ambitions to "build back better". The EU's green recovery is anything but secured. Decisions taken in the coming weeks, especially during the official review of national plans, can help realign the EU towards a green recovery, and are an important credibility test for the European Green Deal and the European Commission.

The EU's €673bn Recovery and Resilience Facility (RRF) provides a unique opportunity to bring forward much-needed public investments for the implementation of the European Green Deal. EU leaders agreed that recovery spending would need to effectively support the green transition, with 37% of member state plans earmarked for green investments.

The Green Recovery Tracker, a joint project between the Wuppertal Institute, E3G, and national experts, has been analysing Recovery and Resilience Plans (RRPs) to see whether they live up to this ambition. Our independent assessment of national recovery plans uses a methodology that seeks to mirror the Climate Tracking Methodology set out in the RRF Regulation, combined with information on individual measures provided by national experts. Our data and results are available on our website www.GreenRecoveryTracker.org.

This background briefing summarizes three key insights from our analytical work on recovery measures in 15 EU countries to date and outlines recommendations based on those:

1. Many national recovery plans are in danger of missing the 37% climate spending target. The Commission's review of the plans is a crucial moment for realigning the EU with a green recovery, and the Commission should not hesitate to scrutinize member state submissions closely.
2. There are significant risks that measures that look green at first glance may end up supporting fossil fuels. Many plans still include measures not aligned with the green transition. The milestones and targets that are negotiated between the Commission and national governments are an important instrument for providing clarity on where exactly recovery funding will be used and ensure that it advances the green transition.
3. Most recovery plans are not aligned with the EU's new 2030 climate target and are not used to accelerate the climate transition in line with the new target. This shows that scrutiny not just of investments but also of reforms included in RRPs, including on the links between RRP development and national energy and climate policy such as NECPs, is crucial.

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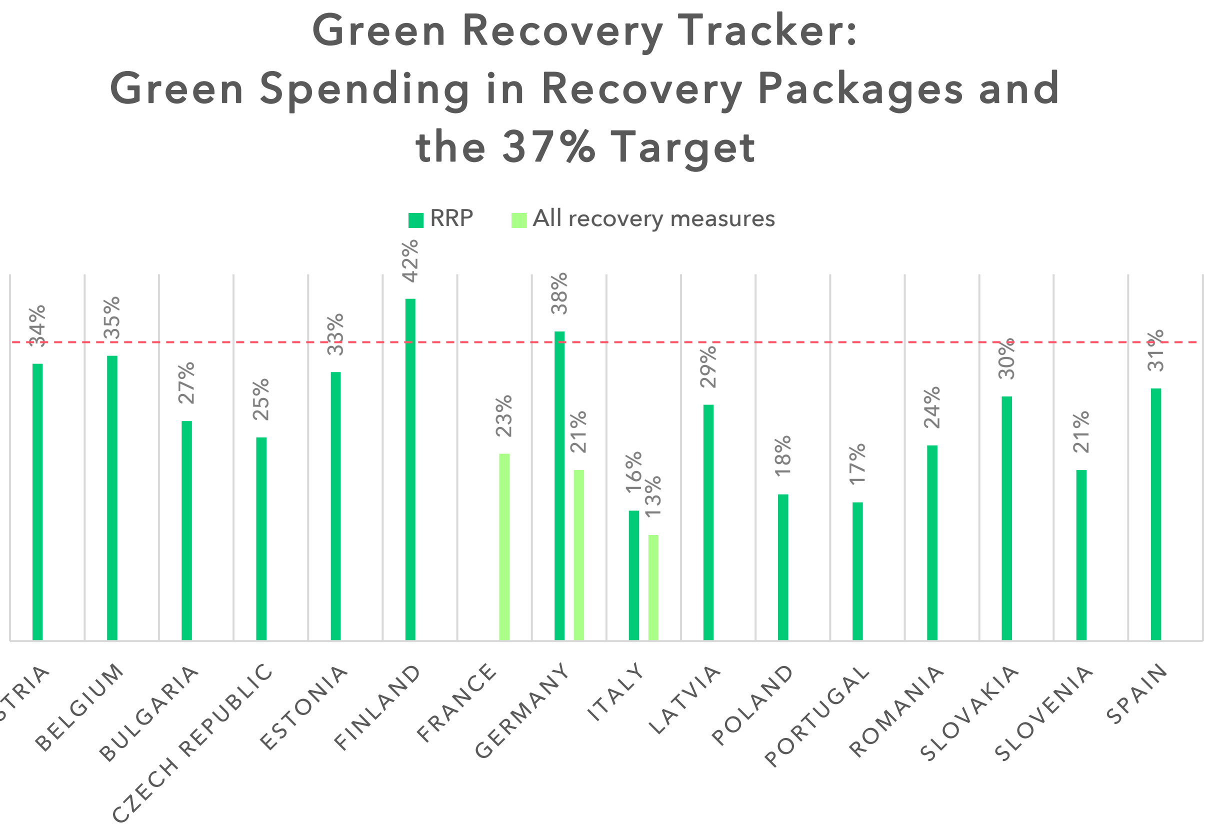
(1) Many national recovery plans are in danger of missing the 37% climate spending target.

Governments have been keen to highlight the green contribution made by their national RRPs, and all governments that have published plans so far claim to have met the 37% climate spending target. However, we find that there are still significant risks that plans may not deliver on this target and its ambition.[1]



Smaller deviations between our numbers and official numbers can be explained by methodological differences, including the fact that our methodology only considers climate mitigation and not adaptation effects. However, the larger deviations found in most member state plans cannot be explained merely by methodological differences but instead reflect fundamental uncertainties with regards to green spending in RRPs.

These uncertainties include designations of climate spending not clearly in line with the official Climate Tracking Methodology outlined in Annex VI of the RRF Regulation (e.g. support for plug-in hybrid vehicles in the German RRP, generalized investment support without clear climate conditionalities in various RRPs, energy efficiency investments without assurances on

[1] Green Recovery Tracker (2021). Country Reports & Green Recovery Tracker (2021). Methodology

the achievement of the required improved energy standards), measures being designated as green even though their climate contribution is at the very least doubtful (e.g. investments into new-built housing in Portugal), and measures that are assessed positively by governments despite them including harmful measures (e.g. energy efficiency investments including support for fossil gas boilers in Italy, Poland and Czechia – also see point (2) below).

Notably, the official climate spending claims from national governments are often just above the 37% benchmark. Any downwards revision of the official assessment of individual measures would hence likely require the inclusion of additional climate measures to make up for the reduction in climate spending.

(2) There are significant risks that measures that look green at first glance may end up supporting fossil fuels. Many plans include measures not aligned with the green transition.

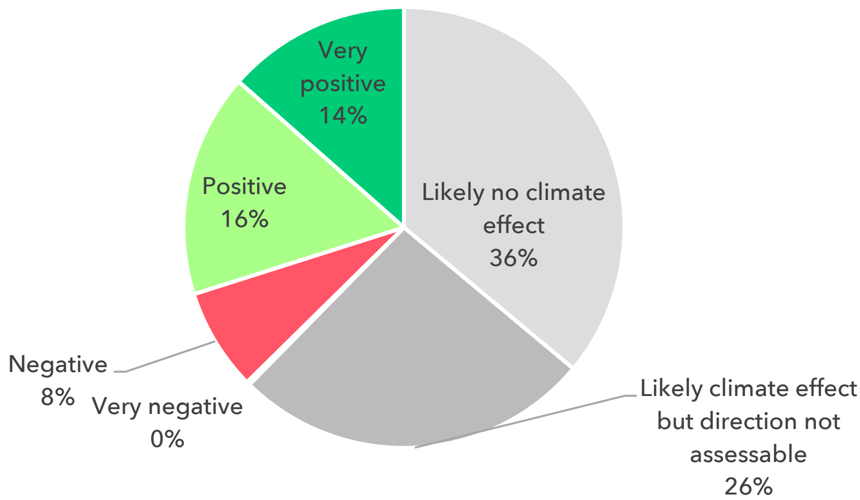


Figure 2: distribution of total recovery spending by assessment category (total = €659bn)

Around one quarter of all assessed recovery funding (€173bn) is allocated to measures that will likely have a climate effect that cannot yet be assessed. This includes measures that combine positive (e.g. energy efficiency) investments with harmful (e.g. fossil gas boilers) investments; or measures that appear positive but when considered in the local context could end up being harmful, such as investments into "hydrogen" infrastructure in regions where it is unlikely that the infrastructure will be utilized for anything except fossil gas in the foreseeable future.[2]

[2] Also see CAN Europe (2021). EU Cash Awards

The milestones and targets that are negotiated between the Commission and governments are a critical instrument for providing clarity on where exactly recovery funding will be used and to ensure that it advances the green transition. Following the significant lack of transparency and public participation in the development process for RRPs in most EU states[3], it is also crucial that the final review and approval process for the plans, as well as (but not only) their implementation, are more responsive to, and open for, the inputs of civil society stakeholders.

(3) Most recovery plans are not aligned with the EU's new 2030 climate target and are not used to accelerate the climate transition in line with the new target.

Many of our national expert partners have criticized that the assessed RRPs are lacking a strategic vision, especially with regards to using recovery funds to advance the green transition. For instance, most RRPs only have weak links to existing climate policy frameworks and are based on energy and climate plans (NECPs) which are now no longer aligned with the EU's new 2030 climate target. EU recovery funding would have been an opportunity to increase ambition in line with this target that most governments have not made use of. But instead of using the development of recovery plans as an opportunity to accelerate the implementation of decarbonization measures alongside a strategic pathway, most governments have followed a closed bottom-up approach of assembling lists of possible investment projects.

RRPs from countries that linked the recovery planning process to strategic decarbonization frameworks or even used it to enable more ambitious targets also score more highly when it comes to overall green spending (for instance, Finland and Spain). At the same time, there are concerns in some member states, such as Slovenia, that the reform component of national RRPs even include environmental deregulation measures.

This shows that scrutiny not just of individual investments but also of the reforms included in RRPs, including on the links between RRP development and national energy and climate policy such as NECPs, is crucial. The EU's new climate target for 2030, and the ensuing need to revise national energy and climate plans upwards, provides an important and pressing argument for also increasing the amount and quality of green investment measures included in RRPs, in line with overall decarbonization strategies.

This briefing was written by Felix Heilmann and Johanna Lehne (E3G) as well as Helena Mölter, Timon Wehnert and Magdolna Prantner (Wuppertal Institute). We are grateful to Jacqueline Klingen (Wuppertal Institute) as well as Lisa Fischer and Lucie Mattera (E3G) for their valuable inputs.

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[3] CEE Bankwatch (2021). Secrecy surrounding €672 billion in EU recovery funding jeopardises building back better