

NO RECOVERY WITHOUT CITIZENS

Why public involvement is key
to Europe's green transformation



This report was prepared in the framework of the project Citizens' Observatory for Green Deal Financing.

CITIZENS' OBSERVATORY
FOR GREEN DEAL FINANCING

Counter Balance Challenging Public Investment Banks

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Executive summary

An extraordinary amount of EU funding and investment has become available in recent years through the EU budget, the EUR 806 billion NextGenerationEU recovery fund package and, more recently, an additional EUR 20 billion of new REPowerEU grants.

The Recovery and Resilience Facility (RRF) represents the largest portion of this overall recovery package. A new instrument designed to stimulate economic recovery after the COVID-19 pandemic, the RRF is also the first funding mechanism under the 2019 European Green Deal plan to make Europe the first climate-neutral continent. The RRF is driving new investments and reforms for building resilience and better addressing long-term challenges, such as climate change, biodiversity loss and resource shortages.

At the same time, InvestEU, a programme mainly financed through the European Investment Bank (EIB) that aims to trigger EUR 372 billion in investments, has green infrastructure as one of its main priorities and serves as a key instrument for financing the European Green Deal.

However, despite there being so much public money that has or will soon be allocated, decisions on how and where to invest these precious resources have increasingly been made behind closed doors, without the involvement of citizens and other key stakeholders.

Public participation is a key prerequisite for a green and transformative recovery. As such, the success of this recovery is dependent on the level of engagement and inclusion.

By being involved, citizens help identify and align investments with the actual needs of their societies and economies. They also ensure a better distribution of ownership and more efficient implementation.

Despite this, the public has largely been excluded in both the design and implementation of the recovery plans, with investments failing to meet citizens' needs. Failing to ensure proper public involvement will only exacerbate existing inequalities and further erode European democracy, as well as limit the fund's potential to reach green targets.

Two years since the regulation officially entered into force in February 2021, and now approaching the midway point for recovery funds to be disbursed, little progress has been made towards the European Commission's target of recovering from COVID-19 and achieving long-term economic resilience.¹

While InvestEU is a potential major source of financing for the European Green Deal, there are concerns as to whether it is fit for purpose. Our analysis shows that its main implementing partner, the EIB, does not unequivocally exclude funding for fossil fuels via the companies and investors it works with, and also runs the risk of mainly financing companies that are able to fund green projects on their own, thus failing to offer clear added value in terms of sufficiently increasing climate finance. Furthermore, InvestEU lacks entry points for citizens to meaningfully participate in the decision-making process to decide what investments should be financed.

New challenges and opportunities are also arising from the REPowerEU package, the EU's response to rapidly speeding up the transition away from Russian fossil fuels in light of Russia's invasion of Ukraine. Additional resources have been made available to finance this shift, yet for these to be effective, open public consultation is crucial.

These concerns are evidenced by the direct experience of eight civil society organisations that have been following the recovery funds, both at their respective national levels and at the European level. This is further complemented by the results of a survey from over 170 EU citizens from 21 Member States, specifically conducted for the purpose of this report.

The report shows this by analysing the process for which recovery funds, including those recently made available through REPowerEU, have been and are continuing to be decided with limited civic oversight and involvement, and includes seven individual case studies providing information from the ground.

The report therefore argues that Europe's recovery is not sufficiently delivering the green transformation that is both purported and needed because citizens have not been involved in the design or implementation of these investments.

¹ European Commission, [Review report on the implementation of the Recovery and Resilience Facility](#), European Commission, 2022.

Glossary of terms

European Green Deal

The European Green Deal, announced in 2019, is the flagship initiative of the European Commission for addressing climate change and environmental degradation in the EU and beyond. This initiative includes objectives such as reaching climate neutrality by 2050 and actions to further protect and restore biodiversity by 2030, among many others.

NextGenerationEU

In May 2020, the European Commission announced the NextGenerationEU recovery package as a response to the coronavirus pandemic. This aims to mitigate the economic effects of the pandemic by adding EUR 806 billion to the existing seven-year Multiannual Financial Framework.

NextGenerationEU is the name of the overall recovery package, which includes several instruments: the RRF, which provides EUR 723 billion in grants and loans for Member States; REACT-EU, an increase of EUR 55 billion to current cohesion policy programmes; and an increase of EUR 30 billion to the Just Transition Fund. In addition to these increased resources, the recovery package includes a new EUR 31 billion solvency support instrument for mobilising private investments.

InvestEU

The InvestEU programme aims to mobilise EUR 372 billion in investments covering four main areas: recovery, green growth, employment and wellbeing. It is a key pillar of the European Green Deal investment plan.

Recovery and Resilience Facility (RRF)

The RRF provides financing for reforms and investments to enable Member States to rebound from the COVID-19 pandemic and pursue a green transition until 2026. In order to receive funding, each Member State was required to submit a national plan for approval, in which it committed to implementing specific reforms and investments, with at least 37 per cent of the funds earmarked for climate action. Nothing in the plans is allowed to significantly harm the environment, due to a ‘do no significant harm’ clause in the EU’s RRF regulation.²

These national plans, also known as recovery and resilience plans, outline how the Member States will invest recovery funds. Moreover, before any disbursements from the RRF could flow, the European Commission had to assess whether each Member State fulfilled specific milestones and targets related to implementing the plan.

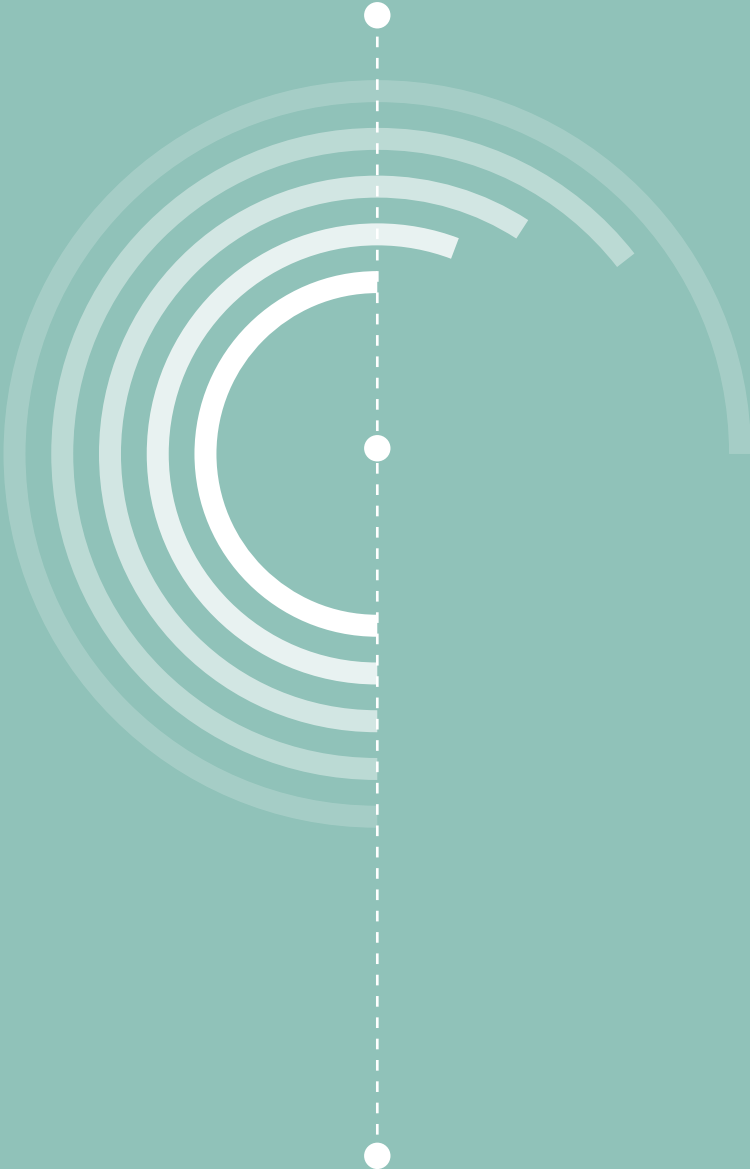
To finance the RRF, the EU has borrowed from international capital markets, with repayment to take place until 2058. This is to avoid placing immediate pressure on Member States’ national finances and enable them to focus their efforts on the recovery.

REPowerEU

On 18 May 2022, the Commission proposed amending the RRF regulation to integrate dedicated REPowerEU chapters into Member States’ existing recovery and resilience plans. This was later approved and adopted in February 2023. To fund these chapters, Member States are encouraged to make use of unrequested loans from the RRF, while new sources will be made available through the EU Emission Trading Scheme by frontloading allowances and tapping into the Innovation Fund. This adds to the many reforms and investments already in the recovery plans. Member States can request more money by submitting dedicated REPowerEU chapters to the European Commission by the summer of 2023, allowing them to apply for the remaining loans by 31 August 2023.

² European Parliament and the Council of the European Union, [Regulation establishing the Recovery and Resilience Facility, Article 18 64e](#), *EUR-Lex*, 12 February 2021.

Introduction



The following report has been written as part of the Citizens' Observatory on Green Deal Financing, a project bringing together nine partners from seven different countries³ covering central, eastern and southern Europe who also work actively at the EU level.

The purpose of this project is to highlight the importance of EU citizens' involvement when both designing and implementing EU funds and investments. The report demonstrates this using the EU's NextGenerationEU recovery package as an example.

The information contained in this report is based on the direct experience of these organisations monitoring both the process and the individual cases, both in their respective national context and at the EU level. These civil society organisations provide a direct link between national and EU policymakers and the public, offering a platform to communicate people's needs and interests, as well as to raise concerns.

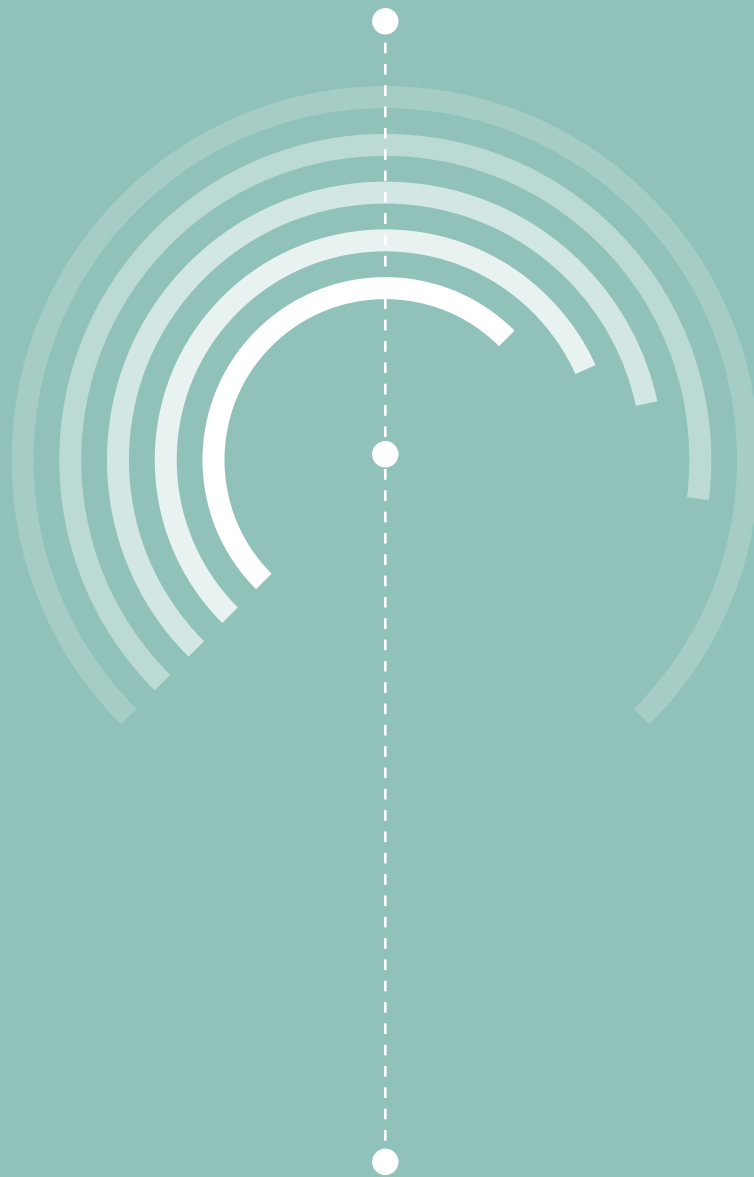
Members of the public in the EU also provided direct input in the form of a survey specifically conducted for the purposes of this report. The results obtained from this survey add additional justification and evidence to key findings. The results of this survey have also been synthesised in a dedicated chapter that provides an analysis of the main findings.

The report also aims to highlight issues with the European Green Deal policy framework and the Sustainable Europe investment plan, in which the European Investment Bank (EIB) and the InvestEU programme are the main actors. The overall purpose of the report is:

- to show how the recovery is not adequately tackling the climate and biodiversity crises and negative social trends;
- to show how EU recovery funds should serve the public and align with their needs;
- to provide case-based, thematic examples highlighting the ways in which the current recovery model is not working;
- to lay the foundations for future discussions on the EU's economic model governance, in particular for the next EU budget.

³ The following countries are involved in the project: Spain, Italy, Poland, Hungary, Latvia, Estonia and Bulgaria.

Background



The EU Green Deal and global challenges

The European Commission says that the European Green Deal is the centrepiece of a long-term plan to ‘reconcile the economy with our planet’ by attempting to combine the EU’s economic, energy and financial policies with the objectives of its climate policies. The European Green Deal is the Commission’s primary policy designed to drive the continent towards climate neutrality, but also includes eight areas for transformative policymaking, with around 50 policy initiatives setting new objectives on issues such as climate, biodiversity, transport, agriculture and clean air.⁴

One of the European Green Deal’s principles is also to ‘leave no one behind’, thus endorsing just transition as a concept for tackling the transformation of fossil-fuel-dependent regions in the green transition.

The European Green Deal communication clearly states that ‘the involvement and commitment of the public and of all stakeholders is crucial for the success of the European Green Deal’ and that ‘citizens are and should remain a driving force of the transition’.⁵

The European Green Deal was also the first document to refer to the notion of ‘do no significant harm’, whereby economic activities must not harm the environment; it states that all other EU initiatives must also live up to this green oath to ‘do no harm’.⁶ This principle was later made operational under the RRF.

However, organisations such as the EU Wellbeing Coalition have also criticised the model promoted under the European Green Deal as reliant on economic growth, rather than concentrating on and prioritising aspects like tackling energy and resource consumption, which have led us to the various crises we are now facing, such as rising inequality, resource depletion, biodiversity loss and climate change. It has never been possible to grow the economy while limiting environmental damage to the extent needed to save the planet.⁷ This is fuelled by an extreme concentration of wealth that drives overconsumption and perpetuates devastating environmental and social impacts. Instead, more focus must be given to a ‘wellbeing economy’, an economic system that is no longer structurally dependent

⁴ European Commission, [Communication from the Commission to the European Parliament, The European Council: The European Green Deal](#), European Commission, 2019.

⁵ Ibid.

⁶ Ibid.

⁷ European Environmental Bureau, [Decoupling debunked – Evidence and arguments against green growth as a sole strategy for sustainability](#), European Environmental Bureau, 2019.

on economic growth and one that puts the wellbeing of humans and the planet at the heart of all decisions made.⁸

Another aspect of concern is the global justice issues associated with the extraction of enormous quantities of minerals and raw materials, as well as the water required for green technologies. The new proposal by the European Commission for the Regulation and Communication on Critical Raw Materials, part of the new Green Deal Industrial Plan, is the focus of political debate today. Our resources are at risk of running out in the near future,⁹ yet Europe relies heavily on importing some of these, as they are a small but crucial part of the EU's transition to net-zero industry.¹⁰ For example, lithium, cobalt, graphite, rare earth elements and bauxite (used to manufacture aluminium) have been designated as critical raw materials by the European Union.¹¹ Critical raw materials are defined as 'those which display a particularly high risk of supply shortage in the next 10 years and which are particularly important for the value chain'.

The primary extraction of these materials takes place in sacrifice zones mostly located in the Global South. The acquisition of these materials and the global supply chains associated with them have severe socio-environmental and climate consequences, especially for the land and communities where the minerals are extracted. Human rights violations and violence against indigenous and aboriginal peoples are common.

The role of EU financial instruments in delivering the European Green Deal's objectives

Matching the policy objectives with adequate funding instruments is a key aspect of the European Green Deal and demonstrates the EU's commitment to supporting Member States in implementation. The Commission pledges to mobilise EUR 1 trillion for the Green Deal through various sources. These include the Sustainable Europe Investment Plan, the EU budget, InvestEU and the Just Transition Mechanism. NextGenerationEU, with the RRF at its heart, is a brand-new EU instrument in the way it operates and receives financing. With the aim of recovering from the COVID-19 pandemic, it is also the first package to be proposed

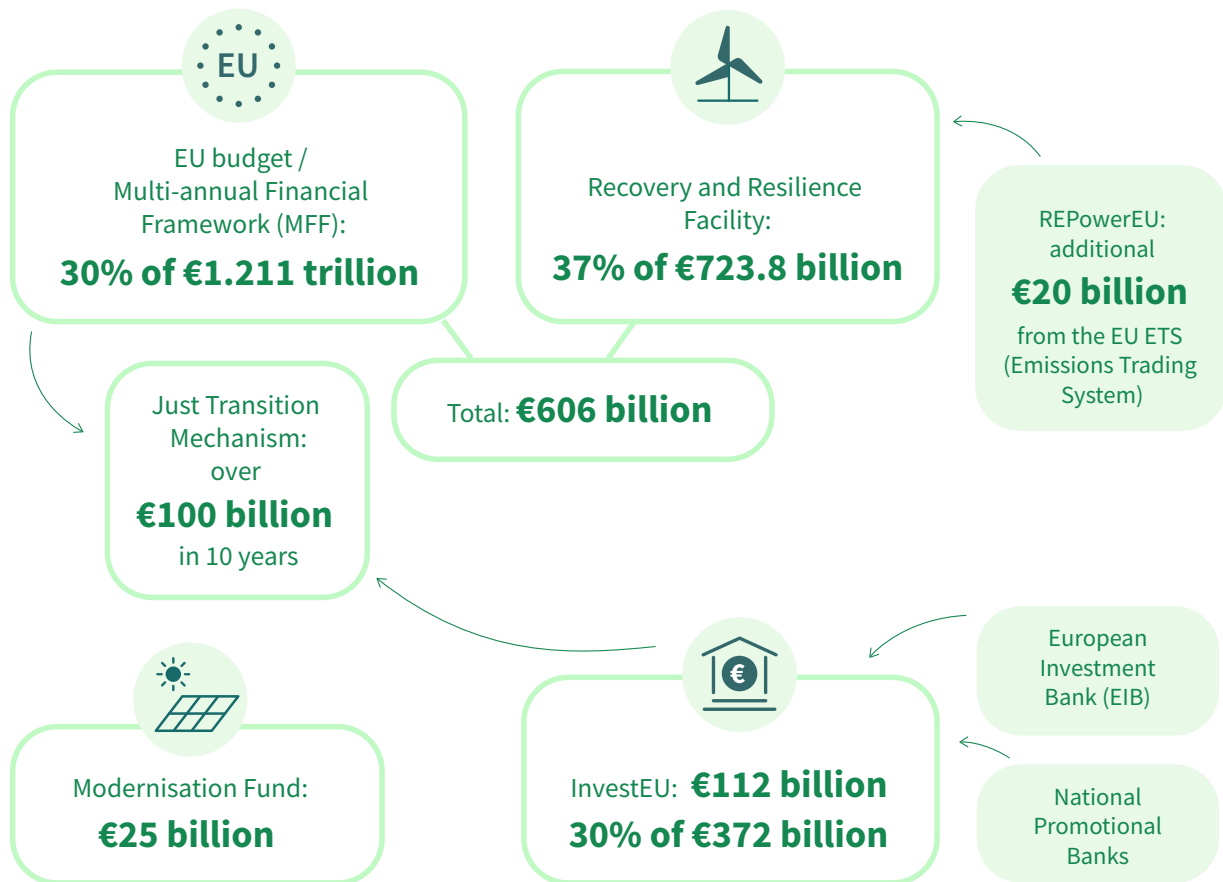
⁸ EU Wellbeing Coalition, [Our vision](#), *EU Wellbeing Coalition*, 2023.

⁹ Daniel Pulido, Iñigo Capellán-Pérez, Margarita Mediavilla, Carlos de Castro, Fernando Frechoso, [Analysis of the material requirements of global electrical mobility](#), *DYNA*, Vol. 96, 207-213, March 2021.

¹⁰ Ibid.

¹¹ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability](#). Available, *EUR-Lex* (Brussels, 03/09/2020). COM (2020) 474 final, 3 September 2020.

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by the European Commission after the adoption of the communication on the Green Deal and thus incorporates Green Deal policy objectives into its targets (e.g. a target of 37 per cent spending on climate action). This was the EU's first attempt to shape one of its financial instruments in line with the Green Deal. The RRF was also used as a role model for the integration of Green Deal references into other instruments, like the Cohesion Fund or InvestEU, proposed in 2018 under the EU's Multiannual Financial Framework programme.

However, the allocation of targeted green funds is not always enough to make money flow in the right direction. For example, the climate earmarking of the current budget for 2021 to 2027 is 30 per cent, 10 per cent higher than it was in the previous 2014 to 2020 period.¹² The Court of Auditors' recent report criticised the fact that effectively only 13 per cent was spent on climate action during the previous period. The report added that the underlying bottlenecks have not yet been addressed, which raises questions about the readiness of the Member States to make significant steps in increasing their climate spending from 13 per cent to

¹² European Commission, [Regulation \(EU\) 2021/1060 of the European Parliament and of the Council](#), European Commission, 2021.

at least 37 per cent and 30 per cent in NextGenerationEU and the new Multiannual Financial Framework respectively.¹³

The EUR 1 trillion pledged for European Green Deal financing is, to a large extent, money the EU hopes to mobilise. InvestEU, the new instrument for the already existing European Fund for Strategic Investment, makes up more than a third of this figure and relies on only EUR 26 billion in guarantees to mobilise public and especially private investments to reach the target.

Even though sustainable infrastructure is one of the main priorities of InvestEU, it does not unambiguously exclude fossil fuels and in general fails to provide opportunities for citizens to participate in the decision-making process on chosen investments. The choice to put so much emphasis on mobilising private money makes it more difficult to finance important projects that meet environmental and social needs, but do not generate enough income for private investors. These investments run to a large extent via the EIB and to a lesser extent via national public financial institutions. The EIB itself also stopped funding fossil fuel projects¹⁴ and wanted to become the EU's climate bank by decarbonising all of its investments and providing EUR 1 trillion worth of climate finance by 2030. The readiness of the Bank to make such a significant quality shift is under question considering its continued support¹⁵ for companies and investors that contribute to climate change, as well as its lack of transparency. For example, in its support measures for REPowerEU, the EIB loosened restrictions on unconventional oil and gas activities for companies to finance their renewable energy and electric vehicle charging infrastructure projects.

The NextGenerationEU package as an opportunity to 'build back better'

The NextGenerationEU package presented a rare and unique opportunity to recover in a truly green and transformative way that could address interconnected global challenges that had been exacerbated by the pandemic. This meant moving away from the previous 'business as usual investments' that have led to the various crises we are now facing, instead prioritising those that could address the biodiversity and climate crises while simultaneously reducing social and gender inequalities.

The European Commission itself states that NextGenerationEU 'is more than a recovery plan. It is a once in a lifetime chance to emerge stronger from the pandemic,

¹³ European Court of Auditors, [Climate spending in the 2014-2020 EU budget Not as high as reported](#), *European Court of Auditors*, 2022.

¹⁴ European Investment Bank, [EIB energy lending policy](#), *European Investment Bank*, May 2023.

¹⁵ European Investment Bank, [The EIB Group PATH Framework: Version 1.1](#), *European Investment Bank*, October 2022.

transform our economies, create opportunities and jobs for the Europe where we want to live.¹⁶ The magnitude of this one-off opportunity is also reflected in the name itself, which denotes the importance of such investments and reforms for future generations.

In a number of countries, RRF funding represents a significant proportion of the GDP (between 3 and 10 per cent for countries covered in this report),¹⁷ and together with funds from the EU budget could shape up to 50 to 60 per cent of all public investments.¹⁸ The EU funds come with a requirement for Member States to identify and implement reforms as part of their plans in addition to investments, especially strengthened through the RRF process. Doing so means the RRF plays an even more crucial role in helping streamline and facilitate investments and legislative changes that will lead to long-term transformative change.

What role do citizens play in delivering transformations?

It is crucial to also establish new ways of designing and implementing public investments and reforms. The importance of public participation, engagement and citizen ownership is reflected both in official communications and various EU policy instruments. The Commission has recognised the role of the public by stating that ‘the implementation of the [recovery and resilience plans] will only be successful with strong regional and local ownership, as well as support from social partners and civil society’.¹⁹

Citizens and organised civil society experts are key to ensuring that spending addresses local and national priorities effectively, that the outcomes are aligned with and reflect the funds’ intended goals, and that cases of non-compliance and misuse of public spending are reported and addressed. In accordance with the ‘leave no one behind’ principle mentioned above, this must also offer a platform for typically underrepresented and marginalised groups, such as ethnic and racial minorities, people with disabilities, and those living in deprived areas or with low incomes.

This should be particularly true for the RRF, which requires an extraordinary amount of funding to be implemented and disbursed in a very short period. For

¹⁶ European Commission, [Recovery plan for Europe](#), *European Commission*, accessed 15 May 2023.

¹⁷ Statista Research Department, [NextGenerationEU: RRF grants and loans given to member states as a percentage of GDP](#), *Statista*, 2023.

¹⁸ Cohesiondata, [% of cohesion policy funding in public investment per Member State](#), *European Commission*, accessed 15 May 2023.

¹⁹ European Semester Group, [Involvement of Organised Civil Society in the National Recovery and Resilience Plans – How can we improve it?](#), *European Economic and Social Committee*, 2022.

such an initiative to succeed, public participation in the RRF is crucial and highly recommended by the European Commission's regulation. Crises should not be used as an excuse to bypass public participation. Instead, responses to these crises that include the needs and values of the public can offer long-term solutions.²⁰

Several concerns have been raised over the lack of involvement of citizens during the drafting and implementation of the recovery plans. For example, in its scrutiny resolution on the recovery plans, the European Parliament expressed concern that many 'Member States had involved regional and local authorities either not at all or inadequately in the drafting process of the national recovery plans, even though they are important actors in the implementation of the plans'.²¹ It was also noted that 'further availability of information to the public would foster transparency and accountability, thus reinforcing public ownership of implementation'.²² Civil society raised concerns to the European Commission on several occasions about poor transparency and public participation during the recovery planning process and asked for corrective action during the implementation phase.²³

In March 2021, executive vice president Valdis Dombrovskis said the implementation of the recovery plans would only be successful with strong regional and local ownership and must be done with support from social partners and civil society.²⁴

In 2022, the ombudsman opened an initiative into transparency and accountability in the implementation of the RRF, requesting a response from the Commission concerning the transparency and accountability mechanisms governing the use of the RRF.²⁵

REPowerEU: one step forward or two steps back?

Fresh opportunities for financing urgent investments away from fossil fuels have been made available via the REPowerEU initiative. This encourages Member States

²⁰ The RRF regulation itself further states: 'For the preparation and, where available, for the implementation of the recovery and resilience plan, a summary of the consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and how the input of the stakeholders is reflected in the recovery and resilience plan'. This was complimented by the official guidance note, which asks Member States to 'describe any consultation and contribution of social partners, civil society and other relevant stakeholders, in the drafting and implementation of the recovery and resilience plan'.

²¹ European Parliament, [Report on the implementation of the Recovery and Resilience Facility](#), *European Parliament*, 6 June 2022.

²² Ibid.

²³ CEE Bankwatch Network and EuroNatur, [Behind the green recovery](#), *CEE Bankwatch Network*, June 2022.

²⁴ European Committee of Regions, [Dombrovskis joins local authorities' call on national governments to better involve regions and cities in preparation of national recovery plans](#), *European Committee of Regions*, 2021.

²⁵ European Ombudsman, [The transparency and accountability of the Recovery and Resilience Facility](#), *European Ombudsman*, 24 February 2022.

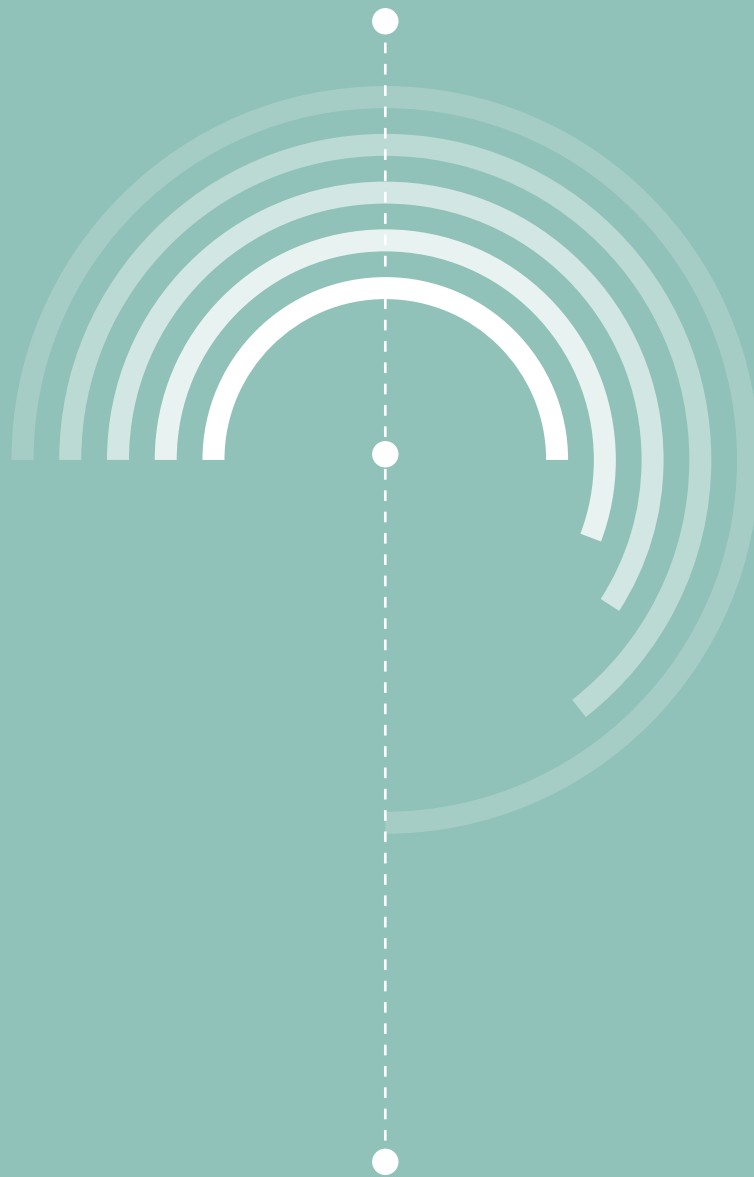
to request EUR 225 billion in loans and provides an additional EUR 20 billion in grants to introduce new reforms and investments aimed at moving away from Russian fossil fuels towards diversifying and reducing energy supply through renewable energy and energy efficiency. As part of this, Member States were encouraged to submit new REPowerEU chapters outlining which measures they would finance to meet these objectives, if possible, within two months of entry into force of the regulation. It provided a new opportunity to learn from previous shortcomings and make improvements to the original process, particularly in regard to ensuring greater engagement and ownership by the public.²⁶ Unfortunately, minimal improvements have been made with regards to updating provisions on public consultation for developing new REPowerEU chapters. As was the case with the original recovery plan process, the rules only require Member States to demonstrate how they consulted with stakeholders, rather than outlining clear requirements on what steps to take to engage with them in a meaningful manner.

The modified plans still need to contribute to the broad RRF goals of ‘green transition’, ‘digital transformation’ and ‘smart, sustainable and inclusive growth’, as well as dedicate a 37 per cent share of funds to climate action. They must also address the objectives set out in the REPowerEU plan and the recent Green Deal Industrial Plan for the Net-Zero Age, which aims to improve the competitiveness of clean technology industries.

However, Member States are now allowed to earmark funding for infrastructure development that improves the security of supply needs, which may mean financing fossil fuels, particularly gas. This is possible due to a divergence from the principle of ‘do no significant harm’, an environmental safeguard incorporated within the RRF to ensure that no investments harm the climate or the environment.

²⁶ European Commission, [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions](#), *EUR-Lex*, 18 May 2022.

What are people's views on the EU's recovery?



The survey on citizens' awareness of the EU recovery funds was launched in March 2023 to uncover people's understanding and perceptions of the RRF and their involvement in the process.²⁷ The results of the survey reveal that, overall, there is knowledge about the existence of the recovery fund (125 people out of a total 178 respondents replied positively) and of recovery plans for each Member State (121 affirmative responses). Nevertheless, the survey also shows that this knowledge remains rather superficial; when asked what respondents know about the recovery, several people replied that they simply know that this plan exists but do not know anything about the content of the plan.

This observation is confirmed by the number of people who described the involvement of European citizens in the design and implementation of the recovery as 'very poor' (80 people out of 178), while only two people said that the involvement was excellent. The only respondents who played a role in the design and implementation of the recovery plans were those who worked for civil society organisations.

When asked about how citizens' participation could be improved, respondents suggested:

- Using social media, television, radio and podcasts as tools for raising public awareness. The media should play a more important role in informing citizens about how they can contribute to the process. These results are confirmed by the Eurobarometer²⁸ survey published in January 2023: 'The primary source of information [about NextGenerationEU] is television, over one in three respondents have become aware of NextGenerationEU through the press. Approximately three in ten have learned about NextGenerationEU through social media and about one in five via the radio (21 per cent). About one in ten became aware of NextGenerationEU through friends, family and colleagues (11 per cent).'
- Setting up citizens' assemblies at various levels (local and regional) or organising seminars and meetings in cities, so that citizens can meet and discuss their needs in person.
- Establishing mandatory conditions for public participation and strengthening such requirements for EU Member States.

²⁷ The survey was open for four weeks and collected a total of 178 responses from 24 countries, 21 of which are EU Member States. To reach a wide and diverse number of responses, the survey was shared on social media channels and distributed directly via email within the networks of organisations across Europe. The respondents to the survey declared that they work in a variety of fields: of the 178 people who replied to the survey, 82 work for non-governmental organisations (20 of whom work for environmental organisations), while the remaining majority of 96 respondents work in other fields.

²⁸ European Commission, [Eurobarometer: EU Recovery Plan 'NextGenerationEU'](#), January 2023

Has the EU's recovery package led to a truly green and transformative change?



An analysis of the RRF

Citizens' involvement is key to delivering a truly green, just and transformative European recovery. The next section shows this through a series of thematic examples highlighting how excluding citizens from being part of the recovery leads to the financing of harmful investments that are not aligned with citizens' own needs, nor the EU's green objectives. It presents several examples of transformative investments that were achieved by involving and engaging with citizens, resulting in investments that directly benefit them.

The public must be able to help guide and influence the spending of public recovery money. The public are the intended recipients of this fund, and their input should therefore form the basis of these reforms and investments.

Governance framework

A strong governance framework is crucial for leveraging the enormous potential of financial resources available and properly delivering a transformative recovery. This means a framework that drives highly ambitious and transformative investments, such as reforms for energy communities or nature restoration and conservation programmes, while at the same time avoiding investments that are either harmful or lead to harmful trade-offs, such as poorly planned deployment of renewable energy that damages biodiversity. These programmes must also be evenly and fairly distributed amongst all members of society. All of this can and must be done while allowing the public to be included as key actors in the process to ensure an effective and streamlined implementation.

The RRF represents an entirely new design for managing and disbursing EU funds and investments. Rather than the typical shared management system, whereby the European Commission reviews Member States' expenditures, the RRF is a performance-based tool that relies on the Member State to fulfil certain agreed-upon milestones and targets in order for the next payment to be disbursed. The justification for this is the need for Member States to quickly and efficiently absorb these funds to facilitate a swift recovery, as this theoretically avoids time-consuming bureaucracy and administrative burden. However, this new design offers far fewer opportunities for public participation and consultation, as outlined in more detail below.

A number of shortcomings have been identified with the way in which this instrument has been designed and functions. These have negatively impacted not just the kind of investments being financed, but also the process in which these investments are decided upon and implemented. For example, the Court of Auditors raised concerns over the risks for the successful implementation of the RRF, noting that ‘the assessment of monitoring and control arrangements proposed by Member States was to some extent based on the description of systems which were yet to be set up’.²⁹

Transparency and public participation in the RRF’s implementation

The shortcomings of transparency and public participation in the planning of the RRF could have been tackled with a stronger focus on these issues during the implementation phase. Our analysis highlights that there are not just major gaps in these areas, but also active efforts to limit public participation.

Despite the availability of documents online designed to provide transparent information to the public about the recovery funds, such as the individual recovery plans and payment requests, these do not provide systematic, detailed and harmonised information on the actual implementation of specific measures (what project is funded, following what process, the project developers / final beneficiaries, specific budget, location, purpose, etc.). This is a problem in most Member States, which do not provide information that is ‘clear, complete, timely, reliable and relevant’ and ‘available in an open and non-proprietary machine-readable format, easy to find, understand, use and reuse’ as the OECD guidelines on open governance suggest.³⁰

The disclosure of project-related information is crucial as, at the time the plans were assessed and approved, little clarity was provided on what specific projects would be financed and where. For example, a highly environmentally damaging project to finance ski resorts in Spain was, at the time of assessment, approved on the basis that it was to promote ‘sustainable tourism’ in the region.³¹ However,

²⁹ European Court of Auditors, [Special report. Design of the Commission’s control system for the RRF. Assurance and accountability gap remains at EU level in the new delivery model, despite extensive work being planned](#), *European Court of Auditors*, 2023.

³⁰ OECD, [The OECD Recommendation of the Council on Open Government](#), *OECD*, 2017.

³¹ European Parliament, [Use of Next Generation EU funds in highly sensitive mountain areas in the Aragonese Pyrenees](#), *European Parliament*, 20 May 2022.

only now in 2023 have the full details and environmental impact become known, after the financing for them has already been disbursed. This shows that under such a funding structure, it is impossible for the Commission to accurately assess the true impact of projects that will be financed before they approve them.

The level of public scrutiny is worse for the recovery plans than it is for cohesion policy funds because of other problematic elements in the RRF regulation, namely the failure to include a provision for mandatory monitoring committees. These are spaces that give partners, such as business representatives, local authorities and civil society organisations, access to information and allow them to analyse the measures and projects proposed for receiving EU public support. These provide important opportunities and spaces for citizens and stakeholders to question and scrutinise certain projects and measures, as well as to positively influence them by issuing recommendations and voting on calls for proposal, to ensure the alignment of EU funding with climate and environmental objectives, and to ensure that local spending needs are met.

No assessment of the cumulative environmental impacts of measures was carried out for recovery plans in most countries. However, according to the Strategic Environmental Assessment (SEA) Directive, such assessments – including obligatory public participation – must be carried out for plans and programmes that may have a significant environmental impact, which was the case for the recovery plans.

Several countries made legislative changes to accelerate the implementation of their projects in view of the 2026 timeline. For example, the simplification of the EIA procedure impacted citizens' and civil society organisations' right to participate in decision-making in the EUR 2 billion Genoa breakwater case, as the new procedure included a shorter period for stakeholders to provide comments on the EIA.

Transparency is therefore an essential condition for the success of Europe's recovery as it ensures proper scrutiny, monitoring and alignment with the original objectives, as well as the ability for citizens to determine the success of public money for delivering public wellbeing.

Mixed progress towards achieving long-term resilience and transformation

Overall, the RRF has made positive progress with regard to the financing of innovative reforms and investments specifically in the climate and energy sector.³² The RRF allowed key reforms such as new commitments from Member States to phase out coal (for example, the Romanian recovery plan is the country's only official document that sets a concrete coal phase-out date); the introduction of legal frameworks and support for energy communities (as is the case in the Czech Republic); or the financing of important measures to renovate houses, decarbonise heating systems and deploy decarbonised transport solutions.³³ In this sense, the RRF is helping to accelerate much-needed investments and implement the European Green Deal's objectives, although these are still not enough to deliver on these various objectives.³⁴

According to the European Commission,³⁵ at least 37 per cent of each plan assessed and approved is dedicated to climate action. However, there is scepticism about how this is accounted for and whether it has actually been achieved. Independent methodologies such as the Green Recovery Tracker have found a much lower percentage than 37 per cent dedicated to climate action in many countries' plans.³⁶ For example, the Czech Republic reached just 25 per cent according to this methodology, in contrast to 42 per cent as assessed by the Commission. The Commission's climate counting methodology has been criticised for being overly simplistic and not accurately reflecting the true contribution of investments to climate-positive causes.

Furthermore, priority for recipients of the funds has been given to investments that can most easily be counted under the 37 per cent climate action target, rather than focusing on the actual quality or transformative potential of these investments. Some funds have therefore been channelled into large-scale infrastructure projects just to meet the green spending requirement, with limited attention paid to their true transformative impact. Some of these investments were planned before

³² CEE Bankwatch Network and Climate Action Network Europe, [Reaching for a green recovery: what holds back progress in ten EU recovery and resilience plans](#), CEE Bankwatch Network, 3 February 2022.

³³ Ibid.

³⁴ Ibid.

³⁵ European Parliament and the Council of the European Union, [Regulation establishing the Recovery and Resilience Facility](#), Article 18 §4e, *EUR-Lex*, 12 February 2021.

³⁶ E3G, [Is the EU Recovery and Resilience Facility enabling a green recovery?](#), E3G, 2021.

the COVID-19 pandemic and lack sufficient ambition to deliver and drive the transformation needed.

In several Member States, EU recovery funds have gone disproportionately to large corporations instead of small and medium-sized companies or the public sector.³⁷ Such corporations often have privileged access to information and public officials, meaning they can exert undue influence on decision-making. In Spain, one of the main beneficiaries of NextGenerationEU, more than half of the grants and a third of the total recovery funding went to public-private partnerships led by big corporations. Moreover, the management of the funds has been partially outsourced to the ‘big four’ private consultancy companies (Deloitte, PricewaterhouseCoopers, KPMG and Ernst & Young). These consultancies have also proposed projects run by their own corporate clients. In Greece, it has been reported that EUR 622 million worth of loans had been given to just 13 large companies and a consultancy firm.³⁸

The regulation also provided an opportunity, albeit limited, to finance fossil-fuel-related investments. This resulted in several Member States using the RRF to support fossil-gas-related investments, such as fossil gas boilers as part of broader measures for building renovation and heating. The RRF regulation and its technical guidance only allows these investments to be financed in exceptional cases (such as when fossil gas boilers would have significant greenhouse gas and health benefits). Some Member States have indeed used this exemption to finance investments in fossil gas, which may contribute to an extensive lock-in of gas infrastructure across the continent, in conflict with energy and climate objectives. For example, EUR 67 million has been earmarked for gas boilers in the Czech Republic.³⁹

The urgent and critical need to finance biodiversity through the recovery funds has been almost entirely overlooked. This is partly due to the RRF having no requirement for Member States to allocate measures for biodiversity restoration or protection, resulting in less than 1 per cent of recovery spending going to this field.⁴⁰

In some cases there are also conflicts between measures aimed at fighting climate change and measures supporting biodiversity conservation, with the perceived view that governments need to choose between the two fields, instead of incorporating biodiversity conservation into climate-related measures and projects.

³⁷ ODG, [Guide to NextGenerationEU: doing more harm than good](#), ODG, 2021.

³⁸ Sarantis Michalopoulos, [‘More than €600 million Recovery loans in the hands of few Greek businesses’](#), *Euractiv*, 2 May 2023.

³⁹ CEE Bankwatch Network, [The role of gas in the recovery and resilience plans](#), *CEE Bankwatch Network*, 2021.

⁴⁰ Vivid Economics, [Fund nature, fund the future](#), *Vivid Economics*, 2021.

Such an issue was meant to be addressed through the introduction of the ‘do no significant harm’ principle, which aimed to take a holistic approach to ensuring that a positive investment in one sector, such as energy or climate, did not adversely impact another, such as biodiversity.

While in principle this was a positive step for improving the sustainability of investments, the tool has fallen short on its potential and has not successfully prevented harm to the environment.⁴¹

A key reason identified by civil society organisations for this has been the tick-box approach of the European Commission’s assessment form, a lack of expertise by the national public authorities when conducting these assessments and the lack of publicly available information during the process.⁴² Again, these assessments could be significantly more effective if a broader range of stakeholders, be they environmental organisations or concerned citizens, were involved in this process. Not only is this early and effective public participation in environmental decision-making a requirement under the Aarhus Convention, but it would ensure greater acceptance of projects that directly affect the public.⁴³

Lack of attention to social inclusion and fundamental rights

The RRF has several social components among its objectives: social and territorial cohesion (pillar 4); health, and economic, social and institutional resilience (pillar 5); and policies for the next generation, children and youth (pillar 6).⁴⁴ Yet the EU lacks a strong strategy or criteria for how to achieve these social objectives. The European Trade Union Institute for Research’s analysis of the socio-ecological dimension of the RRF concluded that it is imbalanced in the sense that measures providing citizens and workers with buffers against the possible negative consequences of the green transition are underdeveloped, while the role to be played by social dialogue in the framework of the transition is not always evident in the measures proposed.⁴⁵

⁴¹ CEE Bankwatch Network et al., [Applying the ‘do no significant harm’ principle in practice. Examples of reforms and investments under national recovery plans that will cause harm to the environment](#), CEE Bankwatch Network, 2022.

⁴² Ibid.

⁴³ Green 10 and EuroNatur, [EU funds should never harm nature, climate or the environment: Statement of the Green 10 on the ‘do no significant harm’ principle](#), Green 10, November 2021.

⁴⁴ European Parliament and the Council of the European Union, [Regulation establishing the Recovery and Resilience Facility](#), EUR-Lex, 12 February 2021.

⁴⁵ ETUI, [Social policy in the European Union: state of play 2022 Policymaking in a permacrisis](#), ETUI, 2022.

Projects related to green transition and digital transformation were emphasised by Member States and the Commission without consideration of the social and demographic trends affecting Member States. Thus, productive sectors for the economy – such as the energy sector, the microelectronics sector, the automotive sector and the shipbuilding industry – were prioritised ahead of food, health, education or care, whose importance was underlined during the pandemic.

Furthermore, despite the desire to boost small and medium-sized enterprises, the bureaucracy involved in accessing the funds and the short deadlines for applying to calls for projects⁴⁶ have meant that the money has ended up going to the largest companies⁴⁷ with the most resources and best-developed infrastructure.⁴⁸ This has left small and medium-sized enterprises, as well as community and social and solidarity economy projects, behind. Business lobbies⁴⁹ and big consulting companies have influenced the process of deploying the funds.⁵⁰

In Spain, some ministries – including the Ministry for the Ecological Transition – opted for the privatisation of the funds’ management through large private consultancies such as Deloitte, PricewaterhouseCoopers, KPMG and Ernst & Young.^{51,52,53} Moreover, the government has not developed the appropriate mechanisms to channel this participation, since, in general, civil society, the private sector, the public administrations of the autonomous communities, and local entities have not been called upon to participate in the design of the plan, and marginalised groups have been involved even less.⁵⁴

Those few projects related to social welfare tend to focus on the digitisation of services without addressing structural issues to improve their quality as well as the conditions of workers in the sector. For example, Spain’s Strategic Projects for Economic Recovery and Transformation (PERTE) focus almost exclusively on

⁴⁶ Celia Moro, ‘[Las dificultades de los autónomos y las PYMEs para acceder a las ayudas Next Generation](#)’, *El Economista*, 3 February 2022.

⁴⁷ Expansión, ‘[Iberdrola capta 130 millones de los fondos Next Generation para proyectos de transición energética](#)’, *Expansión*, 30 April 2023.

⁴⁸ Daniel Yebra, ‘[El interés de las empresas por los fondos europeos cae por la lentitud de las convocatorias y la incertidumbre](#)’, *El Diario*, 14 June 2022.

⁴⁹ Junta de accionistas, ‘[Repsol quiere fondos de la UE para biocombustibles, hidrógeno verde y energía hidroeléctrica](#)’, *Público*, 26 March 2021.

⁵⁰ CEOE, ‘[CEOE aborda con la Comisión Europea las claves de la política energética actual y de la ejecución de los fondos Next Generation EU](#)’, *CEOE*, 7 October 2022.

⁵¹ Dani Domínguez, ‘[Deloitte: trabajo a dos bandas para el reparto de los fondos europeos](#)’, *Lamarea*, 4 February 2021.

⁵² Juan Cruz Peña, ‘[Cepsa ficha a Deloitte para captar fondos europeos para la recuperación poscovid](#)’, *El Confidencial*, 1 February 2021.

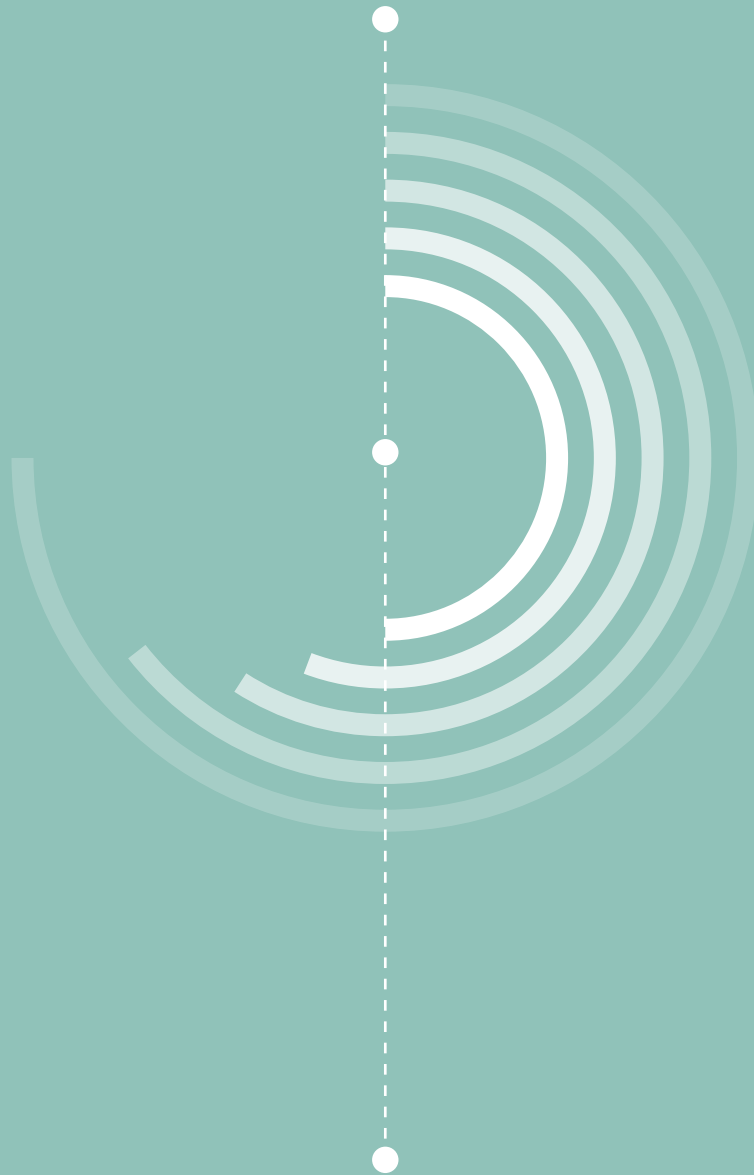
⁵³ Nuria Blázquez, Erika González, Nicola Scherer, [Guide to NextGenerationEU: doing more harm than good](#), *Ecologistas en Acción, Observatori del Deute en la Globalització and Observatorio de Multinationales en América Latina*, March 2021.

⁵⁴ Beatriz Martisi, [Los 5 riesgos y retos de la gestión de los fondos europeos](#), *Revista haz fundación*, 31 March 2021.

digitisation: the ‘cutting-edge healthcare plan’ focuses on promoting digital and (bio)technological solutions, the agri-food PERTE aims to promote the integrated development of the entire agri-food chain through the digitisation of processes, and the ‘digitalisation of the water cycle’ aims to transform and modernise water management systems.⁵⁵ They offer no other vision for how to improve public services or reduce inequalities.

⁵⁵ Blanca Bayas Fernandez et al., [How public investment undermines ecofeminist transition Analysis of five strategic projects for economic recovery and transformation \(PERTEs\)](#), *Colectiva XXK, Observatori del Deute en la Globalització, OMAL and Enginyeria Sense Fronteres*, 9, November 2022.

Country-level analysis



Bulgaria



Status of implementation of the recovery plan

On 15 October 2021, after a significant political delay, Bulgaria's caretaker government submitted its recovery and resilience plan to the European Commission. On 7 April 2022, after a series of negotiations, the sixth version of Bulgaria's plan submitted by the newly elected government was endorsed.⁵⁶ After the publication of each version, civil society was able to submit their opinions, comments and recommendations via an online portal for public consultations: www.strategy.bg.⁵⁷ However, it is only possible to know if a recommendation has been taken into account upon seeing the next version – no report on public input was made available. Nearly 60 per cent of the recovery plan's projects support the country's green transition. The financial resources under the plan, EUR 5.69 billion,⁵⁸ are linked to specific milestones and performance targets.⁵⁹

However, in January 2023, the Bulgarian parliament obliged the Council of Ministers to renegotiate the energy component of the recovery plan. The main change required is the continued operation of coal-fired power plants until at least 2038. The amendments include renegotiating the targets for reducing carbon emissions from coal-fired electricity generation by 40 per cent by the end of 2025.⁶⁰ The renegotiation initiative lacks adequate proposals and interim targets for how the deadline for the closure of coal-fired power plants will be met.⁶¹ Currently, there is no clear information regarding the legislative proposals and reforms related to the renegotiation of the recovery plan.

Bulgaria already lost nearly EUR 100 million in just transition funding for 2022 due to not formally submitting a Territorial Just Transition Plan for coal-dependent regions.⁶² Each delay increases the risk that the country will lose money allocated

⁵⁶ European Parliament, [Briefing: Next Generation EU delivery - how are the Member States doing? Bulgaria's National and Resilience Plan](#), *European Parliament*, January 2023.

⁵⁷ Council of Ministers of the Republic of Bulgaria, [Портал за обществени консултации, Национални, Междусекторни покитики](#), *Portal for Public Consultations*, accessed 17 May 2023.

⁵⁸ European Parliament, [Briefing: Next Generation EU delivery - how are the Member States doing? Bulgaria's National and Resilience Plan](#), 1.

⁵⁹ Council of Ministers of the Republic of Bulgaria, [National Recovery and Resilience Plan of the Republic of Bulgaria](#), *Council of Ministers of the Republic of Bulgaria*, 13, accessed 17 May 2023.

⁶⁰ Bulgarian News Agency, ['Parliament Mandates Government to Renegotiate Energy Chapter in Bulgaria's Recovery Plan to Save Coal Plants'](#), *Bulgarian News Agency*, 12 January 2023.

⁶¹ EA 'Za Zemiata' – Friends of the Earth Bulgaria, [Популизмът на парламента ще излезе скъпо и солено](#), *EA 'Za Zemiata' – Friends of the Earth Bulgaria*, 17 January 2023.

⁶² CEE Bankwatch Network, [What is the current state of play of the just transition processes in Bulgaria?](#), *CEE Bankwatch Network*, 2, 30 January 2023.

to energy transformation, re-skilling, compensation of energy sector workers and land rehabilitation.

Level of transparency and inclusiveness

Updated information regarding open procedures, completed and closed procedures, procedures for public consultation and the archiving of public consultations related to Bulgaria's recovery plan can be found on the website of the information system for the management and monitoring of EU funds in Bulgaria 2020.⁶³

However, there is currently no monitoring committee for the recovery plan in Bulgaria, despite a number of requests and letters from civil society organisations over the past two years.⁶⁴ There is no official justification as to why a monitoring committee has not been established. Potential reasons include the political instability of the country or deliberate efforts to block progress in this field.

Process of drafting the REPowerEU chapter

Bulgaria will receive over EUR 480 million from the REPowerEU plan for new energy infrastructure. In the words of Bulgaria's minister of economy and industry, Nikola Stoyanov, the plan provides an additional opportunity for Bulgaria's industry to decarbonise, reduce energy costs and expand its share in the economy. Stoyanov said the plan would help small and medium-size enterprises, which suffer most from high energy prices.⁶⁵

The proposed projects under REPowerEU include: the reconstruction and doubling of power lines to integrate more renewable energy generation into the national electricity grid; new 'future-ready' gas infrastructure at the Chiren underground gas storage facility to connect its increased capacity to the national gas grid; increasing the technical capacity for gas transmission from Greece to Bulgaria and from Bulgaria to North Macedonia; the modernisation and digitisation of the gas transmission monitoring system and; investments in public buildings to reach net-zero emissions.⁶⁶

⁶³ Information System for Management and Monitoring of EU Funds in Bulgaria 2020, [National Recovery and Resilience Plan](#), *Information System for Management and Monitoring of EU Funds in Bulgaria 2020*, accessed 17 May 2023.

⁶⁴ Move.bg, '[Experts Call for Establishment of Monitoring Committee for National Recovery and Resilience Plan in Bulgaria](#)', *Move.bg*, 12 January 2022.

⁶⁵ Republic of Bulgaria, Ministry of Economy and Industry, [Bulgaria will Receive Over EUR 480 million from the 'REPowerEU' plan for new energy infrastructure](#), *Republic of Bulgaria, Ministry of Economy and Industry*, 27 February 2023.

⁶⁶ National Assembly of the Republic of Bulgaria, [Относно реформи и инвестиции по линия REPOWEREU](#), *National Assembly of the Republic of Bulgaria*, 18 May 2023.

There has not yet been any consultation with the public or civil society organisations. There is no information on who, if anyone, has been consulted on the new investments and reforms to be added in the chapters.

Case study: public participation and alignment with the European Green Deal

Falling short on tackling energy poverty

The Bulgarian recovery plan includes a measure concerning the financing programme for individual renewable energy measures in single-family buildings and multi-family buildings. The objective of the investment is to increase the use of renewable energy in final energy consumption in the household sector by providing financing under:

- Component 1: purchasing solar installations for domestic hot water;
- Component 2: purchasing photovoltaic systems of up to 10 kilowatts peak (kWp), including electrical energy storage systems (if technically feasible).

The investment aims to help at least 10,000 households that currently use inefficient solid fuel heat sources to install the best equipment for solar domestic hot water and photovoltaic systems up to 10 kWp, including electrical energy storage systems (if technically feasible).

The total planned funding is BGN 240 million (approximately EUR 122 million), with BGN 140 million to be provided by the RRF and BGN 100 million to come from national and private co-financing. The implementation period is from 2022 to 2025.

An investment of BGN 80 million (approximately EUR 41 million) has been planned for the first tranche of the investment, with the remaining financial resources to be allocated by the end of 2023. However, the renegotiation of the recovery plan might cause a delay. The aim of the reform under which this investment falls is to: ‘respond to [the] Commission’s recommendation to regulate the “energy poverty” phenomenon and use the definition for priority treatment of households falling within the definition when energy efficiency measures and projects are implemented’.⁶⁷

⁶⁷ Council of Ministers of the Republic of Bulgaria, [National Recovery and Resilience Plan of the Republic of Bulgaria](#), 97.

The reform is a step in the right direction for promoting forms of renewable energy with low environmental impacts. In principle, solar domestic hot water and photovoltaic power are welcome forms of renewable energy and should be prioritised, particularly when deployed in areas of low environmental impact, such as rooftops.

However, this investment is problematic from the point of view of tackling energy poverty, as each final recipient must initially pay for the installation of this renewable energy technology with their own money, then wait for reimbursement.

Reimbursements for the initial payments of up to EUR 975 for a solar hot water system or EUR 7 680 for a photovoltaic electricity system will be granted to the applicants from the administering authority. For solar hot water, the reimbursement covers 100 per cent of the cost, but for photovoltaic systems this is only 70 per cent, meaning end users still have to cover 30 per cent of the cost. The entire electricity generation system for a single household can cost more than EUR 10 700, which has to be paid by the applicant with no guarantee that the project will be approved and the corresponding percentage of the total cost reimbursed.

This automatically excludes energy-poor households from the procedure, as they cannot invest this much money. Thus, the measure is only appropriate



Photo: **Georgi Krastev**

for middle- and high-income segments of society. People on targeted heating allowances – over 300,000 households across Bulgaria, those most in need of support to replace their heating systems – will not have the financial means to apply for this measure. The owner is required to insure the assets against theft, natural disasters and other relevant risks and to provide adequate resources for the maintenance of the installation for a minimum of five years after completion of the project, which is also impossible for energy-poor households. Additionally, if the aim of the investment was to tackle energy poverty, then a bigger share of the investment could have been dedicated to solar domestic hot water systems as they are cheaper and more households would have been supported.

Another problem with accessibility is the lack of an information campaign. The application process is entirely digital, creating an extra barrier of entry for those most in need, like seniors, minority groups or people with a low level of technological literacy.

One of the prerequisites for applying is having a polluting heating system, thus suggesting that this programme would tackle the issue. However, this programme will not actually replace the polluting heating systems, as photovoltaic and solar domestic hot water systems cannot meet the heating needs of households during the winter. There is still no clarity on what happens to the polluting heating system in these circumstances. If it is compulsory to dispose of the old heater, households will be forced to spend large amounts of money on new heating appliances.

Furthermore, the current application process does not require applicants to submit heating invoices (which would help track the impact of the project once new systems are put in place), even though the programme is defined as a heating measure. Moreover, the programme is not valid for new buildings, as electricity bills for the past six months need to be provided as part of the application.

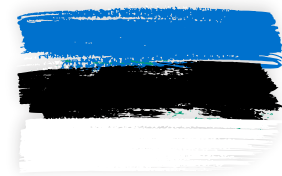
The programme does not promote energy diversification and the use of renewable sources to the full potential, as it does not provide options for prosumerism, does not support energy communities and does not allow households to sell excess energy. It also does nothing to ensure that households from different regions of the country or those living in different types of buildings must be included.

The call for financing is open from 9 May 2023 until 10 November 2023,⁶⁸ but a big share of the population is not aware of its existence.

⁶⁸ Information system for management and monitoring of EU funds in Bulgaria 2020, [Support for renewable energy for households - Call 1](#).

In order to better involve citizens and ensure greater alignment with the European Green Deal's objectives, there are several areas that can still be improved. These include removing the prerequisite for prepaying the costs of installing renewable energy systems, prioritising energy-poor households and conducting an informational campaign to ensure that those most in need are actually aware of the opportunity.

Estonia



Status of implementation of the recovery plan

Estonia's recovery and resilience plan⁶⁹ was endorsed by the European Commission on 5 October 2021 and adopted by the Council of the European Union on 29 October 2021. According to the original calculations, the amount of RRF support Estonia received was supposed to be EUR 1.1 billion, but due to unexpected GDP growth in 2020-21, this amount decreased to EUR 863.3 million.⁷⁰ A key focus of the plan is on the green and digital transitions, with measures to improve energy efficiency and develop renewable energy.⁷¹ Although there is no comprehensive, harmonised platform for an overview of all the project's beneficiaries, environmental organisations are manually monitoring the calls for proposals and the beneficiaries. This means checking every RRF measure on separate implementing authorities' websites.

Level of transparency and inclusiveness

The Ministry of Finance assembled a monitoring committee for the MFF 2021 to 2027 that was initially also supposed to monitor the RRF in parallel. However, as the work of the monitoring committee started in 2022, it has become clear that the committee receives no updates about the progress of the recovery plan despite the ministries' previous statements. Thus, the implementation of the amended plan is not monitored by a dedicated committee, and this has made it difficult for civil society organisations to track the progress of the REPowerEU chapter. This is particularly regrettable since the Estonian Green Movement (EGM) has previously presented Estonia's joint monitoring committee as a good example, as it would make the monitoring across funds more efficient and coherent. The ministry should now bridge this gap and put their initial plan into practice by keeping the already functioning monitoring committee up-to-date with the RRF developments – this would ensure a more inclusive and efficient monitoring process of different funding streams.

⁶⁹ Ministry of Finance of Estonia, [Taaste- ja vastupidavuskava](#), *The State Shared Service Centre*, 5 October 2021.

⁷⁰ The State Shared Service Centre, [Recovery and Resilience Facility](#), *The State Shared Service Centre*, 28 November 2022.

⁷¹ European Commission, [Estonia's recovery and resilience plan](#), *European Commission*, accessed 28 April 2023.

Process of drafting the REPowerEU chapter

Estonia submitted a request to the Commission on 9 March 2023 to modify its recovery plan, along with the addition of the REPowerEU chapter, making Estonia the first country to include this chapter in its recovery and resilience plan.⁷² Since the modified plan is still a working document according to the Ministry of Finance, it has not been made available for the public. Only accepted amendments to the plan have been available in a table format since late December 2022.⁷³ The amendments include five new investments, the removal of four (non-energy related) investments and financial adjustments to 13 planned measures. The latest amendment allocates more financial support to reconstructing individual houses (EUR 20 million, financed from RRF adjustments) and grid improvements (EUR 18 million, REPowerEU), adds new biogas production investments (EUR 20.2 million, REPowerEU), introduces a reform to accelerate wind energy deployment (EUR 31.8 million, REPowerEU), air surveillance radar (EUR 66 million, RRF), sets aside funding to build Viljandi hospital (EUR 72 million, RRF) and Rail Baltica viaducts (EUR 31 million, RRF), and supports the installation of more competitive heating sources for enterprises, including district heating (fossil fuels are not eligible) (EUR 20 million, RRF). In May, the Ministry of Finance issued a press release about the European Commission's approval of Estonia's modified recovery and resilience plan including the REPowerEU chapter. This was accompanied by a new table providing an overview of the amendments, including a new investment for the development of offshore wind farms (EUR 66.8 million, RRF), which the public had not seen before.⁷⁴

Although environmental organisations sent their recommendations for the REPowerEU chapter even before they were informed about the government's REPowerEU plans, they received no feedback. The ministries informed – but did not consult – environmental organisations about REPowerEU plans before the final approval of the plan during an info seminar, centring their proposals around the REPowerEU analysis conducted by independent consultancy firm Trinomics. Among the stakeholders that were consulted are ministries (Finance, Environment, Economic Affairs and Communication, Rural Affairs); industry and renewable energy associations; energy, heating and transport companies; and some universities – but no civil society organisations.⁷⁵ However, to truly benefit a wider representation

⁷² European Commission, [NextGenerationEU: Estonia submits request to modify recovery and resilience plan and add a REPowerEU chapter](#), *European Commission*, 10 March 2023.

⁷³ Estonian Government, [VV.15.12.2022 protokollilise otsuse lisa_REPowerEU toetuse kasutamise ja taastekava muutmise ettepaneku kinnitamine.docx | 27.76 KB | docx](#), *The State Shared Service Centre*, 15 December 2022.

⁷⁴ Ministry of Finance, [Taastekava muudatused said Euroopa Komisjoni heakskiidu](#), *Ministry of Finance*, 12 May 2023.

⁷⁵ Siim Meeliste et al., *Support to REPowerEU: Draft Country Report Estonia*, *Trinomics*, 82-85, 9 December 2022.

of the society, such organisations, especially those working in the environmental field, should equally be included in consultations that determine how public money is spent.

Several emails were sent to the relevant ministry between November 2022 and January 2023 requesting information on the expected REPowerEU timeline and the process for public consultation. The ministry explained in January that the lack of transparency was a result of unclear instructions from the European Commission, which were not clear enough to allow public consultations to proceed.

Case study: public participation and alignment with the European Green Deal

Revision of permitting procedure for renewables

In Estonia, no wind farms with more than three turbines have been built in the past 10 years. This is because previous governments did not have the political will to make decisions that would have allowed such construction, and the permitting procedures took a very long time.⁷⁶ The European Green Deal's goals and the energy crisis exacerbated by Russia's war in Ukraine have finally forced decision makers to speed up the permitting process for wind farms.



Photo: **Margaret Mäsas**

⁷⁶ Toomas Pott, [Tuuleparkide arendajad: Eestis on menetlusprotsess liiga pikk](#), ERR, 20 January 2022.

Estonia's REPowerEU chapter includes a reform for accelerating the permitting of renewable energy (EUR 31.8 million), which consists of a revision of laws to shorten the three most time-consuming procedures: spatial planning, permit procedures and EIAs. The reform is particularly relevant considering Estonia's updated renewable electricity target of 100 percent by 2030.⁷⁷ An audit of the current situation was made public on 30 September 2022 and on 30 January 2023, feedback from stakeholders with responses from the government office was made public. In addition, on 2 March 2023, a document called 'The fundamentals of the draft law on accelerating the deployment of renewable energy' was published for public consultation. This document describes the main decisions made when drafting the law.⁷⁸

The document describes various changes planned in the scope of the law on renewables, as well as other initiatives. These include making it possible to skip certain stages of spatial planning, shortening the EIA process by not holding a separate consultation period for institutions and potential steps to speed up the work of the administrative courts. The possibility of making it easier to build wind farms in forested areas is mentioned, but is not explored in detail.

Although the transition to renewable energy is necessary, it must not further exacerbate the biodiversity crisis. Until now, the government has prioritised climate goals over the protection of biodiversity. For example, the Estonian Fund for Nature received the following response from the government office to its feedback on the renewable energy acceleration audit: 'Not all wind turbines can be placed outside of forest land. At this point, choices have to be made, and the achievement of climate goals is essential for the protection of biodiversity.'⁷⁹ But environmental organisations want to see the biodiversity and climate crises being tackled jointly.

There are already problems with infringement and improper transposition of EU legislation in Estonia,⁸⁰ adding further concerns about implementing new reforms that seek to loosen environmental legislation. This is particularly worrisome, considering that the land use, land use change and forestry sector has been releasing carbon instead of absorbing it since 2020 due to intensified logging.⁸¹

⁷⁷ Silver Sillak, '[100 per cent renewable electricity is a realistic and necessary target for Estonia and Europe](#)', *CEE Bankwatch Network*, 19 October 2022.

⁷⁸ Republic of Estonia Government Office, '[Submission of the fundamentals of the draft law on accelerating the deployment of renewable energy to public consultation](#)', *Eelnõude infosüsteem*, 2 March 2023.

⁷⁹ Republic of Estonia Government, '[LISA 10 Tagasiside auditle](#)', *Republic of Estonia Government*, 2, 30 January 2023.

⁸⁰ European Commission, '[Environmental impact assessment: Commission calls on ESTONIA to improve its national rules on environmental impact assessment of projects](#)', *European Commission*, 19 April 2023.

⁸¹ Estonian Fund for Nature, '[Background paper: logging and carbon storage in Estonia and what can be done](#)', *Estonian Fund for Nature*, 4, 3 May 2022.

Although the Estonian Environment Agency mapped potential go-to areas for deploying renewables in 2022, these go-to areas have not yet been selected and it will take until spring 2024 for additional go-to areas to be mapped. Based on the areas the Estonian Environment Agency has mapped so far, 341 square kilometres (km²) is adjacent to the Natura 2000 network⁸² and half of the land deemed suitable for wind farms is in forest areas.⁸³ Therefore, the reform foresees deforestation of the areas suitable for wind farms while attempting to offset this damage through a deforestation fee (EUR 7 000) and by simply planting more trees somewhere else.⁸⁴

Environmental organisations see this as a threat to biodiversity, considering that an existing forest ecosystem cannot be replaced or replicated by planting trees somewhere else. In addition, since wind farms have been built primarily on open landscapes so far, the impact of wind farms on forest landscapes and the wildlife that live there has been studied significantly less.⁸⁵ As such, environmental organisations recommended in their feedback to the reform's audit to avoid forested areas, or at least consider expanding protected forest areas to compensate for the amount of deforestation. The governance office disagreed, since protected forests are exempt from deforestation under the reform and only the area of productive forests decreases with deforestation. However, this is not sufficient considering that there is already a significant amount of clearcutting for other economic purposes, and this would only deepen the fragmentation of habitats.

In addition, the audit proposed to change the rules for defining renewable energy projects as being of overriding public interest for the purposes of appropriate assessments under the Habitats Directive. Currently, Estonia's legislation closely follows the wording of the directive, but the audit proposed allowing a committee to choose projects of national interest that would then be considered to be of overriding public interest.⁸⁶ It is not clear how this would comply with the directive's requirements in practice, as such a decision must be reached via an appropriate case-by-case assessment, including public consultation. Environmental organisations have emphasised in their feedback that they are strongly against this, as planning wind farms in areas of the Natura 2000 network will very likely have a negative impact on the area, and since alternative locations exist, there is most likely no

⁸² Republic of Estonia Government Office, [LISA 9 Felisarendusaladega seotud uuringute eelarve kalkulatsioon ja tegevusplaan](#), *Republic of Estonia Government*, 2, 30 September 2022.

⁸³ Republic of Estonia Government Office, [LISA 8 Raadamise kompenseerimise kontseptsioon](#), *Republic of Estonia Government*, 30 September 2022.

⁸⁴ Ibid.

⁸⁵ Environmental Board, [Maismaa tuuleparkide1 mõjust elustikule ja Keskkonnaameti soovitud nende planeerimise kohta kohaliku omavalitsuse üldplaneeringutes](#), *Environmental Board*, 10 November 2021.

⁸⁶ Republic of Estonia Government Office, [Taastuvenergia arendamise kiirendamise audit](#), *Republic of Estonia Government*, 20, 30 January 2023.

justification for declaring such projects to be of overriding public interest. Despite this, the new government in Estonia has stated in its coalition agreement⁸⁷ that renewable energy will be treated as an overriding public interest.

In the context of the accelerated deployment of renewable energy solutions to make up for the inactivity of the past decades, it is critical to also amplify efforts to protect biodiversity. Clarity and transparency are necessary to address the country's real energy needs and protect forested land, and for that aim the principles of biodiversity conservation must be respected at all stages of the reform (e.g. mapping the go-to areas, implementing the deforestation fee, etc.). Additionally, the country needs to scale up its efforts to drastically improve energy efficiency and energy savings, accelerate the electrification wave and support decentralised community energy production to minimise the risk of having to choose between wind energy and forest ecosystems.

⁸⁷ The Estonian Reform Party, Estonia 200, The Social Democrats Party, [Eesti Reformierakonna, Erakond Eesti 200 ja Sotsiaaldemokraatliku Erakonna valitsusliidu programm aastateks 2023-2027](#), *Estonian Public Broadcasting*, 13, 8 April 2023.

Hungary



Status of implementation of the recovery plan

On 30 November 2022, after almost two years of negotiations, the European Commission approved Hungary's recovery and resilience plan (which is to be covered from RRF grants), but the Commission has tied the payment of EUR 5.8 billion in RRF funding to Hungary's fulfilment of 27 'super milestones'.^{88, 89}

At the same time, EUR 7.5 billion from cohesion policy funds have also been frozen. Once the government addresses the Commission's concerns regarding judicial independence, the rule of law and corruption, the funds are to be unblocked.

In 2023, the Hungarian government created the legislation⁹⁰ required to be able to officially request RRF loans. At the end of April, the relevant responsible ministry publicly reacted⁹¹ that the REPowerEU chapter's plan – handled as one pack with the project list plan from the RRF loan – is currently still 'under preparation and in negotiations with the European Commission' and will be duly published for public consultation.

Level of transparency and inclusiveness

In May 2021, citizens and civil society organisations were presented with a mostly advanced document. Minor suggestions were adopted during the few weeks of public consultation in 2021, but there was no room for fundamental or conceptual improvements 'because of time constraints'. The government made the bare minimum effort to involve the public in the consultation process. This consisted of publishing a short concept in 2020 and notifying civil society organisations that it had been advertised on Google, then publishing the almost complete document only two weeks before the deadline. At the end of 2022, a moderately altered recovery plan was adopted by the Commission, without further public consultation. This level of transparency is not proportionate even in the slightest degree to the amount of money and complexity involved in the projects. The recovery plan is hugely complex and the average citizen needs guidance to be able to provide quality input.

⁸⁸ European Commission, '[Commission finds that Hungary has not progressed enough in its reforms and must meet essential milestones for its Recovery and Resilience funds](#)', *European Commission*, 30 November 2022.

⁸⁹ European Parliament Think Tank, '[Rule of law-related 'super milestones' in the recovery and resilience plans of Hungary and Poland](#)', *European Parliament*, 24 January 2023.

⁹⁰ [Hungarian Official Gazette No. 2023/12](#), *Hungarian Official Gazette*, 24 January 2023.

⁹¹ [Még csak egyeztetet a kormány Brüsszellel, hogy mire költené az energiaátmenetre szánt pénzeket](#), *HVG*, 28 April 2023.

Hungary's recovery plan and calls for proposals are available online at www.palyazat.gov.hu. This is not a particularly suitable way to actively promote the involvement of average citizens or aid public consultation. New content is not promoted; one needs to check the website manually every day to find out about any updates. Commenting on the financial facilities and projects requires a complex, prolonged and individually approved registration process. The information uploaded is up-to-date, but deadlines for commenting are often extremely short. General comments submitted officially through the website, including those for calls for proposals, are answered in a meaningful way but usually not endorsed.

Hungarian environmental civil society organisations have criticised⁹² (in a joint open letter and publicly) the RRF monitoring committee, which has been in operation since 2021, for not incorporating nature conservation organisations and failing to invite delegates from the joint platform of green organisations,⁹³ which is customary for other monitoring committees.

In January 2023, the process of establishing a new monitoring committee with more civil society members started, with an open call (modified in March)⁹⁴ for applications for 10 to 15 delegates (covering 13 areas: social policy, education, the labour market, health, the environment, combating climate change, energy, sustainable development, sustainable transport, fundamental rights, the promotion of equal treatment and non-discrimination, transparency, and preventing and combating corruption). Friends of the Earth Hungary (MTVSZ) and Clean Air Action Group (Levegő Munkacsoport) – among others – had been granted membership in the RRF monitoring committee on 22 May 2023. The new monitoring committee might be set up and start working sometime in June, but as of the end of May there was no news about it. Any organisation that meets the requirements was allowed to apply, but they could not apply as a joint platform. This open call marks a positive step towards transparency. Still, considering the planned deadline for finalising the REPowerEU chapter (early summer), the seriousness of these public consultations is questionable.

A draft RRF loan and REPowerEU chapter plans should be made available for public consultation by the relevant ministry soon. However, there are doubts about the new monitoring committee's early consultation role and whether public consultation (via <https://www.palyazat.gov.hu>, in writing) can still influence the

⁹² Joint open letter of environmental organisations, [A zöld civil szervezetek helyet kérnek a helyreállítási alap monitorozásában](#), MTVSZ, 12 December 2021.

⁹³ Hungarian Green NGO Cooperation, [Zöld civil szervezetek](#), *Hungarian Green NGO Cooperation*, accessed 15 May 2023.

⁹⁴ Prime Minister's Office, [Official webpage of EU funds and EU funds projects to Hungary](#), *Prime Minister's Office*, accessed 15 May 2023.

advanced draft, which should be submitted to and approved by the European Commission as soon as possible, possibly in early summer.

Process of drafting the REPowerEU chapter

Hungary is entitled to EUR 700 million from the REPowerEU facility. According to the compromise between the Council of the European Union and the European Parliament, some landlocked Member States without immediate viable alternatives to Russian supplies will be able to finance oil industry investments from REPowerEU sources. Hungary is one of these countries.^{95, 96}

There have been no draft chapters published nor consultations conducted yet on how Hungary plans to spend the REPowerEU (or the RRF loan) resources, and the coordinating ministry (the prime minister's office) has barely communicated anything about it officially or publicly thus far. Civil society organisations can and did send position papers and recommendations to the coordinating ministry and other involved ministries. These 'cold letters' have been partly answered, but concerns have so far not been adequately addressed. Half a year after MTVSZ sent a request for information letter to the prime minister's office, MTVSZ was able to secure a meeting with the coordinating ministry (mid-March 2023). But such meetings seem to be box-ticking exercises for the administration: there is no feedback yet on whether MTVSZ's concerns and recommendations have been / are being addressed properly and when they will be addressed – if at all.

In March 2023, Hungary's Ministry of Energy announced its plan to build three new closed-cycle gas turbines (total capacity of 1,650 megawatts (MW), requiring approximately 1.5 billion cubic metres of fossil import gas per year) and started public procurement for this project.⁹⁷ The Hungarian government will likely try to get these turbines at least partly financed from an RRF loan (REPowerEU) if possible. The government argues that gas power plants are needed to balance weather-dependent renewable energy fluctuations, but admits that these plants are also needed for 'industrial redevelopment'. Indeed, the draft national energy and climate plan (NECP) review envisages a 40 to 50 per cent increase in domestic electricity use – partly due to electrification and partly due to new industrial developments – by 2030. MTVSZ and other organisations argue that these turbines

⁹⁵ European Commission, Press corner, [Questions and Answers on the REPowerEU Communication](#), *European Commission*, 18 May 2022.

⁹⁶ Brückner Gergely, 'Lantos Csaba és Navracsics Tibor soha nem látott, közel 6000 milliárd forintos energiatervet készít', *Telex*, 6 February 2023.

⁹⁷ Official webpage of the Public Procurement Authority of Hungary: [Procurement for the CCGTs with 1 turbine block](#), and [Procurement for the CCGTs with 2 turbine blocks](#).

would mainly serve unrealistic visions of industrialisation and further lock in dependency on imported gas. MTSZ advocates for allocating the majority of the RRF loan and REPowerEU to energy renovations for residential buildings and community renewable energy.

There is no official public information so far on who has been consulted on the REPowerEU chapter and RRF loan. In February 2023, some information was leaked to the Hungarian independent media on a 20-item energy infrastructure list (that might be at least partly financed from an RRF loan),⁹⁸ but the government has not confirmed this officially and this project list has likely changed significantly during the negotiations between Hungary and the Commission that have taken place since then.

Case study: public participation and alignment with the European Green Deal

Poorly planned water management practices

One of Hungary's planned investments is a water management project designed to fight desertification in the central part of the country. EUR 117.1 million has been allocated for this project, making up 77 per cent of the entire water management component of the recovery plan.⁹⁹ The call for proposals to undertake this project was published on 30 January 2023. This project is one phase of a series; the other phases are set to be financed by cohesion policy funds. The project consists of the renovation and construction of new infrastructure to regulate water flow (pumps, canals, pipes, sluices and reservoirs). This will allow more water to be pumped from the Danube and Tisza rivers into existing canals, while retaining some water in several shallow depressions.

Since its first draft (published in 2021), the project has improved, biodiversity aspects have been incorporated into the design¹⁰⁰ and references to agricultural irrigation as a goal have been deleted. Yet this investment is not the most efficient way to achieve the stated goals. When there is a drought at the landscape level, solutions must also be designed at the landscape level; otherwise, any course of action is like pouring water into a perforated vessel. The drought is so severe that

⁹⁸ Brückner Gergely, 'Lantos Csaba és Navracsics Tibor soha nem látott, közel 6000 milliárd forintos energiatervet készít', *Telex*, 6 February 2023.

⁹⁹ The official title of the investment is 'Construction works of main water supply systems, creation of new networks and systems: Improvement and restoration of the water-deficient ecological condition of the Duna-Tisza Sand Ridge (Homokhátság) – Phase 1'

¹⁰⁰ Canals and other infrastructure need to be developed in a way that allows and increases infiltration, and that allows the surrounding vegetation to access the water.

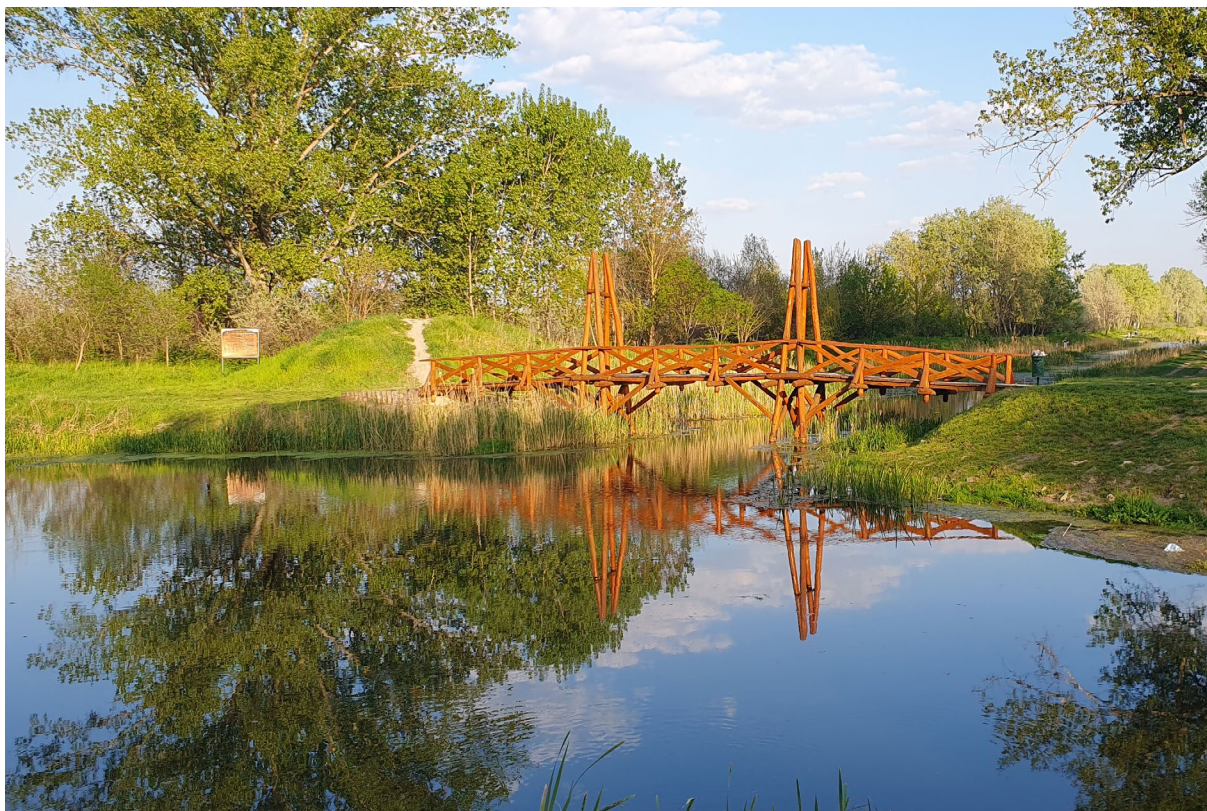


Photo: [Zsuzsanna Ujj](#)

increasing water supply to the region is an understandable move. But to actually solve the problem, we need to change land use by turning away from cash crops and supporting farmers in shifting to sustainable agricultural practices, like grazing.

These problems are too complex for one sector, one organisation or one financial facility to tackle. It would require the active and involved coordination of actors from all fields: agriculture, nature conservation, water management and government. But this endeavour has no steward. While the stakeholders are often able to work together locally,¹⁰¹ representatives from different sectors often see each other as adversaries.

The recovery plan envisions the establishment of a working group on tackling intersectoral issues, which is included in the ‘reforms’ chapter of the component. But it is still unclear whether and how biodiversity conservation will be represented.

¹⁰¹ There are many local examples where farmers, rangers and water workers work jointly and understand each others’ perspective.



Status of implementation of the recovery plan

Italia Domani is the institutional portal through which the state informs its citizens about the recovery and resilience plan. This portal reports the calls for proposals and public notices through which the relevant administrations select projects to be financed by the recovery plan and/or identify the beneficiaries or implementing entities. It has a specific section called ‘open data catalogue’ for collecting data and progress reports on the interventions and activities of the plan.¹⁰²

Two years since the start of the recovery plan and after countless calls for transparency, in March 2023 it finally became possible to access information regarding each individual funded project. This represents major progress for the transparency and accountability of such an important government project; it finally makes it possible to identify how resources are actually allocated and how many projects there are. Knowing which projects are financed and where, on which topics and with which objectives allows interested citizens and organisations to assess the usefulness and effectiveness of the implemented actions.

Italy is awaiting the outcome of its last funding request, which was sent to the European Commission on 30 December 2022, together with the documentation that should prove that it has met the 55 EU deadlines that were set for the second half of 2022. However, according to OpenPNRR's verification, 11 out of 51 deadlines (in the fourth quarter of 2022) have not yet been completed.¹⁰³ According to the 2023 national recovery plan half-year report by the Court of Auditors, published on 28 March, Italy has spent only 12 per cent of the total resources available between August 2021 and June 2026.¹⁰⁴

On 31 May 2023, the government announced the publication of its progress report for Italy's parliament on the implementation of the recovery plan, which was scheduled for December 2022.¹⁰⁵ This report should contain information on the progress made toward the plan's targets and milestones. However, thanks to the

¹⁰² Italia Domani, [National Recovery and Resilience Plan](#), *Italia Domani*, accessed 15 May 2023.

¹⁰³ Open PNRR portal, [Deadlines for the fourth trimester of 2022](#), *Open PNRR portal*, accessed 5 June 2023.

¹⁰⁴ Corte dei Conti, [Relazione sullo stato di attuazione del Piano Nazionale di Ripresa e Resilienza \(PNRR\)](#), 6-7, 28 March 2023.

¹⁰⁵ Presidenza del Consiglio dei Ministri, [PNRR, conferenza stampa del Ministro Fitto](#), *Presidenza del Consiglio dei Ministri*, 5 June 2023.

monitoring work of Fondazione Openpolis through the OpenPNRR civic portal, we can see that 7 out of 12 EU deadline for the first quarter of 2023 – the ones the European Commission relies on to assess Italy's performance and allow the disbursement of funds – have not been completed.¹⁰⁶

Level of transparency and inclusiveness

Italia Domani reports calls for proposals under the recovery plan, and the information published on the website is finally up to date. In fact, after numerous calls for transparency from Italian civil society organisations, on March 2023 the open data catalogue was updated with data sets related to 50,000 projects, the entities involved and the calls for tenders.

These data, although still only a fraction of the total 134,000 projects published as part of 'Universo ReGiS',¹⁰⁷ nevertheless represent an important shift from the past and a step forward in terms of transparency and accountability, as well as an opportunity for all those involved in the civic monitoring of the plan.

In October 2021, the Permanent Table for the Economic, Social and Territorial Partnership was set up, with advisory functions for all issues connected with the plan. The table – which also included representatives of the government, regional authorities and local authorities, as well as representatives of social partners, productive sectors and universities – included only two civil society networks, the NRRP Civic Observatory and the Third Sector Forum, out of a total of 34 members. The table is intended as a mechanism for consultation and involvement, but it lacked certain elements that would formally make it a monitoring committee (for example, there was no definition of its decision-making process, such as the timeframe for submitting proposals, transparency, voting, etc.).

Process of drafting the REPowerEU chapter

Prime Minister Giorgia Meloni has said¹⁰⁸ that 'the REPowerEU plan will allow Italy to make a strong contribution to the realisation of the Mattei plan',¹⁰⁹ which will diversify Italy's gas supplies, laying the groundwork for the total elimination of

¹⁰⁶ Open PNRR portal, [Deadlines for the first trimester of 2023](#), *Open PNRR portal*, accessed 5 June 2023.

¹⁰⁷ The [Universo ReGiS dataset](#) reports all the projects listed on the ReGiS platform on the date of extraction, regardless of the submission and the outcome of the periodic consolidation process of the information through automatic consistency checks and with the appropriate administrative checks carried out by the managing authorities.

¹⁰⁸ Rai News, '[Pnrr, Meloni: da repower Ue 'Piano Mattei'](#)', *Rai News*, 6 February 2023.

¹⁰⁹ The Mattei plan, named after the founder of Italian energy group Eni ([ENI.MI](#)), Enrico Mattei, aims to turn Italy into a major energy hub, distributing gas from North Africa and the Mediterranean to the rest of Europe. Reuters, '[Italy to announce Africa energy cooperation plan in October, says PM](#)', *Reuters*, 14 April 2023.

Russian gas and transforming Italy into a Mediterranean energy hub for Europe. This would also help build an energy-sharing relationship with African countries. Osservatorio Recovery Plan reports that the government is considering including the expansion of the Adriatic pipeline in the REPowerEU chapter,¹¹⁰ and the newspaper *La Stampa* recently reported on the potential inclusion of energy companies ENI and SNAM's carbon capture and storage project in Ravenna, which was already excluded from the list of recovery projects in 2021.¹¹¹ Among the other energy projects likely to be included are several more fossil fuel projects: two floating storage and regasification units with a capacity of 5 billion cubic metres in Piombino (Tuscany) and Ravenna (Emilia-Romagna), two similar units in Sardinia with a related gas transport network, and a hydrogen pipeline between Algeria and Italy.

Civil society organisations and citizens have been completely excluded from the process of drafting the new chapter, since no civil society organisation has been invited to join the meetings of the steering committee, a body that was previously assisted by the Permanent Table for the Economic, Social and Territorial Partnership (abolished by the Decree Law N. 13 of 24 February 2023). Lacking a formal space for consultation, Osservatorio Civico PNRR, which had been a former member of the table, presented its recommendations on the chapter to the competent ministries and the general audience.

On 6 February, Prime Minister Meloni, the relevant ministers and the energy companies (ENI, ENEL, SNAM and TERNA) met as part of the recovery plan steering committee to discuss how to integrate the new chapter on REPowerEU.¹¹² The minister for European affairs who is responsible for the recovery plan, Raffaele Fitto, had some meetings with regional and local authorities,¹¹³ businesses and trade unions,¹¹⁴ but there has been no transparency about the results. We fear that, given the centralising spirit of the new government, we will see the same opacity that characterised the drafting of the plan applied to this chapter as well, with the big oil and gas corporations dictating the line.¹¹⁵ Moreover, the agenda of the minister of environment and energy security has not been made public since May 2021, which means reduced transparency surrounding the government's activities and interactions in particular with big corporations.

¹¹⁰ Osservatorio Recovery Plan, [Dorsale Adriatica del gas tra i primi progetti del capitolo repower EU del PNRR](#), *Osservatorio Recovery Plan*, 27 February 2023.

¹¹¹ Dagospia, extract from the article of Paolo Baroni, 'La cassaforte REPowerEU', *La Stampa*, 21 April 2023.

¹¹² Adnkronos, [Pnrr, cabina di regia a Palazzo Chigi](#), *Adnkronos*, 7 February 2023.

¹¹³ Adnkronos, [Energia, cabina regia Pnrr: "Primo confronto con i territori, saranno centrali"](#), *Adnkronos*, 7 March 2023.

¹¹⁴ Presidenza del Consiglio dei Ministri, [NRRP steering committee meetings with businesses and trade unions held at Palazzo Chigi](#), Presidenza del Consiglio dei Ministri, 20 April 2023.

¹¹⁵ ReCommon, [Ripresa e Convivenza. L'attacco dell'industria fossile al Recovery Plan](#), *ReCommon*, 28 June 2021.

Case study: public participation and alignment with the European Green Deal

Construction of a new breakwater in the port of Genoa

The construction of a new breakwater in the port of Genoa, listed among the recovery and resilience plan's projects of particular complexity or major impact (Decree Law n. 77 of 31 May 2021), will allow mega tourist and cargo ships of 20,000 20-foot equivalent units and larger to dock, thereby adapting the specifications of the port of Genoa to the needs of major shipping companies. The breakwater construction is the single largest infrastructure project financed by the Italian government under the recovery plan to date, and its cost, initially estimated at EUR 1.3 billion (of which EUR 950 million is for the first phase) has now risen to over EUR 2 billion.

The first phase of the project will be financed with EUR 500 million through the recovery plan's Complementary Fund set up by the Italian government, EUR 100 million through the Port Infrastructure Fund, EUR 264 million via a loan from the EIB to the Western Ligurian Sea Port Authority and EUR 57 million from the Liguria region.

The project does not address any of the priorities of the recovery, whose aim is to improve the economic and social resilience of Member States and support the green and digital transition, paving the way for a climate-neutral economy that is fairer, more resilient and more sustainable for future generations.¹¹⁶

The impact of the breakwater on the city includes more traffic and pollution, as well as negative effects on the marine environment and climate. The project's environmental studies appear incomplete and fail to consider how the breakwater will affect and be affected by the Mediterranean Sea's currents. In the public debate on the new breakwater, it was pointed out that the impact of the construction of the breakwater and the related infrastructural works could have an impact on the entire ecosystem of the Mediterranean Sea. This has not been assessed in any of the EIA documents presented by the developer, Western Ligurian Sea Port Authority. The failure to consider the project's impact on the Mediterranean ecosystem is in violation of the EU EIA Directive's requirements to assess cumulative impacts, as well as the Espoo Convention, and risks generating significant damage to the marine ecosystem by affecting its ability to mitigate climate change.

¹¹⁶ European Commission (COM/2020/442 final), [The EU budget powering the recovery plan for Europe](#), *European Commission*, 27 May 2020.



Photo: **Daniela Sala**

It is necessary to consider the transnational impact of the intervention, as well as the dredging of the seabed and spillage of materials in the marine ecosystem of the Gulf of Liguria. This impact should be reported to the affected countries (France, the Principality of Monaco and Spain) as provided for by the Espoo Convention (point 9 – Commercial ports as well as inland waterways and river ports allowing the passage of ships over 1,350 tonnes).

Further concerns about the project include the harm caused to the marine species (dolphins, whales, seals and turtles) that are frequently present in the area affected by the breakwater, especially in the Pelagos Sanctuary, a protected area. In fact, these are feeding, breeding and resting areas for many species during seasonal migration, and the intentional deterioration or destruction of breeding sites or resting areas violates the Convention on the Conservation of European Wildlife and Natural Habitat (Art. 4.3; Art. 6).

Moreover, despite the cost to the public of EUR 1 to 1.3 billion, there is no guarantee of increased employment, which depends on future private investment, port automation, routes the port depends on, and where shipowners choose to berth their ships.

A project aimed at increasing the traffic of large ships will inevitably lead to a worsening of air quality and consequently to negative impacts on human health

and ecosystems, as highlighted by the report entitled ‘Transport and Environment Reporting Mechanism – TERM’ by the European Environment Agency (2017), which focused on the impact of international shipping on the emissions of air pollutants. The report shows that there are about 500,000 premature deaths attributable to air pollution every year in Europe, with about 80,000 of those in Italy alone. There is a particularly high incidence of premature deaths in port regions, where about 55 to 77 per cent of total air pollutant emissions come from ships.¹¹⁷

The project was fast-tracked under both an extraordinary programme of urgent investments in the area of Genoa as well as a new fast-track environmental impact assessment procedure adopted by the Italian government for projects under the recovery plan. The new procedure includes a shorter period for stakeholders to provide comments on the EIA assessment (from 60 to 30 days).¹¹⁸ According to the testimonies of environmental organisations and citizens, the duration of public consultation was insufficient. The informational documents on the project were provided to the public very late and, in some cases, not provided at all.

During the public debate, very technical issues were addressed, and very little space was given to the relationship between the port and the population, which is what the citizens were interested in. The discussion did not address the option of not building the new breakwater: the cost-benefit analysis stated that this would lead to a steady decline in trade out of the Mediterranean, and that trade would then be extinguished within a decade. The cost-benefit analysis was criticised for its extremely optimistic estimated growth rate for maritime traffic of a constant 4 per cent per year – far from the estimates produced by consulting firm McKinsey, which state that shipping volumes are set to increase by about 1.3 per cent on average per year until 2050.¹¹⁹

As reported by the newspaper *Il Fatto Quotidiano*,¹²⁰ the impact of the new breakwater on the port’s traffic will be less than a third of what was predicted in March 2022, when the cost-benefit analysis was filed as part of the environmental impact assessment procedure. The Genoa Port Authority has said itself, albeit indirectly, that the port’s traffic will be less than that stated in the EIA. As part of a tender for another port facility, the Port Authority presented a detailed analysis and forecast of maritime traffic contradicting the one presented for

¹¹⁷ European Environment Agency, [Aviation and shipping — impacts on Europe’s environment](#), European Environment Agency, 2017.

¹¹⁸ Decree Law n. 77 of 31 May 2021, Art. 19

¹¹⁹ Arjen Kersing and Matt Stone, [Charting global shipping’s path to zero carbon](#), McKinsey and Company, 25 February 2022.

¹²⁰ Andrea Moizo, [Bluff Diga di Genova: passerà solo il 30% delle navi previste](#), *Il Fatto Quotidiano*, 16 April 2023.

the breakwater,¹²¹ demolishing the claims the Authority had made to justify the breakwater construction project. A year ago, such a downsized maritime traffic projection would likely have led to a refusal to grant public funding and thus to the cancellation of the project.

It is unprecedented that a project of this scale has not been subject to rigorous environmental and social impact assessments, and that the concerns – repeatedly expressed by associations, experts and citizens – have not been considered or acknowledged by those responsible for the investment. This modus operandi might set a precedent that will cause harmful impact on the environment and wasteful use of public resources.

Better involvement of citizens needed

Widening the view, the lack of transparency and the exclusion of civil society from the recovery plan's governance further restricts the already limited democratic space for debate: the Italian parliament must be able to monitor the plan's implementation, and to do so, it is essential for the government to provide data on each individual project and to commit to the deadlines for publishing the six-month report on the plan's implementation, expected in December 2022.

Moreover, in order to ensure broad involvement of all stakeholders to better target reforms and investments that support climate objectives, it is necessary to set up a public consultation and monitoring mechanism, similar to the table but with an extended scope, bringing together the stakeholders involved in fund management – the government and its structures, local authorities, parliament, national institutes (of strategy, statistics, etc.), organisations representing business and civil society.

At the same time, citizens could fill the institutional gaps in terms of transparency by taking part in the civic monitoring promoted by civil society organisations: acquiring the skills to investigate what is happening locally, checking how transformative the projects proposed for their territories really are and proposing alternatives. This is the only way for the Italian plan to be truly oriented towards the well-being of citizens and the Green Deal objectives.

¹²¹ Genoa Port Authority, [Call for tenders for the railway shunting service in the port of Genoa](#), accessed 15 May 2023.



Status of implementation of the recovery plan

General information on the reforms and investments included in the recovery plan, spread across various files and tables, is available on a website managed by the Ministry of Finance: www.esfondi.lv.

This website provides a periodically updated table, which contains basic information on the agreements made on the projects financed by the RRF – the names of the specific projects under different investments, the beneficiaries of the projects and other information.¹²² However, not all project information is included. For example, as of 15 May 2023, the information on ‘1.3.1.2.i. Investments in flood risk reduction infrastructure’ is missing.

Another table on this website includes an indicative timeframe for project selection, information about the legislative acts containing the rules of implementation for the different investments, and other information.¹²³

The website also provides information on the amount of RRF money that will be spent each year¹²⁴ and how much remains to be spent. Although a significant amount of information about the implementation of Latvia’s recovery and resilience plan is publicly available, it is difficult to keep track of due to the way it is organised.

Level of transparency and inclusiveness

Unfortunately, a separate monitoring committee or sub-committee has not been created for the recovery plan. Nor has the EU funds monitoring committee reviewed the implementation of the plan, to the best of our knowledge. Instead, RRF investments are monitored by the Ministry of Finance. However, it is our recommendation that in the future the implementation of the recovery plan and calls for projects is reviewed and discussed in the EU funds monitoring committee to ensure transparency and public participation. Given the broad spectrum of investments proposed in the recovery plan and the current timeline for their

¹²² Ministry of Finance of the Republic of Latvia, [Latvia’s Recovery and Resilience Plan – Section ‘Implementation’](#), *Ministry of Finance of the Republic of Latvia*, accessed 15 May 2023.

¹²³ Ministry of Finance of the Republic of Latvia, [Latvia’s Recovery and Resilience plan – Section ‘Planned project selections’](#), *Ministry of Finance of the Republic of Latvia*, accessed 15 May 2023.

¹²⁴ Ministry of Finance of the Republic of Latvia, [Latvia’s Recovery and Resilience plan – Section ‘Amount of available finances’](#), *Ministry of Finance of the Republic of Latvia*, accessed 15 May 2023.

implementation, it would make most sense to discuss them within the existing thematic sub-committees rather than to create a new, separate sub-committee solely for the recovery plan.

Process of drafting the REPowerEU chapter

After this report text was finalised, on 19 May the REPowerEU chapter of Latvia's RRF plan was opened for public consultation. However, due to time constraints, it is not analysed in this chapter.

As of 15 May 2023 – two weeks after the indicative deadline for submitting REPowerEU chapters to the European Commission – only one investment area proposed under the chapter had been publicly disclosed, mentioned by the minister for climate and energy: investments in electricity grid modernisation in urban areas to promote electrification (the installation and use of heat pumps, electric vehicles), as well as the modernisation and increasing the capacity of transmission lines. No further details were made available at that point. Yet these investments are crucial for Latvia's decarbonisation and can only be viewed positively.

Environmental organisation Green Liberty proactively sent letters with recommendations on investments/measures that should be included in the chapter, as well as met with a representative from Ministry of Economics in July and August 2022. They also sent repeated letters asking for a consultation process for the chapter and reminding the ministry about the recommendations in February. At the end of April, the ministry announced that the public would be able to submit opinions on the proposed investments during the reconciliation/consultation process through the electronic portal of legislative acts.

Social partners (such as the Latvian Association of Municipalities, the Chamber of Trade and Commerce and the Confederation of Latvian Employers) have submitted their recommendations to the ministries; however, these recommendations have not been further explored, as the ministry claimed that due to limited funding from the REPowerEU they would not be able to add new investments.

Case study: public participation and alignment with the European Green Deal

Flood risk mitigation infrastructure

One potentially sensitive or problematic measure financed by the RRF via the original recovery plan and implemented by the state enterprise 'Zemkopības

Ministrijas nekustamie īpašumi (the Real Estate of Ministry of Agriculture; henceforth ZMNI), is the planned investment in flood risk mitigation infrastructure (1.3.1.2.i.). This investment includes renovation of regulated sections of potamal rivers, polder pump stations and the renovation of protective dams. The overall goal of this investment is to adapt to climate change by decreasing the possibility of flooding. According to Latvia's recovery and resilience plan,¹²⁵ this measure will cost EUR 32.967 million and, according to earlier versions of the plan, protect 59,000 hectares of land against flooding.

However, the indicator for the area protected from flooding was reduced later in the process, since eight projects were taken out of this investment due to price increase since the submission of the original plan, but also due to the objections raised by environmental organisations through the Environmental Consultancy Board¹²⁶ because of high risks to biodiversity in Natura 2000 areas. According to the draft national legislation document¹²⁷ governing this investment, which as of the beginning of May 2023 is currently making its way through the Latvia's Cabinet of Ministers, the refurbishment or restoration carried out in 21 infrastructure objects will diminish flood risks on 16,363 hectares of land by 2026. As indicated by the Ministry of Finance, the reduction of the amount of objects and the affected area still has to be approved by the European Commission. In the original list of 29 objects, which was attached to Latvia's recovery plan, these objects consisted of nine pumping stations, 15 protective dams and the renovation of the regulation of five potamal rivers. Unfortunately, there is no updated list provided on the specific infrastructure objects funded under the RRF (1.3.1.2.i. measure) on the ZMNI website or anywhere else in the public domain.

As of 15 May 2023, more precise information about the investments can only be found in the procurement documents that are publicly accessible through the national procurement system, in accordance with Latvia's law.¹²⁸ Currently there is no information on whether this reduction in the affected area will also result in a reduction of costs.

¹²⁵ Ministry of Finance of the Republic of Latvia, [Latvia's recovery and resilience plan, Annex 2: Costs and Funding](#), *Ministry of Finance of the Republic of Latvia*, accessed 15 April 2023.

¹²⁶ Environmental Consultancy Board, [A committee of elected NGOs operating as consultative structure regarding environmental issues in Latvia](#), *Ministry of Environment and Regional Development of Latvia*, accessed 15 April 2023.

¹²⁷ State Chancellery of Latvia, [National Legal act \(not approved yet\): Rules of Implementation of the 1.3.1.2.i. Investment: Flood risk mitigation infrastructure, including restoration and reconstruction of polder pumping stations, restoration of protective dams, restoration of regulated sections of potamal rivers](#), *State Chancellery of Latvia*, accessed 30 April 2023.

¹²⁸ Electronic procurement system of Latvia, [Public procurements published by 'Real Estate of Ministry of Agriculture'](#), *Electronic procurement system of Latvia*, accessed 15 May 2023.

So far, one object included in the recovery plan has been identified as particularly problematic and delicate – the renewal of the Bολουpe drainage channel of national importance.

The investment will be financed through the first component of the plan – Climate change and environmental sustainability, section 1.3 Reforms and investments in Adaptation to climate change. It is co-financed by the government of Latvia (to cover the VAT costs).

The aim of the investment is, in principle, understandable, since it is predicted that climate change will significantly increase flood risks in the future. Projections show that, under the worst climate change scenarios, the financial losses caused by floods in the European Union may increase by almost six times, and the number of people whose homes will be affected by floods could triple, reaching half a million people each year.^{129, 130}

The ‘do no significant harm’ assessment for this investment states that *‘these investments will not have a negative impact on biodiversity and ecosystems since green infrastructure solutions will be given priority. Alternatively, combined infrastructure will be created that is accompanied by elements of nature-based solutions. Thus, the investment will reduce the negative impact on biodiversity and potential negative impact will be assessed according to the legal requirements. All necessary negative impact reducing measures will be employed and reflected in every action’*.

Although it can be agreed that many of the objects to be renovated serve a significant or even critical role in flood risk mitigation, the procurement documents for the development of construction plans¹³¹ give the impression that the actions planned so far mainly focus on the renovation of the old drainage systems to more or less their original state with some additional artificial green infrastructure elements introduced. However, the promised ‘priority for green infrastructure solutions’ and emphasis on green infrastructure are absent. The fact that natural floodplains, wetland ecosystems, the natural meandering of rivers and other ecosystems accumulate excess water during flooding and also serve as nutrient sinks if allowed to function properly¹³² is largely ignored in the implementation of this investment,

¹²⁹ EU Joint Research Centre, [Facing increasing river flood risk in Europe: adaptation measures can save lives and billions of euro](#), *EU Science Hub*, 6 February 2023.

¹³⁰ European Climate and Health Observatory, [Flooding](#), *European Climate and Health Observatory*, accessed 15 May 2023.

¹³¹ Real Estate of Ministry of Agriculture, [Selected public procurement documents related to projects financed by RRF reviewed](#) (river Bολουpe and Meiranu canal, river Bārta, river Misa and others), *Electronic Procurement System*, accessed 15 of May 2023.

¹³² European Commission, [Management of Natura 2000 habitats Northern Boreal alluvial meadows 6450](#), *European Commission*, *European Commission*, accessed 15 May 2023.

as it was during the Soviet era and even earlier when the infrastructure objects and drainage systems currently subject to renovation were originally created, thus damaging many of the natural ecosystems.

Moreover, the Strategic Environmental Assessment (SEA) of Latvia's recovery and resilience plan does not even mention any potential risks to wetland or water habitats in or close to Natura 2000 sites from restoration of drainage systems in potamal rivers. No appropriate assessments for Natura 2000 sites were made within the SEA as required by Article 6.3 of the Habitats Directive. When the SEA was completed, there were still at least five projects included in Latvia's recovery plan that were adjacent to or within Natura 2000 areas which had potential impacts on protected wetland or water habitats. Some of these were later removed from the plan. However, according to the latest information, the current edition of the plan still includes at least one river with areas of wetland and riverine habitats and also an important Natura 2000 site nearby (see the case of Bolupe below).

The need to restore natural wetland and riverine ecosystems is supported in the EU Water Framework Directive¹³³ as well as the Strategy on adaptation to climate change,¹³⁴ which considers green infrastructure as 'multipurpose, "no regret" solutions that simultaneously provide environmental, social and economic benefits and help build climate resilience'. The Floods Directive¹³⁵ also emphasises that flood risk management plans should give rivers more space and consider where possible the maintenance and/or restoration of floodplains. A recent study from the EU Joint Research Centre published in the scientific journal *Nature*¹³⁶ concludes that reducing flood peaks using detention areas (i.e. alluvial meadows and forests, peatlands and other wetlands) is economically one of the most attractive options.

Moreover, many of Latvia's wetland and riverine ecosystems are EU protected habitats with an 'unfavourable' or 'bad' conservation status¹³⁷ (e.g. 6450 *Alluvial*

¹³³ European Parliament and the Council, [Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy](#), Article 1, *EUR-Lex*, 20 November 2014.

¹³⁴ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change](#), *EUR-Lex*, 24 February 2021.

¹³⁵ European Commission and the Parliament, [Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks \(Text with EEA relevance\)](#), Article 14, *EUR-Lex*, 23 October 2007.

¹³⁶ EU Joint Research Centre, [Facing increasing river flood risk in Europe: adaptation measures can save lives and billions of eur](#), *EU Science Hub*, 6 February 2023.

¹³⁷ Nature Conservation Agency, [State of EU protected habitats in Latvia, period 2013-2018, summary](#), *Nature Conservation Agency*, accessed 15 April 2023.

meadows or 3260 *Fast-flowing or natural river segments*). Meanwhile, the EU has laid out ambitious plans to restore these habitats as part of the EU Biodiversity Strategy for 2030 and to restore the natural flow and meanders of more than 25,000 kilometres of rivers. The flood mitigation actions foreseen in the recovery and resilience plan could have been a ‘win-win’ both for flood reduction management and the restoration of natural ecosystems, if the foreseen investments had been planned as truly transformative and in line with the Green Deal objectives.

This could still be achieved, if the existing systems of water drainage were systematically re-evaluated with the aim of adding and integrating the use of natural ecosystems and green infrastructure into the existing water management plans and infrastructure, such as the restoration of the flooding regime in the adjacent floodplains and other wetlands wherever possible or restoration of channelled river segments to their original state of meandering. Also, the creation of artificial green infrastructure, such as artificial wetlands, sedimentation pools, and other elements should be integrated systematically and purposefully, not added as a ‘cherry on top’ to give the impression of a green investment.

With regards to the current list of the infrastructure renovation projects planned within this investment, one of the projects is identified as having a particular risk of damaging natural values and not sufficiently using the opportunities to integrate natural ecosystems and green infrastructure: the renewal of the Bolupe drainage channel of national importance.

The case of the Bolupe river

The river Bolupe, situated in eastern Latvia, is 82 kilometres long. It flows into the river Vecpededze, which is in the territory of the nature reserve Lubana wetland complex – a Natura 2000 and Ramsar (Convention of Wetlands) site which is internationally recognised as very important for biodiversity, especially birds.¹³⁸ The length of the river’s section subject to the planned works is 27 kilometres long. The site is upstream from the nature reserve Lubana wetland complex, but borders it. The Bolupe river was regulated around 60 years ago and separate portions of it were made into straight channels for drainage.¹³⁹ No maintenance works have been done since then, and it has begun to regain its natural structure, elements (rocks, outcrops on the banks of river, river sandbars, etc.) and meandering (see image 1). There is even a 1.5-kilometre section of the habitat 3260 *Fast-flowing or natural*

¹³⁸ Ramsar Sites Information Service, [Lubana wetland complex](#), *Ramsar Sites information Service*, accessed 15 April 2023.

¹³⁹ U. Bergmanis, Habitat expert’s conclusions on the potential impact of the foreseen actions in Bolupe project in the section pickets 88/00-358/00 (title shortened) Received from Nature Conservation agency by e-mail, 12 December 2022.



River Bolupe was channeled more than 60 years ago, but now starts to regain its natural meanders.
Photo: **Uģis Bergmanis**

river segments. Suitable habitats and feeding sites have formed for various species of birds, amphibians, fish, invertebrates and mammals, including the common kingfisher, black stork and Eurasian otter (all protected or endangered). There are no major populated areas in the close vicinity of the river's segment that could be endangered by flooding, but there are some individual homesteads. The area around the river is mostly covered with forests, including some patches of the EU protected habitat 9080* *Deciduous swamp woods and other protected habitats*.¹⁴⁰ The forests border extensive agriculture lands that also include at least 45 hectares of 6450 *Alluvial grassland habitat* (river floodplains).¹⁴¹ This type of habitat needs a specific annual flooding regime to stay in a healthy ecological state. Only then can it be beneficial to birds and other species and provide various ecological services, including water retention during flooding and nutrient sink capacity.¹⁴²

No EIA or appropriate assessment has been carried out yet, but the developer commissioned a habitat study that concluded that the river is blocked by multiple piles of debris along the 27-kilometre section that need to be cleared in order to improve water flow and water quality, but that this should only be done selectively

¹⁴⁰ Ibid.

¹⁴¹ Approximated using [Nature data management system OZOLS](#), accessed 16 May 2023.

¹⁴² Mats O.G. Eriksson, [Management of Natura 2000 habitats: 6450 Northern Boreal alluvial meadows](#), European Commission, March 2008.

and cautiously. This should largely be the extent of the actions with regards to the clearing of the river bed.¹⁴³ This would be much less of an intervention compared to the originally planned actions,¹⁴⁴ such as:

- mechanical removal of trees, bushes and water plants of the river bed and banks
- massive clearing out of soil and biomass from the river bed
- levelling the dug-out biomass in the adjacent forests and grasslands

and others that would potentially damage the river's ecosystem and the adjacent habitats if done at the originally planned scale. Some introduction of environmentally friendly elements ('sedimentation pool, pile of rocks, etc.') is promised,¹⁴⁵ but the extent of these actions is currently unclear. According to national legislation, it is now up to ZMNI to create a preliminary project and submit it for a preliminary construction permit. It is up to the State Environmental Service to review the project and the expert's conclusions and to take a decision as to whether this project needs an EIA according to national legislation. According to the 'do no significant harm' assessment for this project, which was included in the changes to Latvia's recovery plan¹⁴⁶ that were opened for public consultation on 19 May 2023, the Bolupe project would receive an EIA 'to the extent foreseen by legislation'. Although it is not clear whether an appropriate assessment for the impact on the Natura 2000 site will be done, it is needed and compulsory for this project according to Article 6.3. of the EU Habitats Directive,¹⁴⁷ as it can have a direct, significant impact on biodiversity in Natura 2000 sites and EU protected habitats near and within the river itself. An environmental impact assessment should also be required according to Latvian law on environmental impact assessment¹⁴⁸ and the EIA Directive.¹⁴⁹ The EIA should also evaluate not only the potential impact of the actions on the Lubana wetland complex and EU protected habitats, but also

¹⁴³ U. Bergmanis, Habitat expert's conclusions on the potential impact of the foreseen actions in Bolupe project in the section pickets 88/00-358/00 (title shortened).

¹⁴⁴ ZMNI, [Agreement for the development of construction project and supervision of the restoration of Bolupe river and Meirānu canal, Annex 2: Design order](#), *Electronic Procurement system*, 10, 14 December 2022.

¹⁴⁵ *Ibid.*, 10.

¹⁴⁶ State Chancellery of Latvia, [National Legal act \(submitted for consultations\): On the addition to the Latvia' Recovery and Resilience Plan](#), *State Chancellery of Latvia*, accessed 18 May 2023.

¹⁴⁷ European Council, [Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora](#), article 6.3, *EUR-Lex*, accessed 15 May 2023.

¹⁴⁸ Parliament of the Republic of Latvia, [Law on Environmental impact assessment](#), Art. 4.2, *Parliament of the Republic of Latvia*, 10 October 1998.

¹⁴⁹ European Council, [Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment](#), *EUR-Lex*, 13 December 2011.

explore additional opportunities to use green infrastructure by modelling the restoration of the floodplains and natural meanders of the river Bolupe and the impact of these solutions on the hydrological regime of the river, biodiversity and management opportunities.

Public participation needed for all flood protection projects

So far, there is no information that any public consultations on individual projects have been or will be carried out for this investment. It will be required by law if any of the projects financed by this investment are subject to EIA procedures. Almost no detailed information is available in the public domain about the projects supported under the flood mitigation infrastructure investment, except information provided in the procurement system.

The ZMNI must inform the public and hold meaningful public consultations on specific individual projects to ensure civic participation and uphold the principles laid out in the Aarhus Convention – namely, the right for the public to access information and to participate in decisions made about environmental matters.

Poland



Status of implementation of the recovery plan

Poland's recovery and resilience plan was approved by the Council of the European Union in June 2022. It contains 49 reforms and 53 investments and is worth over EUR 35 billion, of which EUR 23.9 billion comes from grants and EUR 11.51 billion from loans. The climate contribution is expected to reach 42.6 per cent.

From the very beginning, the government has not been inclusive – it drafted the concepts, assumptions and early drafts behind closed doors, and civil society was excluded from the preparation process. Violations of the partnership principle in the preparation phase limited civil society's ability to improve the plan and influence its shape. The cooperation was forced by activists who wrote letters and articles and organised press briefings on the lack of participation.

It paid off. In February 2021, the Ministry of Development Funds and Regional Policy agreed to public hearings organised by the National Federation of Polish NGOs, Polish Green Network and other members of civil society. This consisted of five meetings, one for each component of the plan. We flagged many issues, including non-existent biodiversity measures, unclear 'do no significant harm' commitments, fossil gas investments and inadequate investments in energy communities.

However, it was hard to assess whether feedback received during the public consultation process was taken into account by the government in the finalisation of the plan and to react in a timely manner, as the updated version was only made public after its submission to the Commission in May 2021. Eventually, in July 2021, a series of 'reverse public hearings' was held. In this format, which was innovative by Poland's standards, the government provided responses to the public comments received during the consultation.

Moreover, undisclosed negotiations with the European Commission began in parallel. After over a year of negotiations, mainly due to rule of law concerns, Poland's recovery plan was endorsed by the Commission on 1 June 2022 and subsequently approved by the Council.¹⁵⁰ In mid-2022, the updated recovery plan was finally released to the public – the first time the public could see it after the

¹⁵⁰ Council of the European Union, [Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Poland](#), Council of the European Union, 2022/0181 (NLE), 14 June 2022.

submission of the previous version to the Commission 13 months earlier. Despite the formal approval, not a single euro of recovery funding has been disbursed to Poland, as the rule of law concerns (a milestone of the plan which Poland must achieve before the money can flow)¹⁵¹ remain unresolved and Poland cannot submit any payment requests.

However, the implementation of the recovery plan has formally begun after its approval in mid-2022. Reforms and investments listed in the grant part are ongoing, with bridge funding from the state-owned Polish Development Fund.¹⁵² However, this has moved slowly and many milestones have been delayed. As part of the revision of the recovery plan (connected with the REPowerEU plan), the government has proposed to postpone already delayed reforms.

Level of transparency and inclusiveness

Changes to the plan – mainly positive – are the result of negotiations between the Polish government and the Commission. The changes often address red flags and amendments submitted by non-governmental organisations during the public consultation process and taken onboard by the Commission’s negotiators. On the other hand, when the negotiations were taking place, non-governmental organisations were denied access multiple times to any newer version of the plan by both the Polish and EU sides. Transparency problems in the planning process raise concerns regarding insufficient public oversight when billions of euros are to be spent during the implementation phase.

With high inflation and a rapidly growing cost of living, Poles – according to opinion polls – blame the government for depriving the country of billions in recovery funding, which in their view is essential for overcoming economic issues. In an April 2023 poll by Ipsos, 54 per cent of respondents blamed the Polish authorities for making the funds unavailable, with 14 per cent blaming the European Commission and 17 per cent blaming the Polish opposition.¹⁵³ The share of Poles convinced that the government should reach a compromise with the Commission at any price to unlock the recovery funding reached 69.6 per cent (April 2023, IBRIS research centre).¹⁵⁴ The public discourse is focused on the recovery funds being blocked because of the rule of law concerns.

¹⁵¹ European Funds, [Krajowy Plan Odbudowy i Zwiększania Odporności \(KPO\)](#), milestone F5G, *European Funds*, June 2022.

¹⁵² PFR’s Settlement Services Department, ‘[Krajowy Plan Odbudowy \(KPO\) - najważniejsze informacje dla przedsiębiorcy](#)’, *Polish Development Fund*, accessed 18 May 2023.

¹⁵³ OKO.press, [Blokada KPO to wina rządu PiS – tak uważa większość Polaków. Prezydent niewinny \[SONDAŻ IPSOS\]](#), OKO.press, 6 April 2023.

¹⁵⁴ Rzeczpospolita, [Sondaż: Polacy chcą kompromisu ws. KPO i ustępstw w sporze z KE](#), *Rzeczpospolita*, 7 April 2023.

While the RRF Regulation (2021/241) does not require countries to set up a monitoring committee or similar supervisory body, Poland decided to do so. Following concerns from experts and the opposition that recovery funding may be used to strengthen support for the ruling party instead of being spent where it is most needed, and with the government facing a lack of support among its coalition parties in the parliamentary vote on the recovery instrument, the ruling majority agreed to create a monitoring committee with partners independent from the government in exchange for the opposition supporting the important vote.

The creation of the monitoring committee was included in the Polish recovery plan.¹⁵⁵ Although the committee was formally appointed by a ministerial bylaw on 4 August 2022 (two months past the milestone's deadline), controversies around the selection non-governmental representatives resulted in the appointment of committee members only in mid-December 2022. It was not until May 2023 that it held its first meeting.¹⁵⁶

The Ministry of Development Funds and Regional Policy planned to hold the first meeting about the submission of the first payment request. However, as the REPowerEU chapter and amendments to the plan needed to be checked by the monitoring committee (art. 14 lk p.11.7 of the Act on the Principles of Development Policy), the first meeting took place on 17 May 2023.

Unlike with the cohesion policy's monitoring committees, the monitoring committee for the recovery and resilience plan is an opinion-making body and does not approve project selection criteria. Nevertheless, its role is important in overseeing investments worth billions of euros and implemented on a very tight schedule.

Process of drafting the REPowerEU chapter

Weaning Poland off its dependence on Russia's energy resources following the Russian invasion of Ukraine in February 2022 has been challenging for the country. Before the war, Poland imported 46 per cent of its fossil fuels from abroad, of which 75 per cent of its coal, 55 per cent of its gas and 66 per cent of its oil came from Russia at a cost of more than EUR 200 billion over the past 20 years. Given the relatively small share of renewables in the energy mix (15.62 per cent of the

¹⁵⁵ European Funds, [Krajowy Plan Odbudowy i Zwiększania Odporności \(KPO\)](#), 483; and reform F3.1, milestone F5G, in component F: 'Improving the Quality of Institutions and the Conditions for the Implementation of the RRP'

¹⁵⁶ Ministry of Development Funds and Regional Policy, [Pierwsze posiedzenie Komitetu Monitorującego KPO: przyjęcie regulaminu, ocena realizacji KPO](#), *Website of the Republic of Poland GOV.PL*, accessed 19 May 2023.

final energy consumption in 2021), phasing out Russian fossil fuels means: (1) re-orientation and diversification of fossil fuel imports and (2) scaling up investments in renewables and energy-saving measures. In this respect, additional funding under the REPowerEU plan is essential for Poland.

Poland can request an additional EUR 2.76 billion in grants and EUR 22.7 billion in loans (the unused loan part of the recovery plan). However, due to satisfactory socioeconomic indicators, Poland's grant allocation under the recovery plan has been reduced in 2022 by EUR 1.32 billion, which means that only half of the new grant is actually 'fresh' money, while the second half can be used to make up for the reduced allocation (for investments in line with REPowerEU priorities).

For Poland, REPowerEU funding is important not only because it can boost the energy transformation, but also because it could actually be the first recovery money Poland will receive. Long negotiations and the late approval of Poland's plan resulted in Warsaw not receiving any pre-payments. Now, up to 20 per cent can be transferred to Poland as a pre-payment under the REPowerEU chapter.

Although the REPowerEU Regulation (2023/435)¹⁵⁷ entered into force at the end of February 2023, some EU Member States that anticipated the tight schedule started programming their REPowerEU chapters and amendments to their plans themselves well in advance. The Polish government's position on REPowerEU was discussed on 3 August 2022 at the Foreign Affairs Committee of the Senate (the upper chamber of the parliament). It welcomed the initiative, emphasising its importance for Poland's energy security, but raised concerns as to whether the deployment of the most-needed investments – energy storage, energy transmission networks and nuclear power (the latter is the government's view, not Polish Green Network's) – is feasible until mid-2026.¹⁵⁸

In June 2022, the Ministry of Climate and Environment consulted the Commission's communication (COM(2022) 230) on the REPowerEU plan.¹⁵⁹ In December 2022, the Ministry of Development Funds and Regional Policy replied to Polish Green Network's request to involve experts and monitoring committee members in the preparation of the REPowerEU chapter. The response said that respective ministries were mapping investment needs. In March 2023, Polish Green Network prepared

¹⁵⁷ European Commission, [Regulation \(EU\) 2023/435 of the European Parliament and of the Council of 27 February 2023](#), *EUR-Lex*, accessed 18 May 2023.

¹⁵⁸ Senate of the Republic of Poland, [Posiedzenie Komisji Spraw Zagranicznych i Unii Europejskiej \(nr 114\) w dniu 03-08-2022](#), *Senate of the Republic of Poland*, accessed 22 May 2023.

¹⁵⁹ Ministry of Climate and Environment, [Konsultacje komunikatu Plan REPowerEU](#), *Website of the Republic of Poland GOV. PL*, accessed 18 May 2023.

specific recommendations to this chapter and presented it to the Commission and the government of Poland. An expert roundtable including representatives of the ministries responsible for the recovery plan's implementation took place on 27 March 2023, following a request from Polish Green Network. Representatives of the Ministry of Climate and Environment informed Polish Green Network that approximately 80 per cent of the recommendations would be implemented.

Polish Green Network, in its recommendations submitted to the Ministry of Funds on 14 March 2023, recommended specific investments that would implement the REPowerEU plan's principles in Poland, and also called on the authorities to use the opportunity to amend the recovery and resilience plan to strengthen reforms aimed at streamlining the energy transformation.

The main recommendations were as follows:

- Reform: Legal framework for the modernisation of electricity distribution networks
 - Investment: Support investment in distribution networks aimed at increasing the absorption capacity of renewable energy.

- Reform: Full transposition of the RED II provisions concerning prosumers and energy communities into Polish law
 - Investment: Increase support for energy communities.

- Reform: Development of the biogas and biomethane market
 - Investment: Support sustainable biogas and biomethane infrastructure.

- Reform: Making building sector reforms and investments a separate chapter of the recovery and resilience plan. Amendments to the flagship Clean Air Programme to support the fight against energy poverty
 - Investment: Increase support for the replacement of heat sources in conjunction with energy efficiency improvements for single- and multi-family homes, excluding support for fossil gas-fired boilers, with priority given to energy-poor households.
 - Investment: Strengthening the network of energy advisors and linking it with social services.

- Reform: Incentives for zero-emission vehicles (cars and bikes)
 - Investment: Support the purchase of zero-emission public transport vehicles in rural municipalities.

- Reform: Institutional strengthening of the Energy Regulatory Office, Building Supervision Administration

On 18 April 2023, the ministry released a proposal for amendments to the recovery plan and a draft REPowerEU chapter.¹⁶⁰ Investments planned under the chapter are worth EUR 25.28 billion (EUR 2.76 billion in grants and EUR 22.52 billion in loans) and the government estimates that the climate contribution is 95.1 per cent.¹⁶¹

The government's plans in the grant part of the REPowerEU chapter do not raise concerns. Doubling the allocation for investments in energy communities (together with a new reform easing the bureaucratic burden on them) and electricity grids, changing the form of support for energy storage systems from loans to grants and strengthening the institutions responsible for providing permits for renewable energy projects is in line with experts' recommendations.

On the other hand, there were some controversial proposals in the loan part of the chapter. The government plans to invest EUR 1.15 billion in fossil gas infrastructure to increase import and transmission capacities. Also, as much as EUR 16.5 billion would be transferred to a newly created Energy Support Fund. The details of how this fund would work remain unspecified, although it is intended to support energy transformation investments. It is unclear whether the Commission will approve such a general measure and whether the fund's substantial allocation must be spent by mid-2026 or whether it can remain available after that time.

These plans were subject to public consultation in April and May 2023, as well as analysis by the monitoring committee. The proposal was not accompanied by a 'do no significant harm' assessment; this should be prepared later.¹⁶² The government planned to submit the final proposal to the Commission in early June 2023.

Polish authorities have not released any information about the involvement of business entities in the drafting of the REPowerEU chapter. However, energy companies are mostly state-owned and are likely to be consulted on a daily basis by respective energy-focused ministries. They are controlled by the Ministry of State Assets, which is a part of the drafting process.

¹⁶⁰ Ministry of Development Funds and Regional Policy, [Konsultacje rewizji Krajowego Planu Odbudowy](#), *EU Funds Portal*, accessed 18 May 2023.

¹⁶¹ Due to the reduction of Poland's grant allocation in 2022 by EUR 1.32, the government plans to move a number of investments from the original recovery plan to the REPowerEU chapter in order to maintain or even increase their budgets.

¹⁶² Ministry of Development Funds and Regional Policy, [Rozdział REPowerEU](#), *EU Funds Portal*, 42, accessed 18 May 2023.

Case study: public participation and alignment with the European Green Deal

Positive example: energy communities

One positive element of Poland's recovery plan with significant transformative potential is the investment *B2.2.2 RES installations by energy communities*, which has an allocation of EUR 97 million.¹⁶³ Energy communities are sometimes called the 'missing link' of Poland's energy transformation. Despite significant interest among citizens, the outdated legal framework, overwhelming bureaucratic burden and lack of funding schemes to support setting up energy communities has held back their adoption in Poland. Polish law only allows for their creation in and mixed, rural-urban areas, excluding urban municipalities from this possibility.

Energy experts and environmental movements promote energy communities for a number of reasons. First of all, these small energy systems can be to some extent self-sufficient, as – unlike individual prosumers – they can not only invest in photovoltaic equipment, but also energy storage and even biogas plants.



Photo: [Gelpi via Adobe Stock](#)

¹⁶³ If Poland's draft REPowerEU chapter is accepted, this investment will be moved to the REPowerEU component as investment G1.1.2 and topped up with an additional EUR 91.5 million (altogether EUR 188.5 million).

Second, they have a positive social impact by integrating local communities and potentially involving people living in energy poverty or struggling with other issues, helping them to move on.

Last but not least, they are an essential element of a decentralised energy system that is more resilient against climate and security crises. Therefore, including support for energy communities in the recovery plan is a step forward in terms of Poland's green transformation. Energy experts, including Polish Green Network, recommended increasing the recovery plan's allocation to support energy communities and energy system decentralisation.

The perceived drawback of the B2.2.2 investment and the projects it is currently supporting is that they favour energy clusters (businesses that produce energy that is not necessarily renewable) rather than civic energy communities (or, as they are called in Polish law, energy cooperatives). Even though they both contribute to the energy transformation, the latter does not have the business aspect and is more focused on socially benefitting the community.

The current legal status and practice of setting up communities is also problematic. Communities face many legal hurdles or are even refused connection to the energy grid (due to the low capacity of the distribution network). This is why we have only eight registered communities in Poland so far (an increase of 400 per cent compared to 2022), and only two are connected to the grid and actually produce electricity. Therefore, the recovery plan's investment in energy communities, despite its shortcomings, can contribute to the development of civic energy in Poland.

Problematic example: fossil gas infrastructure

Along with measures welcomed by experts and activists, such as investments in energy efficiency and renewables, the REPowerEU regulation (2023/435) allows for investments aimed at 'improving energy infrastructure and facilities to meet immediate security of supply needs for gas, including liquified natural gas, notably to enable diversification of supply in the interest of the Union as a whole' (Art. 21c p. 3a).¹⁶⁴ In theory, they should only allow the replacement of fossil gas from Russia with fossil gas from other countries in order to maintain energy security and supply stability. Although the regulation specifically mentions the 'immediate security of supply', which should be the only reason to invest in fossil fuels under the REPowerEU plan, according to available calculations, up to EUR 60 billion may

¹⁶⁴ European Parliament, [Regulation \(EU\) 2023/435 of the European Parliament and of the Council of 27 February 2023](#), *EUR-Lex*, accessed 18 May 2023.

be spent on fossil fuel projects.¹⁶⁵ Furthermore, among the investments proposed by Member States are those scheduled for implementation in the last months of the RRF – mid-2026 – which can hardly be called addressing the ‘immediate security of supply’.

One of these projects is the Polish investment *G2.1.1 Building fossil gas infrastructure to further diversify supply and ensure energy security in a national and regional context*, designed by the Ministry of Climate and Environment. The investment is worth EUR 1.15 billion and scheduled from 1 February 2022 (the beginning of the REPowerEU eligibility period) until the second quarter of 2026. It consists of:

- Deployment of the marine part of the floating storage and regasification unit programme in Gdansk, the floating station, the underwater part of the terminal and the underwater gas pipeline
- Deployment of onshore gas pipelines (part of the floating storage and regasification unit programme)
- Re-purposing of the Yamal-Western Europe transit gas pipeline system (formerly transporting Russian gas, now to be included in the domestic transmission system)
- Construction and operationalisation of the Stork II gas interconnector, which will connect Poland and the Czech Republic.

The floating storage and regasification unit programme was included in the ‘National Security Strategy of the Republic of Poland’ adopted on 12 May 2020, long before the Russian invasion of Ukraine. It is undoubtedly a part of the Polish government’s diversification strategy, but its scale, long investment period and the fact that it was planned even before the war began raise concerns as to whether it falls under the scope of the REPowerEU.

The final design of the Polish REPowerEU chapter will be decided after the results of the public consultation and the monitoring committee’s opinions are included, and after negotiations with the European Commission (second half of 2023).

¹⁶⁵ Maria Maggiore, ‘[€60bn earmarked for EU Covid recovery could go to fossil-fuel projects](#)’, *EU Observer*, 9 January 2023.

Spain



The implementation of Spain's recovery plan

Spain's *Recovery, Transformation and Resilience Plan (Plan de Recuperación, Transformación y Resiliencia. España puede* in Spanish) was presented by Pedro Sánchez's government to the European Commission in April 2021 and was approved in July 2021.

At this initial stage, Spain only applied for grants, concretely for EUR 69.58 billion in direct subsidies to be transferred between 2021 and 2026 from Brussels to Spain to facilitate its economic recovery and green and digital transition. As of 30 March 2023, EUR 37 billion, the equivalent of 53 per cent of the total grants, have been transferred to Spain through three payments.

On 20 December 2022, Pedro Sánchez's government presented a draft two-page addendum to the plan containing a measure called *Boosting the strategic industrialisation of Spain*. In the addendum, the government describes the planned investments and reforms and outlines additional funding requests needed to undertake them: EUR 84 billion in loans, an additional EUR 7.7 billion in grants and an additional EUR 2.6 billion in grants for REPowerEU investments. The document describes milestones and targets but does not mention specific projects nor does it give information on indicators used to measure whether these objectives have been reached.

The RRF investments in Spain are distributed through three mechanisms: (1) strategic projects for economic recovery and transformation (PERTEs) – large public-private partnerships coordinated by government ministries; (2) transfers of funds to the autonomous communities; and (3) calls for proposals and direct tenders managed by the State through its ministries, with the funds going to private companies or local entities.

Taking into account the EU's priorities based on the current geopolitical context, the Spain's addendum does not create new mechanisms, but increases the amount of grants and credits the country will receive. Those projects which reinforce the strategic autonomy of Spain and Europe in areas such as energy, agri-food, industry, technology and digital security will be prioritised for RRF funds. For example, the PERTE will receive more than EUR 40 billion in grants, which is around

52 per cent and EUR 18.6 billion in credits. In total, the 12 PERTE which are led by big corporations will receive EUR 58.6 billions from the EUR 160 billion national recovery plan.

The PERTE with the largest budget is Microelectronics and Semiconductors (EUR 12.25 billion in grants), followed by Renewable Energies, Renewable Hydrogen and Storage (EUR 10.475 billion in grants) and Electric and Connected Vehicles (EUR 4.3 billion in grants). Therefore, priority is given first and foremost to projects linked to the technology and digital sector, the energy sector and the automotive sector, under the premise of reducing greenhouse gas emissions.

The implementation of the Spanish national plan is going swiftly in comparison to that in other European countries. Spain has already received the third payment under the RRF after passing the Commission's assessment regarding the achievement of 24 milestones and 5 targets in February 2023. However, the implementation has been overshadowed by three main problems.

Firstly, Spain's administrative bodies have been cut and reduced in size (e.g. human resources) and capacities (e.g. training) since the 2008 crisis due to years of austerity measures. Therefore, administrations at the national level and at the level of the autonomous communities have chosen to partially outsource the management of the funds to private consultants like Deloitte, PriceWaterhouseCoopers, KPMG and Ernst & Young. These consultants are playing a central role in both the formulation of projects (through consulting companies) and in NextGenerationEU funding assessments and have been criticised by civil society for entering into conflicts of interest, proposing their own clients for receiving funds. For example, the Ministry for the Ecological Transition has contracted Deloitte to help it obtain and deliver European funds in 2021. The same consultant was also contracted by the transnational corporation CEPSA to formulate its NextGenerationEU projects in 2020.¹⁶⁶

On the other hand, the lack of public capacity to manage the calls and allocation of the EUR 160 billion in recovery funds have led to severe bureaucratic bottlenecks. The government has been harshly criticised by business associations for slow administrative procedures and for privileged informal relations between ministries and big corporations that ended up absorbing large parts of the funds in the first period.¹⁶⁷

¹⁶⁶ Ecologistas en Acción, OMAL, Observatori del Deute en la Globalització, [Guide to NextGenerationEU: doing more harm than good. An analysis of the European recovery and resilience funds: opportunities, shortcomings and proposals](#), *Observatori del Deute en la Globalització*, 16, 25 March 2021.

¹⁶⁷ For example, calls for large companies went from 5 per cent to 20 per cent in 2021. Marcos Iriarte, '[Las ayudas a grandes empresas se quintuplican con los primeros fondos europeos, pero no las de pymes y autónomos](#)', *El Mundo*, 7 September 2021.

Secondly, there is an important lack of access to primary data. The Spanish government has launched an official web page on Spain's recovery plan¹⁶⁸ with the main information publicly available. This includes information on how to access the funds (a search engine for calls, a forecast for calls for the next six months, a special section explaining the 12 recovery Public Private Partnerships (PERTE in Spanish), a public telephone number regarding questions on calls, a special section for small and medium-size enterprises where specific calls are highlighted, and a publication section for official documents and reports (i.e. the addendum to the recovery plan, recovery plan implementation reports, etc.). There is also a recovery plan weekly newsletter and latest news section.

However, this web page reveals no primary data, but serves as a platform to publish secondary information, which means reports where the primary sources from the ministries have already been interpreted. No information on the beneficiaries of the funds (names of companies and allocation of money) are revealed on this official webpage. This was the main criticism from civil society groups like the Citizen platform for transparent and accessible NextGenerationEU funds^{169,170} regarding the Royal Decree-Law 36/2020, which establishes the governance of the NextGenerationEU funds in Spain. The law proposes to establish a public register for those companies interested in the PERTE, which after two years of civil society pressure has still not been put in place.

Thirdly, the Royal Decree-Law 36/2020 also establishes mechanisms for civil society participation in the governance of the NextGenerationEU funds, consisting only of the participation of the two major trade unions – the General Workers' Union (UGT) and the Workers' Commissions (CCOO) – and the main employers' organisations (amongst others, the Confederation of Business Organisations (CEOE), an institution representing the Spanish business community) in the Social Dialogue Table.¹⁷¹ No other social actors or environmental organisations are represented.

This body was meant to be a space for dialogue and consultation, but in reality, suggestions from the trade unions are merely 'taken into account'. In practice, it has become a forum where its participants are informed about decisions already made by the de facto governing body, the Inter-ministerial Commission and its technical committee, which negotiates the main projects (especially PERTEs)

¹⁶⁸ Government of Spain, [Plan de Recuperación, Transformación y Resiliencia](#), *Government of Spain*, accessed 15 May 2023.

¹⁶⁹ Open Generation EU, [Citizen platform for transparent and accessible Next Generation EU funds](#), *Open Generation EU*, accessed 15 May 2023.

¹⁷⁰ Ibid.

¹⁷¹ Diana Fresneda, '[Gobierno y agentes sociales constituyen la Mesa del Diálogo Social para concertar y evaluar los fondos europeos](#)', *Rtve*, 16 November 2020.

with the political representatives of the autonomous communities in the sectoral conferences (a forum organised by the minister of finance with representatives of the autonomous communities where the geographical allocation and division of RRF funds is negotiated).

No processes or spaces have been created for real participation by civil society, understood in a broader sense than the traditional employer-trade union dichotomy. There is no real monitoring committee for the recovery plan in Spain where civil society is represented. Furthermore, the Spanish government is not engaging in democratic dialogue with the parliament, nor with other actors like municipal councils, small actors such as small and medium-sized enterprises, self-employed people, the social and solidarity or feminist economies or civil society to improve the governance of the funds, e.g. improving the inadequate auditing processes, which currently does not guarantee a process for citizens' audits, which the citizen's platform Open Generation EU has been demanding since 2021.

The REPowerEU chapter in Spain's recovery plan

On 20 December 2022, the fifth meeting of the Commission for Recovery, Transformation and Resilience took place, at which the draft addendum¹⁷² to the recovery plan, *Boosting the strategic industrialisation* was approved. This confirmed that EUR 2.58 billion of REPowerEU transfers will be allocated to energy diversification and storage, the deployment of renewables and the strengthening of their industrial value chain (in particular, the promotion of green hydrogen), energy saving and electric mobility. According to Regulation (EU) 2021/241, Spain is the Member State that will receive the most money through REPowerEU after Italy and Poland. Specifically, it will receive 12.93 per cent of the available funds, equivalent to EUR 2.58 billion out of a total of EUR 20 billion for the EU-27.

However, there is no detailed information on the REPowerEU investments, beyond the two pages in the draft addendum document – which speaks very generically about REPowerEU – and a power point presentation which devotes only one slide to REPowerEU (it contains generic outlines of the objectives and fundable activities, the reforms and the foreseen investments).

There is no evidence that public or civil society consultation on the draft REPowerEU chapter to be incorporated into the Recovery, Transformation and Resilience Plan has taken place.

¹⁷² The draft addendum can be consulted at the following link: Government of Spain, [Proyecto de Adenda al Plan de Recuperación: Impulso a la Industrialización Estratégica](#), Ministerio de Asuntos Económicos y Transformación Digital, 20 December 2022.

According to a participant in the Social Dialogue Table for Recovery, Transformation and Resilience, the trade unions CCOO and UGT participated in the drafting of proposals for the REPowerEU chapter, but the specific measures they had worked on were not incorporated into the proposal presented by the Spanish government to the European Commission – which is now being studied by the European Commission itself – and the final result is very generic.

In accordance with the draft addendum, various sectoral consultations have also been carried out during the ‘public consultation’ process – specifically, with High Level Forums and Advisory Councils in which civil society has had little or no role. In addition, no concrete information around meetings for the drafting of the REPowerEU chapter has been revealed by the ministries or the Spanish government.

Case study: public participation and alignment with the European Green Deal

Financing of hydrogen projects

Spain has a special and privileged situation in the EU regarding its role as a cheap supplier for green energy. Hydrogen is promoted as a key element of Europe’s energy transition and Spain should be ready to supply Europe, especially the central part of the continent, with this energy vector as soon as possible. As a result, laws on land use in the autonomous communities have been changed to allow quick infrastructure deployment, occupying fertile land and destroying biodiversity.



Photo: [Alexey Rezvykh via Adobe Stock](#)

In the case of Spain, the detailed allocation of funds for hydrogen projects is not available yet, since the REPowerEU chapter has not been published. However, some RRF grants have already been distributed through calls for the PERTE for renewable energies, renewable hydrogen and storage, which will receive some EUR 10 billion in grants, plus loans (no details are available on the loans yet).

For example, on 22 December 2021, the regulatory bases were approved for granting subsidies under the incentive programme for pioneering and unique renewable hydrogen projects (H2 PIONEROS Programme) within the framework of the Spanish Recovery, Transformation and Resilience Plan. Although it was proposed that the main beneficiaries would be small and medium-size enterprises, large fossil fuel and energy companies such as CEPSA, Enagás and Iberdrola have been approved to produce green hydrogen.

CEPSA will receive EUR 12.71 million, with the limit per project at EUR 15 million. CEPSA's hydrogen production plant, the San Roque Energy Park (Cádiz, Andalusia), will be one of the two production plants in the Andalusian Green Hydrogen Valley. The plant will come into operation in 2027. This together with the Palos de la Frontera Energy Park will use 2 gigawatts (GW) in electrolyzers to generate a total of 300,000 tonnes of green hydrogen per year starting in 2030.

Iberdrola will receive EUR 5.14 million for its hydrogen production plant H2 Galicia (Pontevedra, Galicia) which will be used for the production of green methanol for industrial use. Green methanol production is expected to reach 100,000 tonnes per year, although 10,000 tonnes will be produced in the first phase. The project is carried out in collaboration with Foresa, which will use the green methanol in its industrial processes for the production of wood glues and resins, replacing what is currently imported.

One of the main hydrogen infrastructure objects, which is in the planning phase and expected to be included and financed in Spain's REPowerEU chapter, is the BarMar, presented by Enagás together with other European fossil gas transport system operators. With a total budget of EUR 2.1 billion, BarMar is part of a huge hydrogen transport project called H2Med that will connect Portugal to central Europe; it will be an underwater pipeline connecting Barcelona and Marseille.

It is important to note that in 2022, CEPSA had a net profit of EUR 790 million, Enagás EUR 375 million and Iberdrola EUR 4.3 billion – record amounts. This public funding from the PERTE call for proposals is non-refundable, i.e. it will not be necessary for them to pay back a single euro granted in the call for proposals.

The first conclusion we draw from this analysis is that big fossil and energy companies are committing to hydrogen for their energy transition. Moreover, they intend to do so with public funds and safeguards, although their profits in 2022 were record profits. On the other hand, the impacts generated by the production and transport of green hydrogen must be taken into account, such as high energy consumption, increased water stress, occupation of agricultural land, threats to biodiversity, hydrogen leaks, and environmental and social impacts in countries in the Global South due to the extraction of critical raw materials.

While renewable hydrogen is likely to play a limited role in hard-to-decarbonise sectors in the future, its importance for the energy transition has been massively over-hyped at the EU level in recent years. A more sustainable path would mean de-centralising and dismantling Spain's energy oligopoly, and ramping up public financial support for small-scale energy projects that produce for local consumption, promoting public-community based solutions and enabling community ownership and governance.

What are citizens' views on this investment?

The strategic projects (PERTEs), in particular, are not generally known to the public. However, citizens are more familiar with the term NextGenerationEU as a result of the smaller grants made from this instrument that are closer to citizens and channelled through the autonomous communities' governments.

Although the perception of the NextGenerationEU funds is positive, there has been some unease among small institutions, such as small town councils,¹⁷³ or other small entities that have found it difficult to access the funds and have had the feeling that they were designed more for large companies or institutions with a lot of resources.

Better involvement of citizens

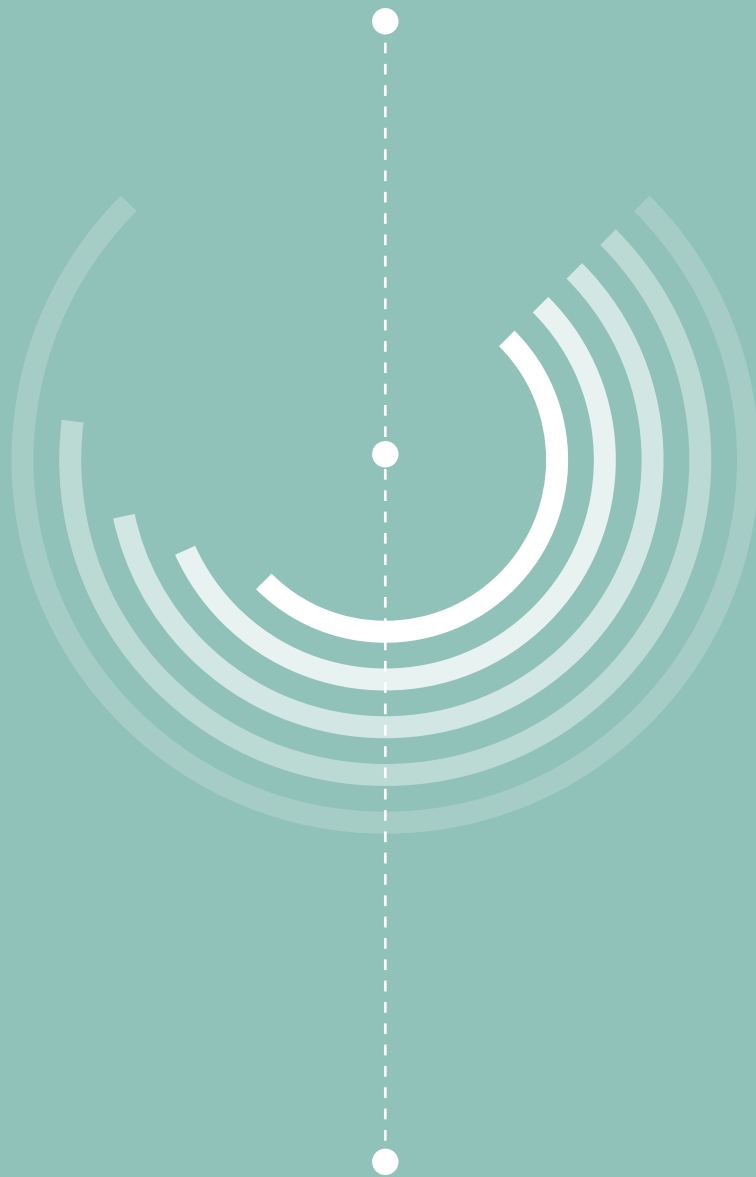
Democratising the plan's consultation and control processes would contribute to moving towards a more just and ecological transition. For example:

- Public consultations and public debate in Spain's parliament on the plan's drafts before sending them to the European Commission, with a real possibility to influence the investments and reforms proposed, should be mandatory.

¹⁷³ For more information, see the following article: Pau Rovira, '[Perdre temps i diners: els ajuntaments petits queden fora dels fons europeus](#)', *Catalunya al dia*, 1 April 2023.

- The essence of the Social Dialogue Table should also be modified so that it is a truly consultative body with the capacity to have an impact, in addition to broadening the actors participating in the roundtable or the consultative bodies that are understood to be social agents, incorporating representatives of minority trade unions, representatives of organised civil society, research groups specialising in the defence of human rights and the planet, or environmental and feminist groups, among others.
- Civil society should be consulted by Spain's ministries regarding useful and necessary environmental, social and gender criteria for RRF funds to build a strong framework to plan, implement and evaluate the investments and reforms.
- The government should secure real transparency measures, like publicly available primary data regarding all the beneficiaries of the grants and loans, as well as information on the projects financed, amounts received, and conditions signed, especially regarding the PERTE.
- The government should create a citizens' audit for public debt and the non-payment of illegitimate debt. The citizens' audit would involve the active participation of citizens and independent associations, with the aim of ensuring that administration, concessions and contracts, loans and financial operations have been undertaken in the general interest of the population. Continuing in this vein, citizens should refuse to repay debts generated by NextGenerationEU funds given to companies whose activities harm the environment, the population or the public interest.

InvestEU and the EIB: financing a half-hearted transition for the private sector, but without citizens



This chapter examines two other connected sources of EU public investments for the European Green Deal: InvestEU and the EIB. In the European Green Deal, InvestEU is framed as a major source of financing. The EIB plays a significant role in implementing InvestEU and also promotes itself as the ‘climate bank of the EU’, allocating a large proportion of its total investments towards climate action. In this section, we will analyse whether InvestEU and the EIB are contributing to transformative change and how citizens can participate in the investments that are made.

InvestEU

InvestEU is a successor of the European Fund for Strategic Investment (EFSI).¹⁷⁴ It was set up in 2021 and started operating in November that year. It provides EUR 26.2 billion from the EU budget in the form of guarantees, mainly to the EIB and other regional and national public financial institutions to support investment projects that implement the EU’s policy objectives, specifically sustainable infrastructure, research, innovation and digitalisation, and access to finance for small and medium enterprises and small mid-cap companies, as well as access to microfinance and finance for social enterprises, for competencies and skills, and to develop and consolidate social investment markets. Around one-third of the guarantees are reserved for sustainable infrastructure, which is most relevant to the financing of the European Green Deal.

Under InvestEU, only 75 per cent of the money from the EU budget is reserved for the Bank to finance InvestEU projects. The EIB will also contribute EUR 5 billion. The remaining EU budget, over EUR 6.5 billion, is available to the other implementing partners selected by the European Commission. They are also required to provide financial contributions. There are currently seven implementing partners in addition to the EIB Group: the European Bank for Reconstruction and Development (EBRD); the Council of Europe Development Bank; the Nordic Investment Bank; and national promotional financial institutions from Spain, Italy and France.

We analysed the EIB’s InvestEU-related investments based on data the Bank provided us. Until the end of 2022, InvestEU guaranteed EUR 10 billion worth of EIB operations. The most heavily supported area was programme loans in research, innovation and digitalisation (EUR 3.4 billion), followed by operations in the transport sector (EUR 1.8 billion) and the energy sector (EUR 1.5 billion).

¹⁷⁴ CEE Bankwatch Network and Counter Balance, *Not work celebrating-yet; the Investment Plan for Europe, a critical analysis of the pilot phase of the ‘Junker Plan’*, CEE Bankwatch Network, September 2019.

The transport sector has so far been dominated by just one operation: upgrades to the high-speed railway line in Italy promoted by the public sector utility. Among the other transport operations that have been supported is a project to develop, manufacture and deploy hydrogen technology, specifically hydrogen storage systems and fuel cell stack systems.¹⁷⁵ The promoter, Faurecia, has also secured an EU grant of EUR 213 million from the European Commission as part of the Important Project of Common European Interest for a very similar project: the development and industrialisation of a new generation of hydrogen tanks.¹⁷⁶

Among the nine projects supported so far in the energy sector, eight have been in support of wind power and photovoltaics. These include the first Polish Baltic offshore wind project, and one for the development of electricity transmission in Spain, which have been given the green light by the investment committee.

Mobilisation of funding for transformative investments that could not be funded on the market

The idea behind InvestEU is to use the EU budget as a guarantee to help public investment banks like the EIB finance renewable energy projects or other investments that are necessary for the climate transition (and the other objectives of InvestEU), but which companies or private investors would not finance on their own because they think these projects are not profitable or commercially interesting enough. With the help of EUR 26.2 billion in guarantees, InvestEU wants to convince public investment banks like the EIB to finance companies and private investors to invest money in and help realise these projects that otherwise would not happen. Altogether, InvestEU aims to leverage EUR 372 billion in total.

InvestEU is in the early stages of implementation, but there are already important questions as to whether this mechanism is effective for financing projects that would not happen otherwise. To begin with, the European Court of Auditors' evaluation of the predecessor of InvestEU, the EFSI, concluded that the additional investments mobilised by the EFSI were overestimated and also found that some EFSI support just replaced existing financing from the EU,¹⁷⁷ the EIB or other sources of public or private finance. Private investors simply preferred the

¹⁷⁵ The project is financed by the European Investment Bank. European Investment Bank, [Faurecia-Hydrogen mobility](#), *European Investment Bank*, 25 July 2022.

¹⁷⁶ Dina Kartit, [Faurecia gets 213 million euros from the EU to develop hydrogen tanks](#), Reuters, 2022.

¹⁷⁷ European Court of Auditors, [Special report no 03/2019: European Fund for Strategic Investments: Action needed to make EFSI a full success](#), *European Court of Auditors*, 2019.

EFSI-guaranteed finance because it was cheaper or offered a longer payback period, a finding that was also confirmed by the EFSI Evaluation Report.¹⁷⁸

The InvestEU regulation puts more emphasis on defining additionality and obliging implementing partners to demonstrate this against defined criteria. For example, one of the new criteria is that the implementing partner uses the financing to support riskier operations than they would typically accept. However, in practice, compliance with just one criterion is enough for the project to be considered additional. Moreover, the approvals of the guarantees that can be seen in published scoreboards do not refer specifically to the additionality criteria established by the regulation and do not provide objective evidence that the project would not have been carried out by other public or private sources without support from InvestEU.

For example, a project by the French company Loxam received an EIB loan backed by an EU guarantee, which was considered to be justified because it would allow the company to get longer-term loans and new sources of borrowing.¹⁷⁹ The justification was that the EIB loan ‘will provide a financial safeguard to the promoter and support its equipment electrification plan and through the uncertainty triggered by the COVID-19 crisis’. But this company achieved a record turnover of EUR 2.4 billion in 2022, so it is difficult to see why public support was needed to help such a company undertake projects that achieve the EU’s policy goals.¹⁸⁰ Also, there was no explanation as to why the EIB could not have financed the project under the standard lending conditions without a guarantee from the EU.

Although EU guarantees can induce some additional investments, InvestEU’s strategy lacks the effectiveness to realise enough transformative projects that private companies and investors currently do not finance.

Zero-carbon energy investments

In this section, we will analyse the energy investments the EIB has made, including some made via InvestEU and many at their own risk. Since the beginning of 2022, the EIB has stuck to its decision to stop financing fossil fuel projects and has committed to making EUR 1 trillion in climate investments by 2030.¹⁸¹

¹⁷⁸ European Investment Bank, [Evaluation of the European Fund for Strategic Investments 2021](#), *European Investment Bank*, 2021.

¹⁷⁹ European Investment Bank, [Evaluation of the European Fund for Strategic Investments 2021](#).

¹⁸⁰ Loxam, [LOXAM enregistre une croissance à deux chiffres et affiche un chiffre d'affaires 2022 record](#), *Loxam*, 2023.

¹⁸¹ European Investment Bank, [Climate Bank Roadmap](#), *European Investment Bank*, 2022.

Between the beginning of 2022 and mid-March 2023, the EIB financed energy projects worth EUR 13.7 billion. Its loans went to large-scale renewable energy (EUR 2.1 billion); small- to mid-scale renewable energy (EUR 3.9 billion); energy distribution (EUR 3.5 billion); energy transmission (EUR 1.1 billion); the connection of electricity networks (EUR 1.6 billion); energy efficiency including housing renovation (EUR 476 million); and other projects, including infrastructure, battery storage and bio methane (EUR 1 billion). Two of these renewable energy projects also include renewables-based (often referred to as green) hydrogen.

Even though the move away from fossil fuels is a crucial step, there is still much work to do to make the EIB's energy portfolio compatible with the Bank's goal of becoming a climate bank.¹⁸²

The Bank should have a much stricter approach to 'low-carbon' energy such as hydrogen and biofuels. In order to remain on track to become the climate bank it wants to be, the EIB should consider the risk that these technologies can be used as justification for the continued development of natural gas infrastructure, thereby postponing the phase-out of fossil gas, as well as other unsustainable energy sources. Any public funds spent on renewables-based hydrogen projects should prioritise replacing fossil-fuels-based (often referred to as 'grey' or 'blue') hydrogen and strictly focus on a limited number of hard-to-abate sectors where efficiency calculations make economic, environmental and social sense.

Support for fossil fuel businesses

Another issue concerns the companies, banks and investment funds via which the EIB's energy lending ends up getting to the targeted projects. In early 2022, the EIB adopted climate criteria for companies and financial intermediaries: the Bank no longer finances companies that extract new unconventional oil and gas or start new coal operations. It also requires companies to make decarbonisation plans (the PATH Framework¹⁸³). The one exception to this rule is for 'innovative' projects. The exception was partly expanded at the end of 2022 to support REPowerEU. This allows companies like oil majors that are still extracting new unconventional oil and gas like shale gas or tar sands to benefit from EIB financial support for renewable energy or electrical vehicle charging infrastructure. However, companies starting new coal projects remain excluded. A Spanish oil and gas major received a loan despite the fact that it is also actively involved in shale oil production, which the EIB

¹⁸² European Investment Bank, [EIB energy lending policy: Supporting the Energy Transformation: Version with updated technical annexes](#), European Investment Bank, 2023.

¹⁸³ European Investment Bank, [The EIB Group PATH Framework: Version 1.1](#), European Investment Bank, 2022.

itself considers to not be aligned with the Paris Agreement. The company's overall investments in 'green' projects such as these make up only 25 per cent of what it planned to invest in oil and gas last year and less than half of the amount paid in dividends and share buybacks by the company in the first nine months of 2022,¹⁸⁴ a year in which the company made EUR 4.2 billion in profits.

The EIB's PATH Framework also sets conditions for financial intermediaries, but they are very weak. Banks and investment funds currently only have to comply by disclosing information about how exposed they are to the physical and financial risks related to climate change (in line with the Task Force on Climate-Related Financial Disclosures' recommendations). This very low threshold is not sufficient for several reasons. As the supervisor of the EU's biggest banks, the European Central Bank performed a climate stress test for the first time in 2022 and voiced its concerns about the lack of progress by EU banks in mapping these risks and developing a strategy to manage them.¹⁸⁵

Almost EUR 2 billion of the EUR 13.5 billion in energy investments by the EIB has been made with six European banks: BNP Paribas, BPCE, Crédit Agricole, Santander, Société Générale and UniCredit. These banks are among the main financiers of fossil fuels globally, and some of them play a large role in financing new fossil fuel extraction or unconventional oil and gas projects. Some also still finance coal.¹⁸⁶ These are all activities that companies seeking finance from the EIB need to exclude.

Ensuring that banks actually stop funding the climate crisis could begin by applying the criteria for companies to financial intermediaries as well. The review of the Climate Road Map this year is a good opportunity to implement strong climate conditions for working with financial intermediaries and make sure the EIB's investments no longer indirectly fuel global warming.

The EU climate bank? Is the EIB making transformative climate investments or fuelling profits?

Similar to our conclusions on InvestEU, it is also questionable whether the EIB's strategy is the most effective use of public finances to realise projects that otherwise would not happen. A large part of the EIB's energy financing has been made via companies and financial intermediaries that make enormous profits amidst high

¹⁸⁴ ReCommon, [75 billion excess profits for European oil giants](#), ReCommon, 2022.

¹⁸⁵ European Central Bank, Banking supervision, [Banks must sharpen their focus on climate risk, ECB supervisory stress test shows 2022](#), European Central Bank, 8 July 2022.

¹⁸⁶ Climate & Energy, [Banking on climate chaos. Fossil fuel finance report 2023](#), Banking on Climate Chaos, 2023.

inflation and the cost of living crisis. Repsol and Iberdrola (which have received more than EUR 1 billion in loans from the EIB since 2022) each made more than EUR 4 billion in profits last year, and the six European banks we analysed made EUR 37 billion in profits. Central banks now admit that the inflation crisis is to a large extent the consequence of massive corporate profits like these.¹⁸⁷

For a long time, a central tenet of the EIB's strategy has been to co-finance and minimise risk for private companies and financial intermediaries so as to make projects more commercially appealing to private investors. This means the likes of Iberdrola and Société Générale, which have more than enough money to finance projects on their own, reap many of the benefits of the EIB's public investments. This is not the case for those in society suffering from the cost of living crisis and most in need of access to affordable renewable energy that respects broader environmental boundaries. Of course, if the first goal of a project is to be attractive to investors, it also needs to generate a revenue stream, which is not necessarily compatible with delivering basic and democratically accessible public services like energy.

But in the context of an inflation and cost of living crisis induced by corporate profits, the EIB's strategy further fuels the profiteering that causes this inflation, resulting in a public investment strategy that delivers greener projects than a few years ago, but is very far away from using public investments to meet people's needs.

Adapting infrastructure to make sure we can all live decent lives and respect ecological boundaries requires not only rooting out the EIB's contribution to climate change, but first and foremost changing strategy. Both InvestEU and the EIB can support more and higher quality projects by focusing on other public actors and small-scale initiatives that do not have profit objectives. Public investment could also be better leveraged by working with private companies and investors only if their operations align with the European Green Deal and contribute to tackling inequality. This can be done by excluding companies that pay out dividends and buy back their own shares, and instead working with companies that reinvest their income into projects that are accessible and in the general interest of citizens.

At the project level, InvestEU and the EIB should demand a clear contribution and report on the distribution of risk-taking by private companies for projects whose goal is not primarily to become commercially appealing, but instead to put people's

¹⁸⁷ Martin Arnold et al., '[Central bankers warn companies on fatter profit margins](#)', *Financial Times*, 2023.

needs first. Another positive step would be to lower the minimum size of projects, which would allow for more small projects to be financed directly by the EIB or via national public financial institutions.

Public participation and transparency

All the projects under InvestEU and financed by the EIB can be found online. However, this information is not organised in a straightforward way, which makes it unnecessarily difficult to aggregate complete and detailed information. The information provided on the additionality of both InvestEU projects and EIB projects without InvestEU support is also vague and often fails to show citizens what added value the public investment offers to projects.

Another worrying trend is the decrease in transparency¹⁸⁸ by the EIB.

In 2011, the EIB published almost all of its projects three weeks prior to approval. But by 2021, this dropped to 57 per cent. Other projects were either published at a shorter notice before the loans were approved (1.2 per cent in 2011, 8 per cent in 2021), after they have been approved (0 per cent in 2011, 28 per cent in 2021) or not at all (0.3 per cent in 2011, 7 per cent in 2021). In ten years citizens have lost many possibilities to have a meaningful time period to respond to pending investment decisions which may impact their environments and in some cases are not able at all to know about the EIBs operations.

A worrying example of this is a very big loan¹⁸⁹ to Polish public energy company PGE (which contributes significantly to pollution through its coal projects). In response to a request made under the EIB's transparency policy, the Bank cited commercial interest as a reason not to publish the loan before signature, justifying this by pointing out that the company is quoted on the stock exchange. This is problematic, since the EIB's transparency policy does not identify the company's form in itself as sufficient reason not to publish information before signature. The European Ombudsman¹⁹⁰ opened a case on this problematic loan, which at the time of writing is still pending.

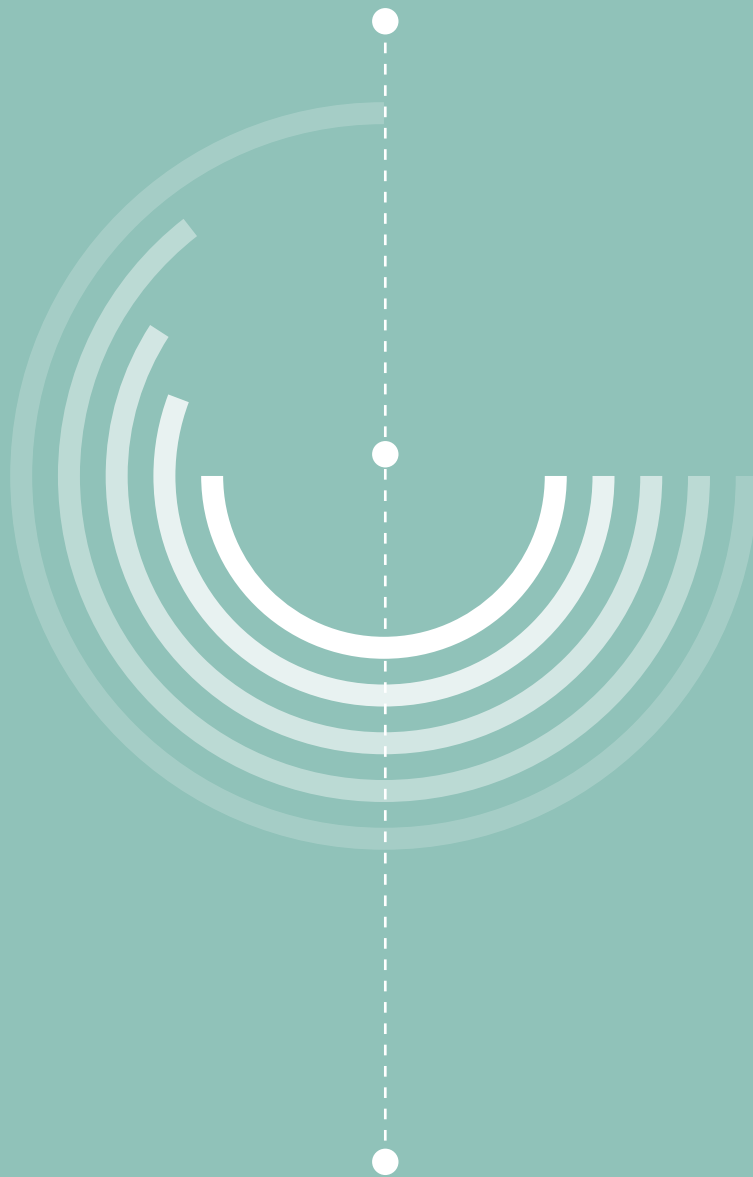
¹⁸⁸ European Investment Bank, [Report on the implementation of the EIB Group Transparency Policy in 2021](#), *European Investment Bank*, 7 November 2022; and European Investment Bank, [Report on the implementation of the EIB Group Transparency Policy in 2011](#), *European Investment Bank*, 29 May 2012.

¹⁸⁹ European Investment Bank, [PGE Electricity Distribution](#), *European Investment Bank*, 23 December 2022.

¹⁹⁰ European Ombudsman, [How the European Investment Bank \(EIB\) handled a request for public access to the summary of a project it is financing on the modernisation of an electricity distribution network in Poland](#), *European Ombudsman*, 1 February 2023.

It is clear that citizens cannot thoroughly scrutinise the operations of the EIB if the information is not being published in a timely fashion. The Bank should return to its previous practice of publishing all projects before signature. InvestEU should provide a better and more accessible overview of financed projects and engage with civil society to allow and encourage participation in the implementation process.

Conclusions and recommendations



This report has argued that the current recovery is not working for citizens because there is no realistic way for them to take part in it. Failing to consult with the public in a meaningful way leads to the financing of investments that do not align with citizens' needs, interests and priorities, nor with the European Green Deal. Various examples throughout the report have shown how the public's needs have not been prioritised, namely through a failure to comprehensively address climate change, biodiversity loss, social inclusion and wellbeing, and too often privileging large-scale infrastructure projects and corporate interests.

While some positive progress has been made in terms of upscaling spending on climate action under the NextGenerationEU package, it remains unclear how this will deliver concrete, long-term solutions that align with climate objectives and contribute to the wellbeing of citizens. While the RRF is, to some extent, contributing to measures that can help tackle the various challenges, including key reforms that are crucial for the decarbonisation of some countries, these are only minor steps compared to what is needed. The overall priority is not on citizens but rather on fast and big spending.

Like InvestEU and the EIB, the other EU institutions responsible for financing the European Green Deal have made progress by upscaling green investments and increasing the focus and ambition of climate finance. However, they lack a strategy to prioritise truly transformative investments that put citizens' interests first. A major shift is therefore needed to reframe the role of public finance and how it can influence investment decisions, with the public acting as key stakeholders in designing and implementing these. Public consultation is still seen as a burden or obstacle for authorities. However, if it is well planned and implemented in a comprehensive way, it can become an asset that allows authorities to more effectively design investments according to the public's needs and improve the implementation of those investments.

In order to reconsider the way investment decisions are being made, it is necessary to reconcile public finance with citizens' needs, not just climate action and nature protection. The following recommendations are provided with a view to improving both the implementation of existing measures financed under the RRF and the ongoing process of drafting new REPowerEU investments. The recommendations also aim to lay the foundations for discussions around the next EU budget.

Improve transparency and availability of information

Some recovery investments and reforms will have significant long-term impacts on the environment and climate, and thus need to comply with the Aarhus Convention's requirements on access to information, public participation and access to justice. Transparency and public participation must be recognised as legal requirements. Engaging civil society would help align policies with the most pressing needs and result in better enforcement and more tangible outcomes.

Public participation provisions under the Aarhus Convention must be maintained for all forms of renewable energy that could have significant impacts on the environment, EU-funded or not. Measures to fast-track permitting procedures must target needless administrative delays, not compromise environmental protection and public consultations.

Setting very short deadlines for the planning and implementation of projects – as well as allowing vague descriptions of measures in recovery plans – makes it more difficult to ensure adequate public consultations. The Commission must avoid this in the future.

In addition, the Commission should create a comprehensive, harmonised platform that provides an overview of all project beneficiaries for greater transparency. This information must be full and up-to-date to ensure stakeholders can influence what will be financed.

InvestEU and the EIB should also improve their transparency practices to allow for better civil participation. The EIB must go back to publishing all projects before signature. InvestEU should provide a better and more accessible overview of financed projects and engage with civil society to allow and encourage participation in the implementation process.

Strengthen the role of civil society in monitoring the implementation of national plans

Better monitoring and scrutiny mechanisms must be put in place throughout the implementation process. The Commission must ensure that monitoring committees are in place to facilitate dialogue with the authorities responsible for overseeing the projects and raise concerns when necessary. Monitoring committees must include a broad range of stakeholders.

The Commission should also introduce a complaints mechanism to allow civil society and citizens to raise concerns about projects that they believe fail to uphold the ‘do no significant harm’ principle and/or any environmental legislation or EU standards.

The Commission could also proactively use the Technical Support Instrument to launch a flagship initiative that would empower civil society organisations to monitor the recovery funds. It could also encourage Member States to present proposals for technical assistance prepared with civil society or for its benefit, or even dedicate a special call to this purpose.

Avoid harmful fossil-fuel lock-ins under REPowerEU

Preventing the financing of fossil fuels, specifically gas infrastructure, is the bare minimum needed to prevent lock-ins and investments that do not align with the European Green Deal. One way to do this for recovery funds is by strengthening the application of the ‘do no significant harm’ principle. We recommend updating the technical guidance, which still allows support for gas boilers and fossil fuel distribution grids. In the future, EU funds must not support fossil fuels at all.

The EIB must close the loopholes it created for fossil companies in its support package for REPowerEU. The Bank has scheduled a review of its Climate Bank Road Map this year and must use this opportunity to implement strong climate conditions to ensure it only finances companies and financial intermediaries that have business models that are compatible with a ‘1.5 degrees’ scenario.

In parallel, decreasing the demand for energy should be prioritised by financing energy renovations and developments for community renewable energy.

Prevent corporate capture

Member States should not rely on private consultancy companies to define plans. For Member States that lack the capacity to plan and implement the remaining parts of their recovery plans, technical and human resource assistance should be provided to allow for an open planning and implementation process that encourages widespread citizen participation.

Detailed information on the terms and conditions of contracts should be published to allow for public evaluation, especially when large corporations receive recovery grants and loans. InvestEU and the EIB should also take measures to ensure that

their role in financing the European Green Deal is transformative and contributes to tackling inequality. Both InvestEU and the EIB can achieve more and higher quality projects by cooperating more with other public actors and small-scale initiatives that don't have profit objectives. Public investment could also be leveraged much more effectively if the institutions were to only work with private companies and investors whose operations contribute fully to the European Green Deal and that reinvest their income in projects in the general interest of citizens instead of paying out dividends and offering share buybacks.

At the project level, InvestEU and the EIB should demand a clear contribution and report on the distribution of risk-taking by the private companies for projects whose primary goal is not to become commercially appealing, but to put people's needs first. Another helpful step would be to lower the minimum size of projects, which would allow for more small projects to be financed directly by the EIB or via national public financial institutions.

Structural issues with recovery funds and EU public investment plans

The RRF, InvestEU, the EIB and other public investment strategies and instruments will continue to play a crucial role in EU policy and societies in Europe. We need to make sure citizens' interests are at the heart of these programmes. This requires better coordination between different instruments and a general strategy that prioritises citizen participation and tackling inequality.

In the new EU budget, the regulations should be adapted to allow for this coordination. This will require extra financial resources, more and better planning, and better cooperation between the European, national and local levels. This would also require administrative capacity at the national and local levels to ensure that the planning and implementation processes are executed properly with the public interest at its core.

The first stage of this process should be to map out citizens' investment needs and adapt existing programmes and instruments to meet these needs. Once that has been done, new resources should be made available to fill these gaps.



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