**Call for Papers "The European Green Deal: moving to action
Opportunities and challenges for the European citizens"**

PAVING THE WAY FOR A GREEN RECOVERY: THE CONTRIBUTION OF THE RESILIENCE AND RECOVERY FACILITY TO THE GREEN DEAL.

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EXECUTIVE SUMMARY

While the NextGenerationEU Instrument was agreed in the context of the Covid-19 crisis, it has been conceived with the purpose to not only reactivate the EU economy, but also contribute to the green and digital twin transition in the long term. This paper focuses on the green dimension of the Resilience and Recovery Facility as well as the national recovery and resilience plans. In particular, the research conducted has been guided by the following research question: *are the investments and reforms included in the national resilience and recovery plans contributing to the transition towards a carbon neutral-economy?* As a result of the analysis of the Recovery and Resilience Facility as well as the national recovery and resilience plans already endorsed by the European Commission, it can be concluded that the investments and reforms included in the national recovery and resilience plans contribute to the transition towards a carbon neutral-economy.

Social Media summary

This research paper explores the contribution of the national recovery and resilience plans to the Green Deal

Keywords

#NextGenerationEU #GreenDeal #climate

Short bio

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1. The Recovery and Resilience Facility

In May 2020, only a few months after the start of the COVID-19 crisis, the European Commission released a Proposal for a Regulation establishing a Recovery and Resilience Facility. While there was no certainty on the duration and the severity of the lockdown measures that should be put in place by Member States, the Commission acknowledged that the outbreak of the COVID-19 pandemic had changed the economic outlook for the years to come[1]. In the context of the Recovery and Resilience Facility, each country drafted a national recovery and resilience plan containing key reforms and investments aimed at boosting the recovery process while contributing to the green and digital twin transitions.

The Regulation of 12 February 2021 establishing a Recovery and Resilience Facility justifies this instrument on the basis that Member States require fiscal space for taking the action needed to mitigate the social and economic impact of the COVID-19 crisis as well as to invest in the resilience of the economic and social structures. In this emergency context, the Recovery and Resilience facility aims at promoting "sustainable and growth-enhancing reforms and investments that address structural weaknesses of Member State economies, and that strengthen the resilience, increase productivity and lead to higher competitiveness of Member States"[2].

From a procedural perspective, national recovery and resilience plans are aligned with the European Semester[3]. For each country, the Commission releases a Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan, which should be approved by the Council and contains those reforms and investments agreed between the Member State and the European Commission. The Annex of each Implementing Decision includes the corresponding milestones and targets as well as the timeline.

The reforms and investments contained in each national recovery and resilience plan should contribute to the six pillars of the Regulation while taking into account their national challenges: (a) green transition;(b) digital transformation; (c) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs; (d) social and territorial cohesion; (e) health, and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and (f) policies for the next generation, children and the youth, such as education and skills[4].

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[1] European Commission, *Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility*, COM/2020/408 final.

[2] European Union, *Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility*, Official Journal of the European Union, OJ L 57, 18 February 2021.

[3] Ben Crum (2020), *How to provide political guidance to the recovery and resilience facility?*, available at https://op.europa.eu/en/publication-detail/-/publication/bc54ef5b-2009-11ec-bd8e-01aa75ed71a1/language-en

[4] Ibid.

The contribution of the national recovery and resilience plans to the first pillar, the green transition, will be addressed in section 1.2.1 on climate tracking.

1.1 Compliance with the "do no significant harm" principle

As provided in the Regulation establishing the Recovery and Resilience Facility (RRF), the Facility should only support activities that fully respect climate and environmental standards as well as the priorities of the Union and the 'do no significant harm'[5] principle (DNSH). Complying with the 'do no significant harm' principle entails not supporting or carrying out economic activities that do significant harm to any environmental objective. Article 17 of the EU Taxonomy Regulation establishes which activities are considered to significantly harm the environment[67]. Notably, those activities that lead to significant greenhouse gas emissions or those that have an adverse impact from a climate adaptation perspective.

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[5] Ibid.

[6] Ibid.

[7] Article 17 of the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment establishes which activities are considered to significantly harm the six environmental objectives included in the Taxonomy Regulation:

(a) climate change mitigation, where that activity leads to significant greenhouse gas emissions;

(b) climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;

(c) the sustainable use and protection of water and marine resources, where that activity is detrimental:

(i) to the good status or the good ecological potential of bodies of water, including surface water and groundwater; or

(ii) to the good environmental status of marine waters;

(d) the circular economy, including waste prevention and recycling, where:

(i) that activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products;

(ii) that activity leads to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste; or

(iii) the long-term disposal of waste may cause significant and long-term harm to the environment;

(e) pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started; or

(f) the protection and restoration of biodiversity and ecosystems, where that activity is:

(i) significantly detrimental to the good condition and resilience of ecosystems; or

(ii) detrimental to the conservation status of habitats and species, including those of Union interest.

As clarified in the Technical guidance on the application of "do no significant harm"[8], all the measures contained in each national recovery and resilience plan should comply with the DNSH principle. In other words, the European Commission would only adopt a positive assessment of the national recovery and resilience plan if each of the measures contained in the reforms and investments comply with the DNSH principle.

1.2 Recovery and resilience plans: contribution to a climate-neutral economy

The European Council, in its conclusions from 24 October 2014, introduced the 2030 climate and energy policy framework of the European Union[9], which establish how the European Union will achieve its greenhouse gas emissions target for 2030[10]. Consisting on a reduction of at least 40% of greenhouse gas emissions compared to 1990, this target is shared between the EU ETS sectors and non-ETS sectors. The European Green Deal, however, raised the level of ambition of the EU 2030 greenhouse gas emission targets, which increased from the initial 40% to, at least, 50% and towards 55% compared to 1990 levels[11].

In its Conclusions, the European Council acknowledged that, while the EU Emissions Trading System (ETS) is key for achieving the greenhouse gas emissions reduction target of the European Union, non-ETS sectors, which are covered by the Effort Sharing Regulation[12] and the Land use and forestry (LULUCF) Regulation, play also a crucial role. Finally, the European Climate Law set legally binding targets with a view to achieve climate neutrality by 2050 and a reduction of net greenhouse gas emissions by 'at least 55%' by 2030 compared to 1990.

The reforms and investments included in the national recovery and resilience plans should contribute to the green transition, including biodiversity, or to address the challenges resulting from it. In this regard, the Recovery and Resilience Facility is expected to contribute to the achievement of the 30% climate expenditure target within the European Union Budget[13]. Furthermore, as laid down, Article 17 of the Regulation (EU) 2021/241, each national recovery and resilience plan should be consistent with the information included in the National Energy and Climate Plan 2030. This ambition is also reflected in the flagship areas for investments and

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[8] European Commission, *Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation 2021/C 58/01, OJ C 58, 18 February 2021.*

[9] European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions on a policy framework for climate and energy in the period from 2020 to 2030*, COM(2014) 15 final, Brussels, 22 January 2014.

[10] European Council, *Council Conclusions of the 23 and 24 October 2014*, Brussels, 24 October 2014.

[11] 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 on The European Green Deal*, COM(2019) 640 final, Brussels, 11 December 2019.

[12] The Effort Sharing Regulation set national greenhouse gas emission targets for those industry sectors that are not covered by the ETS, such as transport, building, agriculture and waste.

[13] *European Union Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility*, Official Journal of the European Union, *OJ L 57, 18 February 2021.*

reforms, compiled in Table 1, which are present in most of the national recovery and resilience plans.

Table 1. Flagship areas for investments and reforms

Flagship area	Ambition
Power up	Support the building and sector integration of almost 40% of the 500 GW of renewable power generation needed by 2030, support the instalment of 6 GW of electrolyser capacity and the production and transportation of 1 million tonnes of renewable hydrogen across the EU by 2025.
Renovate	By 2025, contribute to the doubling of the renovation rate and the fostering of deep renovation.
Recharge and refuel	By 2025, build one out of the three million charging points needed in 2030 and half of the 1000 hydrogen stations needed.
Connect	Ensure that by 2025 there is the widest possible uninterrupted 5G coverage for all areas, including in rural and remote areas.
Modernise	By 2025, ensure the provision of a European digital identity (e-ID) and public administrations should be providing digital public services.
Scale-up	By 2025, double the production of semi-conductors in Europe, to produce 10 times more energy efficient processors and to double the share of EU companies using advanced cloud services and big date (from 16% today).
Reskill and upskill	Education and training to support digital skills

Source: European Commission.

1.2.1 Climate tracking

The contribution of the measures contained in the recovery and resilience plans to the transition towards a carbon-neutral economy is mandatory. At least 37% of the total allocation for each national recovery and resilience plan should support climate objectives[14]. As mentioned above, the European Commission also encouraged Member States to include in their national recovery and resilience plans measures related to those subjects identified as "flagship areas", which include

[14] The methodology for climate tracking is set out in the annex of the Recovery and Resilience Facility Regulation.

clean technologies and renewables, energy efficiency in buildings and sustainable transport and charging stations.

In this regard, from a climate perspective, the main areas that were covered in the national recovery and resilience plans are energy efficiency, including renovation[15]; renewable energy, with a focus on self-consumption and Hydrogen; clean transport, including electric mobility; circular economy measures, such as those oriented to the separate collection and treatment of the organic fraction of municipal solid waste; and green taxation reforms.

Table 2. Climate tracking on the national recovery and resilience plans[16]

COUNTRY	CLIMATE TRACKING
AUSTRIA	59%
BELGIUM	50%
CROATIA	40%
CYPRUS	41%
CZECHIA	42%
ESTONIA	42%
DENMARK	59%
FINLAND	50%
FRANCE	46%
GERMANY	42%
GREECE	38%
IRELAND	42%
ITALY	37%
LATVIA	38%
LITHUANIA	38%
LUXEMBOURG	61%
MALTA	54%
PORTUGAL	38%
ROMANIA	41%

[15] The Green Deal also includes the Renovation Wave strategy.

[16] The European Commission has not yet endorsed, at the time when this material was written, the National recovery and resilience plans corresponding to the following Member States: Bulgaria, Hungary, Poland and The Netherlands.

SLOVAKIA	43%
SLOVENIA	42%
SPAIN	40%

Source: European Commission.

As shown in Table 2, for all the national recovery and resilience plans that are currently available, the percentage of climate-related investments is above the mandatory 37%. For instance, in the case of Denmark, whose measures supporting the climate objectives represent 59% of the plan allocation, the main focus of its recovery and resilience plan is speeding up the green transition. In particular, the main reform is a green tax one and includes investments in energy efficiency. It also includes reforms and investments addressing the transport and agricultural sectors that are aimed at decreasing their CO2 emissions.

1.2.2 The Just Transition Fund

Achieving a net-zero emissions scenario requires important economic and social changes. In this regard, the Green Deal includes a social dimension and addresses the need to support those territories that have been traditionally linked with high emissions industries and activities[17].

The EU acknowledges that some sectors, particularly those with high greenhouse gas emissions intensity for which technological alternatives are available, will evolve. However, other sectors such as coal, lignite, peat and oil shale, are expected to experiment a decline[18].

In this regard, according to the data provided by the European Commission, coal infrastructure is present in 108 European regions. For instance, coal mining is still a significant economic activity. However, its phase-out is considered crucial by the European Commission with a view to achieving GHG emission reduction targets[19]. In terms of employment, in addition to the indirect jobs, coal-related activities employ around 237 000 people, peat extraction activities employ around 10 000 people and around 6 000 workers are employed by the oil shale industry[20].

The Just Transition Mechanism, included in the Green Deal as part of the Sustainable Europe Investment Plan (SEIP), was conceived as an instrument that would directly address those regions and sectors that are more affected by the transition towards a carbon-neutral and circular economy. The Just Transition Mechanism consists of three pillars: (1) a Just Transition Fund; (2) a dedicated

[17]Groupe d'études geopolitiques, *The Green Deal is the New Social Contract*. Retrieved at: https://geopolitique.eu/en/2021/09/28/laurence-tubiana-green-deal/.

[18] European Union, *Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund*, Journal of the European Union, *OJ L 231, 30 June 2021.*

[19] I. Kougias et al., "The role of photovoltaics for the European Green Deal and the recovery plan", *Renewable and Sustainable Energy Reviews*, Volume 144, 2021.

[20] European Union, *Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund*, Journal of the European Union, *OJ L 231, 30 June 2021.*

scheme under InvestEU; and (3) Public Sector Loan Facility (PSLF), a combination of grants from the EU budget and loans provided by the European Investment Bank (EIB)[21].

Given the context described above, beneficiaries of the Just Transition Fund will be territories with high employment rates within the coal, lignite, oil shale and peat production sectors, as well as those territories where greenhouse gas-intensive industries are expected to close or be severely impacted.

The main criteria for allocating funds for each Member State was the scale of the transition challenge of the highest greenhouse gas-intensive regions, the social challenges in terms of potential job losses in the sectors concerned as well as Member States' level of economic development and related investment capacity[22]. In this regard, the activities supported by the Just Transition Fund are aimed at contributing to the reconversion of high emissions sectors, including the following: creation of new firms; research and innovation activities; digitalisation and digital connectivity; deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy; digitalisation and digital connectivity; investments in enhancing the circular economy; upskilling and reskilling of workers and job-search assistance to jobseekers.

The allocation for each Member State, which includes funds from the EU Recovery and Resilience Facility and those from the Multiannual Financial Framework, will be complemented by each Member State through ERDF and the ESF+[23]. Member States should draft territorial just transition plans that will include details on its investments. The three countries that have received the largest allocation in the context of the Just Transition Fund are Poland (20,00 %), Germany (12,88 %) and Romania (11,12 %).

2. Policy recommendations

The European Commission has currently endorsed almost all national recovery and resilience plans. On the basis of the climate tracking, laid down in the Regulation establishing the Recovery and Resilience Facility, at least 37% of the total allocation for each national recovery and resilience plan should support climate objectives. The challenge ahead lies in the implementation of these plans within three main areas:

1. Communication: national governments should clearly communicate the expected timeline for the implementation of the reforms and investments, so that citizens and companies can be prepared for the regulatory reforms and the opportunities that come from the investments. Communication also plays an important role with a view to ensuring the quality of the proposals, as preparation is needed for creating the projects and establishing alliances. This is particularly important in the context of calls that are aimed at fostering innovation in sectors related to climate change. In the same vein, those projects to be

[21] European Union, *Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund*, Journal of the European Union, *OJ L 231, 30 June 2021.*

[22] Ibid.

[23] Ibid.

developed in the context of the just transition often involve multiple stakeholders with diverse interests.

2. Consultation: given that the national recovery and resilience plans were drafted by the central governments within a short period of time, consultation is a key with a view to allowing public authorities to better adapt the reforms and investments to the current context. This is particularly relevant with a view to ensure that no one is left behind in the transition towards a carbon-neutral and circular economy and that regional and municipal public authorities, citizens and companies, particularly SMEs, can have their say.
3. Supervision: while the reforms and investments of each national recovery and resilience plan were agreed by the Commission and the Member State bilaterally, the Commission will not verify their content during the implementation phase. Member States will report twice a year in the framework of the European Semester. Thus, supervision will be essential with a view to ensure the correct implementation of the measures included in the national recovery and resilience plans, especially in the case of investments. For instance, supervision will be key with a view to ensure that projects financed by the Recovery and Resilience Facility comply with the do no significant harm principle in every stage of the project cycle.

3. Conclusions

The Resilience and Recovery Facility was agreed in the context of the COVID-19 crisis, aims at contributing to the green and digital twin transition and, particularly, to the transition towards a carbon neutral economy.

Taking into account that: (i) all of the national recovery and resilience plans endorsed by the European Commission comply with the climate tracking, which ensures that, at least, 37% of the total allocation per member State is dedicated to climate-related measures; (ii) all of the national recovery and resilience plans approved by the European Commission comply with the do no significant harm principle; (iii) the climate-related measures in the national recovery and resilience plans included, to a large extent, the flagship areas proposed by the European Commission; (iv) the allocation of each member State includes funds corresponding to the Just Transition Fund, which were distributed taking into consideration the particularities of each Member State; it can be concluded that the investments and reforms included in the national recovery and resilience plans contribute to the Green Deal. However the effectiveness of this contribution will be determined by the way in which each measure is implemented at the national level.

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