



Bankwatch
Network

EU funds guidebook

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INTRODUCTION

The EU provides a variety of funds to help Member States implement EU policies. EU financial support is an important source for achieving the objectives of the Green Deal. From 2021 to 2027, there are funds and programmes that are available from the traditional EU budget (Multiannual Financial Framework), from the post-pandemic recovery plan (Next Generation EU) and from carbon market revenues (ETS). Together, these programmes provide billions of euros to invest in climate action and help meet the 2030 targets.

The European Commission says that ‘additional investments of over EUR 620 billion annually will be needed to meet the objectives of the Green Deal and REPowerEU’.¹

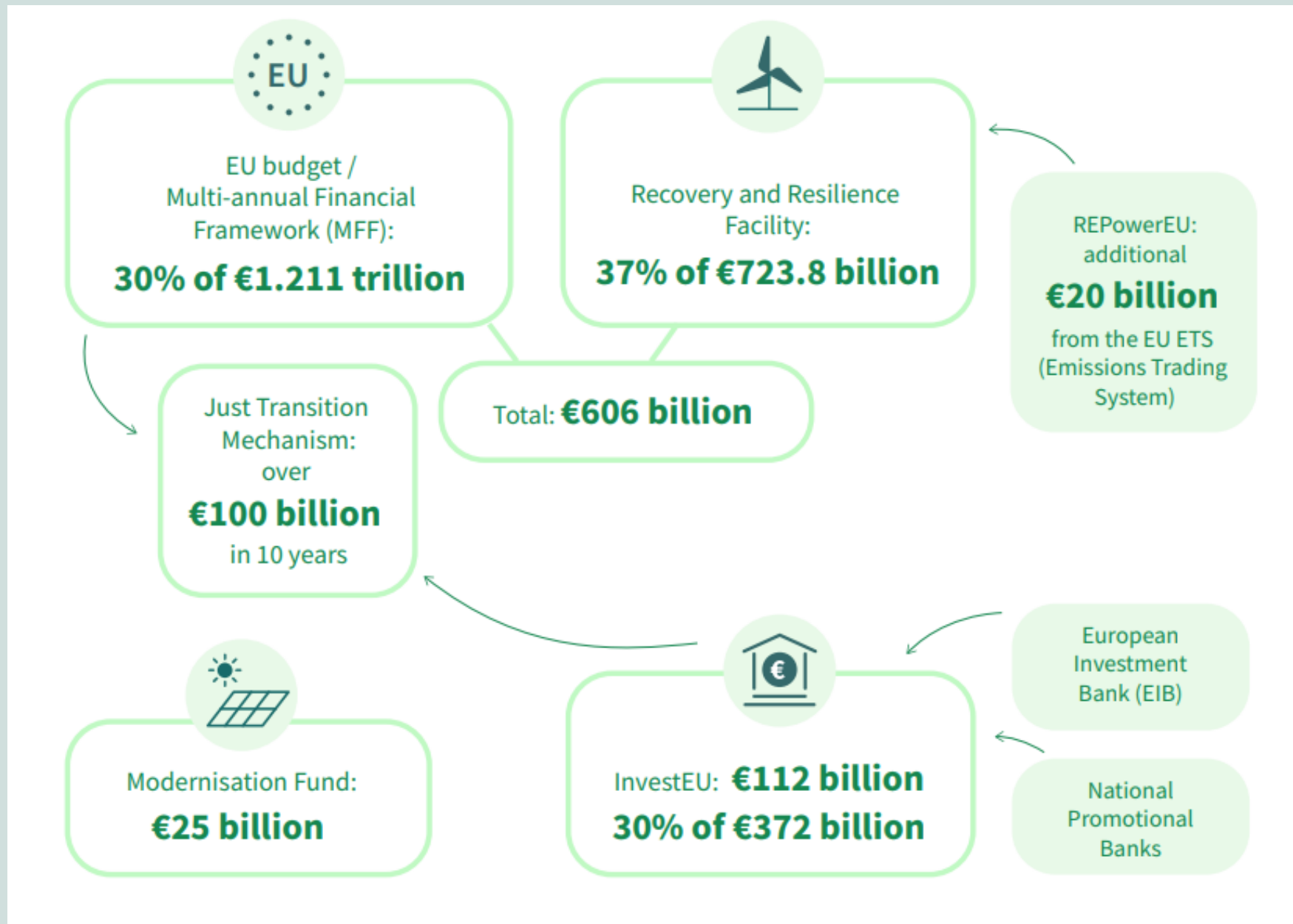
Independent studies² have calculated that almost EUR 400 billion is available from some of the main EU programmes to tackle climate change in 2021-2027. This excludes the EU's Common Agricultural Policy (CAP) and the Horizon Europe programme. That's a tiny fraction of what's needed, but it can already contribute to a significant share of climate investment, especially in countries that rely heavily on EU funding.

This guidebook will highlight the importance of some of the funds that are most relevant for climate action, namely the cohesion policy funds, the Recovery and Resilience Facility, the Just Transition Fund, the Modernisation Fund, and the Social Climate Fund. It will outline how to participate in the design and implementation of EU funds to ensure their full potential to benefit citizens and the environment.

¹ European Commission, [Strategic Foresight Report 23 – ‘Sustainability and wellbeing at the heart of Europe’s Open Strategic Autonomy’](#), European Commission, 6 July 2023.

² Agora Energiewende, [EU climate funding tracker](#), Agora Energiewende, 20 June 2023.

PLANNED SUPPORT FOR CLIMATE ACTION 2021-2030



The EU budget – the Multiannual Financial Framework

The Multiannual Financial Framework (MFF) is the European Union's long-term budget for a period of seven years. It sets out the EU's spending priorities and limits for the various policy areas and programmes, such as agriculture, regional development, research and innovation, and external aid.

The current MFF covers the period from 2021 to 2027 and has a budget of EUR 1.221 trillion. It is the first MFF to take into account the UK's withdrawal from the EU and the impact of the COVID-19 pandemic, as it supports the recovery plan for Europe.

The MFF is negotiated between the European Commission, the European Parliament, and the Member States, and it requires the unanimous agreement of all Member States. The negotiations are complex and involve balancing different priorities and national interests. The MFF has a mechanism of rebates and contributions, whereby certain countries receive reduced payments towards the EU budget.

Cohesion policy funds

Cohesion policy is the EU's main investment policy, with EUR 378 billion available over 7 years (EUR 545 billion with national co-financing). It is an expression of economic solidarity between the different regions of the EU and plays a crucial role in shaping public investment, especially in central and eastern Europe. It is aimed to be a catalyst in the fight against climate change through its specific earmarking for climate action.

It consists of several funds, known as the **European Structural and Investment Funds**. They are the main instruments for implementing the EU's cohesion policy and include:

- The European Regional Development Fund (EUR 312.73 billion)
- The European Social Fund Plus (ESF+) (EUR 142 billion)
- The Cohesion Fund (EUR 49.18 billion)
- The Just Transition Fund (EUR 26.96 billion)

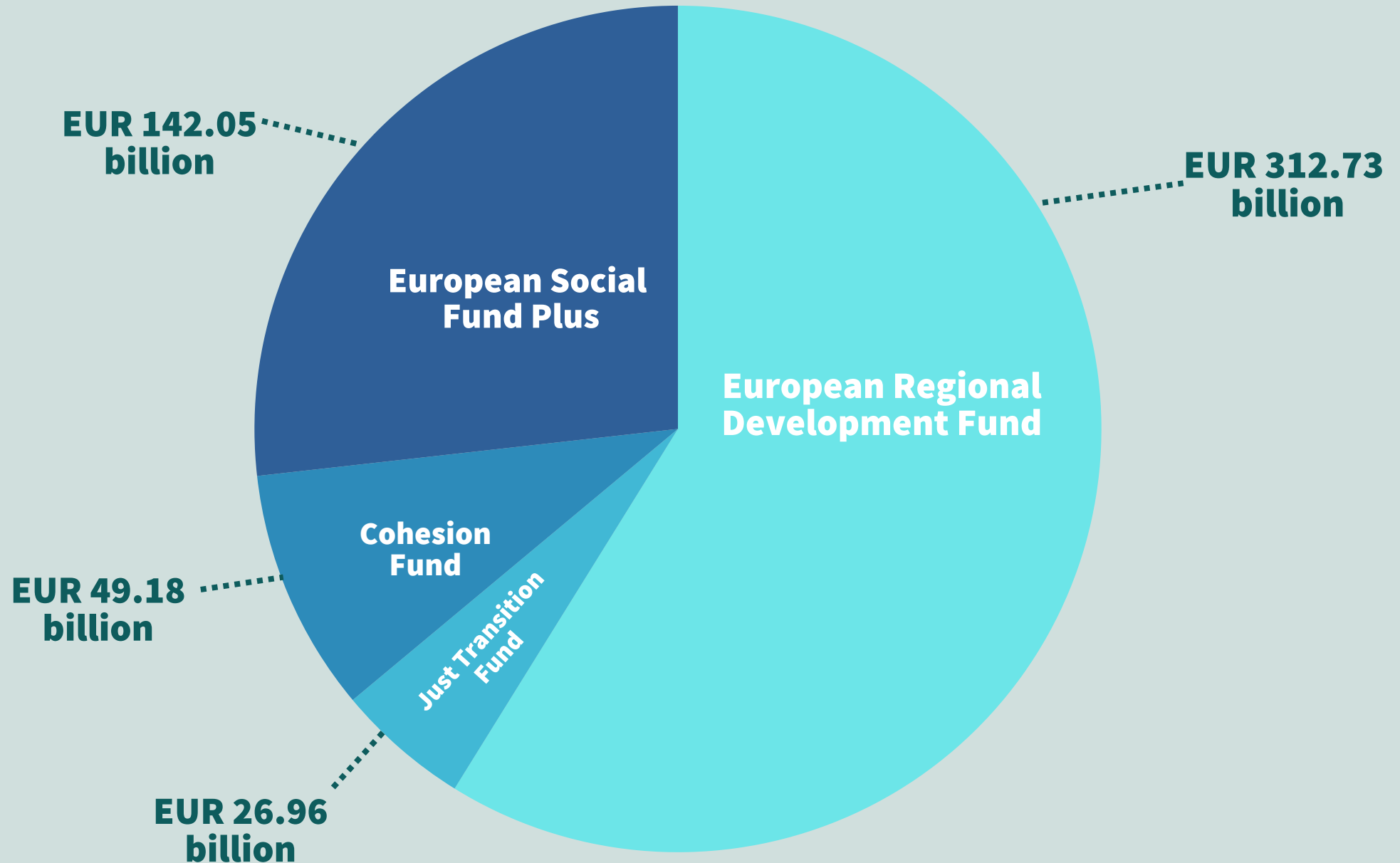
Each Member State prepares a Partnership Agreement in collaboration with the European Commission, setting out how it intends to use the funds to achieve the EU's objectives and priorities.

Cohesion Policy plays an important role in tackling climate change and promoting sustainable development in the EU. Some of its funds have the highest earmarking for climate action. Through its various financial instruments, the policy can support investments that contribute to climate change mitigation and the transition to a low-carbon economy. For example, an independent study has shown that Member States have programmed an estimated EUR 20 billion of Cohesion Policy funding for energy renovation and energy efficiency for 2021-27.³

Cohesion policy follows certain rules and standards. Following its introduction in the NextGenerationEU funds, the 'do no significant harm' principle has also been included in the cohesion policy funds.

³ Renovate Europe, [2021-2027 Cohesion policy support for energy efficiency and building renovation](#), *Renovate Europe*, April 2023.

Total amount of cohesion policy funds



Other programmes under the MFF

Several MFF programmes contribute to climate action, notably the Connecting Europe Facility (CEF), which supports the development of energy, transport and digital infrastructure. The CEF works in partnership with the European Structural and Investment Funds (ESIF), Horizon Europe and the Recovery and Resilience Facility. Horizon Europe, a major research and innovation programme with a budget of EUR 95.5 billion (including EUR 5.4 billion from NextGenerationEU), plays a key role in tackling climate change, supporting the UN Sustainable Development Goals and boosting EU competitiveness. The European Agricultural Fund for Rural Development (EAFRD), also with a budget of EUR 95.5 billion, tackles climate change through sustainable agriculture, environmental protection, renewable energy and reducing the carbon footprint of farms and rural areas.



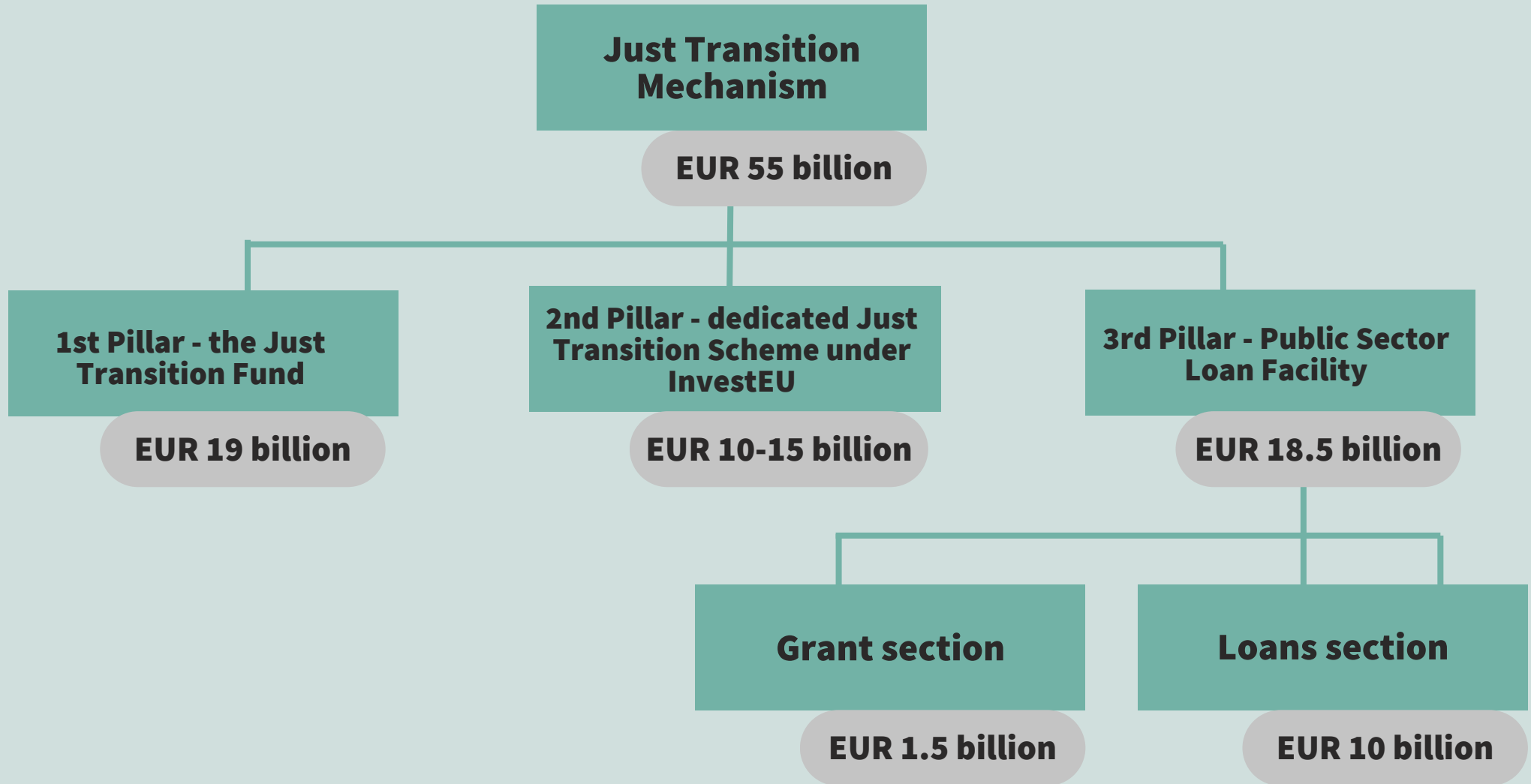
Just Transition Mechanism

The Just Transition Mechanism (JTM) is a regional development programme announced by the European Commission in January 2020. It is expected to mobilise around EUR 55 billion in investments. Its aim is to provide funding to countries and regions expected to be particularly affected by the transition away from fossil fuels as part of the European Green Deal. The Just Transition Mechanism consists of three distinct pillars. The first is the Just Transition Fund, the second is the InvestEU Just Transition Scheme and the third is a new public sector lending facility operated by the European Investment Bank (EIB).⁴

⁴ For more information on the second and third pillars, please refer to our separate briefing, [The second and third pillars of the Just Transition Mechanism](#), March 2023.



Pillars of the Just Transition Mechanism



The types of investments eligible under each of the three pillars are different. The first pillar primarily supports projects that aim to counteract the negative economic effects of the green transition in carbon-intensive regions, such as unemployment, brain drain and social problems. This can be done through economic diversification, reskilling/upgrading and social inclusion of workers and job seekers. The first pillar can also be used to fund other activities, provided they contribute to the implementation of the transition at the local level. Examples of eligible projects include research and innovation, investment in energy efficiency and renewable energy, smart and sustainable local mobility, digitalisation, soil regeneration, circular economy and social infrastructure for child and elderly care facilities.

The second pillar will finance a wider range of projects, including renewable energy, energy efficiency, energy and transport infrastructure, district heating, decarbonisation, social infrastructure and economic diversification. Unfortunately, the second pillar also consists of the provisions for supporting gas projects, which are contrary to the ambitions set out in the European Green Deal.

Like the second pillar, the third pillar has a broader scope than the Just Transition Fund. As the third pillar only supports projects implemented by public authorities, it will primarily finance large infrastructure investments with insufficient revenue streams for commercial financing. Typical projects supported under the third pillar fall into categories such as energy and transport, district heating, energy efficiency (including building renovation) and social infrastructure.

What kind of projects can be supported under each pillar?

Pillar 1: The Just Transition Fund

Economic diversification

Reskilling and inclusion of workers

Green transition and social inclusion

Pillar 2: The dedicated Just Transition Scheme under InvestEU

Energy and transport infrastructure

Gas projects

District heating

Decarbonisation

Pillar 3: The public sector loan facility

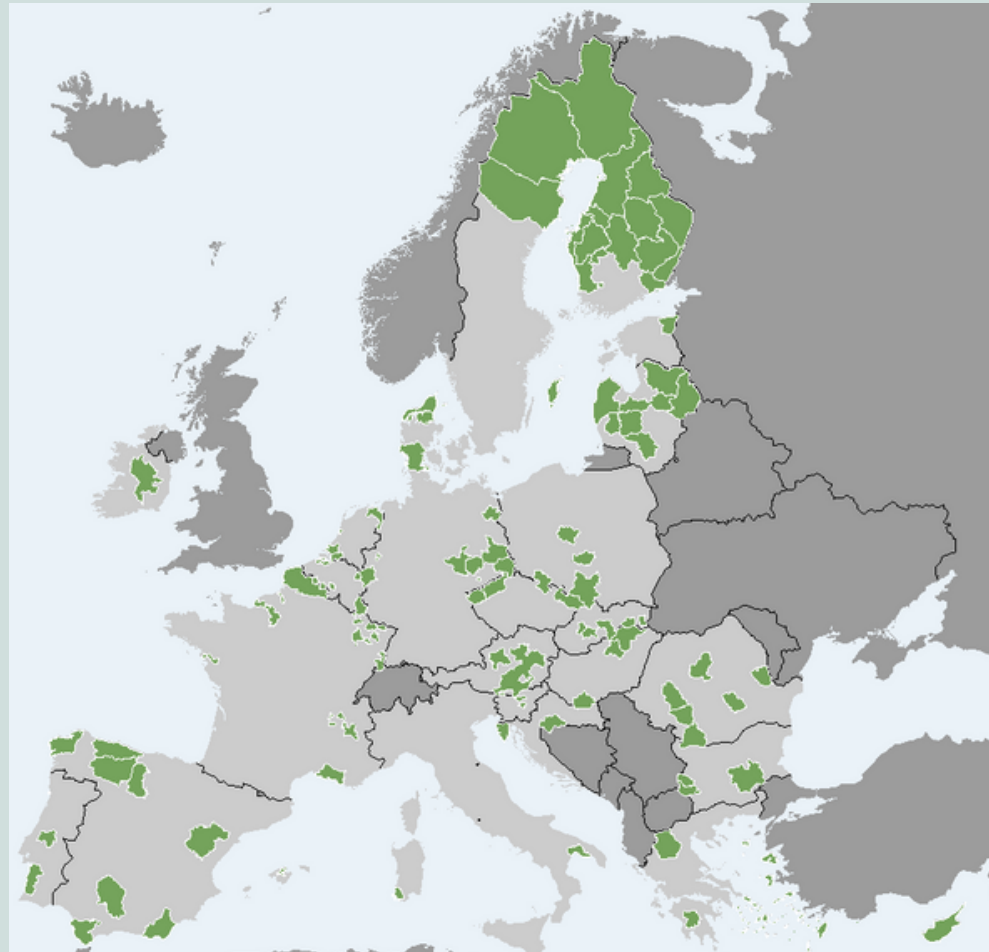
Measures to facilitate the transformation to climate neutrality

Energy and transport infrastructure

District heating

Energy efficiency (including building renovation)

To receive funding under the Just Transition Mechanism, regions must submit Territorial Just Transition Plans (TJTPs) to the European Commission for approval. The TJTPs must detail the planned transition process at the regional level and justify why the region in question is expected to be particularly negatively affected by the green transition. The deadline for approval of the TJTPs was 31 December 2022. All regions shown in green on the map below were approved in time.



The Recovery Plan: NextGenerationEU

NextGenerationEU is the EU's recovery plan to address the economic and social consequences of the COVID-19 pandemic. The plan was proposed by the European Commission in May 2020 and agreed by Member States in July 2020. However, to accommodate the additional funding, Member States agreed on a revised MFF, which includes additional funding for key areas such as health, research and climate change. The MFF and NextGenerationEU are therefore closely linked.

At the heart of NextGenerationEU, the Recovery and Resilience Facility is the new flagship programme to support EU countries investment in key sectors. With EUR 806.9 billion available to EU countries through a mix of grants and loans, the money can be used to support investments and reforms that help boost Member States' economies, and can provide powerful leverage to strengthen climate action. According to current rules, the Recovery and Resilience Facility will end in 2026.

The Recovery and Resilience Facility

The Recovery and Resilience Facility (RRF) is designed to provide financial support to Member States particularly affected by the pandemic, with a focus on promoting economic recovery and increasing resilience.

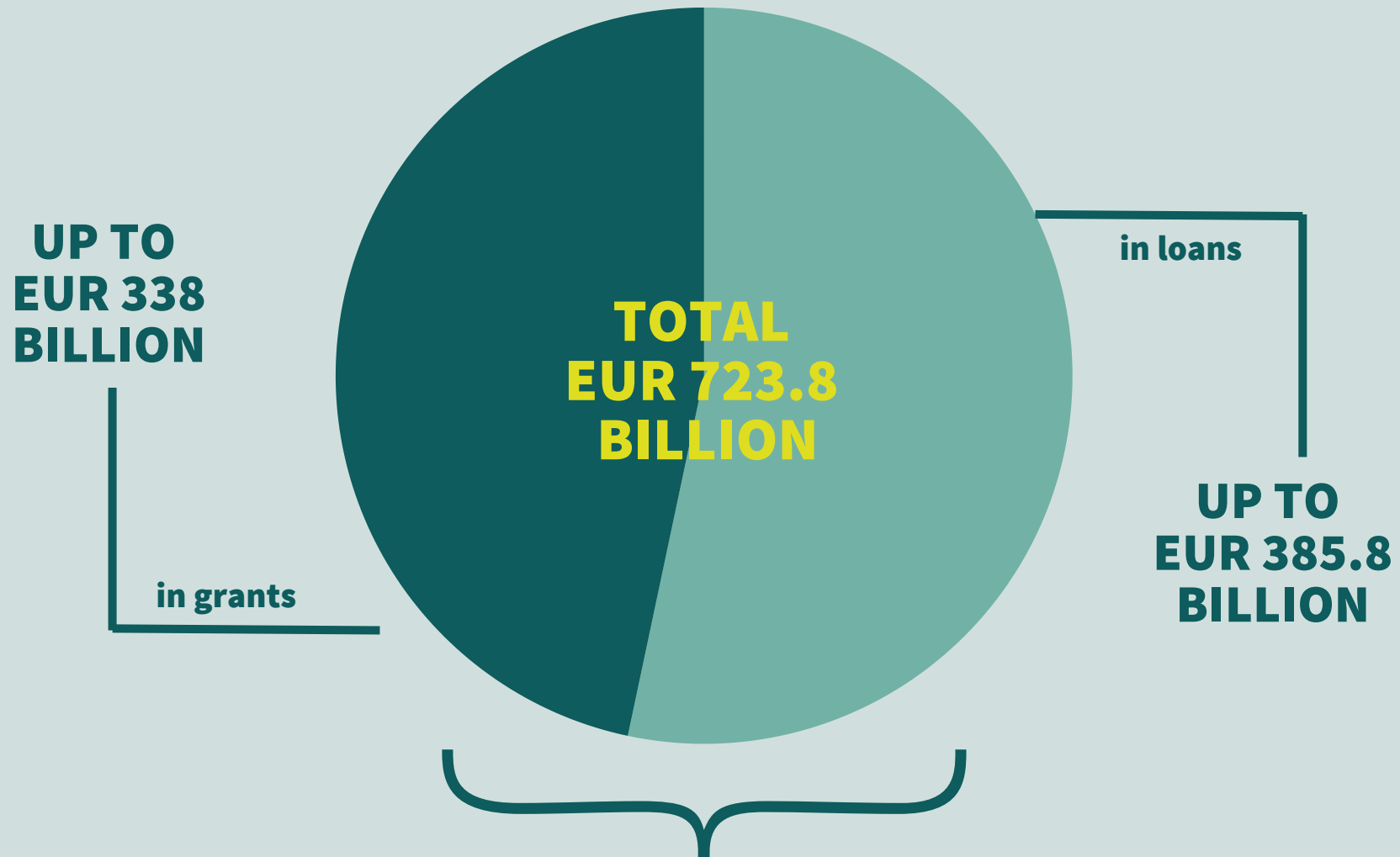
To receive funding, each Member State had to submit a national plan for approval, committing to specific reforms and investments, with at least 37 per cent of the funds earmarked for climate action. Moreover, nothing in the plans should damage the environment, thanks to the application of the 'do no significant harm' principle that has to be applied to all investments in the plans.

Thanks to the RRF, important reforms and investments are planned to support climate action. But a set of dubious projects might also benefit from the facility, so the implementation of the plans needs to be closely scrutinised.

These national plans, also known as recovery and resilience plans, outline how the recovery funds will be invested. The money will be disbursed on completion of specific actions, rather than on expenditure on individual projects. This means that before any payments can be made from the RRF, the European Commission will assess whether the Member State has met specific milestones and targets related to the implementation of its plan.

To finance the RRF, the EU is borrowing money on the international capital markets. It will be repaid over a long period, until 2058. This should avoid putting immediate pressure on Member States' public finances and allow them to focus on recovery.

The Recovery and Resilience Facility - total available funds

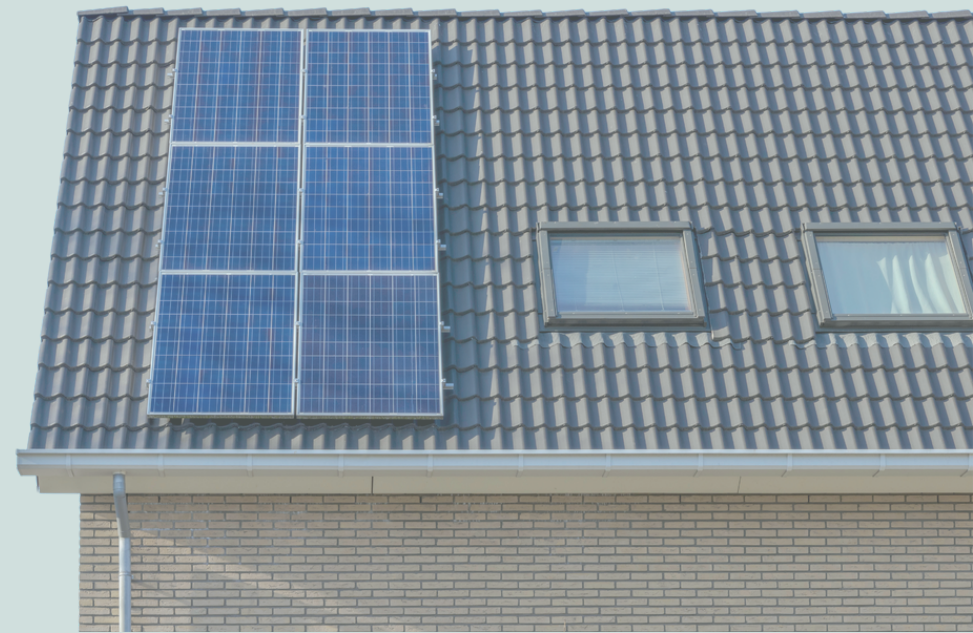


**at least 37% should be dedicated to measures
that contribute to climate objectives**

New challenges – the REPowerEU strategy

The RRF is also at the heart of the REPowerEU plan, the EU strategy adopted in response to Russia's invasion of Ukraine, which aims to end dependence on fossil fuel imports from Russia. On 18 May 2022, the European Commission proposed to amend the RRF Regulation to include dedicated REPowerEU chapters in Member States' existing recovery and resilience plans.

The plan aims to diversify energy supplies, increase energy efficiency and accelerate the introduction of renewable energy sources. To support the necessary investments, Member States could apply for additional funding by submitting REPowerEU chapters to the European Commission to finance specific measures. EU funding is available to support businesses, households and the critical infrastructure needed for a secure energy transition.



For the financing of these chapters, a certain amount of money is at the disposal of the Member States from various sources:

- EUR 5.4 billion from the Brexit Adjustment Reserve
- EUR 20 billion in new grants from the EU Emissions Trading Scheme
- up to EUR 117 billion could be transferred from Cohesion Policy Programmes
- EUR 225 billion in unused loans from the RRF

Meeting the REPowerEU targets will require significant additional investment, particularly in renewable energy deployment, energy efficiency and energy savings, as well as a significant frontloading and acceleration of already planned investments.

To find more about how Member States are planning investments see, the Bankwatch report ‘Repower communities – not fossil fuels. Analysis of the revised national recovery and resilience plans of 15 Member States’.⁶

⁶ CEE Bankwatch Network, [Repower communities – not fossil fuels. Analysis of the revised national recovery and resilience plans of 15 Member States](#), CEE Bankwatch Network, 11 October 2023.

PROGRAMMES FUNDED BY THE EU EMISSIONS TRADING SCHEME REVENUE

Modernisation Fund

The Modernisation Fund is a funding programme dedicated to supporting ten lower-income EU Member States in their transition to climate neutrality by modernising energy systems and improving energy efficiency. The scope of the fund is to support investments in:

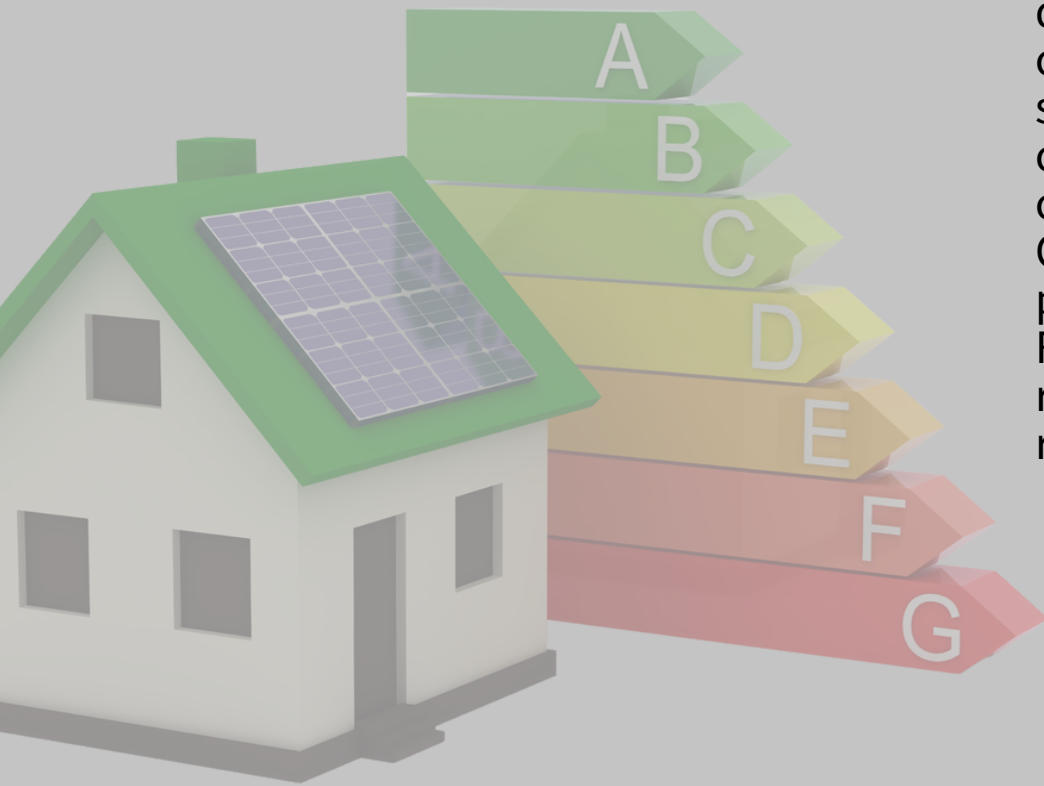
1. Renewable energy
2. Energy efficiency
3. Energy storage
4. Energy networks
5. Just transition in carbon-dependent regions

The Modernisation Fund started operating in January 2021 and will be supporting investments until 2030. It is financed by revenues from the auctioning of emission allowances under the Emissions Trading System. The total revenues of the Modernisation Fund amount to EUR 57 billion from 2021 to 2030, assuming a carbon price of EUR 75/tCO₂.

PROGRAMMES FUNDED BY THE EU EMISSIONS TRADING SCHEME REVENUE

The geographical scope of the Modernisation Fund is limited to EU Member States with a GDP per capita of less than 60 per cent of the EU average. Currently, 13 Member States qualify including Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. The biggest beneficiaries of the Modernisation Fund are Poland, the Czech Republic, Romania and Hungary.

However, if not invested wisely, the funds could potentially support projects that perpetuate dependence on fossil fuels and contribute to climate change. It is therefore crucial that the fund is used to support projects that are in line with the EU's climate goals and promote the transition to a low-carbon economy. To ensure this, the European Commission has set criteria for the selection of projects eligible for funding from the Modernisation Fund, including their potential impact on emissions reduction, energy efficiency and the promotion of renewable energy.



Social Climate Fund

The European Commission has proposed the Social Climate Fund as a tool to protect the most vulnerable groups negatively affected by the introduction of the new Emissions Trading System for buildings and road transport. The measures and investments supported by the Fund should focus on:

- Increased energy efficiency of buildings,
- Decarbonisation of heating and cooling of buildings,
- Including the integration of energy from renewable sources,
- and granting improved access to zero- and low-emission mobility and transport.

The total budget for the period 2026-2032 is up to EUR 65 billion for Member States, depending on the carbon price. In addition, Member States should co-finance at least 25 per cent of the estimated costs, which would amount to EUR 86.7 billion.

Similar, to the RRF, Member States will have to draw up a Social Climate Plan setting out all the planned measures and investments to be financed by the fund. In order to minimise the administrative burden, the plan should be consistent with the Member States' national climate and energy plans (NECPs).⁷ The plan will have to be approved by the European Commission. The Member States should report back on the progress made for the implementation of the plans in the biennial reporting combined with the updates of their NECPs.

EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) is the financing arm of the EU and one of the world's largest multilateral lenders. Its main objective is to support the development of the internal market in the interest of the EU by providing loans and other financial products for public and private sector projects furthering EU policy objectives. The EIB is owned by the Member States and operates independently of the EU institutions.



The EIB plays an important role in supporting EU funds by providing finance for projects eligible for funding from these sources. In particular, the EIB supports projects that contribute to EU policy objectives such as the transition to a low-carbon and climate-resilient economy, social cohesion and economic development. The EIB also provides technical assistance to help promoters prepare and implement projects eligible for funding under EU programmes.

The EIB has a close relationship with the European Commission, which is responsible for the management of many EU funds. The European Commission and the EIB work together to identify priority sectors and investment areas where EIB lending can complement EU funding.



GET INVOLVED

Why and how to get involved in the design and implementation of EU funds?

Ensuring public participation in the management of EU funds is crucial and can bring benefits in terms of climate action. By closely involving citizens and stakeholders in the way EU funds are planned and spent, governments and public authorities in charge of managing funds can increase the ambition of climate policies by reflecting the needs and interests of citizens. Public participation also helps to ensure that new policies and measures take account of social and environmental inequalities and can increase the legitimacy and public acceptance of climate action.

In order to make the best use of EU funds, it is important to involve all stakeholders at different stages of the process. The role of EU citizens is crucial to ensure the wise and efficient use of public funds for transformative investments in line with the European Green Deal.



The rules for involving the public differ depending on the funds. In cohesion policy, national governments must respect the partnership principle and involve different stakeholders when making decisions about the EU budget, as set out in the European Code of Conduct on Partnership, established by Delegated Regulation (EU) No 240/2014. The Code of Conduct sets standards for the involvement of all partners in the programming, implementation, monitoring and evaluation of EU funds. The implementation of partnership is also guaranteed by Article 8 of the Common Provisions Regulation 2021/1060.

The requirements are less strict for other funds. For instance, mandatory consultations are merely stated in the RRF regulation, without explaining how to involve partners in a meaningful way. This can lead to problems in the implementation of these funds, as the conditions may not be appropriate for the beneficiaries and the challenges they face. It also increases the risk of dubious spending.

In order to properly involve stakeholders in the management of EU funds, specific measures are needed at different stages of the process. The public should be given the opportunity to participate.



Programming

Programming is the stage at which a country decides how to spend EU money, by drafting an overarching plan or programme. Citizens can influence local, regional and even national decisions and decision-makers by proposing solutions, supporting NGOs and demanding responsible action. During the programming phase at the national level, several key documents are prepared and adopted by the national authorities. These are usually:

- Socio-economic analyses defining national priorities for the coming period
- Regional development plans
- Framework conditions, i.e. national energy and climate plans
- Partnership agreements and operational programmes under cohesion policy
- Investments and reforms under the Recovery and Resilience Facility

There are opportunities for public participation in the development of each of these strategic documents. But to influence the final outcomes according to concrete needs, proactive and long-term citizen engagement is needed.

To enable effective stakeholder mobilisation, it is recommended to form a community or coalition of active participants who define their priorities early in the programming process. This will allow for proper planning, identification of needs and division of labour. It is also important to ensure the awareness of the relevant institutions, timetables and deadlines in the programming process. Send regular letters to the authorities and make early representations to the national authority as an interested party. Identify communities, NGOs and business associations that can become partners or join joint initiatives. More citizen initiatives at this stage will increase the likelihood that citizen priorities will be reflected in the outcome. Meaningful participation in working groups and public hearings can be ensured by identifying and recruiting relevant experts to support you.

Implementation

One important way to get involved is to represent your community in Monitoring Committees. Monitoring Committees are set up to check that those investments, measures, projects, reforms, etc. are being implemented correctly and are chaired by the relevant Member State (or Managing Authority) and include regional, economic and social partners. As a member of this body, you will have voting rights and access to direct and up-to-date information on the implementation of programmes and investments.

While the Code of Conduct on Partnership requires Monitoring Committees to be set up for Cohesion Policy, Member States are free to set up a Monitoring Committee for the implementation of the recovery plans. In parallel, ministries can also set up citizens' working groups to improve public calls for project proposals in a way that respects local needs.

If you suspect misuse of funds, alert local NGOs or watchdog organisations. If your community, coalition or citizens' group has the expertise, it can produce monitoring reports or case studies and take the findings directly to the relevant regional, national or European authorities. Public participation also helps to prevent fraud and misuse of funds.



Becoming a beneficiary

If you are a mayor, entrepreneur or organisation looking for funding for a project, there may be money available. If you don't know how to apply for funding, you can check whether there are public bodies that can help you turn your idea into a project.

Sometimes government departments place restrictions on the types of activities and beneficiaries that can be funded under a particular programme. This may indicate that the ministry needs more information from the regions in order to create the right conditions to support good projects.

If you encounter problems when trying to become a beneficiary of EU funds, you can contact NGOs such as Bankwatch or write directly to the relevant institutions. The authorities may be willing to improve the conditions for applicants, especially if there is little interest in a particular call for proposals.



Four-point checklist for a good partnership

Building good partnerships between public authorities and stakeholders is essential for effective and sustainable national, regional and local EU-funded programmes. The following checklist serves as a guide to help both sides ensure that funding is managed in the best possible way.

1

Get involved early: Relevant partners will be identified early in the planning process. These may include industry, trade unions, communities, local authorities, academic institutions and civil society (including organisations working on the environment, EU funds, social inclusion, gender equality and non-discrimination). In some programmes, they may nominate a single representative umbrella organisation in the partnership.

2

Join Monitoring Committees: In Monitoring Committees, partners are able to participate early in the process and are informed of the rules and information in time to provide input. Input is given appropriate consideration and feedback is given to contributors.

3

Get the support needed: Partners in Monitoring Committees receive reimbursement rules, capacity building opportunities and technical assistance.

4

Take part through various steps of the process: Partners are more successful in influencing EU funding process by taking part in the programming, implementation, monitoring and evaluation of programmes.

EXAMPLES OF CLIMATE ACTION PROJECTS SUPPORTED BY EU FUNDING

Energy communities are an example of how EU funding can be successfully used to empower citizens and accelerate the transition to renewable energy. With the current MFF, Member States have a unique opportunity to support the growth of the energy community movement by launching ambitious funding programmes under the Recovery, Cohesion and Modernisation Funds.

By empowering citizens to take control of their energy sources, energy communities can play an important role in the transition away from fossil fuels, while increasing resilience to energy price spikes, alleviating energy poverty and promoting local economic development. They can play a crucial role in transforming the existing unjust energy system into a more inclusive, decentralised and renewable-based one, centred around people's needs and participation.

To ensure that EU funds are used effectively there are a lot of practical tools that show how to use available funding sources e.g. the Public Financing Tracker.⁸ It gives an overview of the financial support from the Cohesion, Recovery and Modernisation Funds for energy communities in 19 EU Member States.

EXAMPLES OF CLIMATE ACTION PROJECTS SUPPORTED BY EU FUNDING

While new measures in some national REPowerEU chapters specifically address reforms and investments to facilitate collective self-consumption and the development of energy communities, some countries lag behind. The most successful examples can be found in the Lithuanian REPowerEU chapter, which mentions renewable energy communities 30 times and emphasises their role as one of the solutions to energy poverty. However, the extent of the proposed changes and the willingness to adopt new approaches to the energy crisis, as reflected in the national recovery and resilience plans, varies considerably between the Member States analysed.



To help managing authorities responsible for EU-funded programmes, there are also some guiding materials, such as the CEE Bankwatch Network practical checklist⁹ showing how to build successful calls for proposals that can support the growth of the community energy movement and ensure that they align with national, regional and local contexts.

EXAMPLES OF CLIMATE ACTION PROJECTS SUPPORTED BY EU FUNDING

Other investments that could use EU funding to transform the energy sector are those that support energy efficiency measures. Energy efficiency aims to reduce the amount of energy consumed while accomplishing the same task, thereby eliminating energy waste. Inefficient energy use is one of the main challenges of the green transition. Countries can take several measures to improve energy efficiency, such as using renewable energy sources for cooling and heating, replacing inefficient or polluting heating systems, and implementing building envelopes or green roofs.



To be truly meaningful and transformative, EU-funded energy efficiency projects must involve local communities in their planning and implementation. Consultation with residents, businesses and local authorities is essential to ensure that projects meet local needs and priorities. Prioritising projects that address social challenges related to energy efficiency, such as energy poverty, would make energy efficiency measures more accessible and affordable for vulnerable or marginalised groups.

EXAMPLES OF CLIMATE ACTION PROJECTS SUPPORTED BY EU FUNDING

The EU's cohesion policy funds, along with the Recovery and Resilience Facility and the Modernisation Fund, are the most important mechanisms for tackling energy poverty. For example, in the Czech Republic, the Modernisation Fund provides financial support for senior citizens and low-income households who can apply for grants for building improvements that will result in energy savings in their homes. Moreover, as of 2026, the recently launched Social Climate Fund is also expected to provide funding to support investments in the energy transition, such as in the energy efficiency of buildings, the decarbonisation of heating and cooling in buildings (including the integration of energy from renewable sources) and other related initiatives.¹⁰ The fund is scheduled to be operational from 2026 to 2032 and will specifically target vulnerable households that are the most affected by energy poverty.

To read more about how some of the Member States are tackling energy poverty, see the Bankwatch briefing 'Tackling energy poverty in EU Member States'.¹¹

¹⁰ Council of the European Union, [Infographic - Fit for 55: a fund to support the most affected citizens and businesses](#), *European Union*, accessed 28 November 2023.

¹¹ CEE Bankwatch Network, [Tackling energy poverty in EU Member States](#), *CEE Bankwatch Network*, 2 June 2023.

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