Green Deal Watch

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About the Green Deal Watch

The "Green Deal Watch" was launched in 2020 by the Istituto Affari Internazionali (IAI) with the support of Edison. The aim of the project is to follow the evolution of the ambitious and cross-cutting "European Green Deal" (EGD) strategy towards climate neutrality launched by the Von der Leyen Commission in December 2019. The "Green Deal Watch" follows the "Energy Union Watch" which IAI published from 2015 to 2019 to monitor the evolution of energy and climate policies under the previous legislature. IAI covers the debate among national and European stakeholders and reports the key dynamics in order to help the reader better navigate the challenges and opportunities of implementation of the EGD. The Watch is produced on a quarterly basis, collecting official documents, public information and open source data, which are processed and analysed by the IAI team.

About IAI

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation, focusing on topics such as European integration, security and defence, energy and climate policies, as well as key regions such as the Mediterranean, the Middle East, Asia, Eurasia, Africa and the Americas. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffarInternazionali), two book series (Trends and Perspectives in International Politics and IAI Research Studies) and other paper series related to IAI research projects.

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About this Report

This is the 12th issue of the Green Deal Watch, a quarterly report produced by the Istituto Affari Internazionali (IAI) with the support of Edison. This publication aims at monitoring and analysing the initiatives launched by the European Commission and discussed by EU institutions and member states under the umbrella of the Green Deal. Starting from Issue 12, the Green Deal Watch IAI no longer follows the former division into four dimensions: "Driving the Green Deal", "Greening Industry", "Supporting the Transformation" and "Strengthening Security and Diplomacy". Instead, each issue is now structured as an analytical assessment of the main Green Deal developments in the three months that it covers.

In each issue, the analysis is followed by an interview. This time we look at the opinion of Paloma Aba Garrote, Director of the European Climate, Infrastructure and Environment Executive Agency (CINEA).

A timeline of initiatives envisaged under the European Green Deal concludes this report.

Overview

Much speculation centres on how the Green Deal will fare in the run-up to the European Parliament Election to be held from 6 to 9 June 2024, and in their aftermath. In addition to a review of the EU energy and climate legislative and policy developments over the past three months, this issue of the Green Deal Watch can thus also be read as a stocktake of where the Green Deal stands as it approaches what may prove to be a critical juncture.

As most Fit for 55 elements approach finalisation and policymakers start discussions on the 2040 targets, the Green Deal will soon need to face institutional shifts. With the handover from the Spanish to the Belgian Presidency of the European Council having occurred in January, the next big step will be the European Parliament Election. Meanwhile, notable changes have occurred at the national level as well, with elections in Poland and in the Netherlands. While the new governing coalition in Poland, led by Donald Tusk, represents a renewed commitment to EU climate goals, the success of Geert Wilders in the November 2023 Dutch elections may have been the first sign of a pan-European shift to the far right, which many expect to manifest also in the results of the European elections. Although immigration was the key issue that propelled Wilders' Partij voor de Vrijheid (PVV) to the top of the polls, the party also holds extreme climate-sceptic views, with its manifesto promising a repeal of domestic climate legislation and a withdrawal from the Paris Agreement. It is also significant that Wilders prevailed against Frans Timmermans, the architect of the European Green Deal, who left his position in August 2023 specifically to lead the Dutch elections on a climate action platform. However, it might be misguided to read too much symbolic value into the fact that Timmermans did not emerge victorious from the elections, given that he steered the GroenLinks–PvdA party to a strong second-place finish at 15.7 per cent of votes compared to Wilders' 23.6 per cent, and increased his party's share of seats in the Tweede Kamer.

Nonetheless, it is apposite to reflect on how strongly the European Green Deal has been woven into the legal and political fabric of the European Union, and thus how resilient it may be to attempts to reverse some of its key components or to dilute its ambition. As the last issue of the Green Deal Watch already discussed, these dynamics can, to some degree, already be felt in debates in Parliament and Council, particularly in the efforts of mainstream conservative actors to appeal to an electoral constituency which it perceives as drifting to the far right. Symbolic in this regard was the Nature Restoration Law, which did eventually find political agreement between Parliament and Council on 9 November 2023, but with many of its more ambitious provisions weakened in the process.

However, as this issue of the Green Deal Watch shows, the second half of the Spanish Presidency's term also resulted in a number of significant legislative and policy advances. A provisional agreement was reached on the new environmental crime Directive, a piece of legislation with strong interactions with other Green Deal components, such as the EUDR and the Nature

Restoration Law. Even more prominent was however the closing of some key Fit for 55 files and the substantial progress on the proposals of the Green Deal Industrial Plan, which is analysed in depth in this issue. This issue also discusses how the EU is seeking to steer the implementation of its legislative accomplishments in a way that boosts EU competitiveness; and it reviews what may be seen as, overall, a success for EU climate diplomacy at COP-28 in Dubai. As Spanish and Belgian officials have been collaborating, with the former preparing for the handover of key Green Deal dossiers to the latter, the Belgian Presidency's motto of "protect, strengthen, prepare" could be seen not just as referring to the external threats that the EU is facing, it may also be aptly applied to the Green Deal's legacy ahead of the elections. The ongoing governance challenges that the EU is facing in ensuring member state follow-through on its 2030 targets, discussed below, emerge as a key potential weakness. The issue closes on a hopeful note with an interview with Paloma Aba Garrote, Executive Director of the Climate, Infrastructure and Environment Executive Agency (CINEA), who outlines how financial support for key infrastructure can solidify the trajectory of the European Green Deal through physical interconnection.

As the Green Deal's complexity evolves, so does this publication. Regular readers will notice a move away from the taxonomic approach of previous issues, which categorised policy and legislative steps into four strands. Instead, this issue adopts a more flexible approach to the Green Deal developments over the past three months, which we hope more closely aligns with the complex political and governance dynamics at play.

1. Closing Fit for 55

The Spanish Presidency of the Council of the EU can, on the whole, look back on a successful term. Its stated goal of completing the adoption of the Fit for 55 legislative package was largely effective. Even though not all 15 files have been formally adopted by the European Institutions, the last three months saw political agreement reached on the last three remaining proposals. However, another ambitious proposal, the revision of the Energy Taxation Directive, seems not to have been able to generate the necessary consensus in the Council. On 15 November 2023, Parliament and Council reached provisional agreement on the Regulation on Methane Emissions Reduction in the Energy Sector. Proposed by the Commission alongside the December 2021 Hydrogen and Decarbonised Gas Market Package, the Regulation has a strong governance focus, and introduces a system for streamlining the monitoring and reporting of methane emissions, but also obliges companies to repair leaks. Significantly, these reporting obligations will also have an external dimension, and will apply to undertakings that export gas to the EU from 2027.

On 7 December 2023, meanwhile, the co-legislators were able to come to a political agreement on the Energy Performance of Buildings Directive (EPBD). Negotiations on this proposal were protracted, since it had generated controversy and debate in both Parliament and Council. The main sticking point was the legislative proposal's inclusion of mandatory renovations of the least energy-efficient residential buildings. These minimum energy performance standards led to concerns about the significant costs that such mandatory renovations would entail. Despite a heated debate, the European Parliament had been able to adopt its position on the file in its 14 March 2023 plenary, preserving the minimum energy performance standards and even increasing the Commission proposal's ambition. However, the proposal proved even more controversial in Council, with Italy and Poland in particular strongly pushing for an approach that would afford more flexibility to member states. The provisional agreement, reached after intense trilogues, has been criticised for affording this flexibility at the expense of more stringent provisions. This shift in favour of more reluctant member states, as reported by some media, seems to have been the result of Germany changing its stance on the law late in the negotiations for fear of further fuelling national consensus towards the far right. Instead of mandatory renovations objectives, making reference to specific improvements in energy performance class for buildings, the provisional agreement provides that member states should themselves establish minimum energy performance standards or alternative measures. Nevertheless, the Commission should assess whether the agreed measures will deliver sufficient progress towards achieving a fully decarbonised, zero-emission building stock by 2050, or whether further measures such as binding minimum energy performance standards need to be introduced. The provisional agreement also foresees a phaseout of fossil fuel boilers by 2040 and includes the obligation for all new buildings to be zero-emission by 2030.
Finally, on 8 December 2023,

legislators reached an agreement on the final details of the Hydrogen and Decarbonised Gas Market Package, which comprises a recast of both the Gas Market Regulation and the Gas Market Directive, the latter of which had already reached the political agreement stage on 27 November. Significantly, the agreement introduces the regulatory framework for development of the hydrogen market, along with additional measures to favour other decarbonised gases such as biomethane and low-carbon gases. The agreement confirms the proposed establishment of a separate body for hydrogen network governance, the European Network of Network Operators for Hydrogen (ENNOH), thus introducing a third body alongside ENTSO-E and ENTSO-G to foster cooperation in energy network operation and development in the EU. The deal reached by the co-legislators also permanently institutes the concept of EU gas demand aggregation, which was introduced as a temporary measure in the emergency Council Regulation 2576/2022. The agreement also foresees the establishment of a "voluntary system to support market development for hydrogen" in a five-year pilot project under the umbrella of the European Hydrogen Bank. Both schemes, however, will remain voluntary.

2. A Turn Towards Nuclear in the Green Deal Industrial Plan

With the Fit for 55 files nearing closure, attention has increasingly shifted to the fate of the EU's Green Deal Industrial Plan. Indeed, the past three months saw progress on all three components of the Plan, meant to guarantee EU competitiveness in the energy transition: the reform of the EU's electricity market, the Net-Zero Industry Act and the Critical Raw Materials Act (CRMA). Here, significant differences within and between Parliament and Council arose, but negotiations have proceeded at greater speed than for many elements of the Fit for 55 Package. Proposed in March 2023, all three files now seem to be on the road to adoption in the near future.

The most controversial component of the Green Deal Industrial Plan was the reform of the EU's electricity market. The last issue of the Green Deal Watch described the tense debates in Parliament and Council on the issue of whether or not, and to what extent, electricity generated from nuclear energy should be included among the technologies eligible for two-way contracts for differences (CfDs) with public bodies in the member states, with Parliament seeing a last-minute attempt by liberal MEPs to open up the negotiating position and to insert a more wholehearted endorsement of nuclear energy into the text before it proceeded to trilogues. While it certainly was a signal of the heterogeneity that exists in Parliament on this issue, deputies ultimately voted to move ahead with Parliament's negotiating position as it had been agreed by the European Parliament Committee on Industry, Research and Energy (ITRE) Committee. This left a seeming deadlock in the Council between France and Germany as the only barrier to move forward into trilogues was their disagreement on the issue. The Spanish Presidency, determined to see progress on the file during its term, called an Energy Council on 17 October 2023. Against commentators' expectations, the Council was able to break the deadlock between both countries to find a compromise on the application of CfDs. In the Council's negotiating position, EU energy ministers agreed that two-way CfDs would apply to "investments in new power-generating facilities based on wind energy, solar energy, geothermal energy, hydropower without reservoir and nuclear energy". The Council, however, also agreed that two-way CfDs could also apply to investments that would "substantially repower" existing infrastructure. This would leave the door open for France to conclude such agreements in the case of investments extending the running time of its existing, and substantial, nuclear power fleet. The German government's concerns that this could generate substantial revenues for the French state, leading to distortions in the common market, was reflected in the negotiating position by underlining that state aid rules must be upheld in the implementation of the new legislation, and that this should also be reflected in Commission guidance on CfDs.

This enabled the co-legislators to move ahead with relatively swift negotiations, culminating in political agreement on 14 December 2023. The deal largely reflects the Council's position on CfDs, stating that CfDs may optionally be concluded "for new investments aimed at substantially repowering existing power generation facilities, or at substantially increasing their capacity or prolonging their lifetime". Despite their agreement, both France and Germany have recently implemented measures to shield their national industries from the impact of rising energy prices. On 12 November 2023, the German government announced a plan to reduce electricity taxes for manufacturing firms by €12 billion, extending subsidies to cap gas and electricity prices until late March. Similarly, France has unveiled a mechanism to partially redistribute EDF's profits above certain thresholds, with 50 per cent of additional profits being redirected to industry and households if prices exceed €78–€80 per MWh and 90 per cent if prices surpass €110 per MWh.

Meanwhile on the Net-Zero Industry Act, political agreement seems to be approaching quickly. Here, too, the role and place of nuclear energy had become an issue as "advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle, small modular reactors, and related best-in-class fuels" had been included in the Commission's proposal as net-zero technologies, but not in the more privileged class of "strategic" technologies. As already reported in the previous issue of the Green Deal Watch, efforts led by the European Peoples Party (EPP) had been underway in Parliament's ITRE Committee to add nuclear energy to the Commission's proposed list of strategic net-zero technologies, where associated projects would be able to benefit from fast-track permitting rules and priority consideration for investments. These efforts seem to have been successful since on 21 November 2023 Parliament adopted a negotiating position on the proposal that would entirely abandon the distinction the Act makes between net-zero technologies and strategic net-zero technologies, and that would benefit equally all 17 technologies (as opposed to the Commission's proposed list of eight), including the broader category of "nuclear energy (fission, fusion, fuel cycle)". The Council adopted its negotiating position on 7 December 2023, maintaining the bifurcated approach of the Commission's proposal, but adding "nuclear fission energy technologies, including nuclear fuel cycle technologies" and sustainable alternative fuels to the list of strategic technologies for a total of ten. While the inclusion of nuclear energy technologies as qualifying for preferential treatment in the final Act seems likely, the outcome of trilogues, which began on 13 December 2023, will be important in defining how ample the EU's list of strategic technologies will be.

The way that these two files have played out in inter-institutional negotiations may be seen as a win for the nuclear industry, and for the member states whose energy system is largely nuclear-based or who are actively promoting the construction of new nuclear energy facilities. The Commission, too, seems to be increasingly less uncomfortable with supporting nuclear energy, as shown by the announcement by Energy Commissioner Simson at the European Nuclear Energy Forum expressing Commission support in establishing, "in the earliest possible timeframe", an Industrial Alliance on Small and Modular Reactors.

The third component of the Green Deal Industrial Plan, the CRMA, has also reached the stage of political agreement. On 13 November 2023, Council and Parliament largely backed the Commission's original proposal. The co-legislators added aluminium to the list of strategic raw materials, which, similar to strategic net-zero technologies, will be supported through faster permitting procedures and privileged access to investment. Although Parliament had backed an increase in the 2030 benchmarks for processing and recycling contained in the CRMA, eventually only the recycling benchmark was increased to 25 per cent of the EU's annual consumption of strategic raw materials, while the target for extraction and processing remains respectively at 10 per cent and 40 per cent.

3. Prorogation of Emergency Measures

Negotiations on changes to the electricity and gas markets also reflect the influence of the emergency measures that were brough in as part of the REPowerEU Plan. After assessments of their performance conducted by the European Commission, some of their elements, such as joint purchasing, are now being mainstreamed into the EU energy acquis, as discussed above. Even so, on 28 November 2023, the Commission decided to propose a prorogation of several of the REPowerEU emergency market measures. As emergency regulations taken under a special legislative procedure which the EU institutions may activate in case of severe disruption to the supply of critical resources, such as energy, these acts need to be time-limited and can only be renewed if a continuation of the emergency justifies such an extension.

The three specific measures that were proposed for extension for 12 months are, first, the gas supply solidarity regulation, which among other things introduced the demand aggregation mechanism that entered its fourth round in November 2023. The Commission also proposed the extension of the Market Correction Mechanism, which introduced measures to shield consumers from excessive gas market price spikes. Finally, the Commission also proposed to extend the accelerated renewables permitting provisions brought in by Regulation (EU) 2022/2577. Since the special legislative procedure for these measures bypasses the European Parliament, the Commission only had to obtain the Council's approval to pass the extensions, which it obtained on 19 December 2023. Notably, member states' energy ministers voted to delete the provision in the gas solidarity regulation that makes participation in demand aggregation mandatory. This brings it in line with the joint purchasing mechanism foreseen in the revisions to the EU's gas market rules discussed above, and with other joint purchasing instruments set out in legislation, such as that under the CRMA. The reluctance of member states to commit to mandatory demand aggregation signals that, while the energy crisis has certainly changed the EU's powers in the energy sphere, member states continue to be extremely unenthusiastic about ceding too much decision-making power over their energy import policy to the EU level.

4. Targeted Implementation on Grids and Wind Power

The European Wind Power Package, announced by Commission President Ursula von der Leyen in her September 2023 State of the European Union speech, was presented by the Commission on 24 October 2023. The language used by the Commission in reference to its renewed engagement in the wind sector had been somewhat ambiguous. While the measures had been billed as a Wind Power Package in the Commission President's speech and subsequent communication, hinting at new legislative action, the final outcome refers to a Wind Power Action Plan. Rather than proposing new, discrete legislative action targeted specifically at wind power, the Action Plan is a strategy on how best to implement current and imminent legislation whose adoption will bolster the sector. One of the priorities of the Action Plan is to improve auction criteria, designing guidelines to award projects based also on non-cost criteria, such as projected infrastructure lifespan, carbon footprint and circular economy considerations. These measures aim to reduce the environmental impact of wind farms and minimise the risk of delays or project failures. The Action Plan goes beyond implementation and has a financial side, promising increased funding for wind power under the EU Innovation Fund. These measures have been hailed as a "game-changer" by the wind industry, which also anticipates securing a portion of the €4 billion Innovation Fund Call, launched by the Commission on 23 November 2023, to be allocated for projects in fields like decarbonisation and clean technology manufacturing.

On 28 November 2023, the Commission announced the EU Action Plan for Grids. This Plan focuses on acceleration of the deployment of electricity grids and their digitalisation. While addressing how best to leverage the existing initiatives of the Commission to reach the desired objectives, the Plan also highlights the possibility of closer cooperation between the Commission and the European Investment Bank (EIB) to develop financing tools necessary for grid expansion.

5. Hydrogen Emerges as Winner in EU Infrastructure Push

The Electricity Grid Action Plan is related to the broader question of energy interconnection in Europe, and the EU's role in furthering such interconnection. This is why on the same day, 28 November 2023, the Commission published the sixth list of key infrastructural energy projects that have the potential to positively impact the EU's energy transition. This was the first list published under the revised Trans-European Networks for Energy (TEN-E) Regulation, which establishes the criteria for the selection of projects. The revision of the TEN-E Regulation entered into force on 23 June 2022, and seeks to align the infrastructural priorities of the EU more closely with those of the European Green Deal. Besides the established classification of projects as "Projects of Common Interest" (PCIs), the revisions added a new category, that of "Projects of Mutual Interest" (PMIs). While the former term refers to projects within the EU, furthering the aim of closer integration of the internal energy market, the latter refers to projects between an EU member state and a third country. The sixth list of PCIs and the first of PMIs are also remarkable in that, for the first time, they include 65 hydrogen and electrolyser PCIs, more than a third of the total of 166 PCIs.

PMIs and PCIs benefit from faster permitting procedures, and can be supported by grants from the Connecting Europe Facility, which has a budget of €5.84 billion under the 2021–2027 Multiannual Financial Framework. Such funding holds the potential to significantly impact the development of cross-border energy infrastructure. For instance, under the previous list of PCIs nearly €480 million in Connecting Europe Facility (CEF) funding was allocated for the realisation of four CO2 transport and storage projects, establishing the base for a Europe-wide carbon value chain. In this issue of the Green Deal Watch, we interview Paloma Aba Garrote, the Executive Director of the European Climate Infrastructure and Environment Executive Agency, which manages the CEF. The Director talks to us about how CINEA manages its funds to play an impactful role in the execution of the European Green Deal.

In addition to the significant share of hydrogen-related PCIs, hydrogen technologies received more good news in the past quarter, which saw the launch of the first auction of the European Hydrogen Bank on 23 November 2023. A component of the EU's Hydrogen Accelerator strategy, the Hydrogen Bank has made €800 million available through the Innovation Fund to produce renewable hydrogen, contributing to the EU's production objective of 10 million tonnes of renewable hydrogen in the EU by 2030.

6. Governance Issues on the Horizon

While legislative developments have picked up speed, there are signs that the EU as a whole is going into this election year underperforming on its objectives. A series of recent reports have highlighted that the 2030 targets are in jeopardy if member states do not adjust course. On 24 October 2023, the Commission released the latest of its annual State of the Energy Union reports. The 2023 report principally focuses on how the Union's emergency measures during the energy crisis have performed, and, in this regard, draws an overall positive balance. However, the report also notes that member states need to do more in order to reach the Green Deal's 2030 targets. This finding is based on an assessment of the progress that member states have made on the implementation of their National Energy and Climate Plans (NECPs), which they had submitted in late 2019. As part of EU energy governance, member states had to submit progress reports to the European Commission. The evaluation of progress reports shows that greenhouse gas emissions reductions, the penetration of renewables in gross final energy consumption, energy efficiency and the reinforcement of interconnection between member states is not proceeding at the speed necessary to reach the 2030 targets. Plans need to be better implemented, and their ambition must be increased. A December 2023 report by the European Environment Agency came to similar conclusions.

This mismatch between EU-level ambition and follow-through by the member states is becoming increasingly visible through the currently ongoing process of updating the NECPs. In the last issue of Green Deal Watch, we already reported that many member states had significantly delayed the submission of their NECPs until well after the deadline of 30 June 2023. These updates, however, are crucial to bring NECPs in line with the revised and much more ambitious climate and energy acquis that has emerged since the current versions of the plans were submitted in late 2019. Even though not all draft updates of NECPs had been submitted, or submitted in time to make an assessment possible, the Commission chose to press ahead and stick to its own legally defined year-end deadline for publishing assessments of the draft updates to the NECPs, and recommendations to individual member states on how to improve their draft updates for final submission by mid-2024. The Commission issued recommendations and assessments to only those 21 member states that submitted in time to allow for an evaluation. The report shows that substantial gaps remain for reaching the targets. As they stand, the draft updates would lead to a 51 per cent reduction in greenhouse gas emissions compared to 1990 levels against the Union's 55 per cent target. Renewable energy would make up a 38.6–39.3 per cent share of gross final energy consumption in 2030 compared to the 42.5 per cent targets, while an even more substantial gap remains in energy efficiency, with current updates delivering only a 5.8 per cent improvement in energy efficiency, slightly less than half the Union's 2030 target of 11.7 per cent. These difficulties in eliciting sufficient member state ambition to reach the Union's 2030 targets will also be a concern regarding the new 2040 targets to be set, which the European Climate Law specifies must be put forward within six months of the Global Stocktake concluded at COP-28 in Dubai, and which has been indeed presented on the 6th of February 2024. With the new Commissioner for Climate Action, Wopke Hoesktra, having come out in favour of a 90 per cent greenhouse gas emissions reduction target during his parliamentary hearing, failure of member states to produce final updates to their 2030 NECPs that add up to 55 per cent will be seen as a bad signal for reaching an even more ambitious target by 2040.

7. The EU at COP-28: Leader or Let-Down?

Hoekstra's first test in his new office, however, came in the run-up to COP-28 in Dubai, where he represented and advocated the European Union's climate ambition on the international stage just a little under two months after being formally confirmed as Commissioner.

Leading up to the conference, which was held from 30 November 2023 until a final agreement was reached in the early hours of 13 December 2023, Hoekstra faced a certain amount of internal disagreement over the climate ambition that the EU should push for in Dubai. During his hearing before the environment committee, Hoekstra seemed to endorse an EU position that would seek a global phase-out of all fossil fuels. However, the final EU position agreed by the Council on 16 October 2023 added the controversial qualifier that the EU would seek a phase-out of "unabated" fossil fuels only. After international negotiations, a weaker version of this position made it into the final decision on the Global Stocktake, which called for "transitioning away from fossil fuels" and for "accelerating efforts towards the phase-down of unabated coal power". Related to the governance challenges mentioned above, another unfortunate sign for EU global climate leadership was the inability of the Council to follow through on what Hoekstra's predecessor Frans Timmermans had promised at COP-27 and to raise the EU's Nationally Determined Contribution to the Paris Agreement to 57 per cent greenhouse gas emissions reduction compared to 1990 instead of the existing 55 per cent pledge. Council chose to maintain the 55 per cent target, which, as described above, will already be challenging to reach unless member states significantly augment their ambition in NECP updates.

However, COP-28 also saw notable climate leadership successes for the European Union. The target of "tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030", which was part of the EU negotiating position and spearheaded by the EU, did make it into the final decision, though it has to be noted that these objectives already enjoyed backing by the Emirati presidency and a broader global consensus ahead of the conference compared to the issue of fossil fuel phase-out. The biggest diplomatic achievement of the European Union came on the topic of climate finance, where it succeeded in following through on the establishment and endowment of the Loss and Damage Fund, an instrument designed to help the most vulnerable countries deal with the devastating consequences of a changing climate. At COP-28, the EU was able to lead efforts in providing the initial money for the Loss and Damage Fund, with EU member states delivering over €400 million of the initial circa $700 million of the Fund. In doing so, the EU further consolidated its position as largest provider of climate finance, and showed that it could follow through on a project it had been pushing for since COP-26 in Glasgow.

In spite of the initial difficulties and the failure to achieve a more definitive and ambitious global statement on the future of fossil fuels, the EU is, perhaps justifiably, drawing a positive balance from this COP. However, challenges lie ahead as the EU leadership that will attend COP-29 in Azerbaijan will need to push for even greater climate ambition and settle difficult internal discussion about its trajectory of emissions reduction, which will also influence its abilities to push for even more ambitious Nationally Determined Contributions for the period 2031–2035 in advance of COP-30 in Brazil in 2025.

IN DEPTH

Interview

Paloma Aba Garrote

Director of European Climate, Infrastructure and Environment Executive Agency (CINEA)

***CINEA and the Green Deal:** As stated in your 2023 work programme, "CINEA's mission is to support its stakeholders in delivering the European Green Deal". Could you expand on where precisely you see CINEA's role in the achievement of the objectives of the Green Deal? Relatedly, how has the Russian invasion of Ukraine impacted this mission in the energy space – for example, how do you combine energy sustainability and security objectives in the management of CINEA's programmes?*

CINEA *was set up by the European Commission with the purpose of implementing the European Union's funding programmes with a close link with the European Green Deal, one of the six priorities of the present Commission and aiming to make the European Union a climate neutral continent by 2050 (zero net greenhouse emissions).*

In the 2021 to 2027 period, CINEA aims to distribute around EUR 65 billion via different EU funding programmes to projects that will deliver on the three main goals of the European Green Deal:
to focus on net-zero emissions by 2050, reduce resource exploitation and to foster an inclusive green transition, leaving none behind.

That means funding projects that are investing in environmentally friendly technologies, supporting industry to innovate, rolling out cleaner, cheaper, and healthier forms of private and public transport, decarbonising the energy sector, ensuring buildings are more energy efficient and working with international partners to improve global environmental standards.

In addition, CINEA helps to provide advisory services via the Green Advisory Service for Sustainable Investments Support, or "Green Assist", for free tailor-made advice on how to prepare green or greener investment projects.

The Agency already manages around 3,500 ongoing projects directly contributing to the realisation of the EU Green Deal through the above-mentioned priority areas.

The Russian war of aggression affects energy security, but it has also provided an impetus for CINEA to engage in several new projects and accelerate ongoing ones speeding up the energy sector's transformation by ramping up renewables uptake and ensuring the resilience and sustainability of EU grids. All this goes in line with the REPowerEU objectives of reducing Europe's dependency on Russian fossil fuels and diversifying our energy supply.

As examples of energy cooperation, two cross-border renewables projects started in 2023, funded by the Connecting Europe Facility: the ELWIND project working to strengthen Baltic countries' energy market by investing in offshore wind electricity production as well as the CICERONE project producing renewable electricity in Italy, Spain and Germany for conversion, transport and use of green hydrogen in the Netherlands and Germany.

Similarly, in the context of the Innovation Fund, CINEA is responsible for implementation of the domestic pillar of the new EU Hydrogen Bank, and has recently launched the first ever hydrogen auction call for proposals to support the production of renewable hydrogen in Europe. With a budget of EUR 800 million, we expect that this auction call will help create a renewable hydrogen market which is a necessary tool for the substitution of fossil fuels and the creation of value chains with strong added value for Europe.

***The Connecting Europe Facility (CEF):** In November 2023, the Commission published the sixth list of Projects of Common Interest (PCIs). This list is the first drawn up under the revised Trans-European Networks for Energy (TEN-E) Regulation, which entered into force in June 2022. From your perspective, what are the main expected changes of the revised TEN-E Regulation when it comes to allocating CEF Energy funding to the projects selected?*

The revised TEN-E Regulation has brought the challenge of Projects of Common Interest, contributing to the achievement of the EU Green Deal goals.

The new list of energy Projects of Common Interest (PCIs) contains 166 new energy infrastructure projects that will contribute to achieving the goals laid out in the EU Green Deal. Around half of the projects cover energy areas which were not present in previous lists: offshore grids supporting renewable energy generation and, for the first time, hydrogen, which will play a major role in enabling the decarbonisation of EU industry.

This new list also means strong competition for the available CEF funding, which is already a very scarce resource in comparison to the large investment needs necessary to bring these projects to realisation, and only available for PCIs which demonstrate non-commercial viability.

Coherence across CINEA's programmes: *CINEA sits at a very complex node in the European Commission's institutional setup: it has seven parent DGs and manages the implementation of seven EU programmes. You have identified the promotion of synergies across these programmes as a priority. Could you provide some insights into what you see as the biggest challenges in creating these synergies, and the steps you have taken to address them?*

CINEA's programmes, albeit with different scopes and implementation specificities, contribute in a complementary manner to the different policy areas of the European Green Deal. They cover the whole chain from research to deployment and in that sense the pursuit of synergies is increasingly prominent for CINEA.

The main challenges are linked to the complex policy fields where a range of objectives, instruments and stakeholders are involved, leading to different funding objectives, frameworks and rationale of the different programmes.

*At the implementation level, the Agency supports the European Commission by encouraging bottom-up synergies and links between the programmes. More specifically, CINEA takes an active part in promoting and disseminating project results (*public dashboard*) and plays a key role in promoting cooperation across sectors and projects to ensure that collaboration grows beyond the limits of individual projects.*

The Agency has undertaken numerous initiatives and continues to develop new ones through its synergy working group to ensure that the programmes and funded projects "talk to each other" and that information is shared. Some examples have included helping the European Commission in awarding the 'Seal of Excellence" to proposals not retained for funding, the organisation of thematic workshops and publications, portfolio analyses to identify complementarities and much more.

Renewable Energy Financing Mechanism: *In 2023, you launched the first call for proposals for the Renewable Energy Financing Mechanism. How will this mechanism contribute to realising the EU's 2030 renewable energy target, recently revised upwards to at least 42.5 per cent of gross final energy consumption?*

The response to the first tender under the EU Renewable Energy Financing Mechanism *significantly exceeded target volumes, which shows interest in yet another EU instrument supporting renewables across the EU. It is expected that RENEWFM will be an effective additional platform helping EU member states to realise the untapped potential of cross-border cooperation, deploying renewable energy where it is most cost-effective. The 42.5 per cent Renewable Energy Sources (RES) target is mostly to be achieved by member states through national measures, whereas the new* *financing mechanism opens an additional means that is tiered in with joining individual efforts.*

Just Transition: *Increasing concerns about the economic implications of Green Deal measures in the run-up to the 2024 European Elections makes it clear that the Commission's strategy for a just transition will be increasingly important if the EU wants to stay the course on its Green Deal objectives. In this context, what have been your priorities in managing the Public Sector Loan Facility, and how are you ensuring coherence with the other two pillars of the Just Transition Mechanism, which are not managed by CINEA?*

The Public Sector Loan Facility (PSLF) is the third pillar of the of the Just Transition Mechanism *(JTM). It is managed by CINEA and aims to encourage local and regional authorities to invest in projects by providing grants from the EU budget and loans through the European Investment Bank (EIB). The blending of the EIB loan and the Commission grant will facilitate the financing of projects that do not generate sufficient revenues to cover their investment costs.*

The second and third pillars of the JTM are not managed by CINEA and are complementary to the first pillar. CINEA, in coordination with DG REGIO of the European Commission, is ensuring the coherence of the PSLF with the two other pillars of the JTM. For example, there is a broader list of eligible sectors under the PSLF than under the first pillar of the JTM. The sectors covered by the PSLF are broad ranging from clean energy, green mobility, water management and biodiversity to circular economy, among others. Consequently, projects or sectors that cannot be financed under the first pillar of JTM could be financed under the third pillar.

As the Public Sector Loan Facility *under the Just Transition Mechanism is a new funding instrument, the first priority for CINEA consisted in promoting the facility and attracting potential applicants, who are expected to drive the transition locally. For example, the very first PSLF Grant Agreement was signed at the end of October 2023 for the Greek project on the "*Socio-economic transition of Western Macedonia*". The region of Western Macedonia has indeed historically been the place of energy production in the country, since the majority of the lignite mines and coal-fired power plants are located there. The project, by supporting socio-economic diversification and increasing energy efficiency, aims to help this region to meet its development needs in its transition away from carbon-intensive activities.*

This is our moment to be part of a generational change and mobilise all the resources available to ensure that the climate transition happens in a fair way, leaving no one and no place behind!

AP-PEN-DIX | TIME LINE

This timeline highlights the main elements proposed by the Commission under the umbrella of the Green Deal since its first presentation in December 2019. The list is not exhaustive, but aims to provide an overview of the Commission's work during these years. The list is an expanded version of the Commission's own timeline, available here:

https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

19 December 2023
Council approves Commission's proposals to prolong energy emergency measures.

18 December 2023
Commission publishes the assessments of the 21 member states which submitted updated draft National Energy and Climate Plans.

8 December 2023
Council and the Parliament reach a provisional political agreement on the Hydrogen and Decarbonised Gas Market Package, establishing common internal market rules for renewable and natural gases and hydrogen. The agreement also proposes the creation of the European Network of Network Operators for Hydrogen (ENNOH).

7 December 2023
Council and Parliament reach provisional political agreement on the Energy Performance of Buildings Directive (EPBD).
Council adopts negotiating positions on Net-Zero Industry Act and proposes an expanded list of ten strategic net-zero technologies.

28 November 2023
Commission proposes to prolong energy emergency measures by 12 months.
Commission proposes the Electricity Grid Action Plan and publishes the sixth list of key infrastructural energy projects.

23 November 2023
Commission presents the first pilot auction under the European Hydrogen Bank for a total of €800 million of subsidies for renewable hydrogen production.

22 November 2023
Commission proposes a new forest monitoring law to improve resilience of European forests.

16 November 2023
Council adopts EU position for COP28 and stresses that it will call for a "phase-out of unabated fossil fuels".
Council and European Parliament reach provisional agreement on a proposed EU law that would improve the investigation and prosecution of environmental crimes.

15 November 2023
Council and Parliament reach a provisional political agreement on the Regulation on Methane Emissions Reduction in the Energy Sector, agreeing on deadlines for monitoring, reporting and inspection of sources of methane emissions.

13 November 2023
Council and Parliament reach provisional agreement on the Critical Raw Materials Act.

9 November 2023
Parliament and Council reach agreement on Nature Restoration Law. Member states will put in place restoration measures in at least 20 per cent of the EU's land areas and 20 per cent of its seas by 2030.

24 October
Commission presents the European Wind Power Action Plan.
Commission publishes the 2023 State of the Energy Union Report.

17 October 2023
Council adopts negotiating positions on electricity market reform. The Council agrees that two-way contracts for difference will be the mandatory model used when public funding is involved in long-term contracts.

5 October 2023
European Parliament approves Wopke Hoekstra as Commissioner for Climate Action and Maroš Šefčovič as Executive Vice-President for the European Green Deal.

14 September 2023
European Parliament adopts negotiating positions on electricity market reform and Critical Raw Materials (CRM) Act.

13 September 2023
Ursula von der Leyen delivers State of the European Union speech;

European Parliament adopts negotiating position on recast of the Clean Air Directive.

12 September 2023
European Parliament adopts amendments to Renewable Energy Directive (RED III).

29 August 2023
Ursula von der Leyen proposes Wopke Hoekstra as Commissioner for Climate Action.

22 August 2023
Frans Timmermans resigns as Executive Vice-President for the European Green Deal; Maroš Šefčovič is appointed as new Executive Vice-President and Acting Commissioner for Climate Action.

19 July 2023
Beginning of trilogues on nature restoration law; ITRE Committee adopts report on electricity market reform.

12 July 2023
European Parliament adopts negotiating position on nature restoration law.

11 July 2023
Commission presents Greening Freight Transport Package; Parliament adopts agreement on recast of Energy Efficiency Directive; European Parliament adopts negotiating position on Industrial Emissions Directive.

7 July 2023
Commission presents a proposal for coordinated withdrawal from Energy Charter Treaty.

EU Energy Platform: Commission launches second tender for joint gas purchases.

27 June 2023
Amended version of the Nature Restoration Law does not reach the majority in the Environment Committee; final vote sent to plenary.

26 June 2023
EU Energy Platform: Commission launches second round of demand pooling for joint gas purchases by EU companies.

20 June 2023
The Commission publishes the two delegated acts defining the rules for the production of renewable hydrogen.

16 June 2023
EU ambassadors reach political deal to approve the Renewable Energy

Directive (REDIII).

8 June 2023
European Parliament reaches political agreement to approve the Nature Restoration Law after facing opposition from MEPs of the European People's Party (EPP).

16 May 2023
25 gas supplying companies respond to EU's joint gas demand, providing more than 13.4 bcm of gas.

After being approved by the European Parliament, the CBAM enters into force.

The EU Deforestation-free Regulation (EUDR) is adopted by the Council after its adoption by the Parliament and thus enter into force.

15 May 2023
EU Member States agree to raise renewable target from 32% to 42.5% by 2030.

4 May 2023
First joint gas purchase attracts demand from more than 65 EU companies.

26 April 2023
The European Parliament and the Council reach a political agreement on the ReFuelEU Aviation proposal

25 April 2023
EU Energy Platform: Commission launches first call for companies to jointly buy gas

Council adopts key pieces of legislation delivering on 2030 climate targets: Revision of the ETS Directive; Amendment of the MRV shipping Regulation; Revision of the ETS Aviation Directive; Regulation establishing a Social Climate Fund; Regulation establishing a Carbon Border Adjustment Mechanism.

21 April 2023
The Commission proposes a revision to the existing marketing standards of agri-food products

18 April 2023
The European Parliament approves the Carbon Border Adjustment Mechanism (CBAM).

30 March 2023
European Green Deal: EU agrees stronger legislation to accelerate the rollout of renewable energy.

28 March 2023
Member states agree to extend voluntary 15% gas demand reduction target.

28 March 2023
EU ministers sign off on legislation phasing out sales of new polluting cars and vans by 2035.

16 March 2023
Proposal for a European Hydrogen Bank.

16 March 2023
EU proposes the Critical Raw Materials Act, a comprehensive set of actions to ensure the EU's access to a secure, diversified, affordable and sustainable supply of critical raw materials.

16 March 2023
EU releases Net Zero Industry Act establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem.

14 February 2023
The Commission proposed new CO_2 emissions targets for new heavy-duty vehicles from 2030 onwards. These targets will help to reduce CO_2 emissions in the transport sector.

13 February 2023
The Commission proposed rules to define what constitutes renewable hydrogen in the EU, with the adoption of two Delegated Acts required under the Renewable Energy Directive.

1 February 2023
The Commission presented a Green Deal Industrial Plan to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality.

24 January 2023
The European Commission introduces the revision of the EU Pollinators Initiative.

18 December 2022
The European Commission welcomed the provisional agreement reached with the European Parliament and Council to strengthen the EU Emissions Trading System, apply emissions trading to new sectors for effective economy-wide climate action, and establish a Social Climate Fund.

9 December 2022
The Commission welcomed the deal reached between the European Parliament and the Council to help make the aviation sector 'Fit for 55', setting in law its contribution to our target of reducing net greenhouse gas emissions by at least 55% by 2030.

6 December 2022
EU agrees law to fight global deforestation and forest degradation driven by EU production and consumption and the a political agreement is reached on the revision of the EU Emission Trading System rules on aviation.

30 November 2022
The Commission proposed new EU-wide rules on packaging, to tackle this constantly growing source of waste and of consumer frustration.

24 November 2022
During the extraordinary Council for Energy, EU energy ministers agreed on a Council Regulation "enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks", as well as on a Regulation speeding up permits to deploy renewable energies.

27 October 2022
The Council and the European Parliament reach a provisional political agreement on stricter CO2 emission performance standards for new cars and vans.

26 October 2022
Commission proposes stronger rules for cleaner air and water, including PFAs, several pesticides, bisphenol A and some pharmaceuticals.

15 September 2022
Commission proposes for an emergency market intervention to reduce energy bills for Europeans, through reduced demand and a revenue cap on some producers (among other measures).

20 July 2022
Commission proposes a "Save gas for a safe winter" plan to reduce gas consumption until the following spring.

22 June 2022
Commission launches a Nature protection package, focusing on restoring ecosystems and halving pesticide use by 2030.

18 May 2022
Commission launches the REPowerEU plan, a set of measures triggered by the invasion of Ukraine and focusing on energy saving, supply diversification and the promotion of renewables.

5 April 2022
Commission proposes two Regulations to phase down fluorinated greenhouse gases and ozone depleting substances.

5 April 2022
Commission proposes an update to the Industrial Emissions Directive, to modernise EU industrial emissions rules to steer large industry in long-term green transition.

30 March 2022
Commission launches Proposals to make sustainable products the norm in the EU, boost circular business models and empower consumers for the green transition, as part of the Circular Economy Action Plan.

23 March 2022
Following the REPowerEU Communication, Commission publishes options to mitigate high energy prices through common gas purchases and minimum gas storage obligations.

8 March 2022
As a direct response to the invasion of Ukraine by Russia, the Commission publishes the REPowerEU Communication, focused on energy prices, storage and diversification.

15 December 2021
Commission publishes a set of proposals for a new EU framework to decarbonise gas markets, promote hydrogen and reduce methane emissions, namely a Directive and a Regulation.

15 December 2021
Commission publishes a Communication on Sustainable Carbon Cycles, to remove, recycle and sustainably store carbon, which will be followed by a proposal for a regulatory framework by the end of 2022.

14 December 2021
Commission launches a new transport proposal targeting greater efficiency and more sustainable travel, focusing also on the TEN-T network.

17 November 2021
Commission proposes two Regulations and a Strategy to stop deforestation, innovate sustainable waste management and make soils healthy.

15 September 2021
Commission publishes a Communication launching the project New European Bauhaus, focusing on initiatives and funding dedicated to energy efficiency in buildings.

14 July 2021
Commission adopts a large package of proposals to achieve a 55 per cent emissions reduction by 2030. The comprehensive package deals with revision of the EU Emission Trading System (ETS), the Effort Sharing Regulation, the Renewable Energy Directive, the Energy Efficiency Directive, a ReFuelEU Aviation Initiative (on air transport), a Regulation on Land Use, Forestry and Agriculture, a proposal for a Carbon Border Adjustment Mechanism (CBAM) and a revision of the Energy Taxation Directive.

17 May 2021
Commission proposes a Communication on a new approach for a sustainable blue economy in the EU.

12 May 2021
Commission adopts a Zero Pollution Action Plan for Air, Water and Soil, to improve quality standards for all three, and reduce the impact on health, among other goals.

25 March 2021
Commission publishes an Organic Action Plan as part of its Farm-to-Fork strategy.

24 February 2021
Commission adopts a new EU strategy on adaptation to climate change.

18 January 2021
Commission first launches the design of the New European Bauhaus initiative, dedicated to energy efficiency in building.

10 December 2020
Commission proposes an upgrade on the legislation on batteries, also trying to boost the European Battery Alliance, launched in 2017.

9 December 2020
Commission launches a European Climate Pact, to spread awareness and increase the involvement of citizens.

19 November 2020
Commission presents an Offshore Renewable Energy strategy, aimed at increasing the current 12 GW capacity to a minimum of 60 GW by 2030 and 300 GW by 2050.

14 October 2020
Commission publishes three significant elements for the Green Deal: a Renovation Wave initiative on energy efficiency for building, a Methane Strategy focused on decarbonised gases, and a Chemicals Strategy for Sustainability to strengthen legislation on hazardous chemicals.

17 September 2020
Commission presents its 2030 Climate Target Plan, raising its ambition to reach a 55 per cent emissions reduction by 2030.

8 July 2020
Commission adopts EU strategies for energy system integration and hydrogen to pave the way towards a fully decarbonised, more efficient and interconnected energy sector.

20 May 2020
Commission presents two key strategies: its EU Biodiversity Strategy for 2030, and its Farm-to-Fork Strategy to make food systems more sustainable.

11 March 2020
Commission proposes a Circular Economy Action Plan, to expand and integrate previous work on circularity into the Green Deal.

4 March 2020
Commission proposes a European climate law, aimed at reaching climate neutrality by 2050.

14 January 2020
Commission presents two founding elements of the Green Deal: the European Green Deal Investment Plan and the Just Transition Mechanism.

11 December 2019
Commission presents the European Green Deal.

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