

Special report

Green transition

Unclear contribution from the Recovery and Resilience Facility



EUROPEAN
COURT
OF AUDITORS

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Executive summary

I The Recovery and Resilience Facility (RRF) is a temporary instrument that was launched in May 2020 to help member states recover from the COVID-19 pandemic, with €648 billion available, as at February 2024. The green transition is one of the pillars of the Facility. Member states had to earmark at least 37 % of their national allocations for climate action. The Commission assessed that this target had already been achieved at the planning stage, reaching 42.5 %.

II The objective of our audit was to assess whether the design and the implementation of the RRF and the national recovery and resilience plans contribute effectively to the green transition. We assessed the contribution made to the green transition by the selected measures, their milestones and targets, and their climate coefficients. We also reviewed how these measures progress and how they are monitored from a green transition perspective. Finally, we looked into how the Commission and the member states report information on climate spending and the green transition.

III We carried out this audit because the green transition and the EU's climate targets are high on the political agenda. We expect the results of our work to contribute to the debate on how to design and implement future instruments with climate and environmental objectives. We also expect our work to contribute to improving the effectiveness of the EU funds for climate action and the green transition in the context of the EU's ambitious 2030 and 2050 climate targets.

IV We found shortcomings in the design of both the RRF framework and the national recovery and resilience plans in the audited member states. There were also inconsistencies in the implementation of the measures, relating to the green transition and the climate objectives. In particular, we noted that tracking climate expenditure involves a high level of approximation and some coefficients were leading to potential overestimations. We found weak indications on how the implementation of RRF measures contributes to the green transition, and also found that the contribution towards the EU climate objectives and targets is not assessed, as this is not required by the legislation. In addition, we found that the reporting on climate spending and green transition is disconnected from actual costs and results, limiting its relevance for stakeholders.

V We conclude that the identified weaknesses in the design and implementation of the Facility call into question the achievement of its climate and environmental objectives. Consequently, we consider that the contribution of the Recovery and Resilience Facility to the green transition is not clear.

VI Based on our findings, we recommend that the Commission:

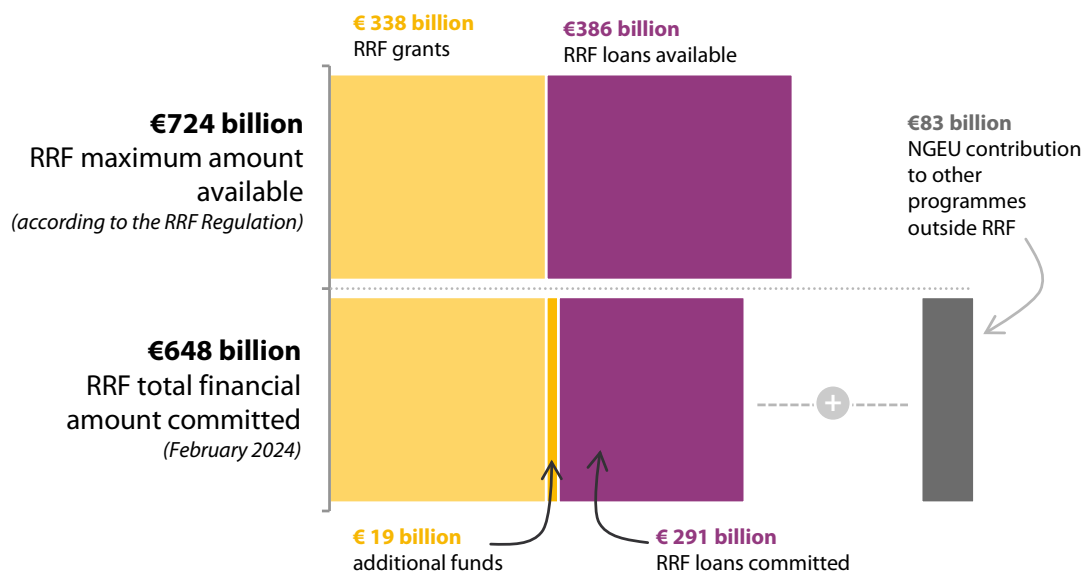
- better estimate climate spending under future funding instruments;
- ensure adequate design of future funding instruments that are to support the climate and environmental objectives and targets;
- enhance the performance of green transition measures;
- improve reporting on climate spending under Recovery and Resilience Facility.

Introduction

The Recovery and Resilience Facility and its main features

01 In May 2020, the EU launched [NextGenerationEU](#) (NGEU) as a temporary instrument to help member states recover from the COVID-19 pandemic. NGEU consists of up to €731 billion (at 2022 prices), which is in addition to the EU's long-term budget for the 2021 to 2027 period. Its centrepiece is the Recovery and Resilience Facility (RRF)¹ – [Figure 1](#). The purpose of the RRF is to mitigate the economic and social impact of the COVID-19 pandemic, making member states' economies and societies more sustainable and resilient. The RRF should help member states to better prepare for the challenges and opportunities arising from the green and digital transitions. Moreover, in May 2022, the EU launched the [REPowerEU](#) plan as a response to the global energy crisis, adding €19 billion in grants to the RRF as at February 2024.

Figure 1 – The NGEU budget (as at February 2024)



Note: All amounts are at 2022 prices.

Source: [European Commission](#) and the [RRF Scoreboard](#), as at February 2024.

02 The Commission **directly manages** the RRF. This means that the Commission is responsible for the RRF's implementation, including monitoring its progress and assessing its results. Each member state is eligible for a share of the available RRF

¹ [Regulation \(EU\) 2021/241](#) establishing the Recovery and Resilience Facility (RRF Regulation).

funds, which is worked out based on a specific formula². Each member state presents a national Recovery and Resilience Plan (RRP), which is assessed by the Commission³ and approved by the Council. The RRFs include a series of measures, which consist of reforms and investments. Milestones and targets are associated with every measure to track qualitative and quantitative achievements⁴. The Commission adopted a set of common indicators for reporting and monitoring the progress of the RRF towards its objectives⁵.

03 The RRF operates based on a new funding model. As opposed to most of the EU budget, where funding is provided based on costs incurred, the Commission makes RRF payments to member states ('disbursements') upon the satisfactory fulfilment of milestones and targets. However, when designing their national plans, member states had to indicate the estimated costs for each measure, to justify the requested amount of RRF grants or loans⁶. Otherwise, the amount would have been reduced to match the estimated costs. *Figure 2* provides a summary of the roles and responsibilities in the different phases.

² Article 11 of [Regulation \(EU\) 2021/241](#).

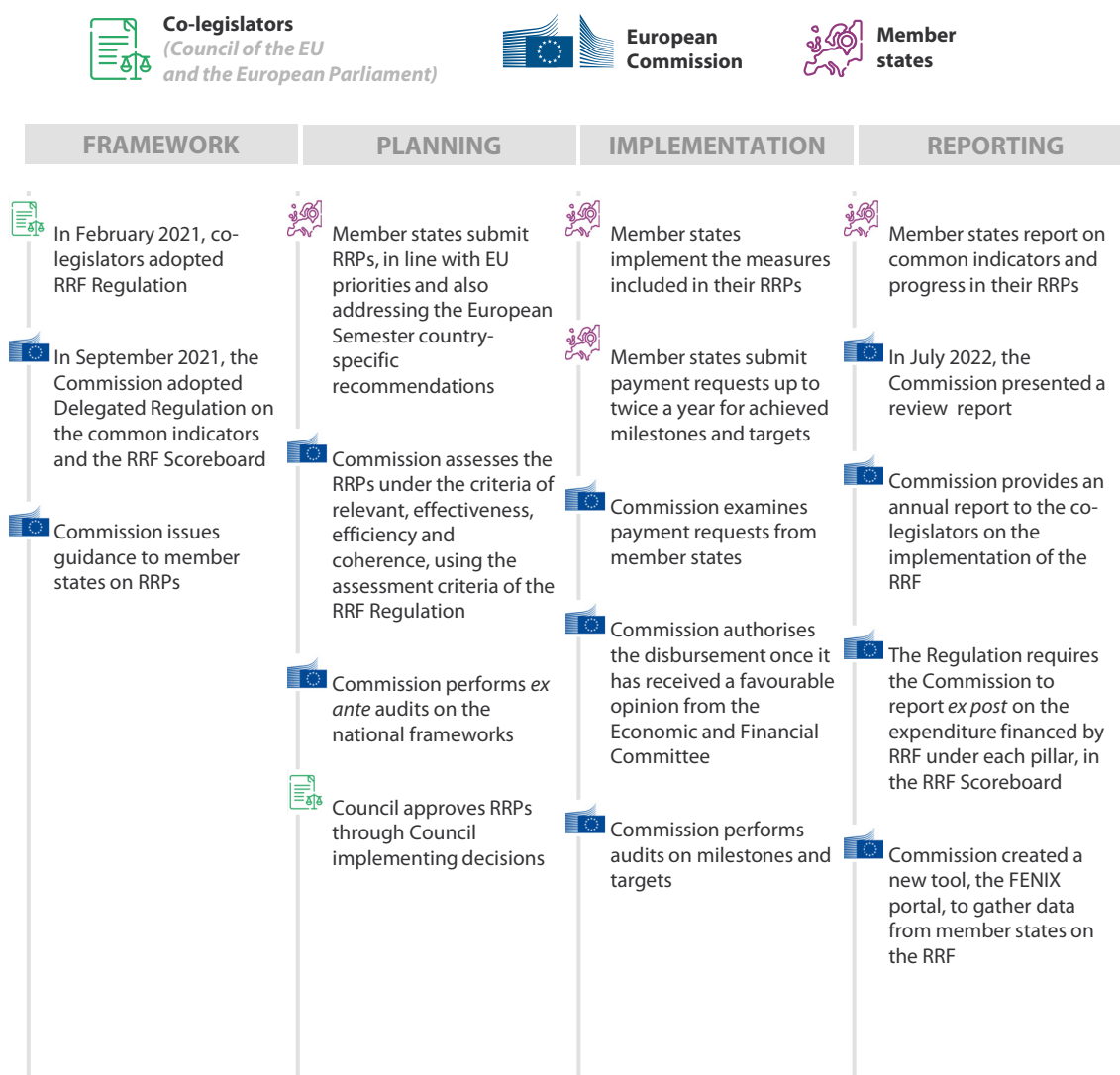
³ [Special report 21/2022](#) on the Commission's assessment of national RRFs.

⁴ [Special report 26/2023](#) on the RRF performance monitoring framework.

⁵ [Commission Delegated Regulation \(EU\) 2021/2106](#) setting out the common indicators.

⁶ Annex V, point 3, of the [RRF Regulation](#).

Figure 2 – Roles and responsibilities



Source: ECA.

The green transition under the RRF

04 The measures under the RRF refer to policy areas which are relevant across the EU, and which are structured under six pillars: one of these pillars is the green transition (**Figure 3**). The scope of the green transition encompasses both climate and environmental objectives. Measures under the green transition pillar should contribute to:

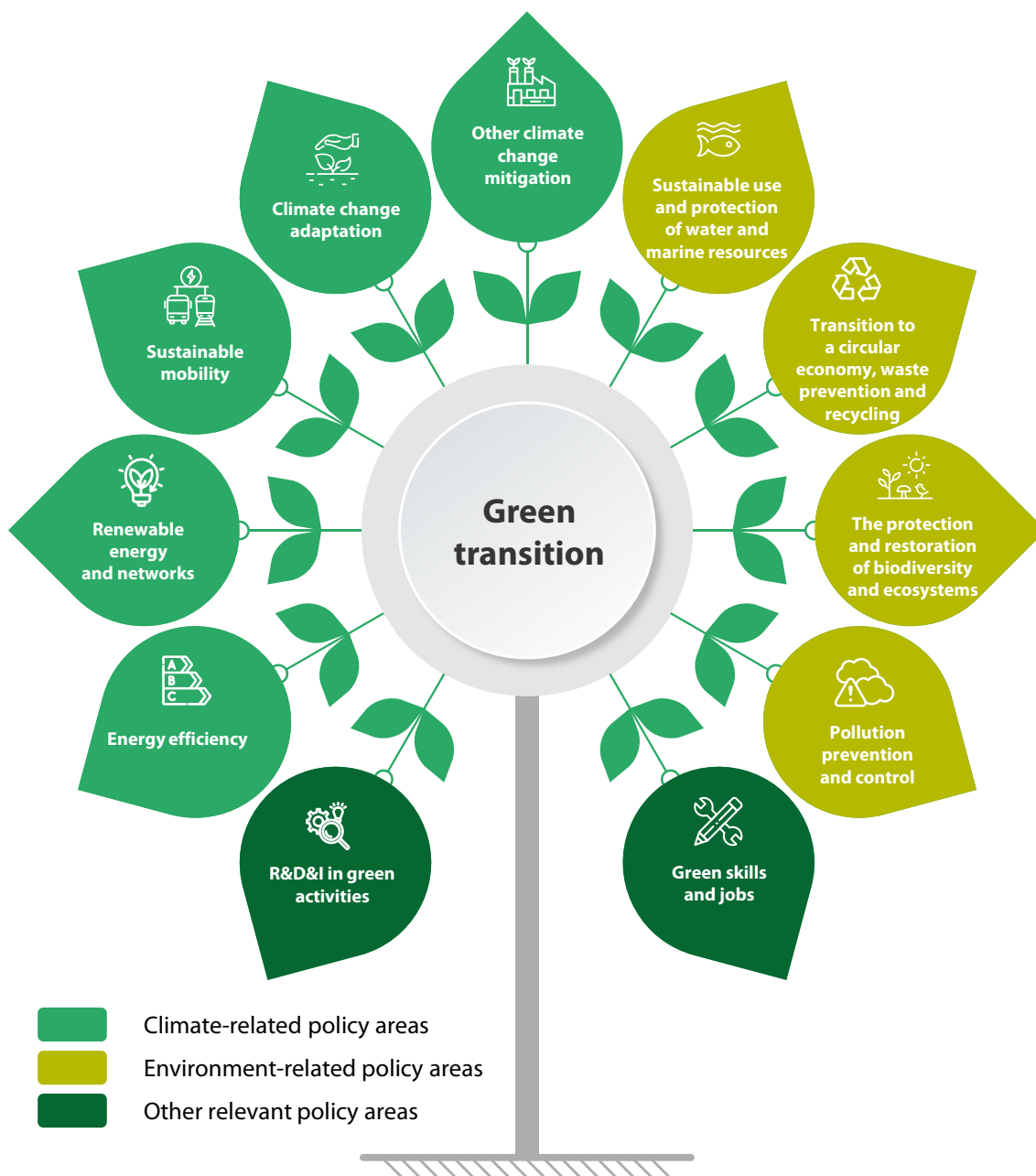
- o meeting the EU's 2030 **climate targets** (**Box 1**) and working towards the objective of EU climate neutrality by 2050⁷; and

⁷ Article 4 of the RRF Regulation.

- o environmental sustainability.

Green transition measures should foster sustainable growth, create jobs and preserve energy security. The green transition should be supported by reforms and investments in green technologies and capacities, including biodiversity, energy efficiency, building renovation works, and the circular economy⁸.

Figure 3 – The green transition pillar and its policy areas



Source: ECA, based on the RRF Scoreboard.

⁸ Recital 11 of the RRF Regulation.

Box 1**The EU's 2030 climate targets**

- (a) Reducing greenhouse gas (GHG) emissions by at least 55 %, compared with 1990 levels
- (b) Reaching at least a 42.5 % share of renewables in the energy consumed, with the aspiration of reaching 45 %
- (c) Reducing final energy consumption by 11.7 %, compared with the projected energy consumption for 2030, based on the 2020 reference scenario

Source: Article 2 of the [Regulation \(EU\) 2018/1999](#) on the Governance of the Energy Union and Climate Action and subsequent modifications, including the [Renewable Energy Directive \(EU\) 2023/2413](#) and the [Energy Efficiency Directive \(EU\) 2023/1791](#).

05 The member states and the Commission assessed, based on indications from the member states and the Commission's own qualitative judgement, whether each RRP manages to strike a balance between the pillars. Based on this analysis, the Commission assigned each measure to a primary and secondary pillar, based on a measure's declared objective. This was then checked with the member states, and included in the [RRF Scoreboard](#) – the reporting platform for the RRF. As of February 2024, the [RRF Scoreboard](#) indicated that there were 984 measures contributing to the green transition.

Climate tracking under the RRF

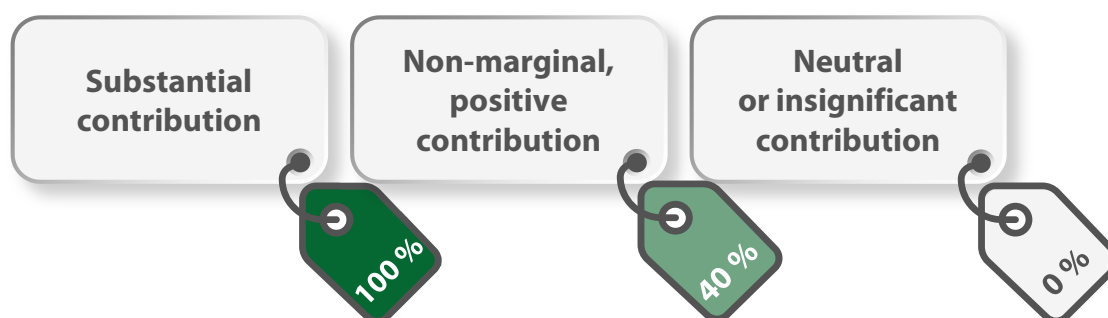
06 The EU committed to spending at least 30 % of the 2021-2027 budget on climate action⁹. Under the RRF, each member state must dedicate at least a 37 % share of their RRP's total funding allocation to climate action measures, i.e., climate adaptation or mitigation, including actions that contribute to the 2030 climate targets ([Box 1](#)). The 37 % target provides member states with the opportunity – and the requirement – to include in their RRFs a significant share of measures relevant for climate action. All these measures are linked to the green transition pillar.

⁹ European Council, Conclusions – Special meeting of the European Council, EUCO 10/20, 2020, p. 7.

07 To calculate this climate contribution of 37 %, the RRF Regulation includes the methodology for ‘climate tracking’, which is based on climate coefficients. The methodology is an adapted version of the [Rio markers](#) introduced in 1998 by the Organisation for Economic Co-operation and Development, and is common to all EU funds, including RRF, throughout the 2021-2027 period¹⁰.

08 The EU climate coefficients are ‘activity based’¹¹: the [RRF Regulation](#) includes a list of 181 intervention fields, covering several areas of investment, e.g. fixed or intangible assets, research and development, energy and transport. Each intervention field is associated with a climate coefficient based on the activity’s expected effect on climate¹². Coefficients can either be 0 %, 40 %, or 100 % ([Figure 4](#)). There are 64 intervention fields with a positive climate coefficient (40 % or 100 %).

Figure 4 – The three EU climate coefficients according to their expected climate contribution



Source: ECA, based on [SWD\(2022\) 225](#), Climate mainstreaming architecture in the 2021-2027 period.

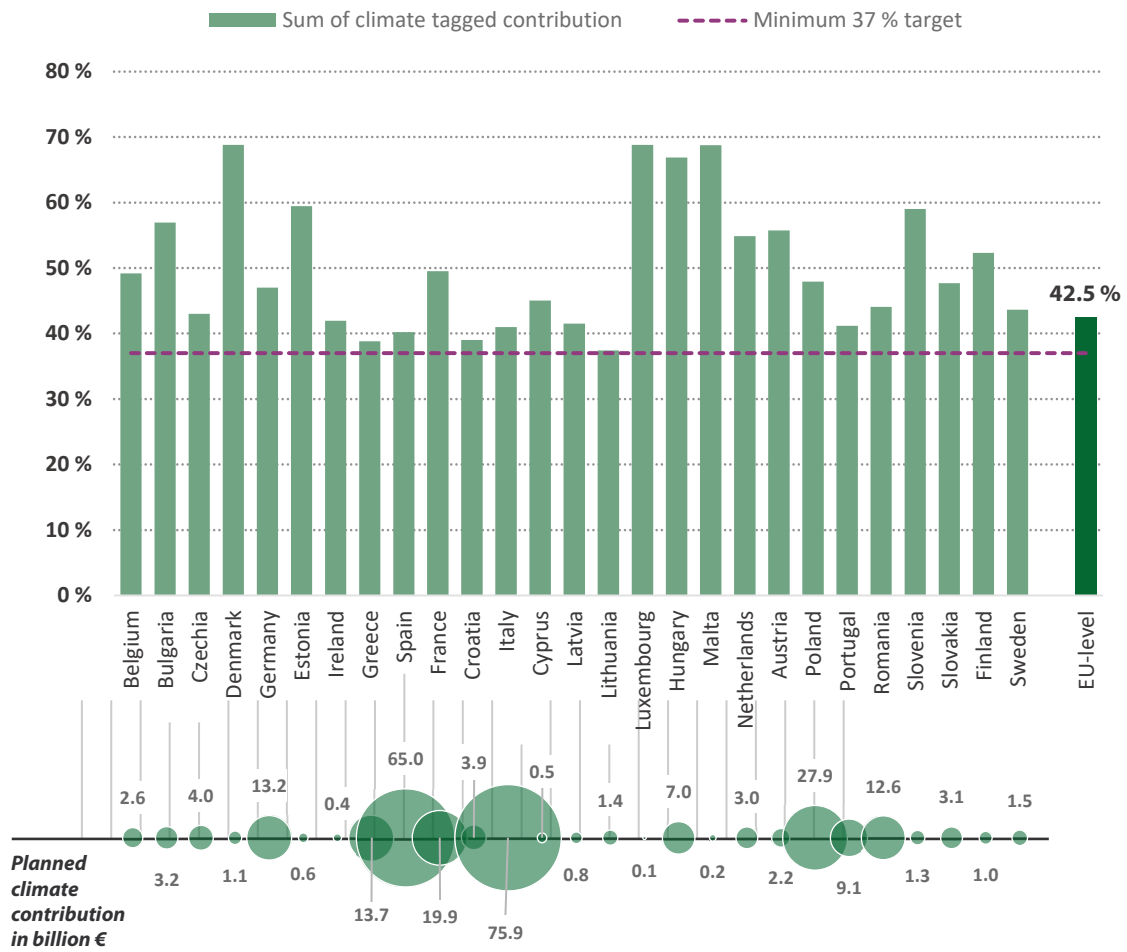
09 The total amount of expected climate contribution per member state is calculated by multiplying the corresponding climate coefficients by the estimated costs of each RRF measure, based on the measure’s assigned intervention field. Intervention fields are proposed by the member states and checked by the Commission as part of its assessment. The aggregated EU member state estimation amounted to about 40 % of the RRF allocations, or €203 billion out of the €504 billion initially budgeted by member states. As at February 2024, the climate contribution was revised to €275 billion (42.5 %) out of a total of €648 billion ([Figure 5](#)).

¹⁰ [SWD\(2022\) 225](#), Climate mainstreaming architecture in the 2021-2027 period, p. 9.

¹¹ *Ibid.*, p. 5.

¹² *Ibid.*

Figure 5 – RRF expected climate contribution by member state



Source: ECA, based on the 27 RRFs, as at February 2024.

Audit scope and approach

10 The objective of our audit was to assess whether the design and the implementation of the RRF and the RRP contribute effectively to the green transition. We assessed the contribution made to the green transition by the selected measures, their milestones and targets, and their climate coefficients. We also reviewed how these measures progress and how they are monitored, in particular with regard to the RRP's contribution to climate targets. Finally, we looked into how the Commission and the member states report information on climate spending and the green transition supported by the RRF.

11 We carried out this audit because of the high level of interest in the RRF's contribution to the green transition and the EU's climate targets, considering its materiality and novel design. This audit expands on our previous work in the area, in particular the published reports on the [Commission's assessment of the RRP](#), the [RRF performance monitoring framework](#). Our audit adds to and complements additional ongoing work on double funding, the absorption of RRF funds and member states' control systems for state aid and public procurement. It also builds on our previous work on [climate spending in the EU budget](#).

12 Our audit covered the period from the adoption of the [RRF Regulation](#) in 2021 to February 2024. To review the design process and the implementation of the green transition measures in the RRP, we selected four member states for on-the-spot visits: Greece, Croatia, Portugal and Slovakia. Our selection of member states took into account previous coverage by other ECA tasks. In addition, we based the choice on our risk analysis of the climate-tagged measures, on the RRP's implementation status at the time of our audit and geographical coverage.

13 In this report, we focused on investments by selecting six for each examined member state (24 measures in total – [Annex](#)). This sample comprised a total of 55 (sub-)measures with a positive climate contribution. This selection was carried out before the REPowerEU chapters were approved and was based on the relevance of the measures for the green transition, their materiality, the coverage of different climate objectives, and status of implementation. This audit does not cover the evaluation and selection process to determine the RRF measures eligible for financing from EU green bonds. Our analysis of RRF climate-relevant measures, however, could serve as input for any potential future audit focusing on green bonds. [Figure 6](#) shows our audit approach.

Figure 6 – Work carried out



Source: ECA.

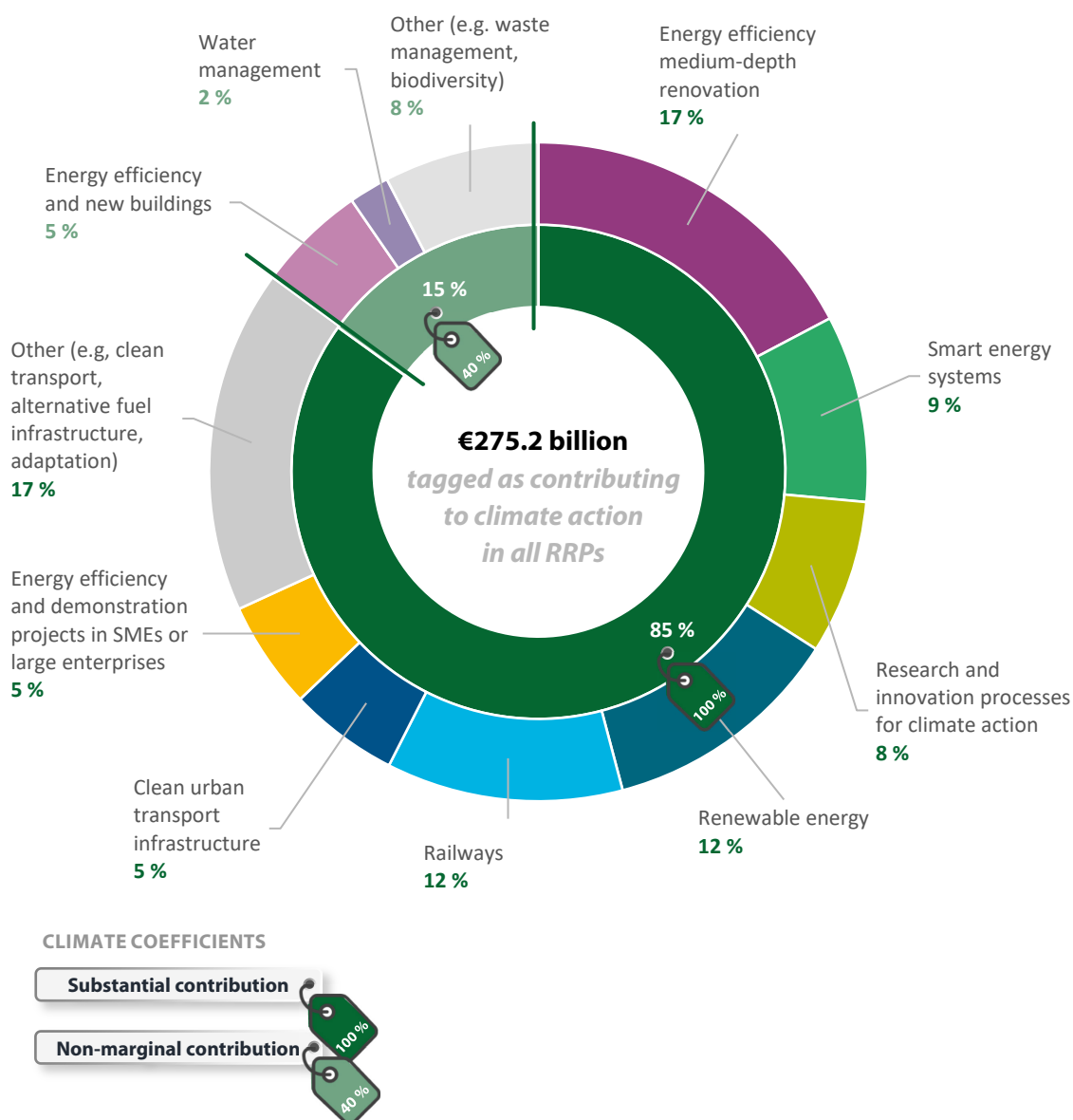
14 We expect our work to help member states and the Commission to improve the legal framework for the green transition, the relevance of the climate-tagged measures and the reliability of reporting on the EU climate contribution. Our findings and recommendations will be useful in improving the effectiveness of EU funds for climate action and the green transition in the context of the EU's ambitious 2030 and 2050 climate targets.

Observations

The contribution from the RRF and the national plans to the green transition could be overestimated

15 Figure 7 presents an overview of climate contribution, as estimated in the national RRFs, which is broken down by climate coefficient and intervention field. Eight out of 64 intervention fields with a positive climate coefficient account for 59 % of the planned allocation (paragraph 09).

Figure 7 – Breakdown of climate contribution by type of intervention and climate coefficient



Source: ECA, based on the 27 RRFs, as of February 2024.

Challenges in the RRF framework in terms of estimating climate contribution and covering the green transition

Our audit criteria

16 In line with the [RRF Regulation](#)¹³, the RRF should contribute to the green transition, the achievement of the EU's 2030 climate targets and climate neutrality by 2050. Measures should be assigned to intervention fields that have relevant climate coefficients. The Commission should monitor progress towards the RRF climate and environmental objectives.

17 We examined whether the existing RRF framework is designed to effectively contribute to the green transition, including the EU's 2030 and 2050 climate targets. We analysed the key concepts of the green transition and climate tracking, and what they entail. We also analysed the list of intervention fields and climate coefficients that have been approved in the legislation, and the common indicators adopted by the Commission.

18 The contribution to the green transition refers to reforms and investments in green technologies and capacities, including biodiversity, energy efficiency, building renovation and the circular economy¹⁴ (paragraph [04](#)). The green transition has therefore a broader scope than climate action, as it includes biodiversity and environmental objectives. However, the [RRF Regulation](#) establishes a tracking system, with a quantitative target of 37 %, only for climate-related measures (paragraph [06](#)), but does not set a target for environmental measures. A tracking system for environmental objectives does exist¹⁵, but is not used, as the [RRF Regulation](#) does not set a quantitative target for it.

19 In our special report on climate spending¹⁶, we noted that the methodology used to track climate action involves a high level of approximation. We also pointed out that the climate coefficients do not allow for an exact quantification of the expected climate contribution.

20 The methodology applied to climate tracking is common for all EU funds, including the RRF, across the 2021-2027 period, and is similar to the methodology applied in the 2014-2020 period (paragraph [07](#)). The Commission acknowledged that

¹³ Article 4, recitals 26 and 63 of the [RRF Regulation](#).

¹⁴ Recital 11 of the [RRF Regulation](#).

¹⁵ Annex V of the [RRF Regulation](#).

¹⁶ [Special report 09/2022](#), paragraph 37.

under the RRF, using a single climate coefficient (either 40 % or 100 %) for a measure could lead, in some cases, to under- or overestimating its expected climate contribution¹⁷. To better estimate climate contribution, the Commission introduced the concept of sub-measures, so that, where sufficient information was available, multiple intervention fields and coefficients could be used to identify more precisely the contribution to climate, and exclude costs that either do not contribute or that make an insignificant contribution¹⁸. The Commission and the member states discussed and agreed the proposed sub-measures on a case-by-case basis.

21 We noted that almost half of the expected climate contribution from the RRF (44 %) comes from measures that have not been split into any sub-measures. Our sample confirmed a similar share of 10 out of 24 measures that had not been split (41 %). These 10 measures were assigned a 100 % climate coefficient and we found potential overestimations in at least seven of them, as not all elements were climate-relevant. This led us to conclude that this exercise did not always result in fine-tuning the climate contribution of the measure they relate to, and that a high level of approximation was used to estimate the climate contributions by these measures, in particular for complex ones with elements that have different climate contributions.

22 While the aim of sub-measures was to better assign climate coefficients, the Commission's guidance did not include instructions to ensure consistency in the application of sub-measures across the different RRFs. In practice, this resulted in attributing coefficients with different levels of detail. For example, in our sample we found that only Croatia had split the measure to finance the energy renovation of buildings to account for the structural part of the investment without a climate coefficient. The other three member states had not proposed any split for similar measures.

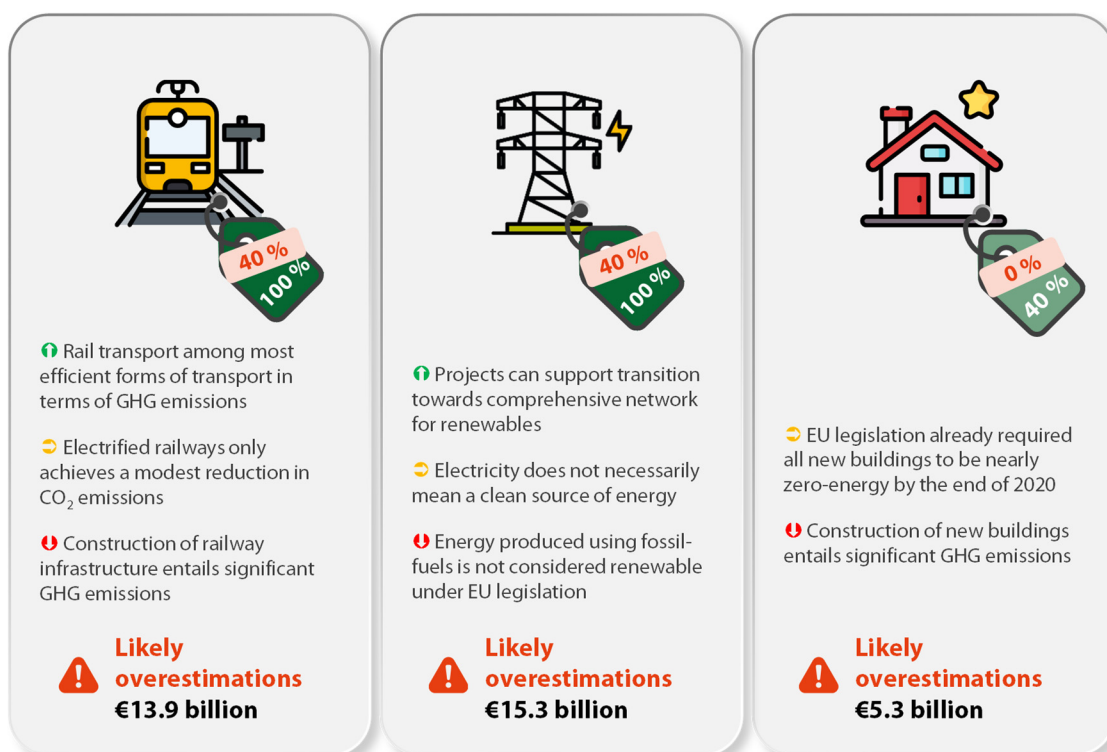
23 The [RRF Regulation](#) assigns a 40 % climate coefficient to the construction of any new highly-efficient building. We consider that, as there are no energy savings which result from new buildings, the 40 % climate coefficient cannot be justified and it should rather be 0 %. In addition, our previous [special report on climate spending](#) found that some of the climate coefficients assigned in the legal framework to railway infrastructures and electricity grids may lead to overestimations in terms of the expected climate contribution. We consider that these findings remain valid for the RRF. [Figure 8](#) presents our reassessment of the coefficients for these three mentioned areas of intervention and the resulting likely overestimation for the RRF, which

¹⁷ [SWD\(2021\) 12 part 1/2](#), Guidance to member states' RRFs, p. 29.

¹⁸ *Ibid.*

amounts to €34.5 billion. We based our assessment on assigning a 40 % coefficient for a non-marginal, positive contribution and a 0 % for a neutral or insignificant contribution¹⁹ (Figure 4).

Figure 8 – ECA reassessment of coefficients



Note: This reassessment covers intervention fields 064, 065, 066bis, 033 and 025ter.

Source: ECA, based on [special report on climate spending](#) and the [Energy Performance of Buildings Directive](#).

24 Four of the 14 common indicators defined for the RRF aim at measuring progress towards the green transition (Figure 9). Our previous work found that the common indicators are limited for assessing the overall performance and they provide only limited coverage of the green transition pillar²⁰. For example, there are no common indicators for environmental measures or for measures aiming to reduce GHG emissions, which are relevant for the environmental and climate objectives of the RRF. The lack of such indicators does not allow to measure progress towards these objectives.

¹⁹ SWD(2022) 225, Climate mainstreaming architecture in the 2021-2027 period

²⁰ Special report 26/2023, paragraphs 42, 43 and 94.

Figure 9 – Four common indicators under the green transition pillar



Source: Delegated Regulation (EU) 2021/2106.

Unclear contribution of the planned RRF measures to climate action and the green transition

Our audit criteria

25 In line with the [RRF Regulation](#)²¹, member states should include in their RRP measures that are relevant for the green transition and that contribute to climate targets. The climate coefficients should reflect the objectives of the measures and their expected impact on climate action. The milestones and targets linked to these measures should assess progress towards the achievement of the RRF objectives, including the green transition.

26 We assessed to what extent member states chose relevant measures for the green transition or climate action when designing their plans. We also looked at whether member states established milestones and targets that can assess performance. As national plans are assessed by the Commission, we analysed as well the guidance provided.

27 Overall, we noted that having a quantitative target for climate action prompted member states to include measures in their RRP that have a link to climate. In each of the selected member states' RRP, we identified measures which focused, at the design level, on decarbonisation, renewable energy and energy efficiency ([Box 2](#), [Box 3](#) and [Box 4](#) provide some examples).

²¹ Recitals 26 and 39, articles 2, 4 and 18 of the [RRF Regulation](#).

Box 2**Building renovations in Croatia and Greece**

The energy renovation of buildings plays an important role in achieving the EU's climate targets, as buildings are responsible for around 40 % of primary energy and 36 % of CO₂ emissions²².

Croatia included a measure with €147 million of estimated costs to require a 50 % reduction in annual energy needs for heating, for a 30 % primary energy reduction. The purpose of this measure is to renovate multi-dwelling buildings, with greater potential for energy savings.

Greece proposed a measure with €1.25 billion of estimated costs to improve energy efficiency for 105 000 residences and the installation of 150 MW of capacity from new renewable energy sources.

Box 3**Industrial decarbonisation in Slovakia**

Industrial production and industry's use of fossil fuels account for 41 % of all emissions in **Slovakia**, the highest share among EU member states²³. A measure with estimated costs of €362.7 million aims to reduce GHG emissions by funding projects to decarbonise industry, to save energy and use innovative environmental technologies in carbon-intensive industries.

²² Croatia's initial RRP, p. 1124 and Greece's initial RRP, p. 117.

²³ Slovakia's initial RRP, p. 7.

Box 4**Renewable hydrogen and other gases in Portugal**

Portugal aims to promote renewable energy from hydrogen and other renewable gases, in order to improve economic growth and employment, to foster research and development, and to reduce national energy dependence. The RRF measure, which amounts to €255 million, finances 277 MW of additional capacity to produce hydrogen from low-carbon and renewable energy sources.

28 The selection of RRF measures had to be completed within a short timeframe: after the adoption of the [RRF Regulation](#) in February 2021, member states needed to set up their RRP, and milestones and targets had to be achieved by the RRF ‘expiry date’ of 30 August 2026²⁴. The Commission’s guidance²⁵ encouraged member states to identify mature projects, taking into account the envisaged timeline for their implementation. Timing was also particularly relevant for the REPowerEU chapters (paragraph [01](#)). In our [opinion 04/2022 on the REPowerEU](#), we noted that the RRF’s limited timeframe combined with the time required to submit and approve amendments to the RRP may not have been suitable for some of the REPowerEU objectives²⁶.

29 Our analysis of the four sampled RRP shows that these member states generally followed the Commission’s guidance and opted for mature projects, and included in their RRP measures that were either typically funded by other EU instruments or had been waiting for funds to be implemented. We also found four examples in our sample of measures for the maintenance of renewable energy sources or of railways, which can be considered as part of recurrent government expenditure²⁷. This is only permitted under the RRF in duly justified cases²⁸.

30 We also assessed how measures were tagged to estimate their climate contribution. In the selected RRP, we found that 36 (sub-)measures (out of 55) had appropriate climate coefficients. For the remaining 19 cases, we consider that the

²⁴ Article 18(4)(i) of [RRF Regulation](#).

²⁵ [SWD\(2021\) 12 part 1/2](#), Guidance to member states’ RRP, p. 44.

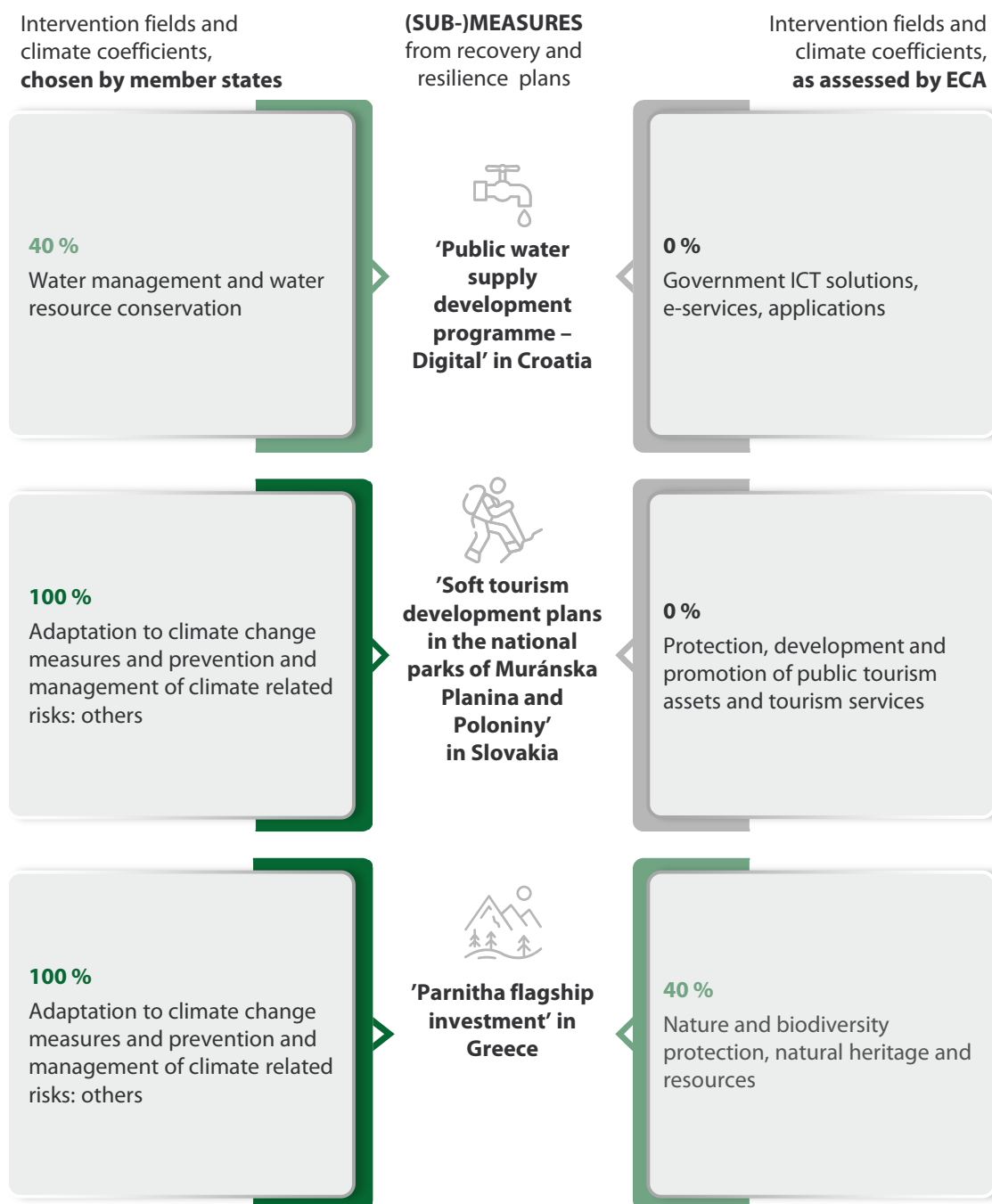
²⁶ Paragraph 7 of [opinion 04/2022 REPowerEU](#).

²⁷ World Bank working paper, [Recurrent expenditure requirements of capital projects](#).

²⁸ [SWD\(2021\) 12 part 1/2](#), Guidance to member states RRP, pp. 16-17.

coefficient was not entirely justified. This was because these (sub-)measures did not fit the chosen intervention fields, which did not accurately reflect their nature or their objectives. Our assessment is based on the measure's description and its milestones and targets, as included in the RRP. We consider that the Commission should have spotted these inconsistencies when assessing the plans. In 12 of the 19 cases we reassigned the (sub-)measures to intervention fields that better reflect the nature of the investment and related coefficient. This resulted in likely overestimations of at least €430 million. *Figure 10* presents examples where we consider that the intervention field – and associated climate coefficient – chosen by the member states and approved by the Commission is not correct.

Figure 10 – Examples of climate tracking that does not reflect the nature of the (sub-)measure



Source: ECA, based on the initial RRP and on Annex VI of the RRF Regulation.

31 The guidance provided by the Commission for selecting measures contributing to the green transition and associating them with climate coefficients and intervention fields²⁹ lacked specific examples of measures that would fit for each of the fields. The

²⁹ SWD(2021) 12 part 1/2, Guidance to member states RRP.

guidance did not include criteria or recommendations on when a measure should have been split into sub-measures (paragraph 20).

32 A measure covering a specific activity can be assigned to different intervention fields, counting as either 100 % or 40 %, depending on whether or not they are associated with necessary conditions to be met³⁰. For example, measures for energy efficiency normally have a 40 % climate coefficient. To count as 100 % climate-relevant, the [RRF Regulation](#) requires such measures to reach on average at least a medium-depth reduction in primary energy demand. Medium-depth renovations correspond to primary energy savings of between 30 % and 60 %³¹. In its guidance, the Commission specified that it was enough to reach 30 % of primary energy savings on average (which is the lower range allowed) for a measure to count as contributing 100 % to climate action³². This means that simple renovations (corresponding to savings of less than 30 %) can be counted as 100 % contributing to climate, as long as other projects within the same measure achieve higher savings.

33 The list of intervention fields relevant for climate action, as set out in the [RRF Regulation](#), covers about 97 % of all RRF measures with a climate contribution. For the remaining cases, member states could use ad hoc intervention fields. We found that these ad hoc fields were exclusively used for electric or plug-in hybrid vehicles. Electric vehicles were tagged as 100 % and plug-in hybrid vehicles were tagged as 40 %. It is unclear whether the co-legislators intended to exclude such investments from the climate contribution. According to the Commission, the absence of such intervention fields was an oversight.

34 A problematic issue relates to administrative costs. Slovakia introduced sub-measures for administrative costs to cover the salaries of existing employees and contractors hired to manage the RRF. EU administrative costs do not count as climate spending³³. In addition, for the RRF, costs for existing staff are generally considered as recurring national budgetary expenditure and should not be substituted by RRF financing (except in duly justified cases)³⁴. However, the Slovak authorities assigned a

³⁰ [SWD\(2021\) 12 part 1/2](#), Guidance to member states RRFs, p. 28; Annex V of the [RRF Regulation](#).

³¹ [Commission Recommendation on Building Renovation](#).

³² [SWD\(2021\) 12 part 1/2](#), Guidance to member states RRFs, p. 30.



³³ Commission, [climate mainstreaming webpage](#).

³⁴ [SWD\(2021\) 12 part 1/2](#), Guidance to member states RRFs, p. 16.

positive climate coefficient to the sub-measures for administrative costs, which in our assessment is not justified.

35 Following our analysis of the milestones and targets assigned to the sampled measures in the four member states we selected, we found examples of milestones and targets that do not ensure tracking progress to completion for the green transition or that do not cover all climate-relevant sub-measures (*Table 1*). This means that milestones and targets will trigger payments without providing information on the (sub-)measure’s contribution to the green transition and its results. We consider that the Commission could have asked for improved targets. Milestones and targets are used for measuring implementation progress. In our previous work³⁵, we noted that they focused on outputs rather than results. Nevertheless, we found a good example in Slovakia, where the target for a measure to decarbonise the industry was set in terms of actual CO₂ reductions.

Table 1 – Examples of issues we identified with green transition targets

Issue we identified	Examples from member states
 <p data-bbox="240 1211 695 1283">Lack of climate-relevant targets to track progress to completion</p>	<p data-bbox="735 1059 1386 1283">In Slovakia, the only target for a sub-measure on climate adaptation is about project selection. The Commission will disburse the funds without knowing whether the projects contribute to the measure’s objective or whether they are completed at all.</p>
 <p data-bbox="240 1451 663 1563">Milestones and targets do not cover all of the climate-relevant sub-measures</p>	<p data-bbox="735 1323 1386 1547">In Greece, a measure targeting industrial parks was split to account for investments in solar energy, water management, wastewater collection, etc. The final milestone on completion of the construction of all selected projects does not mention any of these sub-measures.</p>

³⁵ [Special report 21/2022](#), paragraph 81, and [special report 26/2023](#), paragraph 95.

Weak indication of how implementing RRF measures contributes to the green transition

Inconsistencies in applying the principle of ‘do no significant harm’

Our audit criteria

36 All RRF measures, including the green transition, should ‘do no significant harm’ (DNSH) to the six environmental objectives within the meaning of Article 17 of the [Taxonomy Regulation](#)³⁶.

37 We examined how the principle of ‘do no significant harm’ was applied in our sample of measures, and their contribution to climate action.

38 The DNSH principle aims to ensure that all measures funded by the RRF are sustainable from an environmental perspective. The [RRF Regulation](#) requires the Commission to carry out a detailed assessment of the RRFs to ensure compliance with the DNSH principle³⁷ ([Figure 11](#)). For the first time, this principle was a condition for receiving funding. Each measure had to be addressed as part of the DNSH assessment. When duly justified, the assessment could take a simplified form for one or more environmental objectives.

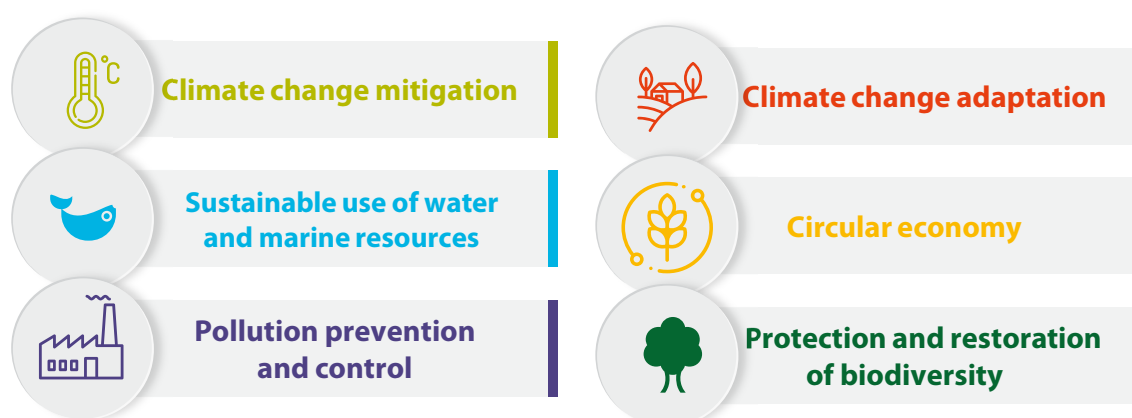
39 The Commission guidance allowed for the simplified approach “when a measure is tracked as 100 % supporting one of the six environmental objectives”, as it “is considered compliant with DNSH for that objective”³⁸. In addition, the technical guidance allowed a simplified approach for a specific objective when a measure has no or an insignificant foreseeable impact on it. However, the [DNSH technical guidance](#) considered it ‘unlikely’ to apply the simplified approach for measures in areas such as energy, transport, waste management and industry, due to higher risks of affecting one or more objectives.

³⁶ Article 5(2) of the [RRF Regulation](#).

³⁷ Article 18(4)(d) of the [RRF Regulation](#).

³⁸ [Technical guidance on the application of the DNSH under the RRF Regulation](#).

Figure 11 – The six environmental objectives covered by the DNSH principle in the RRF



Source: ECA, based on the [Taxonomy Regulation](#).

40 The Commission considers member states fully responsible for ensuring the correct implementation of the DNSH principle³⁹. However, it has to check the compliance with the DNSH principle while assessing the RRFs. At the implementation stage, the Commission verifies the compliance with the DNSH safeguards as described in the Council decision approving the RRF, provided that these safeguards are part of the milestones and targets. A proper DNSH assessment is essential because a measure becomes ineligible if it breaches the DNSH principle⁴⁰. We previously found that the Commission generally assessed appropriately the RRF measures and their DNSH compliance, requesting exclusions or modifications if needed⁴¹, without quantifying though the nature and scale of the impact of potentially harmful measures.

41 Our analysis of the DNSH assessment carried out for the 24 sampled measures, showed that the DNSH guidance resulted in different applications of the principle by the four selected member states. For example, Croatia performed a substantive DNSH assessment of all six measures we sampled, while Greece always opted for the simplified approach, even for measures with higher risks of affecting one or more of the DNSH objectives (paragraph 40), which was accepted by the Commission. Our work confirmed that national authorities consider that the DNSH provisions are challenging to implement, mainly due to their complexity and novelty.

³⁹ [Guidance on DNSH compliance during RRF implementation](#).

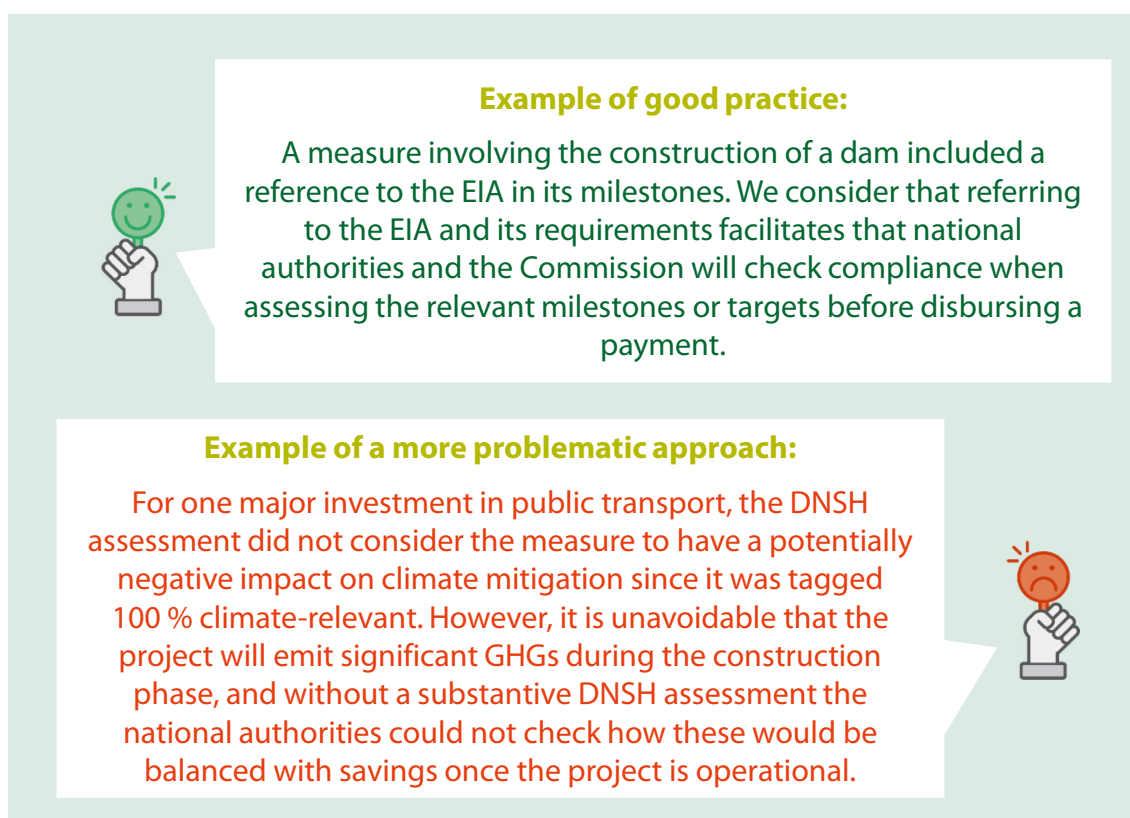
⁴⁰ *Ibid.*

⁴¹ [Special report 21/2022](#), paragraphs 58 and 60.

42 Under certain conditions⁴², the amended [RRF Regulation](#) exempts some of the REPowerEU measures from complying with the DNSH principle, such as those needed to ensure immediate energy security. As acknowledged in our [opinion on the REPowerEU](#) such an exemption poses risks to the RRF’s effectiveness towards the green transition, as there is a trade-off between the objective of a secure energy supply on the one hand, and environmental and climate concerns on the other.

43 In addition to the DNSH principle, major buildings or development projects in the EU are subject to an environmental impact assessment (EIA), according to the [Directive 2011/92/EU](#). [Figure 12](#) shows different approaches towards these environmental requirements. Our previous work on the Commission’s assessment of the RRFs included a similar observation⁴³.

Figure 12 – Assessing environmental requirements in Portugal



Source: ECA, based on information received from Portuguese authorities.

⁴² Article 21c(6) of the [RRF Regulation](#), as amended by [Regulation \(EU\) 2023/435 on the REPowerEU chapters](#).

⁴³ [Special report 21/2022](#), paragraphs 60 and 61.

Not all climate-relevant measures are as green as planned

Our audit criteria

44 Measures tagged as climate-relevant should effectively contribute to the green transition and demonstrate a positive contribution to climate action, including with regards to achieving the EU climate targets⁴⁴.

45 We examined the current status of implementation of climate-related measures, at the time of the audit. We assessed potential discrepancies compared with the initial design of the measure in the RRFs.

46 Our analysis of the selected measures tagged as contributing to climate action raised issues about whether measures are as green as planned. **Box 5** provides examples of discrepancies resulting from measures not as green as described, which we identified in all member states in our sample when assessing their implementation.

⁴⁴ Articles 4 and 19(3)(e), Annex V 2.5 of the [RRF Regulation](#).

Box 5

Examples of climate-relevant measures which are not as green as described



Environmental impacts not assessed

In **Greece**, a measure is intended to build a new pumped storage hydropower plant. This type of energy storage has the highest power range and life duration, compared to batteries and hydrogen storage systems, but is less environmentally sustainable, as it contributes to biodiversity loss in aquatic life⁴⁵. We found that the potential harm to biodiversity was not assessed for the measure (paragraph 41) and mitigating steps were not identified.



Incorrect climate contribution

In **Croatia**, a measure on research and development was tagged as “clean urban transport” (100 % coefficient). This is a project with a focus on competitiveness and digitalisation. We consider that a more appropriate intervention field would have been “digitalisation of transport when dedicated in part to GHG emissions: road”, with a 40 % coefficient. We found that the project may have a positive spillover effect on climate because it will use electric vehicles, but this is not sufficient to justify the 100 % climate coefficient.

In **Portugal**, a forest climate adaptation measure (100 % coefficient) financed the architectural projects and renovation works for civil protection centres in rural areas. We consider this expenditure is only moderately relevant for climate adaptation, and therefore a 100 % coefficient cannot be justified.

47 We also compared the amounts allocated to the selected measures with their expected results. We found two cases where, based on the implementation status at the time of the audit visits in second half of 2023, the target could have been achieved by spending a fraction of the estimated costs, as the targets were set very low – **Box 6**.

⁴⁵ EPRS, [What if increased energy storage could help fix climate change?](#), 2023.

Box 6

Examples of measures for which the budget was set too high for the target to be achieved

In **Slovakia**, according to the revised RRP, a measure is intended to modernise 83 MW of energy generation capacity from renewable sources. In 2022 and 2023, the authorities launched three calls for proposals, for the modernisation of hydropower plants, or of biogas or biomethane installations. During our audit work, we found that eight approved applications under the call for hydropower plants could achieve alone 78 MW of upgraded capacity, which corresponds to 94 % of the target. Therefore, we call into question the ambition of the target. The amounts Slovakia approved for these projects correspond to 30 % of the estimated costs of the measure. The remaining 70 % of the support could therefore only aim to achieve 6 % of the target, showing that the measure could have been achieved at a fraction of the cost as the target was set very low.

In **Portugal**, a measure to renovate private buildings by improving their energy efficiency had an initial target of 1 million m² of renovated area. We found that funded projects exceeded the target by 10 times (10 million m²) with 41 % of the estimated costs (€123 million out of €300 million). The REPowerEU chapter of Portugal topped up this measure with an additional €120 million, updating the target to 7.6 million m² of renovated area. In the light of the projects that had already achieved the target, we consider that the target set for this measure was too low for the amounts allocated.

RRF reporting on climate spending and the green transition is disconnected from actual costs and results

Blind spots in capturing the performance of the RRF's green transition measures

Our audit criteria

48 The Commission should monitor and assess the performance of the green transition in the RRF⁴⁶.

49 We examined how the RRF framework monitors the performance of the measures in terms of the green transition. We assessed the extent to which common indicators provide sufficient information about our sampled measures and the potential contribution of green transition measures towards the EU climate targets.

⁴⁶ Recital 63 and article 29 of the [RRF Regulation](#).

50 Within the RRF's legal framework, there is no requirement to assess the impact of the RRF green transition measures on the EU climate targets. However, in its guidelines, the Commission encouraged member states to estimate, in their RRFs, the impact of the reforms and investments on the reduction of GHG emissions, the share of renewable energy or the energy efficiency. It also encouraged member states to estimate the extent to which the RRFs would contribute to achieving the 2030 climate targets⁴⁷. We found that none of the member states we selected had done so. They had neither assessed the contribution to climate and energy objectives at individual measures level, nor at RRF level.

51 However, the RRF legal framework includes four indicators to monitor its performance towards the green transition (paragraph 24). In our audit work, we looked at the common indicators for the green transition measures and we found that they did not provide sufficient information on performance. In our sample of 24 measures, 14 were problematic:

- the results reported for one measure do not relate exclusively to RRF measures (**Box 7** – example from Portugal);
- six are not covered by any common indicators for the green transition, which we found to provide only a limited coverage of the green transition (see paragraph 24);
- seven are covered by common indicators that do not provide relevant information on the progress made towards achieving the measure's objectives (**Box 7** – examples from Croatia and Slovakia).

⁴⁷ SWD(2021) 12 part 1/2, Guidance to member states' RRFs, p. 4.

Box 7

Examples of measures whose indicators are not sufficient to capture their performance on climate

In **Portugal**, a measure including awareness raising and preventive actions concerning forest wildfires is linked to the common indicator on the population that benefits from such measure (common indicator 4 – [Figure 9](#)). The expected result is that 30 % of the whole Portuguese population benefits from the forest wildfire adaptation measure. We consider that this indicator does not provide accurate information on the impact on climate of this measure as it goes beyond the reach of the measure.

In **Croatia**, a measure for the decarbonisation of the energy sector, which is mainly about replacing old transmission lines, is linked to one indicator for additional installed capacity from renewables (common indicator 2 – [Figure 9](#)). While the measure enables additional capacity, it will not achieve it per se. Hence, the indicator is not relevant for this measure, so its performance on climate is not tracked.

In **Slovakia**, a measure for the construction and reconstruction of hospitals is covered by the indicator on savings in annual primary energy consumption (common indicator 1 – [Figure 9](#)). We consider, however, that there are no energy savings which can result from new buildings ([Figure 8](#)). The only other indicator for this measure comes from its target, which relates to the number of beds. This is not sufficient to assess the performance and impact of the measure on climate.

52 Common indicators for the green transition are not designed to eventually track impacts for the performance of individual measures in terms of climate and environmental action (paragraph [24](#)). Unless included in the plans as a specific target, GHG emissions reductions are not captured, as the common indicators do not cover them (paragraph [35](#)). Similarly, the common indicator on additional capacity installed for renewable energy will not provide information on the replacement of fossil fuels with renewables for energy production. However, it is not only important to reduce the relative share of energy produced from fossil fuels in the energy mix, but also reduce the consumption of energy from fossil fuels in absolute terms⁴⁸. Due to the limitations of common indicators, we conclude that they cannot be used to assess the extent to which RRF climate-related measures are contributing to climate action.

⁴⁸ SEI, Climate Analytics, E3G, IISD, and UNEP, [The Production Gap: Phasing down or phasing up?](#), 2023.

53 In December 2023, the Commission published a report, which attempts to estimate the potential GHG reductions resulting from a subset of the RRF measures⁴⁹. The report concludes that the milestones and targets fulfilled until August 2023 (153 out of 1 729) have achieved 0.5 % of this estimated reduction of GHG emissions. In the report, the Commission explains this low share by the early stage of implementation of the RRF, as well not including the milestones and targets for which the impact on the GHG emission reduction could not be established.

No reporting on actual spending for climate action

Our audit criteria

54 Reporting on the RRF's contribution to climate action should be reliable and based on solid assumptions. To be relevant for stakeholders, it should provide an accurate image of the actual spending on climate action and the contribution to the EU climate targets⁵⁰.

55 We examined how the Commission reports on the RRF climate contribution towards the 37 % target and on the national RRFs allocations (paragraph **06**).

56 The requirement to dedicate 37 % of national allocations to climate action was checked upfront at the design and approval phases of the RRFs (paragraph **09**). Then in its 2022 annual management performance report on the performance of the EU budget, the Commission reported that the RRF had achieved a climate contribution of €203 billion, or 40 %⁵¹. This was based on the estimated costs as indicated by member states in their initial RRFs and not on actual expenditure. As at February 2024, the planned climate contribution increased, due to the revisions of the RRFs and, according to the Commission, it accounts for €275 billion or 42.5 % (**Figure 5**).

57 The Commission does not monitor the actual share and amounts of the RRFs' contribution to climate, as the **RRF Regulation** does not require the Commission to report on actual climate spending contributing towards the 37 % target, but on estimated costs (paragraph **56**). In the framework of their RRF financing or loan agreements with the Commission, member states are obliged to declare the total

⁴⁹ European Commission, [NGEU Report on the impact of green bonds](#), 2023, p. 17.

⁵⁰ Based on International Public Sector Accounting Standards Board, [Recommended practice guideline 3 – Reporting Service Performance Information](#).

⁵¹ European Commission, [Annual management and performance report 2022](#), Volume II, p. 9.

cumulative disbursed expenditure contributing to climate objectives⁵². According to the agreements, this information is not taken into account for the RRF payments. In our view, the Commission could use it to monitor actual climate spending. This, however, is not the case.

58 Actual costs for any RRF measure, regardless of its climate contribution, can differ significantly from the costs estimated when the RRFs were approved with an impact on the share of climate contribution. As confirmed by the Commission, payments should be made even if the actual cost of the underlying measure is lower (or higher) than initially estimated (paragraph 47 and **Box 6**), provided that milestones and targets are fulfilled. Regardless of differences, the full amount originally planned as the cost of this measure will still count in full towards the RRFs' climate target. We therefore consider that there is a risk that reported information may not reflect the actual climate contribution of a RRF, impacting the accountability on the 37 % target.

59 Additionally, there is a risk that delayed implementation of climate-related projects and the slow absorption will have an impact on the achievement of the full climate contribution of €275 billion (paragraph 56). Projects are delayed, for instance, due to delays in public procurement procedures or delays in obtaining operating authorisations. Our work also found that national authorities underestimated the time required to implement measures. Other measures face lower demand than expected, which affects the absorption of funds (**Box 8**). The actual climate contribution from the RRFs will be smaller than initially calculated if the related measures are either not completed, or only partially completed within the RRF deadlines.

⁵² Article 7 of the Financing agreement between the Commission and the member states.

Box 8



Examples of measures facing challenges that could affect climate reporting



No bidders interested in the measure

In **Slovakia**, the public procurement for building a new hospital that was planned for completion in mid-2026 is still ongoing. The initial tender attracted zero bidders, as no contractor wanted to commit to the tight deadlines, as confirmed by the Slovak authorities. According to the Slovak RRP, this is one of the major investments contributing to the green transition.



Delays in implementation

Projects for the production of hydrogen have to go through a lengthy process to obtain an authorisation to operate. Delays in obtaining the permits and disruptions in the supply chain have also slowed down implementation. In **Portugal**, at the time of our visit (July 2023), only one of the 23 approved projects had received an advance payment to start the works.



Low interest in the measure

In **Greece**, a measure for electromobility to finance charging points had only received 171 applications by January 2024. This represents 2.7 % of the final target, which shows a low level of interest in terms of participating in the action by final recipients. Similarly, only 6 % of the planned number of taxis are being replaced with electric vehicles. To deal with the low uptake, national authorities have increased the support to replace the old taxis and have extended the application deadline for beneficiaries.

No link between expenditure and green transition reporting

Our audit criteria

60 Reporting on the green transition should be reliable and based on solid assumptions. Published information should clearly disclose the methodology used to compile it⁵³.

61 We examined the methodology used by the Commission to report on the progress towards the green transition pillar. We also assessed the reliability of the information on the green transition disclosed in the [RRF Scoreboard](#).

⁵³ Based on International Public Sector Accounting Standards Board, [Recommended practice guideline 3 – Reporting Service Performance Information](#).

62 The Commission applies a methodology to report on the green transition which is different to that used to calculate the 37 % climate contribution. For the green transition, the primary or secondary pillar assigned to each measure is weighted the same: the methodology does not differentiate according to whether the estimated contribution to the climate and environmental objective is significant (100 %) or moderate (40 %). When a measure is assigned to the green transition under both primary and secondary pillars its milestones and targets count twice towards the green transition. The Commission estimates that such cases accounted for about 1.8 % of the sub-measures included in the 27 original RRFs.

63 Another difference between the two methodologies is that the contribution to the 37 % target is only calculated ex ante (paragraph 56). Instead, the reporting on the green transition is meant to track progress, and the RRF legislation includes an obligation to report on expenditure by pillar⁵⁴ (Figure 3). The Commission considers this provision to be fulfilled by reporting on disbursements to member states based on the satisfactory fulfilment of milestones and targets (paragraph 03). In our view, the RRF Regulation is unclear on whether the reporting should refer to actual rather than estimated expenditure, and the Commission only reports estimated expenditure⁵⁵.

64 In order to report on progress on the disbursements by pillar, the Commission calculates the unit value of a milestone or target. This number is obtained by dividing the total RRF allocation for a member state by its total number of milestones and targets⁵⁶. Milestones and targets are not directly assigned to the pillars. To establish which are relevant to the green transition, the Commission checks the primary and secondary pillars of the underlying measures (paragraph 05). Milestones and targets are considered to be contributing to the green transition pillar as long as at least one of their sub-measures is associated with it.

65 The RRF Scoreboard (paragraph 05) provides information on Commission's disbursements by pillar and on the achieved milestones and targets. As of February 2024, member states had received €103 billion in grants and €54 billion in loans (on top of the 13 % of pre-financing for about €68 billion). Disbursements linked to the green transition pillar represents 17 % (€27.2 billion) of all the disbursements so far (Figure 13). Considering that climate-relevant measures alone should contribute to 42.5 % of the RRF allocated amount (paragraph 09), and that green transition should

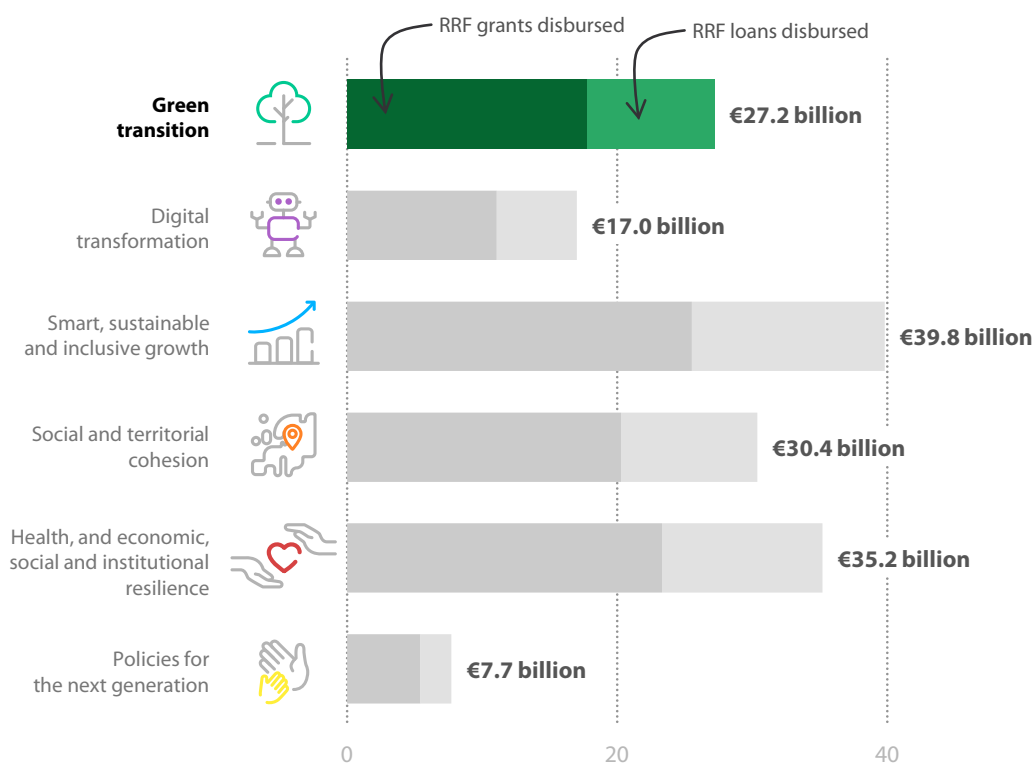
⁵⁴ Article 29 (3) of the RRF Regulation.

⁵⁵ Special report 26/2023, paragraph VII.

⁵⁶ Special report 26/2023, paragraph 78.

include 34 additional environmental measures which are not captured by the climate tracking exercise, this amount is still fairly low.

Figure 13 – Disbursements by pillar, as displayed in the RRF scoreboard (in billion euros)



Source: RRF scoreboard, data as of February 2024.

66 The approach used to report can under- or over-estimate the amounts reported as disbursed for the green transition, as the unit value of milestones and targets reflect neither the actual nor estimated costs of the measures. For example, a measure on energy efficiency in buildings in Portugal has targets related to the renovated area. Using the unit value, renovating 45 000 m² will be counted towards the green transition in the same way as renovating 315 000 m².

67 Our previous report on the RRF performance monitoring framework considered the lack of data on actual expenditure as limiting the assessment of the efficient use of RRF resources and the level of the RRF's performance at the level of its pillars. It

therefore recommended the Commission⁵⁷ to report on actual expenditure, which was rejected by the Commission.

68 Reporting on the green transition is further affected by the fact that most of the early milestones and targets are linked to the very first steps of implementation (such as the approval of a call for projects). This means that early payments to member states are not necessarily linked to actual projects, if their milestones and targets are linked to reforms or preparatory stages to launch a measure, for example. For those projects that are not completed, or for measures failing to fulfil the last milestone or target, the Commission cannot recover funds already disbursed, as the [RRF Regulation](#) does not provide for this possibility. As the Scoreboard reflects amounts disbursed to member states, the Commission would not revise what is reported in such cases.

69 Overall, we found that the green transition reporting presented in the [RRF Scoreboard](#) is confusing. Neither estimated amounts nor actual costs of the green transition measures are taken into account, as the reporting is based on unit values (paragraph [66](#)). The [RRF Scoreboard](#), therefore, does not provide users with complete and reliable information about the actual amounts spent on the green transition.

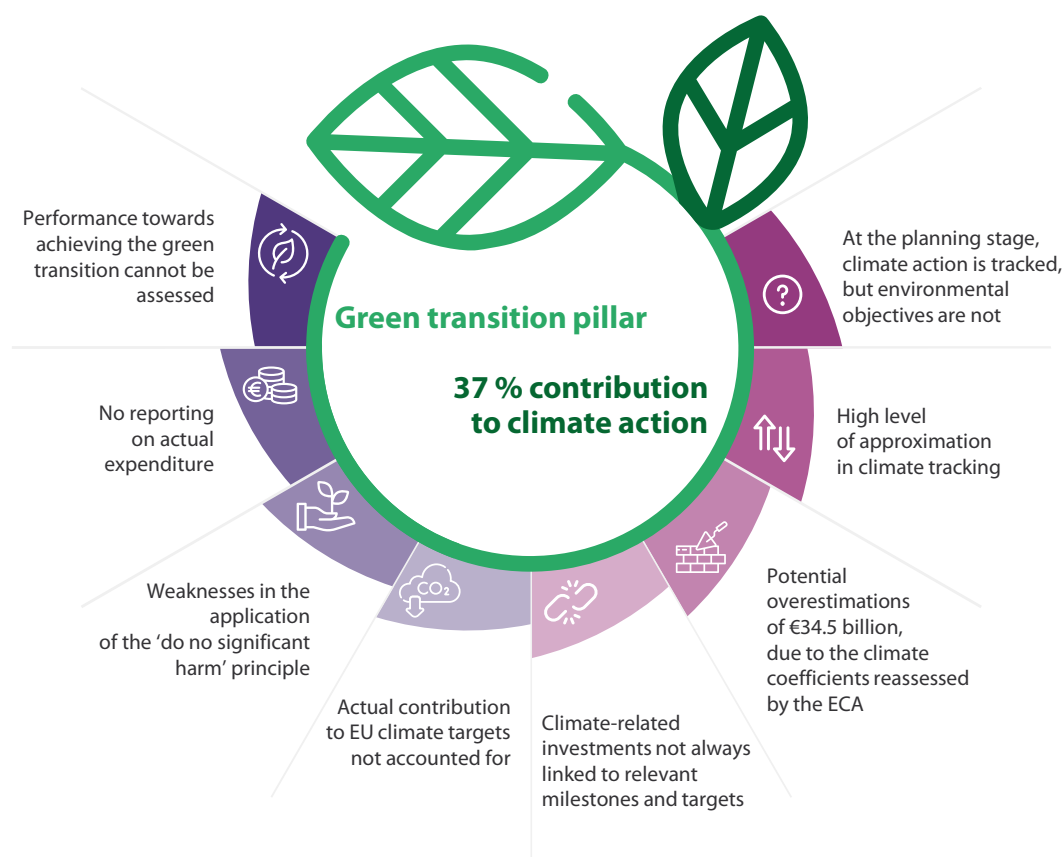
⁵⁷ [Special report 26/2023](#), paragraph 87 and recommendation 4b.

Conclusions and recommendations

70 One of the goals of the Recovery and Resilience Facility is to contribute to the green transition and the EU climate targets. In particular, member states must dedicate at least 37 % of the planned funds for climate-related actions (paragraphs [01-09](#)).

71 Our audit sought to assess whether the design and implementation of the Facility and the national recovery and resilience plans are contributing effectively to the green transition. The Recovery and Resilience Facility provided an incentive to invest on climate action and the green transition. However, we found weaknesses in the design of the Facility that we confirmed while assessing its implementation. We conclude that the weaknesses summarised in [Figure 14](#) and detailed below, call into question the achievement of its objectives towards the green transition.

Figure 14 – Weaknesses in design and implementation of the Facility towards green transition



Source: ECA.

72 Our analysis shows that while climate action is tracked and counts towards the 37 % target, it is narrower in scope than the green transition, which encompasses biodiversity and environmental objectives in addition to the climate objectives. The methodology used to track climate action is based on three climate coefficients (0 %, 40 %, and 100 %) linked to expected contribution of measures to climate objectives, as foreseen in the [RRF Regulation](#). Single climate coefficients were often applied to measures that encompass a wide set of actions, not all of which are linked to climate, and their underlying costs. To better estimate climate contribution, the Commission introduced the concept of sub-measures. In practice, the climate contribution from the measures was not always fine-tuned, causing a high level of approximation, leading to potential overestimations, in particular for complex measures with elements that should have different climate contributions (paragraphs [15-22](#)).

73 Our work also shows that some climate coefficients set in the [RRF Regulation](#) (railways, electricity grids and new buildings) do not reflect the expected contribution to the EU climate targets, for instance not considering greenhouse gas emissions of the construction phase of the investments, leading in reality to a lower climate contribution. Using more conservative climate coefficients for these three categories than what is laid down in the Regulation, we calculated likely overestimations of €34.5 billion of the climate contribution of the RRF. In addition, the performance framework does not allow to track the impact of all the measures supporting the green transition and it does not cover key aspects, such as the greenhouse gas emissions reductions or the contribution to the environmental objectives (paragraphs [23-24](#)).

Recommendation 1 – Better estimate climate spending under future funding instruments

The Commission should ensure that climate-related measures, interventions or actions are broken down to a level which allows them to be linked to the appropriate and justifiable climate contribution, resulting in a more detailed and accurate assessment of climate spending.

Target implementation date: when proposing any instruments that require climate tracking

Recommendation 2 – Ensure adequate design of future funding instruments that are to support the climate and environmental objectives and targets

The Commission should:

- (a) assess how funding instruments that work towards the EU's climate objectives and targets would provide information on their actual contribution to achieving them;
- (b) cover, in its framework for performance monitoring and evaluation, those investments relevant for climate and environmental objectives.

Target implementation date: when proposing any instruments with climate and environmental objectives

74 We found that the inclusion of measures supporting the green transition in the national recovery and resilience plans was affected by the limited timeframe of the Facility, and the extent to which national plans contribute to the climate action was unclear. Some measures were assigned to intervention fields that did not reflect their nature, resulting in higher climate contributions, or were not relevant for climate, such as sub-measures for administrative costs. We also found that some climate-related investments were not sufficiently linked to climate-relevant or impactful milestones and targets (paragraphs [25-35](#)).

75 We also found inconsistencies in the application of the 'do no significant harm' principle, as, when applying simplified approaches, member states were not always required to thoroughly assess the need for mitigation measures associated with their investments. We identified instances where member states financed projects that did not correspond to a measure's description, with impacts on the effectiveness and level of climate contribution (paragraphs [36-47](#)).

Recommendation 3 – Enhance the performance of green transition measures

The Commission should:

- (a) take measures to address inconsistencies in the application of the ‘do no significant harm’ principle by the member states when they use the simplified approach.

Target implementation date: June 2025

- (b) if measures linked to the green transition are revised, ensure that milestones and targets track measures’ progress up to completion to allow assessment of whether the measures have achieved their climate and environmental objectives.

Target implementation date: December 2025

76 The Commission does not have sufficient information to evaluate the performance of the measures contributing to the green transition, due to the limitations in the monitoring framework. The Commission only reports on climate-related amounts allocated *ex ante*. Therefore, the information presented does not take into account the level of actual spending, which is affected by various factors, such as delays and slow absorption. These factors can lead to over- and under-estimation of the climate contribution. At the same time, member states report on disbursed climate expenditure, but this information is not used by the Commission to report towards the 37 % quantitative target. Therefore, the Commission cannot guarantee full accountability on it (paragraphs [48-59](#)).

77 The Recovery and Resilience Scoreboard tracks the payments made from Commission to the member states. Following the RRF principles, these payments are not linked to the underlying costs of a measure and, as a consequence, they do not represent the level of actual climate-related expenditure. In addition, achieved milestones and targets do not necessarily reflect the ambition of the corresponding measure to contribute to the green transition. This makes the reporting on green transition unreliable for reporting actual expenditure (paragraphs [60-69](#)).

Recommendation 4 – Improve reporting on climate spending under the Recovery and Resilience Facility

The Commission should compile and publish the information already provided by member states on the actual costs of climate-related measures, compare them with the estimated costs in the national plans, and recalculate the actual climate contribution towards the 37 % target.

Target implementation date: December 2026

Note: In our [special report 26/2023](#), the Commission did not accept our recommendation that it should report on actual expenditure financed by the RRF under the six pillars, as a basis for assessing the efficient use of resources.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 4 July 2024.

For the Court of Auditors

Tony Murphy
President

Annex – Our selection of measures

Relevant area/ member state	Greece	Croatia	Portugal	Slovakia
Renewables and the energy sector	EL-C[1,1]-I[16926] Support of the installation of storage systems to enhance renewable energy penetration	HR-C[C12]-I[R1-I1] Revitalising, building and digitising the energy system and supporting infrastructure to decarbonise the energy sector	PT-C[C14]-I[i01] Renewable hydrogen and other gases	SK-C[C1]-I[I2] Modernising the existing renewable electricity sources (repowering)
Energy efficiency	EL-C[1,2]-I[16872] Energy renovation of residential buildings	HR-C[C61]-I[R1-I1] Energy renovation of buildings	PT-C[C13]-I[i01] Energy efficiency of residential buildings	SK-C[C2]-I[I1] Energy efficiency of family houses
Sustainable mobility	EL-C[1,3]-I[16924] Electromobility – charging points, electric buses, electric taxis	HR-C[C14]-I[R5-I2] Research, development and production of new mobility vehicles and supporting infrastructure	PT-C[C15]-I[i01] Expansion of the metro network	SK-C[C3]-I[I1] The development of low-carbon transport infrastructure
Decarbonising industries	EL-C[4,7]-I[16980] RRF Loan Facility	HR-C[C111]-I[R4-I2] Financial instrument for micro, small and medium-sized enterprises	PT-C[C11]-I[i01] Decarbonisation of industry	SK-C[C4]-I[I1] The operation of the industry decarbonisation scheme
Sustainable use of natural resources	EL-C[1,4]-I[16849] National Reforestation Plan and Parnitha flagship investment	HR-C[C15]-I[R1-I1] Construction and equipping of logistic and distribution centres for fruit and vegetables	PT-C[C08]-I[i05] Forest programme	SK-C[C5]-I[I1] Adaptation of regions to climate change
Other sectors	EL-C[4,6]-I[16634] New Industrial Parks	HR-C[C13]-I[R1-I2] Public water supply development programme	PT-C[C12]-I[i01] Bioeconomy	SK-C[C11]-I[I2] New hospital network – construction, reconstruction and equipment

Abbreviations

DNSH: Do no significant harm

GHG: Greenhouse gas

MW: Megawatt

NGEU: NextGenerationEU

RRF: Recovery and Resilience Facility

RRP: Recovery and resilience plan

Glossary

Absorption: Extent to which member states have received RRF funding from the Commission for the satisfactory fulfilment of milestones and targets.

Climate action: Action to address climate change and its impact.

Climate adaptation: Reducing the vulnerability of countries and communities to climate change by increasing their ability to absorb its impacts.

Climate coefficient: Weighting assigned to EU spending on projects, measures or actions to reflect the extent to which they incorporate climate considerations.

Climate contribution: Estimate of a member state's RRF spending on climate action.

Climate mitigation: Reducing or limiting the emission of greenhouse gases due to their effect on the climate.

Climate tracking: Monitoring progress towards the targets of spending on climate action.

Common indicator: Measurable variable providing information on the progress of the implementation of the recovery and resilience plans towards common objectives and the overall performance of the RRF.

Do no significant harm: Principle that investment measures should have no major detrimental environmental impact.

Intervention field: Category of activities financed by the RRF, the European Regional Development Fund, the Cohesion Fund or the European Social Fund.

Investment: Expenditure on an activity, project or other action within the scope of the RRF Regulation that is expected to bring beneficial results to society, the economy or the environment.

Milestone: Qualitative measure of a member state's progress towards completing a reform or investment in its recovery and resilience plan.

Monitoring: Systematically observing and checking progress, partly by means of indicators, towards the achievement of an objective.

NextGenerationEU: Funding package to help EU member states recover from the economic and social impact of the COVID-19 pandemic.

Performance: Measure of how well an EU-funded action, project or programme has met its objectives and provides value for money.

Pillar: Term used for each of the six policy areas that make up the RRF: (i) green transition; (ii) digital transformation; (iii) economic cohesion, productivity and competitiveness; (iv) social and territorial cohesion; (v) health, economic, social and institutional resilience; (vi) policies for the next generation.

Recovery and Resilience Facility: The EU's financial support mechanism to mitigate the economic and social impact of the COVID-19 pandemic, stimulate recovery and meet the challenges of a greener and more digital future.

Recovery and resilience plan: Document setting out a member state's intended reforms and investments under the Recovery and Resilience Facility.

Recovery and resilience scoreboard: Commission website showing how the implementation of member states' recovery and resilience plans is progressing.

Reform: In the context of the RRF, a change resulting in significant, lasting improvement in the functioning of a market, a policy, or institutional or administrative structures, or in significant progress towards policy objectives such as growth and jobs, resilience and the green and digital transitions.

REPowerEU: EU initiative to end dependence on fossil fuels, diversify energy supplies and accelerate the clean energy transition.

Target: Quantitative measure of a member state's progress towards completing a specific reform or an investment in its recovery and resilience plan.

Replies of the Commission

<https://www.eca.europa.eu/en/publications/sr-2024-14>

Timeline

<https://www.eca.europa.eu/en/publications/sr-2024-14>

Audit team

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This performance audit was carried out by Audit Chamber I – Sustainable use of natural resources, headed by ECA Member Joëlle Elvinger. The audit was led by ECA Member Joëlle Elvinger, supported by Ildikó Preiss, Head of Private Office and Paolo Pesce, Private Office Attaché; Ramona Bortnowschi, Principal Manager; Antonella Stasia, Head of Task; Marika Meisenzahl and Asimina Petri, Deputy Head of Task; Monika Dedicova and Zvonimir Novoselić, Auditors; Laura Mcmillan, Jerónimo Montenegro, Marin Pažanin, Jennifer Schofield, Hana Vendlekova and Aikaterini Vraila provided linguistic support.



From left to right: Ildikó Preiss, Zvonimir Novoselić, Joëlle Elvinger, Jerónimo Montenegro, Antonella Stasia, Paolo Pesce, Ramona Bortnowschi, Monika Dedicova, Asimina Petri, Marika Meisenzahl, Aikaterini Vraila and Marin Pažanin.

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The Recovery and Resilience Facility provided member states with an incentive to invest in the green transition. They planned to spend around €275 billion on climate action as part of the green transition pillar. However, our analysis revealed shortcomings in the Facility's design and implementation of green transition measures. This led to potential overestimations of amounts allocated to climate action, discrepancies between planning and practice, and little indication of the measures' actual contribution to the green transition. There is no requirement in the legislation to assess the Facility's contribution to the EU's climate objectives, nor report on actual spending, limiting the relevance for stakeholders. We make several recommendations to improve design and effectiveness of EU funds relevant for green transition.

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EUROPEAN
COURT
OF AUDITORS



Publications Office
of the European Union

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1

Enquiries: eca.europa.eu/en/contact

Website: eca.europa.eu

Twitter: @EUAuditors