CEE CLIMATE POLICY FRONTIER
Policy options from beyond CEE to bridge the gap between the CEE frontier and the Paris Agreement goals
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The opinions put forward in this publication are the sole responsibility of the author and do not necessarily reflect the views of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.
CEE CLIMATE POLICY FRONTIER

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APRIL 2020

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In December 2019, the European Commission laid down its vision for the European Green Deal (EGD)\(^1\)- a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas, and making the transition just and inclusive for all. The EGD provides a new push for rapid decarbonisation of the whole EU economy. Whilst for the sectors such as energy production and heavy industry, which are covered by the EU ETS, the European-wide policy framework is the key factor supporting the transition, for other parts of the economy bottom-up action is required to rapidly implement climate-friendly solutions on a large-scale. This is particularly true for the non-ETS transport and buildings sectors, as whilst the EGD roadmap recognises the importance of both,\(^2\) national policies and local initiatives have crucial impact on overall climate performance.

In Central and Eastern European (CEE) EU member states there is significant opportunity for increased climate action in the building and transport sectors with both bottom-up activities and EU-level support. As some of the EU’s most emission-intensive economies, GHG emissions from the transport sector have grown since 1990, and there have not been significant decreases in energy consumption from the buildings sector in the majority of countries.\(^3\) Despite variation among countries, these trends can be attributed to common changes and challenges experienced across the region.

This report sheds light on successful climate policy deployed in building and transport sectors across Europe, which was shared and discussed with national experts at our regional workshops in Poland and Romania. Through sharing knowledge and exploring best practice, opportunities to learn, leap-frog and collaborate on climate policy regionally are highlighted. There are two aims of this report: 1) to support CEE countries on strengthening and increasing ambition to meet the goals of the Paris Agreement, and 2) to allow CEE countries actively co-shape the implementation of the European Green Deal and the New Industrial Strategy for Europe in transport and building sectors.

The good climate policy practices presented in this report were identified from the transport and building sectors in western European countries. For each policy, a short description is presented including the success factors and challenges. This is followed by a qualitative assessment of policy transferability, for which data was collected from experts in policy, industry and civil society at our regional workshops. The assessments include opportunities and challenges for each CEE country in adopting the policy, whereby countries with the highest ranked transferability feature at the top of the page and are highlighted by a darker blue colour. Countries highlighted in grey did not have enough responses to be ranked, however the qualitative assessment is still presented. Adding to the assessments is an outlook for each policy in the CEE region. Extra information on the data, methodology and samples can be found in the annex at the end of the report.
Climate policy within and beyond the CEE region has been explored in the CEE Climate Frontier project. In both cases the transferability of the policy has been assessed, demonstrating where there is potential for uptake in selected CEE countries. The policy index below provides a summary of the policy options that have been evaluated, alongside the CEE countries where the policy has been deemed most applicable.

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Transport sector
United Kingdom: Road Pricing Programme

Scheme Summary (2002 – Present)

In the City of London, successful Congestion Charging schemes and Low Emission Zones have been implemented in 2003 in a highly congested 22km² area which was doubled in 2007. The area contained 200,000 residents and implicated around 1 million jobs.

**Congestion Charging (CC):** 'Cordon Area Pricing' whereby all drivers of petrol and diesel vehicles pay a daily fee to enter the city on weekdays (07:00 – 18:00).

**Low Emission Zones (LEZ):** Vehicles that do not adhere to specified European pollution standards (e.g. Euro 4/IV standard since 2017) pay a daily charge to enter the city. In 2019 Ultra Low Emission Zones (ULEZ) were introduced.

Enforcement is supported by an Automatic Number Plate Recognition (ANPR) system that uses video cameras and a database of exempt/pre-paid number plate registrations to issue penalty notices to drivers who evade the charge. Electric vehicles, public transport and emergency vehicles are exempt, while discounts are available to cleaner vehicles, residents and those with a disabled blue badge.

Impact

- **Route optimisation improvements** were made in parallel to railways and bus service.
- Early benefits include a 25% reduction in vehicle use in the charging zone, a reduction in pollution levels and increases in public transport use.
- The area of the ULEZ zone is now being expanded (from October 2021) to tackle roadside pollutants.
- Additional revenue (EUR 138 million) invested in expansion of pavements, bikes and bus lanes.
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Additional revenue (EUR 138 million) invested in expansion of pavements, bikes and bus lanes.

The area of the ULEZ zone is now being expanded (from October 2021) to tackle roadside pollutants.

**POLICY SUCCESS FACTORS**

- **Strong political support** from Mayor Ken Livingstone in 2003 and devolution of responsibility for policy design to the Mayor of London through the Greater London Authority Act (1999).
- **Coordination and support** from the public transport agency ‘Transport for London’.
- **Public acceptability** due to existing traffic intensity issue and clear communication on the problem and the proposal, focused on air quality and commute time benefits.

**POLICY CHALLENGES**

- **High initial capital cost of implementation** for ANPR systems to enforce a standard cordon area charging scheme.
- **Social equity impacts** of the scheme for low-income or vulnerable populations who reside or are employed in the area.
### Road Pricing Programme: Transferability Assessment

<table>
<thead>
<tr>
<th>SUPPORTING FACTORS</th>
<th>challenges</th>
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</table>
| **HUNGARY** | • Public finance is available.  
• Opportunity to adopt new technology approaches.  
• Existing schemes for electric vehicles could be built on in Budapest.  
• Requires forward looking planning and pilot schemes. | • Political conflict between stakeholders.  
• Need for political will through a political leader.  
• Solution required for existing combustion engine cars. |
| **POLAND** | • E-mobility Development Plan and E-Mobility and Alternative Funds Act.  
• Investments in clean transport with good support from central government since 2016.  
• Case study could be developed in Warsaw to design and pilot the scheme. | • Local government involvement required.  
• Private finance focus needs to move from technology to implementation.  
• Potential conflict between stakeholders.  
• Solution required for existing internal combustion engine cars. |
| **CZECH REPUBLIC** | • Some existing measures, such as parking zones, could be built upon.  
• Technology is applicable due to recent advances (e.g. 2021 road toll electronic systems and pre-paid parking zones). | • Low stakeholder cooperation and a lack of willingness from private business.  
• Need for a better established policy framework.  
• Potentially low public acceptance. |
| **ROMANIA** | • Opportunity to link the scheme to high-profile air pollution issues.  
• Know-how could be developed from UK case study. | • Public transport services must be developed around a scheme like this.  
• The identification of a political leader is needed.  
• Currently poor parking policy leads to a reluctance of public to accept new taxes.  
• Municipal use of taxes needs clarification.  
• Tensions between local and national governments. |
| **BULGARIA** | • National climate policy.  
• Taxes on transport vehicles are already determined on municipal level. | • Lack of political support for such a scheme.  
• Lack of citizen acceptance due to: Income level, public transport quality, parking availability and cost, inefficient ticketing systems. |

* Countries with the highest transferability are at the top of the table with a dark green background; countries with lower transferability have a lighter green background; countries that were not quantitatively assessed due to data limitations have a grey background (please see the Annex for more information on reading the tables).

### Outlook on opportunities

The road pricing scheme offers the opportunity to manage congestion and pollution in urban areas with high road-use. Across the CEE region, common challenges include a lack of stakeholder collaboration as well as the lack of an entity such as the ‘Transport for London’ agency, which facilitates the implementation and operation of the charges in London. Despite this, interest in this solution has been identified among Hungarian and Polish stakeholders, while there is significant opportunity to build on existing developments in road technology in the Czech Republic. Key to supporting implementation will be the demonstration of benefits to the public through strategic trials and the selection of environmental and social indicators for effective communications. In Romania and Bulgaria the scheme is less transferable, as investment-in and development-of public transport must be sufficient to provide alternative routes and travel modes for road-users. The UK case study has seen an evolution since its implementation in 2003, and is now looking to implement more dynamic and user-friendly systems to target charging effectively. In the case of the CEE, this is a clear opportunity to learn from the legacy APNR system and leap-frog to adopting new best practice.
Netherlands: Action Plan on Electric Vehicles

Scheme Summary (2009 – Present)

The Netherlands Action Plan on Electric Vehicles (EV) comprised of three activities to be instituted between 2009 – 2015. This included (a) the creation of a task-force to encourage EV adoption (b) wide-ranging research and pilots to identify financial incentives (c) targets for large-scale adoption (e.g. 15,000 – 20,000 EV’s to be registered by 2015 and 1 million by 2025).11

EUR 65 million was set-aside by the Dutch government for direct incentivisation of EV uptake, with an additional EUR 500 million for economic inducement to companies, regional authorities and other organisations indirectly affecting the EV market. This led to the creation of three taxation schemes to spur EV adoption and support scheme finance:12,13

Purchase Tax: Zero-emissions vehicles are exempt. The tax is levied on new cars and increases with a car’s carbon dioxide emissions, with surcharges over certain emissions values.

Ownership Tax: Zero-emissions vehicles are exempt. The tax varies between cities and increases with car weight, fuel type (e.g. petrol is taxed the least) and CO2 emissions (e.g. semi-electric cars pay a half-rate).

Company Car Tax: Private car-use over 500km/year adds a % of the vehicles list price to the employers annual income. The tax is 4% for fully-electric vehicles and 22% for hybrid and high-emitting vehicles.

Impact

Due to high share of EVs and high taxes on inefficient cars, the Netherlands has the lowest average CO₂ emissions for new cars among all EU member states as of 2014.15

In 2017, the Dutch Government stated to strive towards having all new cars sold to be zero-emission vehicles by 2030.

POLICY SUCCESS FACTORS

• Strong political support through the Dutch government’s support of the Green Deal Scheme, removing regulatory obstacles and providing access to funding in support of innovative EV business models and concepts (For municipal action plans and private sector EV projects).17
• Public and private finance availability with EUR 33 million set aside. EUR 5.7 million was funded by the Dutch government, and the remainder provided by regional governments, municipalities and the private sector.18
• Public acceptability built through educational and promotional campaigns on electric mobility, including a national Test Drive Day and Clean Air Rallies.19

POLICY CHALLENGES

• Market expectations are important as the tax effectiveness is partly dependent on expectations for the stability and longevity of the high-emissions vehicle taxation scheme.
• Social equity impacts of the scheme for low-income or vulnerable populations with older cars, particularly if their area is not well-served by public transport or they have larger families – to mitigate car scrappage subsidies for high-emission vehicles may be needed.
### Action Plan on Electric Vehicles: Transferability Assessment

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<td><strong>HUNGARY</strong></td>
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<tr>
<td>• High know-how whereby the Netherlands is a useful model</td>
<td>• There is a need for the establishment of a finance strategy.</td>
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<td>for development.</td>
<td>• There is currently a high-volume of traffic due to outcomes from the</td>
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<td>• There is opportunity for collaboration between automotive,</td>
<td>existing e-vehicle scheme, therefore this challenge needs to be</td>
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<td>transport and energy actors across the region.</td>
<td>addressed.</td>
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<tr>
<td>• Supportive European policy and funding framework.</td>
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<td></td>
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<tr>
<td><strong>ROMANIA</strong></td>
<td></td>
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<tr>
<td>• There is finance available from the EU and the Central</td>
<td>• Weak milestones in climate strategies.</td>
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<tr>
<td>Budget, as well as programs including the existing Rabla</td>
<td>• There is a lack of stakeholder cooperation, including a lack of</td>
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<tr>
<td>Plus (3,000 vouchers with EUR 10,000 for EV purchase) and</td>
<td>administrative capacity.</td>
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<tr>
<td>a State Aid Scheme for the development of charging</td>
<td>• Technology is expensive to scale, there is a need for charging point</td>
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<tr>
<td>infrastructure and EV purchase envisioned for 2021.</td>
<td>development and there is uneven knowledge distribution in society.</td>
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<tr>
<td>• Good know-how potential exists from the Netherlands and</td>
<td></td>
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<td>dissemination of their results is needed.</td>
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<tr>
<td>• High public acceptability exists for change.</td>
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<tr>
<td><strong>POLAND</strong></td>
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<tr>
<td>• Supportive policy frameworks and EU finance exists, and</td>
<td>• There is low stakeholder cooperation in the form of PPP’s and low public</td>
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<tr>
<td>there is a clear opportunity for the expansion of charging</td>
<td>participation.</td>
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<td>infrastructure.</td>
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<tr>
<td>• This is an opportunity to learn from Dutch best-practice.</td>
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<td><strong>CZECH REPUBLIC</strong></td>
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<tr>
<td>• Supportive policy frameworks and stakeholder cooperation.</td>
<td>• Support required for automotive industry to transition.</td>
</tr>
<tr>
<td>• There is know-how potential with electric vehicles and</td>
<td>• Current CO2 mitigation policies in the transport sector mostly favour</td>
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<td>some political will.</td>
<td>biofuels.</td>
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<td><strong>BULGARIA</strong></td>
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<tr>
<td>• Know-how exists and there is an active electromobility</td>
<td>• Lack of political support for such a scheme.</td>
</tr>
<tr>
<td>cluster (concentrated on business/private organisations).</td>
<td>• Lack of citizen acceptance due to: Income level, public transport</td>
</tr>
<tr>
<td>• Public acceptability is growing as people see advantages</td>
<td>quality, parking availability and cost, inefficient ticketing systems.</td>
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<td>such as free parking in traffic intensive areas of Sofia.</td>
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* Countries with the highest transferability are at the top of the table with a dark green background; countries with lower transferability have a lighter green background; countries that were not quantitatively assessed due to data limitations have a grey background (please see the Annex for more information on reading the tables).

### Outlook on opportunities

The tax scheme offers the opportunity to incentivize electric vehicle uptake. The initial steps of the plan include the creation of a task force, piloting financial incentives and generating targets for large-scale EV adoption. This three-pronged approach could be taken up by CEE countries to explore the EV incentives that will be most effective in the respective countries, with the model providing a good example of best-practice. A frequently cited challenge is stakeholder cooperation, particularly between public and private institutions, which is needed to raise funds and implement the schemes. Despite this, there is public support and policy activity on EV’s in many CEE countries already. Transferability of this approach was highest in Hungary and Poland, where there was clear interest in engagement from e-mobility clusters. In contrast, more obstacles were evident in Czech Republic and Bulgaria, with the availability of charging infrastructure and cost of EV’s representing the main challenges. In our workshops the development of common charging infrastructure approaches was established as a key opportunity for regional collaboration, whilst the cost of EV’s could be addressed through second-hand EV markets as well as the implementation of scrappage schemes like Rabla Plus in Romania.
Scheme Summary (2013 – Present)

The ElectriCity Partnership is a collaboration between 15 stakeholders: The City of Gothenburg, Volvo, transit operators, universities and business authorities. The partnership is focussed on developing, testing and demonstrating new sustainable business models for sustainable transport in cities. The partners share open data across a mutually-owned cloud platform, with all partners taking part in activities and with the practical work carried out in project groups with project coordinators.

Electric bus fleet: 160 electric buses introduced in Gothenburg using 80% less energy than standard diesel vehicles, with 100,000 passengers/month. As they are emissions and noise free, they also dock inside hospitals for the benefit of patients. Urban planning regulations and strategies are continuously re-thought, for example the indoor bus stops.

Volvo has supplied new bus routes. Siemens has provided two high-power charging stations. Göteborg Energi has provided energy supply across the complete charging system. Ericsson provide technology infrastructure and data connectivity with the buses. Chalmers University of Technology conducts research for ElectriCity, sharing learnings and building capacity for replication across Western Sweden. The partnership set targets to cut CO2 emissions by 80% by 2020, to have 95% of transport powered by renewable energy by 2025, and to reduce noise pollution.

Impact

- A demo arena for new solutions for bus stops, transport, management systems, safety concepts, networked technology and systems for energy supply and storage.
- Financial resources have been freed up for innovative energy entrepreneurs who can positively build on the existing electric-bus projects.
- Well-to-wheel CO2 emissions of the electric buses are now 97% less than those from conventional fossil-diesel buses.
- Passengers are more satisfied with electric bus service than other public transport systems in the city, due to reduced noise and air pollution, free data connectivity and increased accessibility.

Policy Success Factors

- Coordination and Support with pilot funding and project expansion from the region’s public transport agency ‘Västrafik’ committed to reducing CO2 emissions and having all public transport run on renewable energy.

Policy Challenges

- High initial capital cost of transitioning to electric buses and associated infrastructure.
- High cost to change existing public transport contracts and to remove existing buses before planned age.
- Multi-stakeholder cooperation between 15 stakeholders from the private sector, academia and government, requiring organisations to move out of their comfort zones and co-create solutions.

+ Partnership for multi-stakeholder cooperation allows for quick and systematic decision-making process and accountability tracking on issues such as: Charging infrastructure investments, ownership, staff capacity-building and driver trainings.
+ Public acceptability and political will followed the successful deployment of the pilot and information campaigns, driven by the Partnership.
ElectriCity Partnership: Transferability Assessment

<table>
<thead>
<tr>
<th>SUPPORTING FACTORS</th>
<th>CHALLENGES</th>
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| **CZECH REPUBLIC**  | • Supportive policy frameworks and stakeholder cooperation.  
|                     | • Opportunities for partnership with the private sector.  
|                     | • There is opportunity for increasing stakeholder cooperation.  
|                     | • Political willingness is expected to grow but external funding will still be needed.  
|                     | • Support required for automotive industry to transition.  
|                     | • Competition within the automotive industry may negatively influence regional cooperation.  
| **ROMANIA**         | • The municipality of Bucharest has electric buses and procurement is promoted.  
|                     | • Air pollution campaigns have highlighted this issue increasing public acceptability.  
|                     | • There may be an opportunity to connect European funding to local air quality plans and projections.  
|                     | • There is a lack of mayoral collaboration, as well as public-private partnerships and informal collaborations.  
|                     | • There is also a lack of capacity at the administrative level.  
| **POLAND**          | • EU schemes may be able to support similar projects.  
|                     | • Technological know-how exists.  
|                     | • Some regions have political willingness and the advantages are clearly visible to the public.  
|                     | • Public support for investments needed.  
|                     | • There are limited supportive policy frameworks for multi-stakeholder projects.  
| **HUNGARY**         | • Central Eastern European industries could learn from this scheme’s best practice.  
|                     | • There is likely to be high public acceptability for such a scheme.  
|                     | • There is lack of an companies like Volvo to cooperate, while cooperation does not match the unique level of Nordic cooperation.  
|                     | • Low finance availability.  
| **BULGARIA**        | • There is a similar project developed in the municipality of Sofia financed by the EU funds.  
|                     | • Local authorities have more capacity than central government to implement similar projects.  
|                     | • There is high-public acceptability, and opportunity to share best practice from similar schemes.  
|                     | • Public transport services must be developed around a scheme like this.  
|                     | • The identification of a political leader is needed.  

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**Outlook on opportunities**

This partnership is a particular demonstration of high-multi stakeholder coordination, highlighting the benefits that can be brought by assigning specific tasks for public services to expert communities in the private sector and academia. In this example, a public transport agency is again featured (as in the example of congestion charging in the UK). Evidently, this is an important element for coordination and priority setting. Whilst it may be difficult for other countries to replicate this partnership, there are clear opportunities to learn from the systematic process implementing in Gothenburg, including multi-stakeholder project groups akin to innovation labs and the assigning of specific roles. The transferability was ranked highest in Czech Republic, where there could be specific opportunities to engage with private sector and increase stakeholder cooperation. Across the other countries, there was enthusiasm for such a scheme, with a similar project featuring in Sofia, Bulgaria, however there was also doubt regarding collaboration and capacity at administrative levels. The local focus may provide an opportunity to bypass some of these challenges, and a pilot using EU funds could build on the high public acceptability present.
Buildings sector
Germany: Energy Efficient Construction and Refurbishment (EECR) Programme

Scheme Summary (2009 – Present)

The Energy Efficient Construction and Refurbishment Programme provides soft loans and investment grant finance for the construction of new residential building and to renovate those already existing. The programme is funded by The Kreditanstalt für Wiederaufbau (KfW), which offers subsidised loans set according to energy efficiency achievements. The energy efficiency requirements for construction or renovation are set by Germany’s Energy Savings Ordinance (EnEv), national legislation, and KfW can finance up to 100% of the loan.

Long-term loans: for thermal insulation and renewable heating technology with subsidized interest rates.

Single-measure/Promotional loans: For specific retrofits on heating systems.

Retrofitting Grants: Cover 2.5% to 12.5% of the total cost (EUR 50,000 cap for single-measure and EUR 75,000 cap for comprehensive loans). These are dependent on retrofitting type and energy efficiency.

Partial Debt Relief: For ambitious, well-executed projects there is also a relief of 2.5 – 17.5% of the original loan principle.

The fund is open to private investors within the residential building sector in Germany and housing companies with equal financing conditions. Customers of the loan/grant schemes are also provided access to an energy consultant during the construction process to ensure the projects meet target efficiency levels.

Impact

- Every second newly built home is supported by KfW, with 4 million housing units renovated.
- 340,000 new jobs created or secured and training and certification regulations have been developed.
- Other programs have been developed in 2016, including the ‘Energy Efficiency Incentive Programme’ for the modernisation of heating and ventilation systems, and the ‘Heating Optimisation Programme’ for household boilers.

- Annual Energy savings have been the equivalent of 2 nuclear power plants and annual CO₂ savings have been 9 million tonnes.
- The Programme provided market incentives for research and development of new energy efficient technologies in the housing and construction sector.

POLICY SUCCESS FACTORS

+ Political and financial support through the ‘German Integrated Energy and Climate Programme’, adopted by the German Cabinet in 2007.
+ Perceived risk was decreased from an investor perspective due to the participation of an energy expert from application to construction, as well as ensuring consistent performance levels.

POLICY CHALLENGES

- KfW has an excellent credit rating (AAA) and lending capacity, raising funds through capital markets to secure high-volume, long-maturity capital and minimise costs of its interest subsidies. This might not be the case for other regional development banks.
- Other enabling policies also contributed to the success of the EECR Program, including the Energy Performance Buildings Directive for setting requirements on the overall energy performance of buildings, and the Energy Labelling Directive which set minimum environmental criteria and energy efficiency information for consumers.
### Outlook on opportunities

This programme functions through regional development bank funding, providing strong financial incentives to implement improvements to heating systems among other energy efficiency improvements. The German example clearly benefitted from the excellent credit score and capacity of the bank to provide soft loans and grant finance, which would be important for the direct replication of this case study in other regions. Despite this, the transferability of this scheme was deemed highest in Slovakia, where experts focused on the benefits of creating a one-stop-shop for building finance. This would be supported by streamlining existing subsidies for more efficient and focused benefit. Transferability was deemed lower in Bulgaria due to a lack of know-how, cooperation and efficient use of resources, which also featured in the challenges for Romania. Raiding public awareness regarding opportunities from schemes such as this, including how to take advantage, is important to ensure this type of programme is actually used. In the Czech Republic, the lack of incentives for energy efficient behaviour demonstrates that this would be important to come first – national legislation for energy efficiency was key to the success of the German scheme. In Poland, political support has been focused on two other programmes, therefore it would be difficult to find the motivation for another scheme like this, however there may be the opportunity to integrate elements of this system, such as cooperation with banks, into existing programmes.
Sweden: Subsidies and Consumer Protection Programmes

Scheme Summary (2006 – Present)

The Swedish government heavily taxes oil and direct electric heating, whilst promoting the use of biomass and heat-pumps through subsidies. For example, between 2006 – 2010, homeowners were intended to receive up to 30% of material and labour costs (to a max level of around EUR 1,300 per household) for replacing direct electric heating with a heat pump, district heating or biomass.29 This led to large-scale replacement of oil heating in 1 and 2 family homes by heat pumps – accounting for 43% of the subsidies – and district heating – accounting for 20%.

**Technical Standards for Heat Pumps:** For example, the Plabel quality mark (2005) and the Swan label (2006).30

**Certification, training and Information campaigns:** For example, these covered energy efficiency and low-carbon heating technologies (like heat pumps).

**Independent complaints board (Heat Pump Court):** Run by the Swedish Heat Pump Association, the court allows customers to bring claims against installation companies if heat-pumps underperform, resolving disputes, whilst public court decisions make installation companies accountable.31 This led manufacturers to monitor installations and installation companies to improve the quality of their service.

These measures were important drivers to build confidence in the technology and dispel negative public opinion.

**Impact**

- **The share of electric heating** supplying residential and service sector buildings has decreased from 30% in 1990 to 12% in 2014.

- **52% of one- or two-family homes have installed heat pumps** (around 1 million heat pumps).

- The establishment of **quality assurance schemes** (e.g. Heat Pump Court) have led to **improvements in heat pump performance by 13 – 22%** and increased consumer confidence.

**POLICY SUCCESS FACTORS**

- **Strong know-how** as the Swedish Energy Agency has a 30-year long R&D programme focussed on heat-pumps that led to many improvements, like increased efficiency of compressors and reliability of large commercial water source heat-pump projects.

- **High carbon taxes** introduced in 1991, increasing to $168/tCO2 in 2014, alongside natural gas energy tax since 1985 and a oil heating tax since the 1950’s played a large part in incentivising the replacement of oil boilers with heat pumps.

- **Public acceptability** due to large-scale investment in information campaigns, while technological evaluations garnered public acceptance of high energy taxes and heat pump uptake.

**POLICY CHALLENGES**

- **Market forces** have been a driver in the update of heat-pumps in Sweden, working in combination with policy. Hence other countries may need to develop favourable market conditions.

- **Social equity impacts** to low-income or vulnerable populations due to increases in energy costs from oil, electric heating and direct heating. This impact must be considered and balanced by the judicious use of revenues from the scheme for their benefit.
Subsidies and Consumer Protection Programmes: Transferability Assessment

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>SUPPORTING FACTORS</th>
<th>CHALLENGES</th>
</tr>
</thead>
</table>
| SLOVAKIA  | • There is experience with subsidies existing for heat generation systems, and regulation has political support.  
• There has also been a successful European Structural Investment Fund (ESIF) programme for heat pumps.  
• Clear opportunity to learn from quality assurance in the Swedish example, as well as for information campaigns with support for low-income populations. | • Subsidies are fragmented currently. |
| CZECH REPUBLIC | • There is large support for the electrification of heating and electricity decarbonisation.  
• Strong indirect support from Nearly-Zero Energy Buildings (NZEB) standard. | • Low support for decentralised heating via heat pumps.  
• Low public acceptability for new offices/board - despite support for consumer protection. |
| POLAND | • There is high know-how potential and opportunities for learning from concepts like the complaints board.  
• Ecological tax reform could be combined with redistributive measures, or the Clean Air programme could be tuned to these measures.  
• Air quality measures mean policy makers are quite active in this space. | • Finance needs to be streamlined and combined with a stable legal framework for steady change.  
• Increased knowledge of different financing instruments is needed alongside heat pump awareness.  
• The climate crisis and the air pollution fight need aligning for efficient actions.  
• Accessible support scheme required with high initial investments. |
| ROMANIA | • Public finance is available through the EBRD Programme (Green Economy Financing Facility) which provides low-interest loans and uses an energy efficiency certification scheme.  
• Private finance could be made available through tax deductions.  
• There is potential for the development of a general framework.  
• High acceptability exists among those with knowledge. | • There is low awareness and therefore low demand for public support.  
• Lack of stakeholder cooperation and the political focus needed for reform.  
• Implementation capacity is low and there could be high costs. |
| BULGARIA | • There is interest and potential for research and investment in this area.  
• There is potential for stakeholder cooperation. | • Lack of finance and installation is expensive, leading to low public acceptability.  
• No current political effort on this topic and no comprehensive policy framework for national support. |

* Countries with the highest transferability are at the top of the table with a dark green background; countries with lower transferability have a lighter green background; countries that were not quantitatively assessed due to data limitations have a grey background (please see the Annex for more information on reading the tables).

Outlook on opportunities

The subsidies and broader support provided in the Swedish programme to increase the use of heat pumps and biomass, demonstrates a range of approaches for increasing trust in new technology, ensuring standards are maintained and building public support. Whilst taxes on oil and direct electric heating influenced the uptake of this program, there are opportunities to learn from and adapt these approaches. Experience with heat pump and energy efficiency programs is common across the CEE region, including in countries like Slovakia and Romania. Importantly, where they don’t feature there is support and interest in electrification of heating and electricity decarbonization. In one particular case, there may be an opportunity for learning in Bulgaria as Romania continues to develop it’s funding programme and build knowledge on how to raise public awareness and demand for the building interventions. Public awareness is a key obstacle in many countries, thus developing campaigns on the opportunities for funding will be important. Moreover, The Heat Pump Court was of interest across the board (apart from Czech republic) as a method of increasing public support. In countries like Poland, the opportunity to align building interventions with air quality measures was highlighted as a supporting factor for developing related policy.
Austria: Direct Grants and Housing Subsidies

**Scheme Summary (2003 – Present)**

In Austria, heating system selection has been controlled by regional and local level subsidies. This has led to an increase in energy efficiency targets and has engendered an uptake of solar systems.\(^{32}\)

**General Housing Subsidy:** At EUR 3 billion per year, this is the critical control instrument of Austrian building quality.\(^{33}\) Mandated by the National Government, provincial governments align housing grants and subsidies with national climate goals for both new builds and renovation

**Direct Grants:** The grants promote solar plants and solar water heaters in single-family homes by providing 6 – 36% of total investment cost, with additional municipal support of 10 – 50% state subsidies.\(^{34}\)

**Do-it-yourself groups:** These groups build, distribute and install solar water heater. This both increases dissemination and confidence in the market, as well as causing price decreases due to investment in the technology from competition.\(^{35}\)

**Impact**

By 2018, Photovoltaic (PV) power had a cumulative total capacity of 1.4 GW with a total of 115,397 PV systems in operation.\(^{37}\)

The **Austrian Climate Fund** now has a rebate scheme for photovoltaic and energy storage systems used in agriculture and forestry, backed by a EUR 6 million budget.

**POLICY SUCCESS FACTORS**

- **Energy taxes** (1996) on domestic and industrial gas and electricity consumers improved the cost-effectiveness of carbon-free energy sources, as well as being recycles to partially support renewable energy programs.

- **Market development** from self-build activity and competition among manufacturers increased the availability of high-quality and fairly-priced Solar Water Heaters, with guarantees of up to 10 years.

- **Public acceptability** and trust was increased through information campaigns covering performance and costs of solar systems and solar water heaters.

**POLICY CHALLENGES**

- **Economic factors** determine investment decisions for solar water heaters, including: Installation costs, maintenance costs, costs of conventional water heaters, current and projects fossil energy prices, financing methods and loan availability at affordable rates.

- **Performance reliability** may require large-scale subsidies and grants to mediate costs and cater to the requirements of low-income and vulnerable populations.
Direct Grants and Housing Subsidies: Transferability Assessment

<table>
<thead>
<tr>
<th>SUPPORTING FACTORS</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SLOVAKIA</strong></td>
<td><strong>POLAND</strong></td>
</tr>
<tr>
<td>• There is high know-how potential and public acceptability.</td>
<td>• Responsibility is split between two ministries.</td>
</tr>
<tr>
<td><strong>ROMANIA</strong></td>
<td><strong>CZECH REPUBLIC</strong></td>
</tr>
<tr>
<td>• Some know-how potential exists as well as state-funded programs, however there have been problems for implementation (e.g. Administration of the Environment Fund – PV Green House Program).</td>
<td>• Financial support from national environmental funding programmes has been decreasing in recent years, leading to a drop in solar collector market growth and problems for small and medium-sized enterprises in the renewable energy sector.</td>
</tr>
<tr>
<td>• Some political steps have been made in this direction.</td>
<td>• No structured stakeholder cooperation.</td>
</tr>
<tr>
<td>• Training and certification would be useful to develop.</td>
<td>• There is space to improve supportive policy frameworks and more political pressure is needed.</td>
</tr>
</tbody>
</table>

**CHALLENGES**

<table>
<thead>
<tr>
<th><strong>BULGARIA</strong></th>
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<tbody>
<tr>
<td>• There is high solar potential in most of the country, and local air pollution problems have finance available whilst some families are able to self-finance.</td>
</tr>
<tr>
<td>• Many organisations are working to promote PV’s.</td>
</tr>
<tr>
<td>• Potentially high public acceptability due to many installations of PV for hot water.</td>
</tr>
<tr>
<td>• There is a need for more supportive measures and political support, including full support from municipal authorities for single-swelling households.</td>
</tr>
<tr>
<td>• Implementation at scale would be needed to increase financial viability.</td>
</tr>
</tbody>
</table>

* Countries with the highest transferability are at the top of the table with a dark green background; countries with lower transferability have a lighter green background; countries that were not quantitatively assessed due to data limitations have a grey background (please see the Annex for more information on reading the tables).

Outlook on opportunities

The Austrian example demonstrates how different levels of subsidies (national – regional), as well as legislative requirements for building efficiency, can be aligned to build capacity and interest in solar energy. The general housing subsidy in this example was important as a control instrument for building quality, as it ensured subsidies for solar-systems required energy efficiency targets to be met. This could be replicated in other countries in the CEE region, including for other technologies like heat pumps or biomass, as there was interest in this type of system from countries like Slovakia and Poland. In Poland and Romania, political steps in this direction have been taken and there is experience with solar systems; the shortcomings of some aspects of existing programs demonstrate an opportunity to learn lessons from cases such as Austria. A key aspect of the Austrian case was market development through do-it-yourself groups, which could be promoted in the CEE region alongside the development of quality assurance through training and certification to ensure standards are kept. In the Czech Republic barriers from the energy regulator need to be overcome to enable support of this type of scheme.
Reflections
Regional Workshops: Common Challenges

The main focus of the CEE Climate Policy Frontier project was to exchange knowledge and regional good practices in the buildings and transport sectors, as well as to develop a regional community working on solutions to bridge the gap between the current policies in the region and the level of ambition implied by the Paris Agreement goals. In February 2020, experts from government, industry, non-governmental organisations and analytical centres in the Visegrád (V4) Group – Poland, Czech Republic, Slovakia and Hungary as well as representatives from Romania and Bulgaria, had the chance to assess the challenges and opportunities for adopting best climate policy practices in the transport and buildings sectors during the interactive workshops held in Warsaw and Bucharest. Attendees heard from Western European experts on their experiences implementing best practices in climate policy, and discussions were centred around policy applicability in and across the selected countries.

During the workshops, participants were first divided into parallel working groups. Transport sessions focused on sustainable transport modes and electromobility, while the building sessions explored policy supporting energy efficiency and clean heating sources. The good policy practices from the Western European countries presented in each session were discussed and assessed by the participants for applicability in the V4, Bulgaria and Romania. The assessment criteria included the availability of public and private financing, quality of cooperation between stakeholders, know-how potential, political willingness, public acceptability, and supportive policy frameworks for the introduction of the new instrument.

The second part of the workshops consisted of a cross-country evaluation, including the identification and discussion of the common challenges and opportunities across the V4 region, Bulgaria and Romania bringing forward ideas from earlier debates. The experts then split back into their working groups to assess key challenges for the two sectors. For transport, the group underlined that one of the most urgent problems is the outdated fleet of old vehicles, insufficient availability of smart charging infrastructure, low quality of rural transport or lack of long-term development strategies. In addition, there is still insufficient public awareness about air pollution and acceptance for a pollution charge. For the buildings sector, the participants highlighted an insufficient number of energy consultation centres, lack of communication between central and local governments, followed by fragmentation of existing programmes and subsidies. Moreover, other obstacles are a lack of ESCO companies and public-private partnerships, insufficient popularity of passive houses and smart buildings and unavailability of common standards of evaluation of buildings’ performance.
During our workshops we held structured brainstorming session where participants were asked to identify specific common challenges to be targeted through cross-border cooperative initiatives. The experts were also asked to list potential next steps and to identify relevant stakeholders who could be involved in the implementation of further project-based activities.

In the transport sector, a key idea is the improvement of e-vehicle charging network development by facilitating the coordination of regulatory bodies and establishing round tables with various stakeholders. This is to be led by Poland and Hungary as countries with more experience in this sector. Other solutions that were suggested include educational campaigns, to be supported by analytical activities around the limitation of old diesel car imports, as well as the improvement cross-border railway connections between the capital cities of Bulgaria and Romania. This would enable inter-institutional cooperation in the context of the preparation of the next generation of structural pre-conditions for transport and environmental schemes.

In the buildings sector, it was indicated that improvement of communication at the national and international levels needs to be in line with a proactive attitude towards EU policy. This includes the harmonization of definitions and a uniform approach across member states, which could be key to enhancing efficient activities in the sector. For this purpose, it could be useful to establish an informal group of multinational stakeholders to lead as a task force.

In essence, the exercise was an important opportunity to exchange ideas on possible interventions and to develop collaborative solutions, leveraging both the collective expertise of the participants and the information from the best practice policy options that had been explored throughout the workshops.
Regional Workshops: Opportunities and Key Takeaways

The opportunity to exchange ideas and learn together in the regional workshops conducted throughout this project has enabled knowledge gain on the commonality of challenges as well as opening up opportunities to expand networks and support further collaboration within the buildings and transport sectors. Moreover, opportunities to be selective and ‘leap-frog’ using lessons learned from policy interventions have highlighted practical and efficient ways to drive the CEE Frontier closer to the Paris Agreement 1.5°C goals.

Examples of opportunities for the CEE Region

**TRANSPORT**

- Share knowledge and information on a regular basis
- Co-produce with stakeholders and involve research and industrial communities from the beginning
- Communicate of policy benefits and impacts to general public using indicators and evidence-base
- Combat short-termism through mentality of motivation and learning together
- Introduce top-down (as well as bottom-up) approach in the form of strategy documents to engage stakeholders

**BUILDINGS**

- Overcome CEE funding fragmentation due to eligibility differences
- Create database of existing programs for potential applicants to streamline advice and support
- Increase trust through complaints board
- Align central and local government
- Introduce top-down (as well as bottom-up) approach needed in the form of strategy documents to engage stakeholders

Based on insights from the workshop and from the V4 countries, Bulgarian and Romanian perspectives, it can be stated that a common effort to enhance the activities within transport and buildings sector and take up selected measures can result in a number of opportunities for the region.

For example, in the building sector trust in new technology could be built through the establishment of a complaints board, whilst regular information sharing between selected countries would strengthen knowledge of best practice. This could be enhanced through the creation of a database containing existing support programmes for clean buildings, which would also be a useful instrument for potential applicants to funding opportunities. Furthermore, investing in emerging technologies in the transport sector (e.g. for electromobility) and introducing innovative policies enabled by ICT both facilitate favourable circumstances for leapfrogging in the CEE region.

The project has proven that there are numerous opportunities for the CEE countries to learn from each other and benefit from knowledge of Western best practices in climate-friendly policy, both in the transport and buildings sector.
Annex
The analysis was conducted using quantitative and qualitative questionnaire responses from experts in the transport and building sectors. During our regional workshops in Warsaw and Bucharest, expert informants ranked a set of metrics for the transferability of policy from 0 – 3 (low to high potential transferability), as well as offering comments to expand on their responses. This enabled us to estimate the transferability of a set of policy measures in the CEE Region based on expert opinion.

To summarize the information, the average score for each transferability metric was calculated, and these were summed to give an overall transferability score. The results from each metric are displayed in graphs (Annex 2 and 3) to show the key opportunities and challenges according to expert opinion. The sample size (N) of experts from each country varied (N = 1 – 11). Qualitative assessment of transferability was also compiled to provide insights into the key opportunities and challenges for policy transferability across the CEE region.

### How to read the transferability tables in this report:

<table>
<thead>
<tr>
<th>Country</th>
<th>Supporting Factors</th>
<th>Challenges</th>
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<tbody>
<tr>
<td>HUNGARY</td>
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<td>POLAND</td>
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<td>ROMANIA</td>
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<tr>
<td>BULGARIA</td>
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</tbody>
</table>

The colour behind each country name represents the quantitative assessment of the policy’s transferability, as outlined below:

- **Dark green background** indicates countries with the highest calculated policy transferability at the top of the table.
- **Lighter green** indicates countries with lower calculated policy transferability.
- **Grey** indicates countries that were not assessed quantitatively for policy transferability due to data limitations.

The two columns below share the qualitative data that was collected, giving an overview of the supporting factors and challenges for the transfer of the policy to each country assessed.
Transport Sector: Detailed Transferability Assessment

UK Road Pricing Programme

- Romania (N=7)
- Hungary (N=3)
- Czech Republic (N=1)
- Poland (N=3)

Netherlands Action Plan for EV

- Romania (N=7)
- Bulgaria (N=2)
- Hungary (N=3)
- Czech Republic (N=1)
- Poland (N=2)

Sweden ElectriCity Partnership

- Romania (N=7)
- Bulgaria (N=1)
- Hungary (N=2)
- Czech Republic (N=1)
- Poland (N=2)
Climate Strategies

Climate Strategies is an international, not-for-profit research network that aims to improve climate policy through meaningful interactions between decision-makers and climate policy researchers across Europe and internationally. We 1) Inspire by incubating ideas and developing climate policy research proposals; 2) Engage by organising consultations and facilitating dialogue among researchers and climate policy-makers; 3) Convene by initiating, planning and organising multi-disciplinary events; and 4) Translate by publishing climate policy research in accessible formats in order to inform relevant audiences. Climate Strategies has members and partnerships in the following countries in the CEE region: Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Estonia.

Website: https://climatestrategies.org/

WiseEuropa

WiseEuropa (implementing organisation) is an independent think-tank and research organization based in Warsaw that undertakes a strategic reflection on European politics, foreign policy and economy. The mission of WiseEuropa is to improve the quality of Polish and European policy-making as well as the overall business environment by promoting the use of sound economic and institutional analysis, independent research and evidence-based approach to impact assessment.

Website: www.wise-europa.eu/en

Expert Forum

Expert Forum is a think tank specialising in policy analysis and public administration reform on multiple sectors, including energy and climate change, in Romania and neighbouring countries (mostly Balkans, Moldova, Ukraine). It organized public debates in Bucharest and other small and large cities to advocate for energy efficiency in buildings, energy efficiency in households, energy market liberalization vs. energy poverty and has substantial experience in stakeholder analysis and engagement, at the central and local level, on energy and climate change issues. Expert Forum has also built successful advocacy campaigns for the full implementation of the EU’s energy and climate policies in Romania and in the CEE region (e.g. Moldova), whilst also developing strong contacts in Brussels.

Website: https://expertforum.ro/en/

Climate Analytics

Climate Analytics is a non-profit climate science and policy institute based in Berlin, Germany with offices in New York, USA, Lomé, Togo and Perth, Australia, which brings together interdisciplinary expertise in the scientific and policy aspects of climate change. Climate Analytics has an established track record in the qualitative and quantitative assessment of climate policies in different sectors and countries. By contributing to the Climate Action Tracker, the organization has assessed the impact of different policies on emissions reduction and the compatibility of the climate action with the climate goals. In a number of different projects it proposed sectoral policies for the effective emissions reduction.

Website: https://climateanalytics.org/

The EGD 'New Industrial Strategy for Europe' provides a clear vision for the role of both the building and transport sectors. For the building sector it calls for a "Renovation Wave" Initiative and "Strategy on the built environment" and states that "Europe [...] needs to address the sustainability of construction products and improve the energy efficiency and environmental performance of built assets. A more sustainable built environment will be essential for Europe's transition towards climate-neutrality". For the transport sector it calls for "Comprehensive Strategy for Sustainable and Smart Mobility" and states that "there should [...] be a special focus on sustainable and smart mobility industries. These have both the responsibility and the potential to drive the twin transitions, support Europe's industrial competitiveness and improve connectivity."


The project was funded by the German Federal Ministry for the Environment, under the European Climate Initiative (EUKI), and spanned across 3 years, led by a consortium of WiseEuropa (Project Lead), Climate Analytics, Expert Forum (EFOR) and Climate Strategies. With the goal of making a tangible contribution to the improvement of sectoral climate policies in the two non-ETS sectors: transport and buildings, in the CEE region and on the European scale, the project helped to enhance climate action and international transfer of best practices.

The project achieved this goal through the identification and promotion of current best policy practices within the CEE region, the assessment of the gap between these best practices and the level of ambition necessary to ensure global warming remains well below 2°C/1.5°C, and the identification and promotion of policy options to bridge the gap. To support this, four regional workshops were held in Poland and Warsaw. The exchange focused on accelerating the pace of emissions reduction from the transport and buildings sectors in the CEE region, enabling CEE states to implement effective policy solutions, and facilitating the harmonisation of climate action efforts between and beyond CEE countries.

The project’s outcomes will support policy-makers in all beneficiary CEE countries to reach the ‘regional frontier of excellence’ in climate action, while also making this action consistent with the level of ambition required by the Paris Agreement. Although the project focused on the Central and Eastern European region, it has also created a channel for knowledge exchange between the CEE countries and other European states.

For further information, visit wise-europa.eu/en/cee-climate-policy-frontier/ and climatestrategies.org