Czechia

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Summarised overall assessment
The Czech RRP was approved by the EC on the 6th of September. The climate spending target is said to be fulfilled, however based on the data derived from the methodology of the Green Recovery Tracker, Czechia’s recovery plan achieves a green spending share of 25%, below the EU’s 37% benchmark. Furthermore, the Tracker found that 15% (€1.1bn) may have a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the importance of further scrutiny during the further planning, review and implementation of the recovery measures.

In terms of DNSH principle it is very hard to assess as we rely solely on the opinion of the national government and we lack any objective measures to assess it. We do not perceive the majority of the plan as having contravened the DNSH principle. However there are certain measures that we see as problematic and directly violating the principle. We are particularly troubled with a decision to continue the support for fossil gas boilers with a total allocation of up to EUR 67 million from the RRF and further financing from other Operational Programmes (OPs). Measures related to adaptation to climate change and biodiversity contained in the sections 2.6 and 2.9 are also problematic (for example huge investment into fast reforestation which can result in homogenous forests while the goal should be multigenerational forests).

In terms of investment choices the RRP emphasizes the need for a modernized and electrified railway system. There is a huge investment which we welcome. There is also investment into clean mobility (recharging points and aid for purchase of vehicles running on H2 and electricity). Welcomed is also a modernisation of district heating infrastructure which is desperately needed for the energy savings in the heating sector.

Reforms which we welcome the most are the amendment to the decree about the energy efficiency of buildings and support for the development of the energy communities into national law. The RRP also includes the preparation of an assessment of decarbonisation of district heating in Czechia and the preparation of an assessment of the trajectories of sustainable use of bioenergy and supply of biomass in Czechia. However, we fear that the decarbonization assessment will be based on continued reliance on fossil gas in large, privately owned, profit oriented heat power plants instead of focusing on the 4th generation district heating and heat pumps, as well as energy efficiency measures for the individual provision of heat/cold.

There are also reforms in terms of the circular economy (i.e. implementation of new legislation for waste management and implementation of the Circular Czechia strategy 2040). Sadly, we neither have capacities nor enough data for assessing the possible impacts of these.

Key RRP investments which represent an important opportunity for the country to increase climate action

1. Modernisation of distribution of heat in district heating systems
a. The district heating covers 40% of all Czech households and 70% of all dwellings in multi apartment buildings (a total of approximately 1.6 million households). The rest is the decentralized (individual) provision of heat / cold. The distribution system is obsolete and entails high energy losses. The modernisation of the district heating distribution system is therefore a pivotal step. However, the further investment has to be directed towards the 4th generation district heating and not into mainly changing the energy base (ie. fossil gas) as is the plan of the Czech authorities and the industry. Also in terms of individual provision of heat/cold the investment should be to be directed towards buildings renovation and heat pumps and not towards fossil gas boilers.

2. Electrification of railways
   a. Electrification of railways is a major investment in the Czech RRP which will contribute towards the decarbonisation of the railway infrastructure and the development of the TEN-T network.

3. Renovation and revitalisation of buildings for energy savings
   a. This investment represents a huge opportunity for decarbonization. It is included but the allocation is insufficient (ca EUR 333 million while more than EUR 700 million would be needed to reach the targets of the Building’s Renovation Strategy)

Key investments that are not included in the RRP

One important missing investment is development of cycling infrastructure in Prague and Brno. We expect however this to be financed from a different OP.

Some investments are included in the final plan for which the allocation is insufficient. We have been advocating for an increase in renovation of buildings to fulfil the Building's Renovation Strategy. The New Green Savings program (NZÚ) has long planned the allocation of EUR 157 million per year from the revenues of allowances, However, according to the medium-term outlook in the approved SFŽP (state fund for environment) budget for 2021 to the New Green program will save only CZK 80 million in 2022 and CZK 200 million in 2023. The allocation of EUR 333 million from component 2.5 of the RRP will thus serve to cover the shortfall in the financing of the New Green Savings programme from the state budget.

Key RRP reforms which represent an important opportunity for the country to increase climate action

1: Support for energy communities: The category of energy community is not enacted yet in our law. This presents a large opportunity for future development of community owned energy systems.

2: Reforms in the fields of renovation wave and development of RES
3: Preparation of an **assessment of decarbonisation of district heating** in Czechia. We await this assessment as it will provide us with further data and material for advocacy work. We also urge the EU institutions to exclude fossil gas from the modernisation fund as this would hamper the transition towards sustainable district heating.

**Reforms we have been advocating for which are not included in the RRP**

**Gap 1:** Creation of a landscape plan for adaptation to climate change in the Czech Republic. This plan should be a basic and binding document for landscaping, enumerating and quantifying the extent of basic natural infrastructure for adaptation to climate change. The plan should contain a description of the target structure of the landscape and the individual measures necessary to achieve it. Setting up support for above-standard provision of ecosystem functions of the landscape. Measures and areas that fulfill above-standard selected ecosystem functions of the landscape (e.g. absorption and retention of carbon in the soil, water retention in the landscape, etc.) should be significantly more taken into account in national subsidy programs, so that there is a real incentive for farmers to convert to ecological practices.

**Gap 2:** A missing reform is the revision of the tax reduction for vehicles running on fossil gas.

**How the European Commission has been looking at the DSNH principle**

In its final assessment, the EC summarized it as follows: Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in Czechia’s recovery and resilience plan is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of ‘do no significant harm’). This would warrant a rating of A under the assessment criterion 2.4 of Annex V to the RRF Regulation.

We call for an objective monitoring of the DSNH principle.

**Gap:** In its final assessment, the EC writes: With estimated costs of EUR 335 million, reforestation represents a big contribution of one single measure to the climate target. This is justified by a commitment of Czechia to implement a system change that would provide for the creation of multigenerational forests with special composition, which is required for climate change adaptation. The aforementioned analysis is wrong as there are no clear indications on creation of multigenerational forests. There is a need for further scrutiny during the implementation phase.

**Can the RRP contribute to increasing ambition in updated NECPs**

Additional measures incentivising investments in renewable energy resources may be needed to fulfil the objective set in the current NECP (the current target is 22% RES in final energy consumption by 2030). Furthermore, the majority of this percentage is supposed to be achieved through use of biomass which is not a solution as burning of biomass still significantly
contributes to climate change and to biodiversity losses, land requirements etc. The NECP must be revised and should reflect higher ambitions.

**CSOs/stakeholders participation in the design and implementation of the RRP**

The whole drafting process of the Plan was neither clear nor transparent and non-governmental organizations were not invited to participate. This slightly changed after pressure from NGOs (i.e. establishment of round tables but without clear indication on who can participate and how). CDE’s proposals submitted during interdepartmental proceedings were partially reflected in the Plan, but without any further discussion (i.e. the government had to implement them as the plan initially did not reach 37% climate target). Findings from Civil Society Europe confirm that there was no proactive efforts to seek CSOs’ views, and no feedback was shared with them when they took the initiative to make suggestions.

**Recommendations**

**The government of the Czech Republic** should:
- Reconsider support to fossil gas boilers, and exclude fossil gas from all EU funds, including the Modernisation Fund’s investments. In any case and as a strict minimum ensure full compliance with the DNSH criteria regarding fossil gas boilers.
- Ensure that reforestation measures do not result in limiting biodiversity (risk of creating homogeneous forests rather than diverse and multigenerational forests)
- Include an adequate envelope to finance cycling infrastructure in large cities in the Cohesion Fund
- Ensure effective and inclusive consultations in the implementation of the Plan and include this obligation as a new milestone in the Plan
- Reduce reliance on unsustainable biomass for renewable energy and reflect such a commitment in the next NECP
- Change taxation rules to limit the use of fossil engine cars

**The European Commission** should pay particular attention to the full respect of the DNSH criteria for gas boilers and reforestation, demand the inclusion of a milestone on civic participation in the implementation of the Plan, and address the need to review the car tax scheme under the European Semester.