"Changing existing patterns of high-carbon infrastructure investment is a major challenge and the later it is left the more difficult it becomes. We must focus attention on the scale, quality and urgency of investments required to accelerate the low-carbon transition."

Professor Lord Nicholas Stern, 7 October 2015, Lima, Peru.

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The climate change mitigation imperative

- Climate change is happening - due to unsustainable production and consumption patterns
- Unmitigated climate change will be irreversible, placing tremendous monetary and social costs on future generations

➢ 80%-95% GHG emissions reduction by 2050

➢ Societal imperative to phase-out fossil fuels and switch to clean energy systems

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An assessment of climate change mitigation mainstreaming
in Central and Eastern Europe's Regional Development and Cohesion Funds

Climate action in CEE:
… more is possible, and achievable.

Markus Trilling
EU Policy Officer
CEE Bankwatch Network/Friends of Earth Europe

European Network of Environmental and Managing Authorities
ENEA-MA plenary
Warsaw, Poland - 1 DECEMBER 2015

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Monitoring EU funds in CEE countries

CEE bankwatch network www.bankwatch.org

CEE Bankwatch Network is an international NGO with member organisations currently from 15 countries across the CEE and CIS region. Its mission is to prevent the environmentally and socially harmful impacts of international financial institutions and EU funding, and to promote alternative solutions and public participation.

Friends of the Earth Europe www.foeeurope.org

Friends of the Earth Europe unites more than 30 national environmental organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

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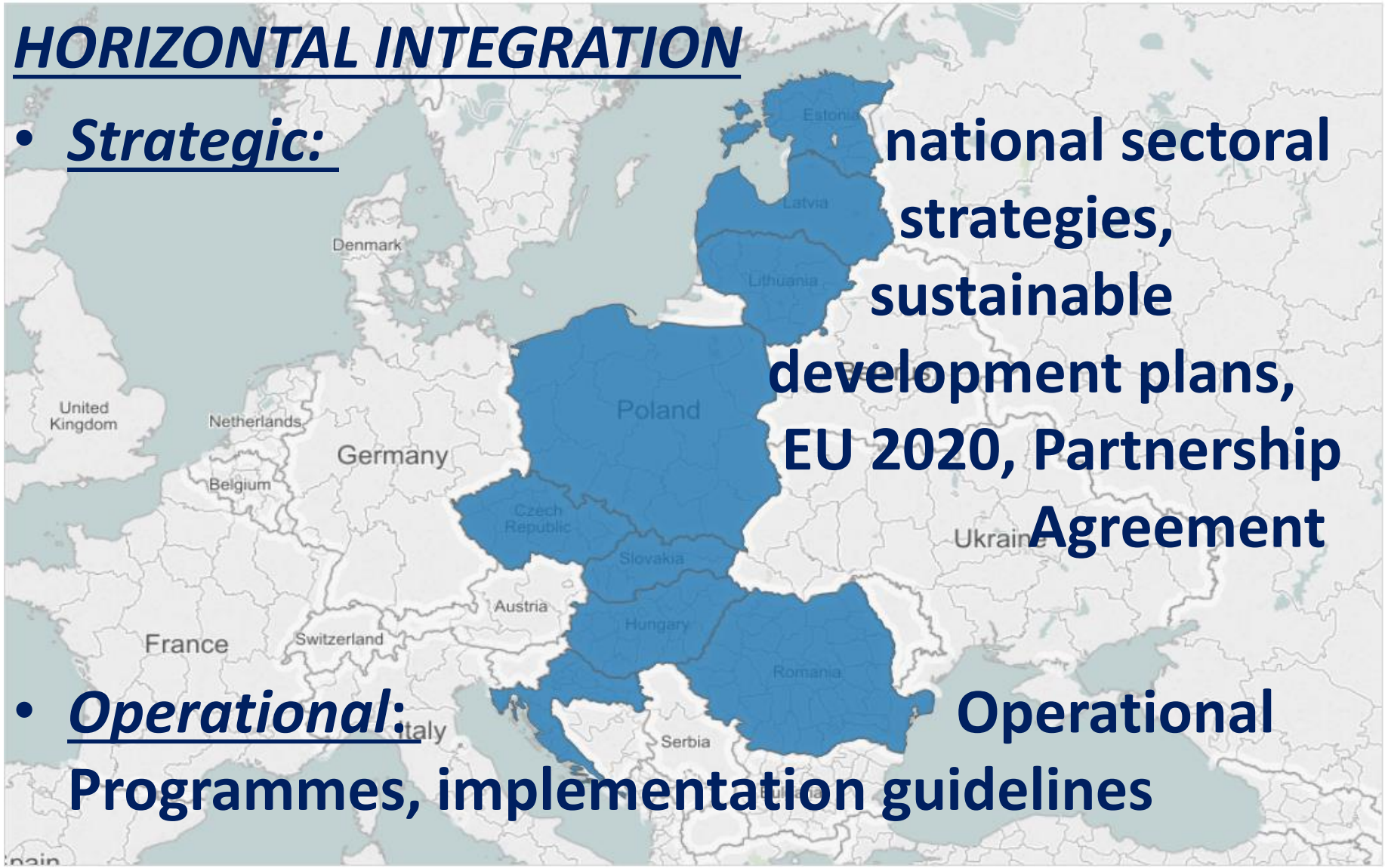
Climate mainstreaming analysis in 9 CEE countries



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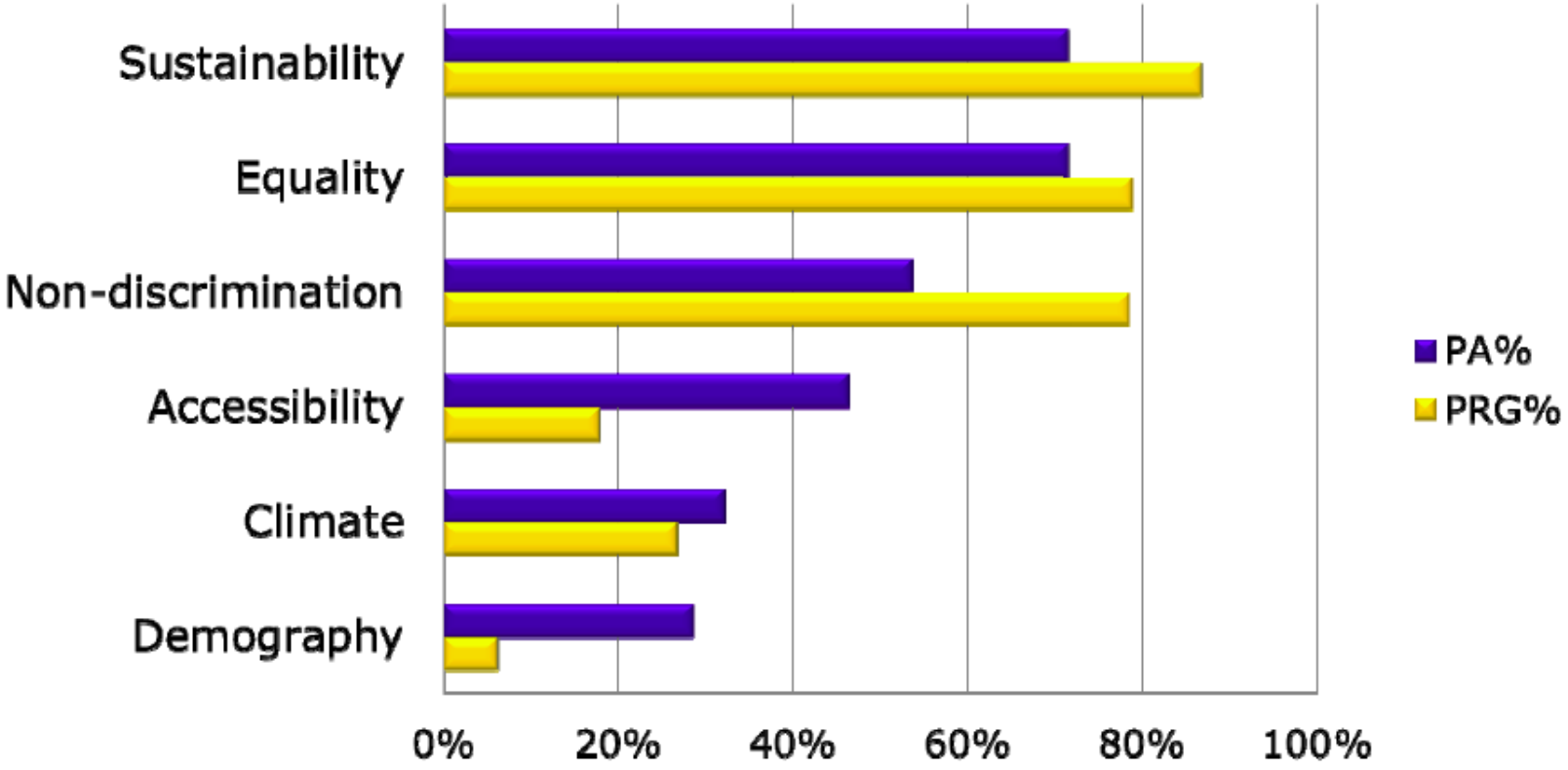
Selection of horizontal priorities



Source: DG Regional and Urban Policy, ESIF Structured Dialogue, 17 November 2015

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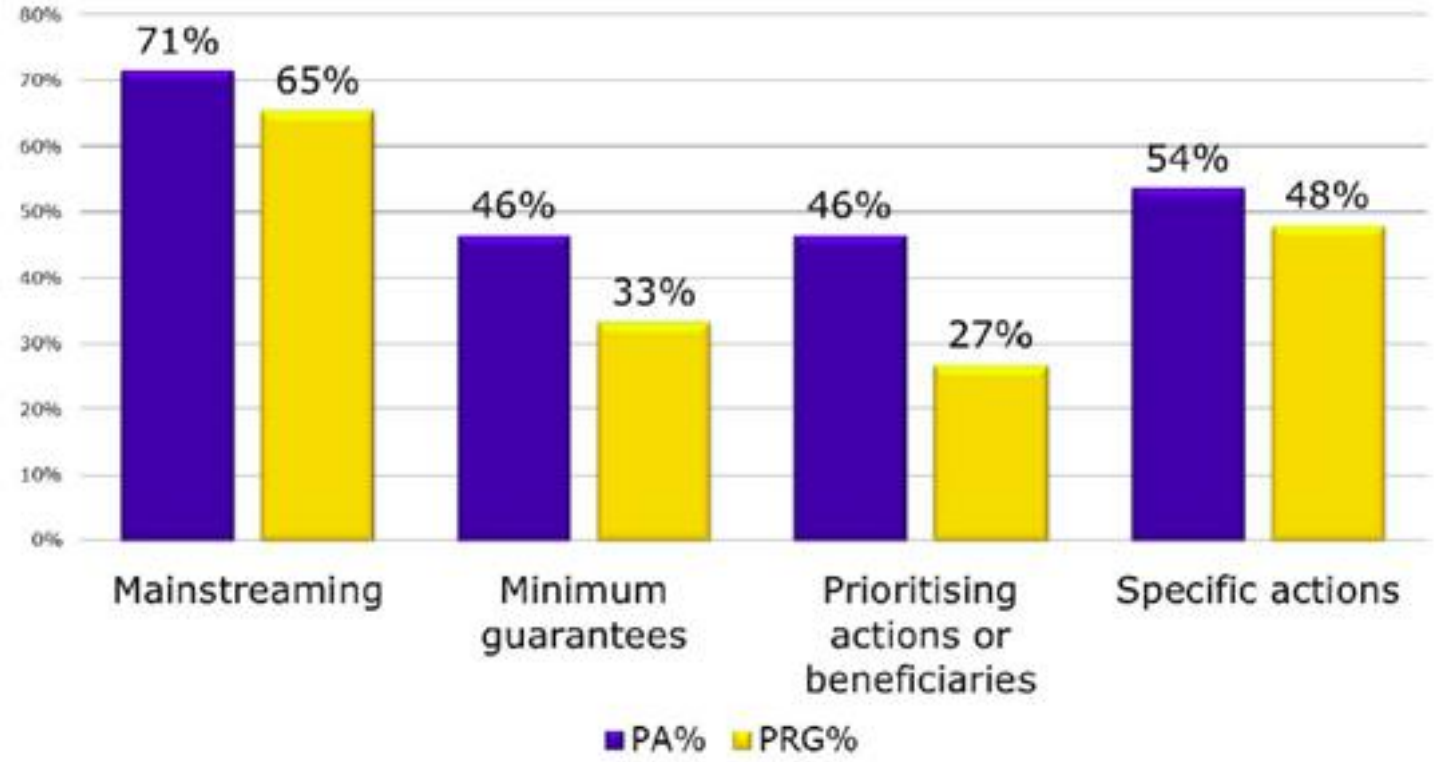
Envisaged methods to address horizontal priorities



Source: DG Regional and Urban Policy, ESIF Structured Dialogue, 17 November 2015

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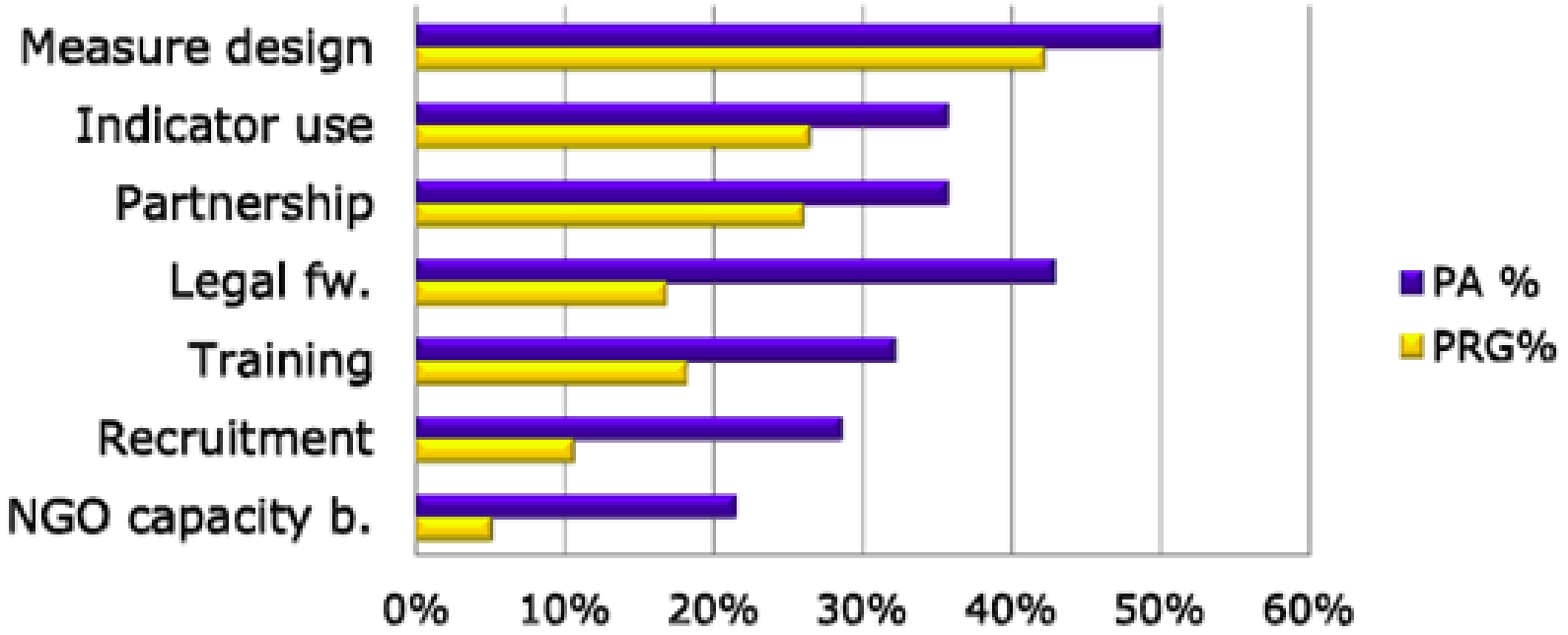
Envisaged methods to address horizontal priorities – mainstreaming



Horizontal principles were **incorporated** into the intervention logic of the programmes

Source: DG Regional and Urban Policy, ESIF Structured Dialogue, 17 November 2015

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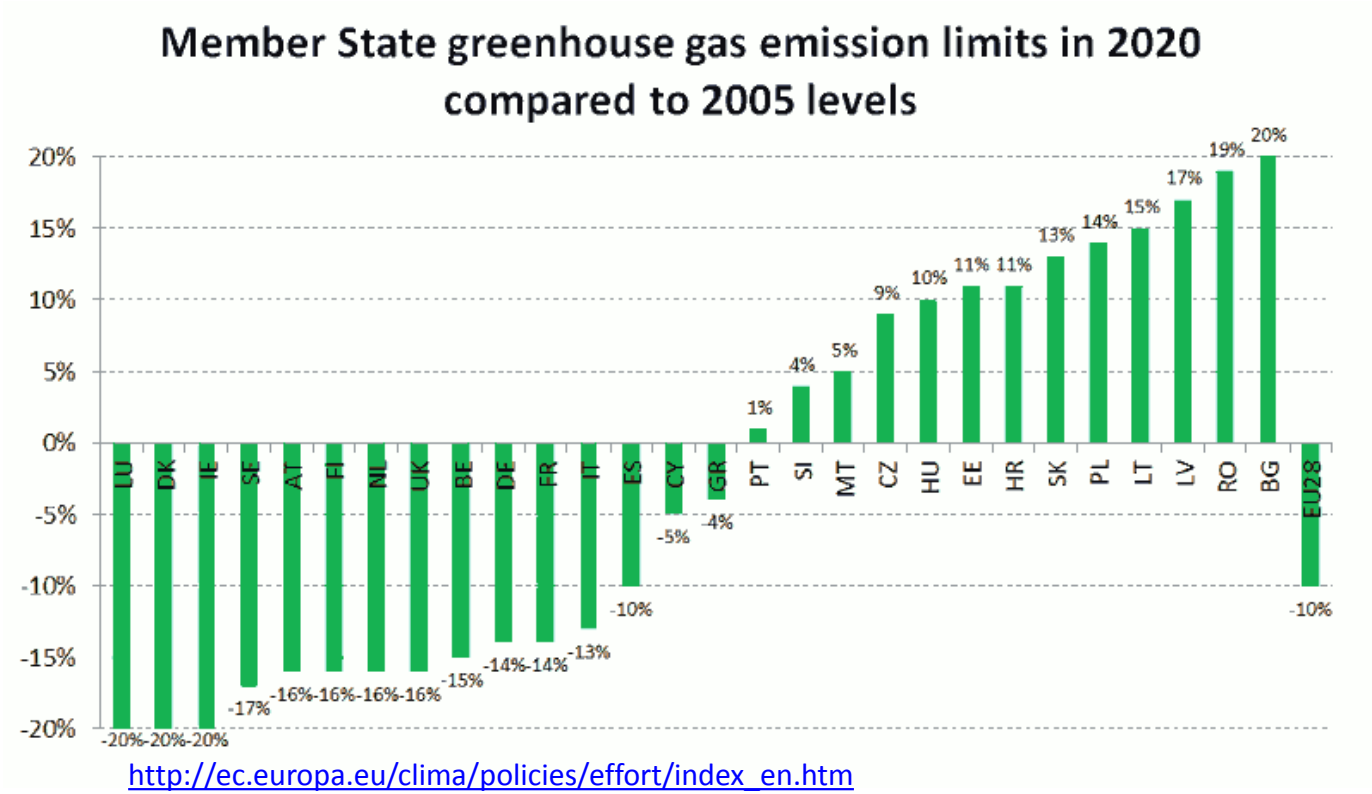
Horizontal integration - strategic:

- National sectoral/sustainable development plans
- EU 2020 – non-ETS sectors

➢ No “clean energy pathway”



http://ec.europa.eu/clima/policies/effort/index_en.htm

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Horizontal integration – Partnership Agreements

- Trend-setting declarations:

"… principles to adhere to: energy and resource efficiency, the reduction of resource and energy use, limit land seal, GHG emissions reduction, the polluter pays principle, precautionary principle, life-cycle cost assessment, eco-innovation, preference for environmentally sound development, protection of natural assets, green public procurement, etc."

Horizontal integration – Operational Programmes

- each Operational Programme „shall include a description of how environmental protection requirements, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management are taken into account“ (art. 27 (5) CPR.)

➢ <u>Some good examples (Annex):</u>

- Biomass sustainability
- RTDI for sustainable environment and clean and renewable energy
- RES generation, with priority for small + medium sized units
- Measurable GHG reductions
- Combination of EE and RES

Horizontal integration – Operational Programmes

➢ However:

- Horizontal principle generally not put into effect
- Not enforceable on OP level
- No establishment of an "environmental integration work programme"
- No operationalization of "mainstreaming"
  - low result, output + outcome indicators
- Realization left to the successive implementation framework on national level, mainly through the design of measures and project selection criteria

Horizontal integration – Implementation guidelines

Project selection criteria:

- Some good examples (e.g. biomass)
- In general: fairly open and unspecific
  - "environmental sustainability"
  - "relevance and proportionality"

➢ No systematic GHG assessment (transport, coal)

➢ No comprehensive selection framework (punctual diversification, no discrimination)

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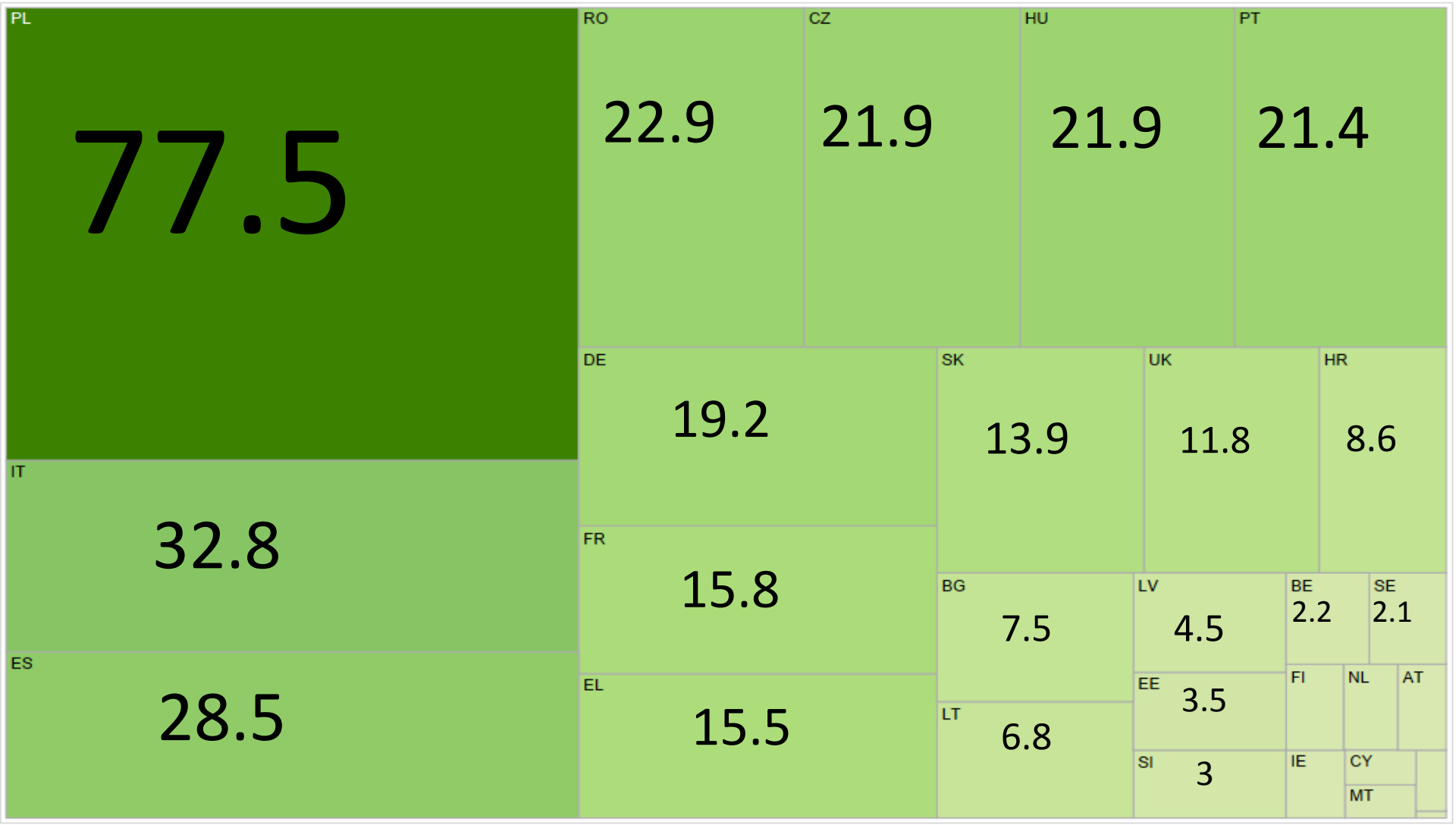
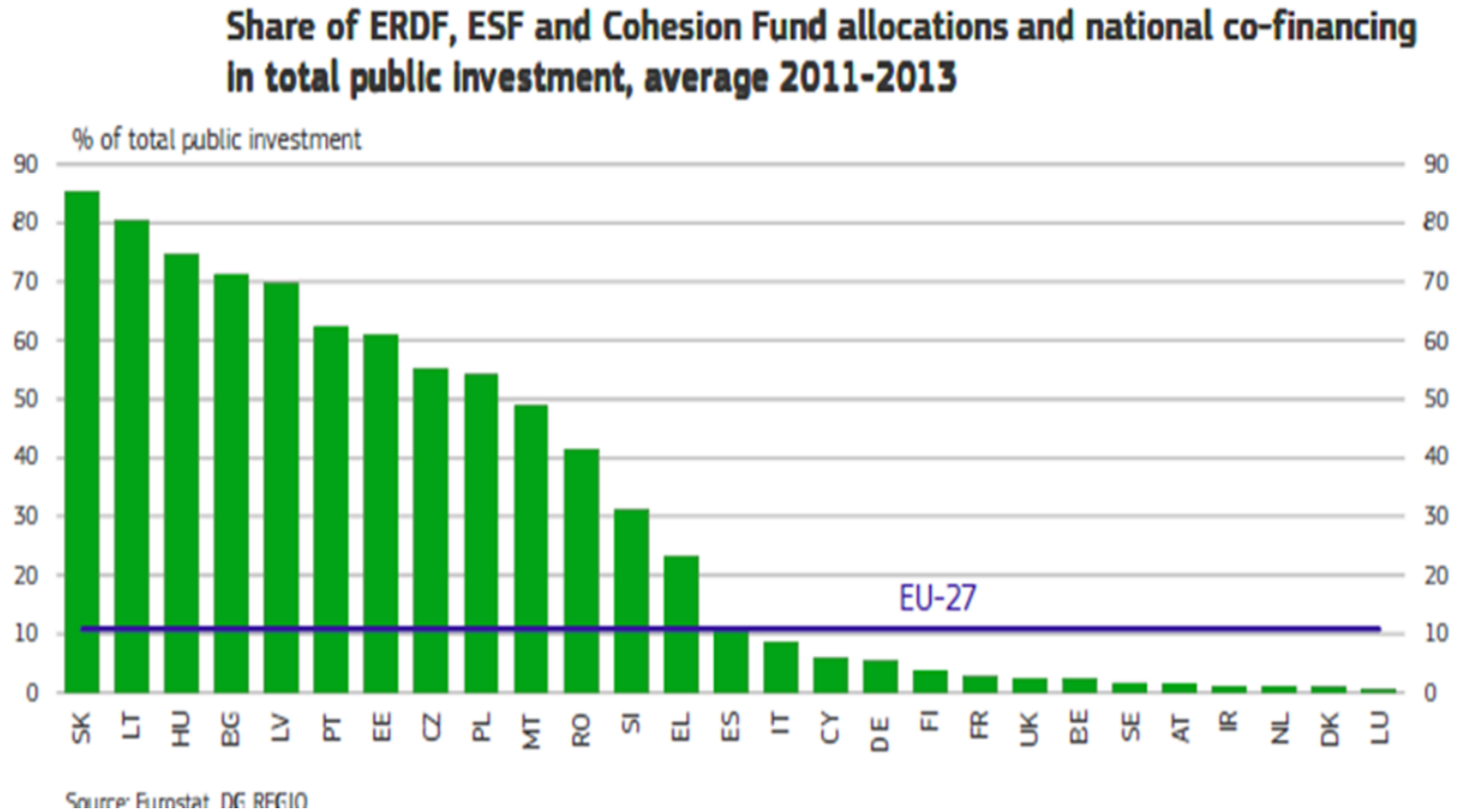
European Regional Development, Social + Cohesion Funds 2014 -2020, bn EUR



EU funds determine public investments in infrastructure in central and eastern Europe



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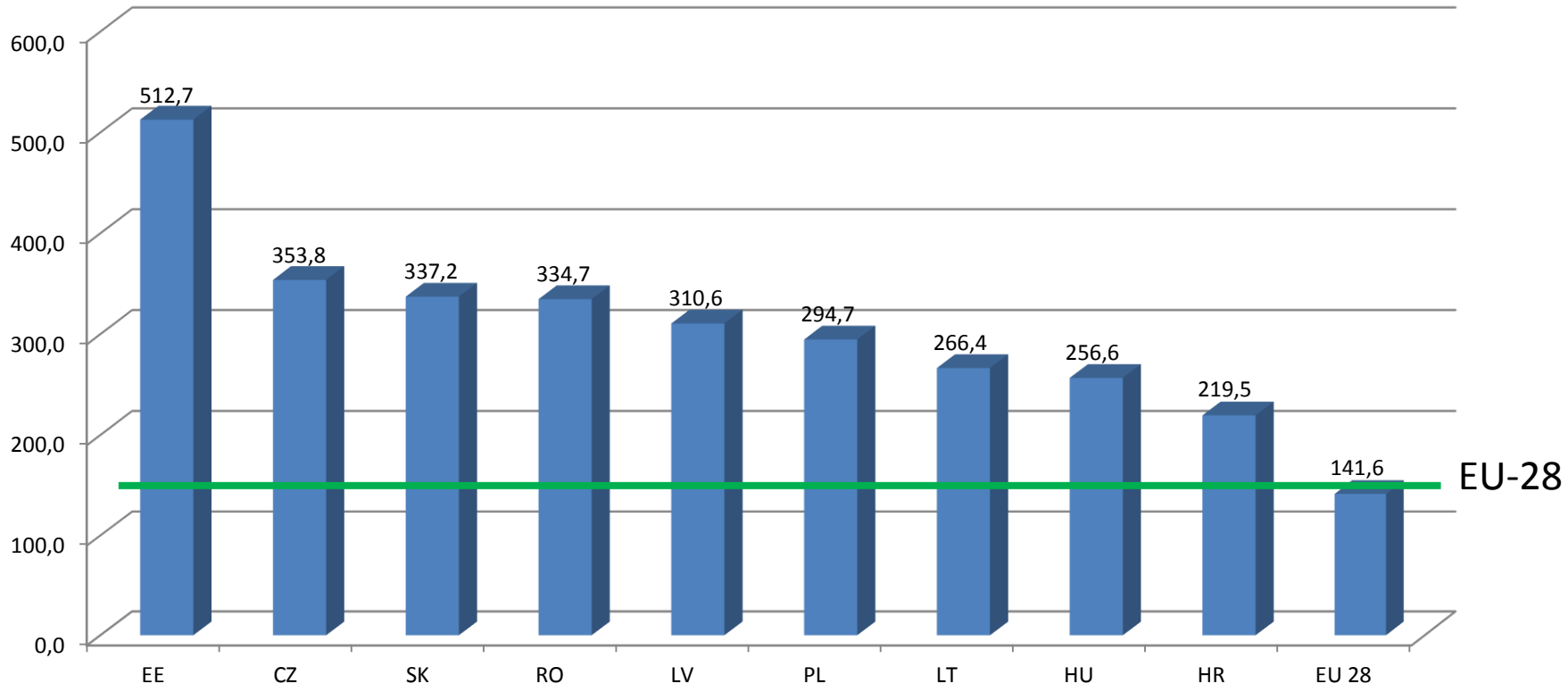
Energy intensity of the economy 2013



Energy intensity of the economy 2013 - Gross inland consumption of energy divided by GDP (kg of oil equivalent per 1 000 EUR), CEE and EU 28 average; Eurostat

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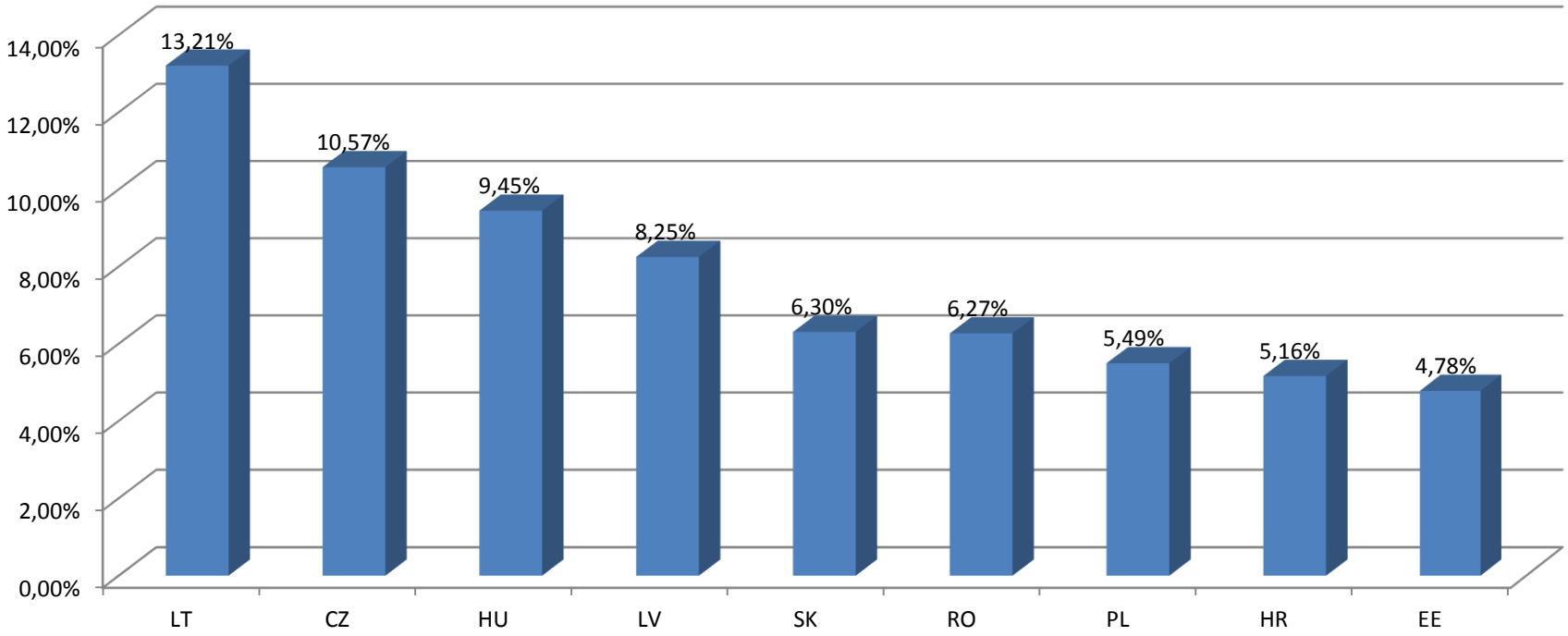
Share of energy efficiency, renewables and electricity distribution and storage on total Cohesion Policy



Share of clean energy infrastructure on total ERDF, CF and ESF; own calculations based on approved Operational Programmes according to categories of intervention

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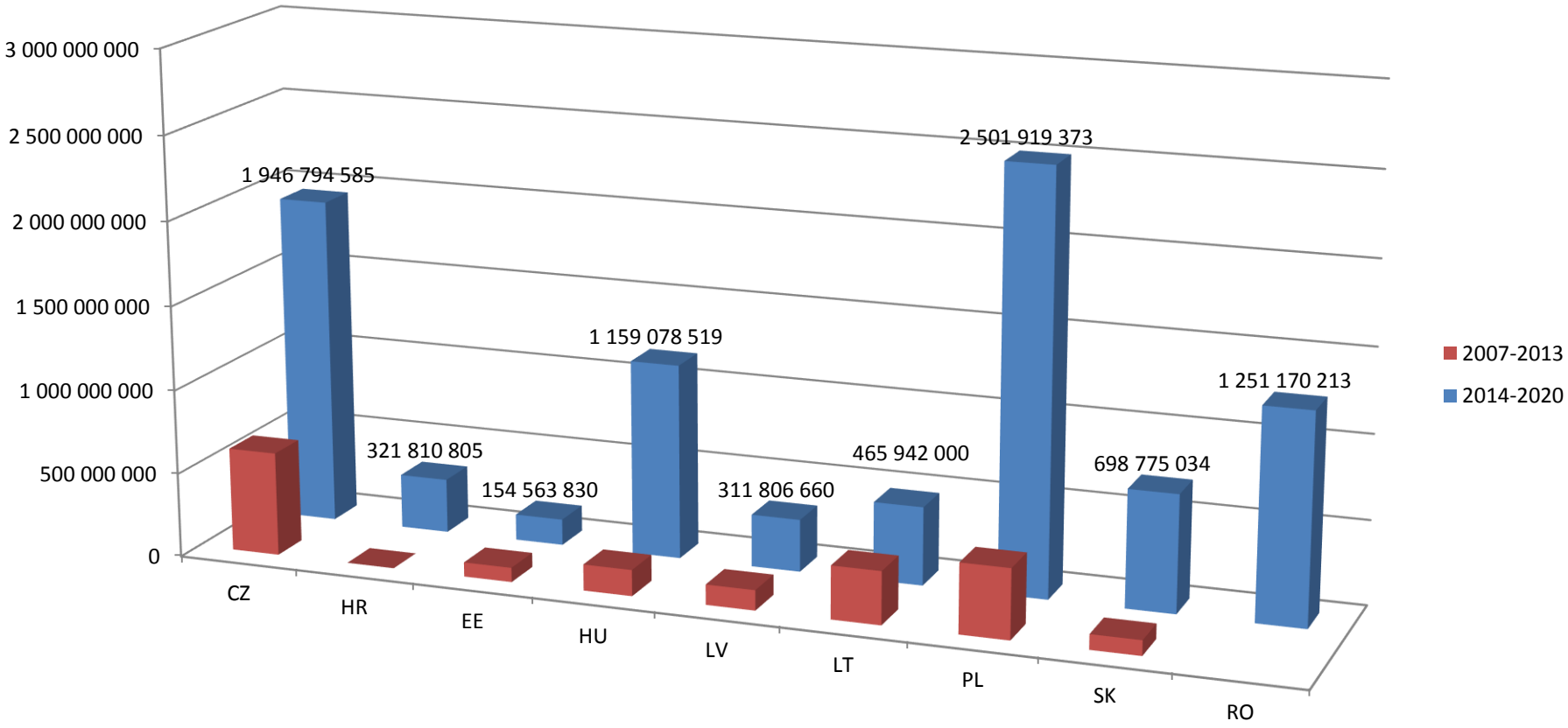
Allocations to energy efficiency measures, 2007-2013 and 2014 -2020



Allocations to energy efficiency in total ERDF, CF and ESF, Euro; own calculations based on approved Operational Programmes according to categories of intervention

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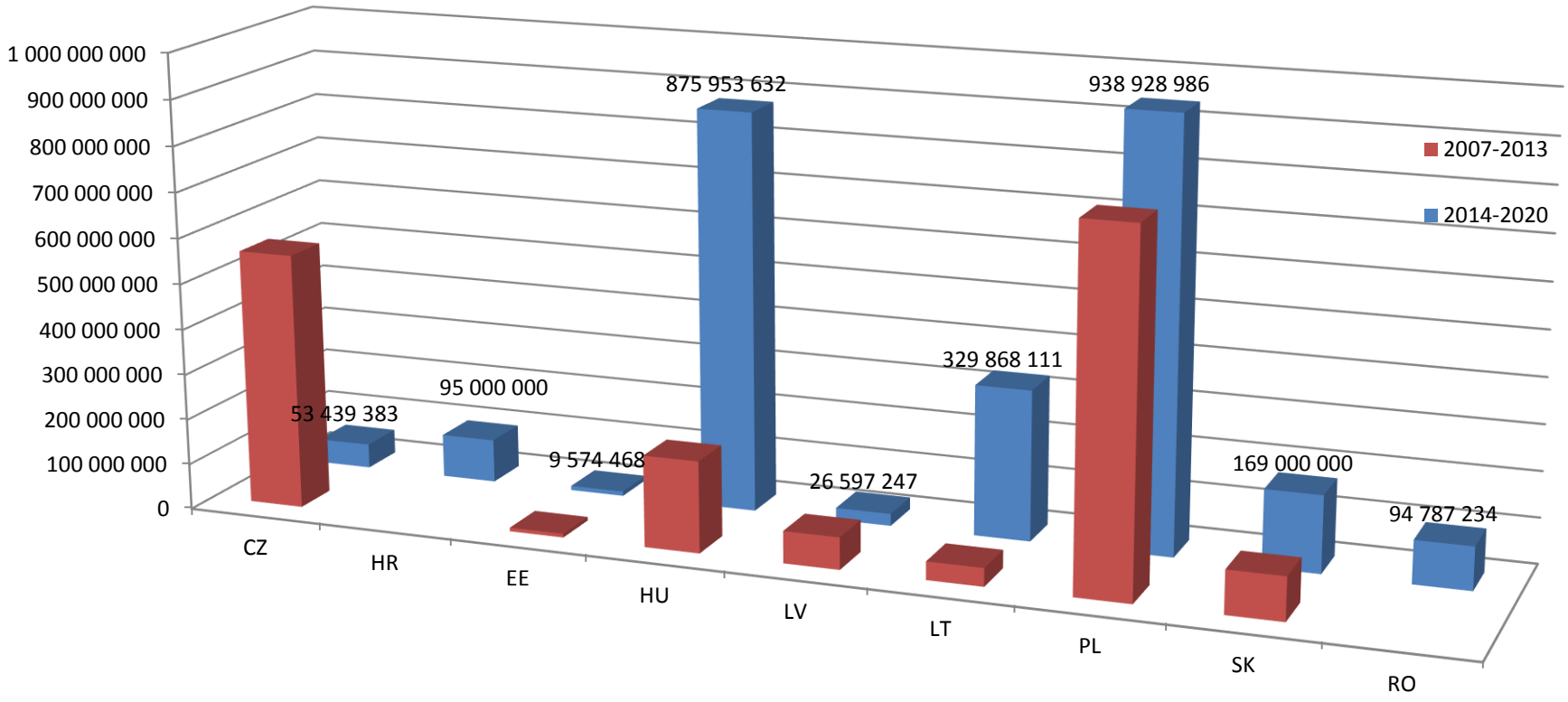
Allocations to renewable energy sources, 2007-2013 and 2014 -2020



Allocations to renewable energy in total ERDF, CF and ESF, Euro; own calculations based on approved Operational Programmes according to categories of intervention

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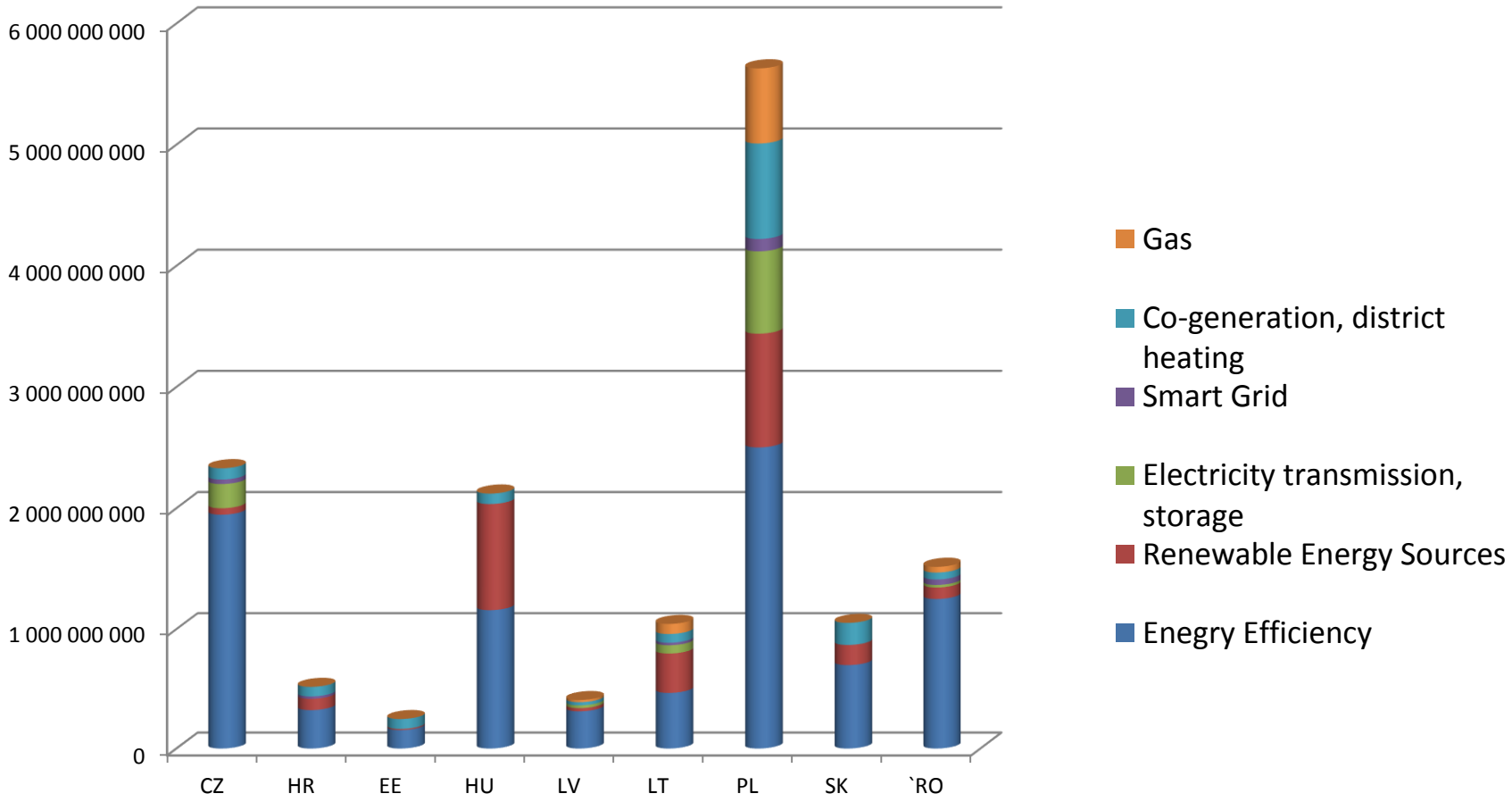
Energy infrastructure investments



Different types of energy infrastructure investments, Euro; own calculations based on approved Operational Programmes according to categories of intervention

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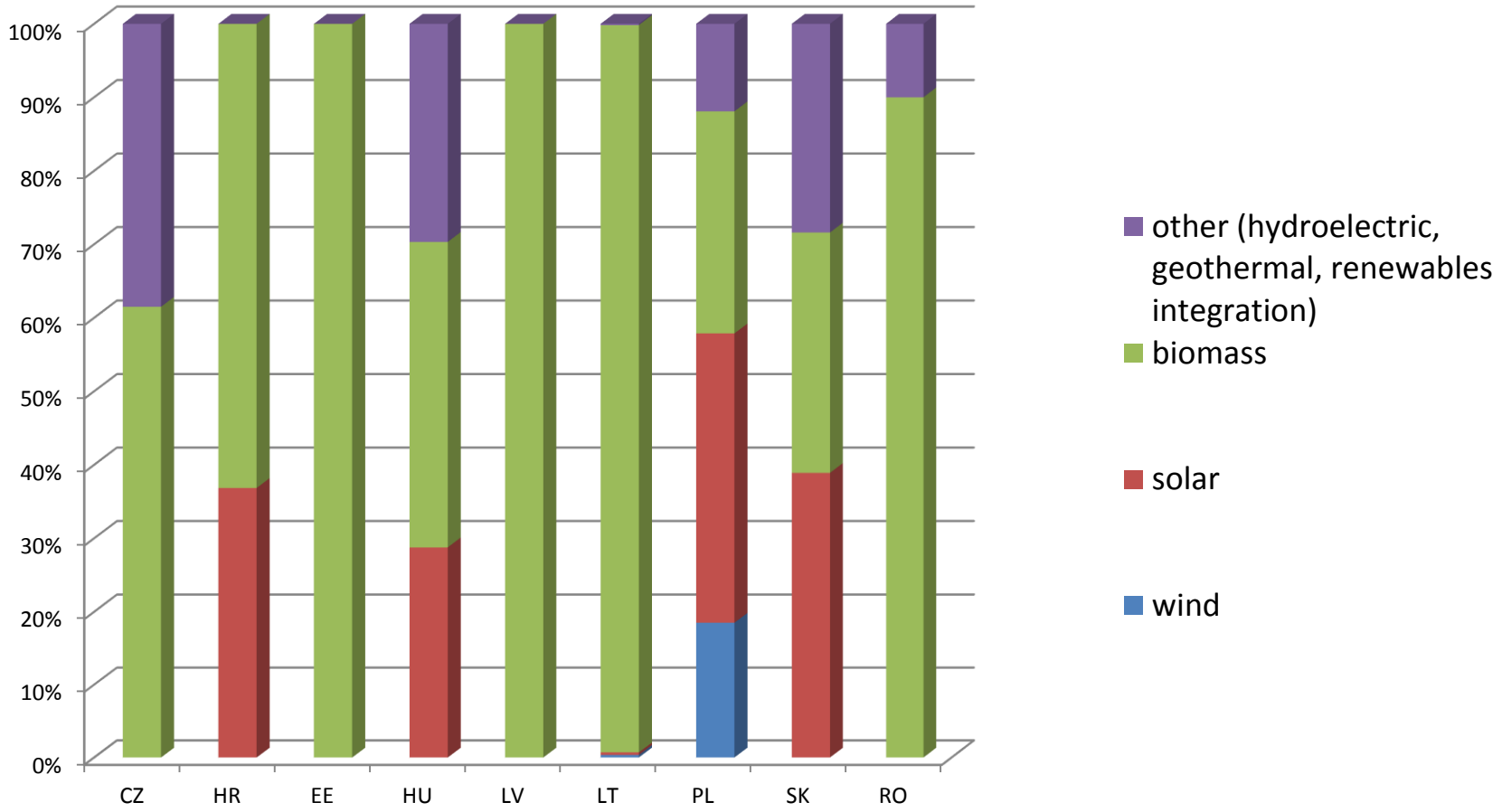
Shares and types of renewable energy



Split of renewable energy sources; own calculations based on approved Operational Programmes according to categories of intervention

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Sustainability (eligibility and project selection) criteria for biomass support

- biomass installations only eligible if:
  - energy resources used are produced in a manner which does not cause additional competition between energy and food production
  - don't have negative impact on biodiversity; agricultural monocultures non-eligible
  - local sourcing of biomass will be preferred
  - don't use high-quality wood or grain
  - social and economic effects – assessment in project will cause the creation of local clusters or support local cooperation between i. a. local government, farmers, citizens, firms etc. (20 points)

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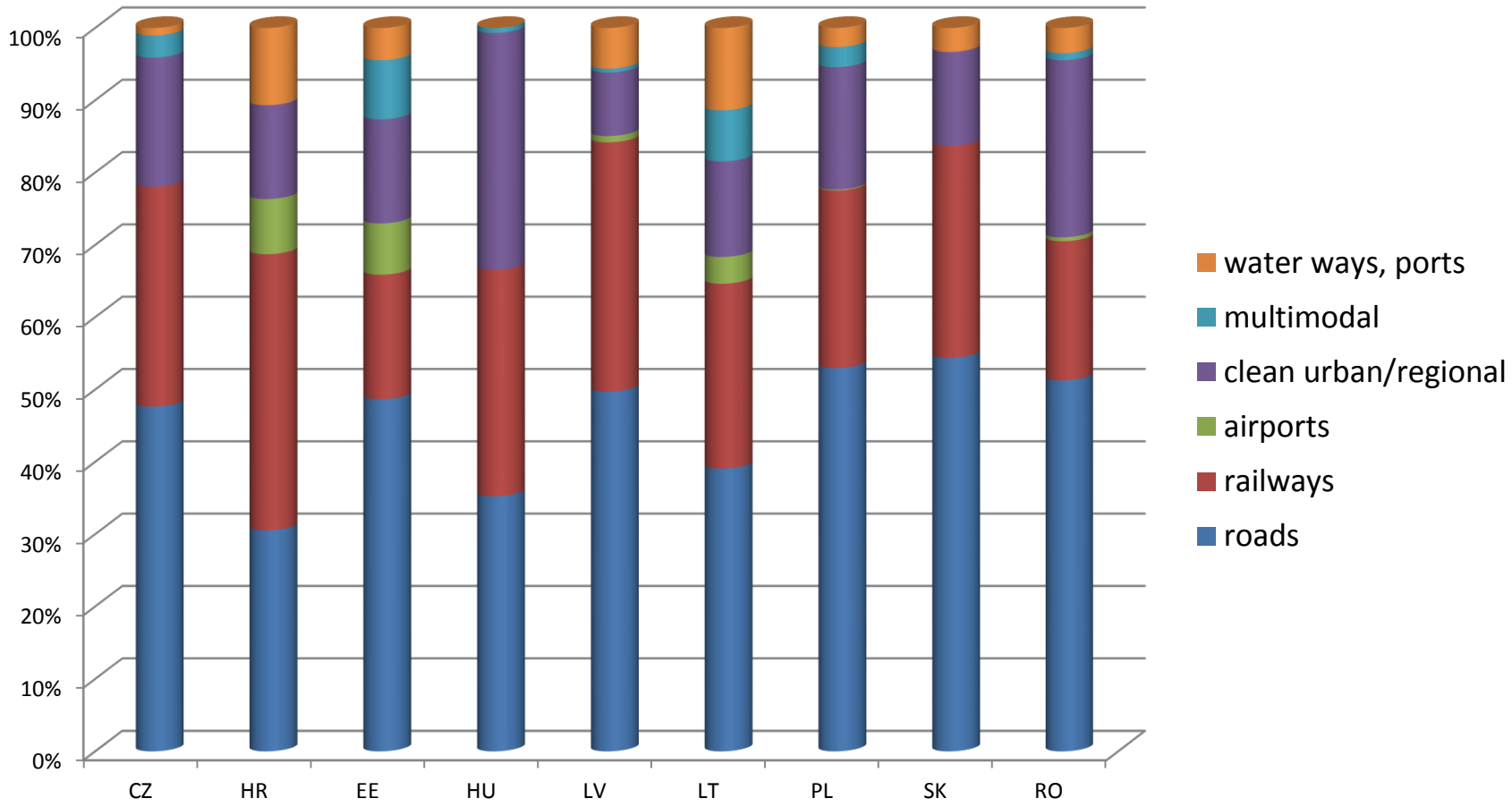
Transport modals



Share of different transport modals on total transport funding per country; own calculations based on approved Operational Programmes according to categories of intervention

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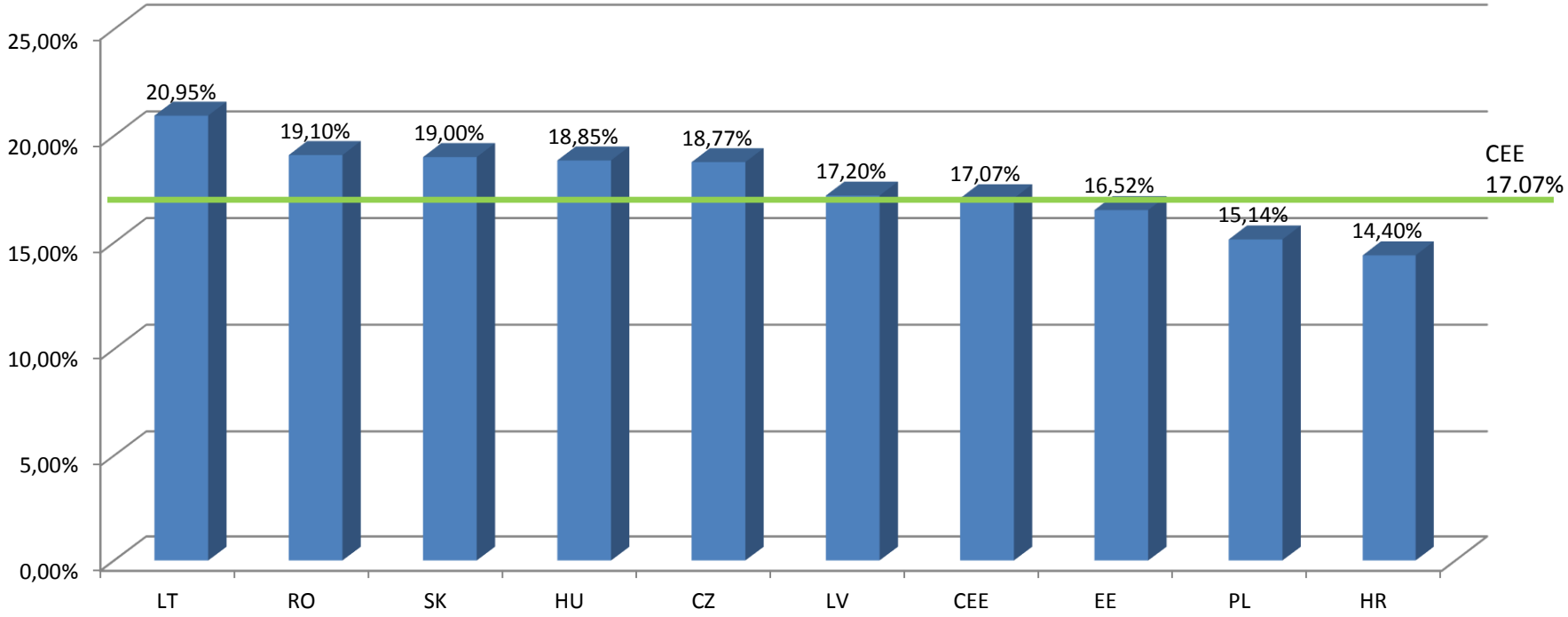
Share of climate action on total Cohesion Policy



Share of allocations dedicated to climate action on total Cohesion Policy funds, own calculations based on approved Operational Programmes according to categories of intervention and “Rio Marker” values

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Horizontal integration of climate change mitigation – conclusions

- “horizontal integration” is complex, operationalization causing challenges and requires more guiding;
- MS long-term commitment to energy system transformation is crucial;
- ESIF still driver for climate action.

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Horizontal integration of climate change mitigation – recommendations

By the time of the mid-term review:

- Adopt and apply (EC+MS) horizontal guiding principles for the selection of projects and calls for proposals for all the investment priorities and interventions
- Develop (EC) a climate change mitigation evaluation framework ("carbon footprint" methodology), aiming at net GHG emission reduction
- MSs to carry out this evaluation for all OPs and for the PA (i.e. all EFSI), using TA and JASPERS
- Shift funding towards energy efficiency, renewable energy sources and SMART energy management and distribution
- Withdraw eligibility of unsustainable renewables and climate action measures which have detrimental environmental impact

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Your questions and comments please!

Annex

Renewable energy: eligibility and selection criteria, Podlaskie Regional OP, implementation documents and call for proposals; Poland

- eligible are only small and medium-sized RES installations:
  - hydro, wind, biomass energy – up to 5 MW
  - solar, geothermal – up to 2 MW
  - biogas – up to 1 MW
- biogas plants only eligible if project provides for efficient use of waste heat, preferred utilisation of organic digestant
- biomass installations only eligible if:
  - energy resources used are produced in a manner which does not cause additional competition between energy and food production
  - don't have negative impact on biodiversity; agricultural monocultures non-eligible
  - local sourcing of biomass will be preferred
  - don't use high-quality wood or grain (in accordance with Renewable Energy Law)
- all installations must adhere to spatial and location limitations, including related to environmental protection and Natural 2000 sites; such limitations are generally non-applicable to micro-installations, which will be preferred
- projects will receive preference according to their environmental effect (CO_2 and other pollutants emission reduction, others) as well as their socio-economic effect on local development

- <u>Project selection criteria:</u>
- assessment of efficient use of [waste] heat (applies to all cogeneration installations); if heat not utilised, project non-eligible
- assessment of potential negative impact of the project, including: source of biomass used for energy production, including biofuels; project non-eligible if such impact is found
- cost effectiveness of proposed projects assessed in separate technological categories (project compete only with comparable projects)
- higher scoring for projects which plan to utilise organic waste or are located in degraded sites (brownfields)
- visible preference for smaller and micro-installations – assessment of type and installed power of the installation; biogas up to 200 kW, PVs up to 40 kW – 10 points; wind, hydro, PVs (over 40 kW), solar panels combined with heat pumps, biogas 200-500 kW – 7 points; solar panels, heat pumps, biomass burning, biogas over 500 kW – 5 points; other – 0 points
- location of project – preference to projects implemented in villages and countryside over town and city projects (related to density and state of power grids)
- social and economic effects – assessment in project will cause the creation of local clusters or support local cooperation between i. a. local government, farmers, citizens, firms etc. (20 points)
- assessment of implemented innovative technological solutions (10 points)

Annex

Requirements for Energy Efficiency interventions in Hungary, own compliation based on approved Operational Programmes

Eligible actions Energy Efficiency:	Selection Criteria:
• buildings (housing stock, building stock of local governments, business infrastructure, railway stations, social infrastructure); • electricity-related refurbishment in homesteads/farmsteads; • social urban rehabilitation (incl. housing blocs and public spaces); • productive tools, machinery ("production processes"); • energetic quality assessments; • modernisation of lighting; • modernisation of boiler rooms, exchange of heaters.	• investments should be prioritized if they decrease GHG or pollutant emissions measurably, contribute to climate change adaptation, enhance resilience and adaptation and/or are implemented with low energy use. • Energy efficiency projects of local governments should be based on the internal, autonomous utilization of the regional energy potential, with special regard to renewable energy sources; • refurbishment should be based on energetic assessment / certified / carried out with certified technologies; • higher / the highest possible savings on energy/fossils and/or GHG emissions at unit cost are prioritized / required (depending on the investment priority); • in the case of renovation of buildings, complex renovation has priority; • small-scale infrastructure development in agriculture should contribute to EE.

Annex

Requirements for Renewable Energy interventions in Hungary, own compliation based on approved Operational Programmes

Eligible Renewable Energy Sources:	Selection Criteria:
• RTDI for energy-related fields include: sustainable environment and clean and renewable energy. • production of machinery producing energy from RES;	• The use of RES is to be considered in the case of all new construction. • Although RES investments are not linked to mandatory energetic modernization, only buildings with low heat-transmission (heat loss) level (the same level as for any new construction) are eligible. • "EE and RES in SMEs and housing" prioritizes small and medium-sized production units using local resources and serving local needs, RES-based co-generation of heat and electricity, as well as investments combining energy efficiency and the use of RES

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Annex

Requirements for biomass support in Hungary, own compliation based on approved Operational Programmes

Biomass
• No more than 50% of the input materials for biogas can represent grain and plants containing starch and sugar;
• If agricultural biomass is primarily used for the production of electricity, at least 25% of the produced heat surplus has to be used within the same/own farm.
• Only heaters with at least 70% efficiency can be used for non-combined biomass-based heat generation.
• In the gardening sector, the production of liquid bio-fuel is not supported.
• Local small-scale biomass-based community infrastructure development cannot increase the use of wood.
• Local, innovative, high efficiency use of forestry or agricultural waste mainly for heating or co-generation is eligible when renovating encompasses the whole community
• The planting of fast-growing “energy woods” is not eligible.

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