



Low Carbon Ukraine

Policy advice on low-carbon policies for Ukraine

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Existing and past energy & climate-related financing for EU member states, candidate, and neighbourhood countries

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About Low Carbon Ukraine

Low Carbon Ukraine is a project that continuously supports the Ukrainian and Moldovan governments with demand-driven analyses and policy proposals to promote the transition towards a low-carbon economy.

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Executive summary

- The **European Union (EU)** disburses large amounts of **financial assistance** in the form of loans and grants to Member States, candidate countries and countries covered by its neighbourhood policy.
- Only more recently have these funds become more **focused on energy and climate** related topics. Dedicated funds for these issues exist in particular for member states of the EU.
- The number and size of these funds vary considerably. The funds available to **candidate countries** are larger than those available to **neighbourhood countries**, but both are significantly smaller than those available to **EU members**.
- Ukraine's new status as a candidate country might provide **additional access to funds such as the Instrument for Pre-Accession (IPA)**. However, the dual challenge of **post-war reconstruction** and “**catching up**” with investment in green energy and industrial projects under the EU Green Deal is likely to result in significant additional financing needs.

1 Introduction

The EU budget provides **funds and financial assistance to its member states, candidate countries as well as countries which are part of its neighbourhood policy**. Access to these respective funds depends on the status of a country and most of the various funds and instruments cover a wide range of topics. More recent funds, in particular those available for member states, have a stronger **focus on sustainability, energy and climate topics**. This also reflects the growing investment needs for these issues following the EU Green Deal and the ambitious climate target to reach net-zero emissions by 2050. However, **funding instruments available for candidate and neighbourhood countries only partially cover these issues** – dedicated funding for energy and climate related issues is comparatively low and potentially hints at **additional funding needs**.

2 Countries with Candidate Status

The first program available to prospective membership countries was **PHARE** which existed specifically for the economies of Central and Eastern Europe (CEE) from 1990-2003. PHARE had the aim of supporting the process of economic transformation of these countries with a focus on core areas such as industry, agriculture and **energy**. In total, the PHARE program allocated EUR 4.2 billion for the period 1990–94; this increased to EUR 6.7 billion for the period 1995–99, with another EUR 4.7 billion provided between 1999 and 2002. The program featured many sectors, among which “Environment and nuclear safety” (with a share of 7.6%) and “Infrastructure (transport, **energy**, telecommunication)” (with a share of 23.5%). Other programs included the “Special Accession Programme for Agricultural and Rural Development (**SAPARD**)” as well as the “The Instrument for Structural Policies for Pre-Accession (ISPA)” from 2000-2003. **ISPA** was designed to address **environmental** and transport infrastructure priorities identified with the 10 CEE applicant countries.¹

Since 2007, the **Instrument for Pre-Accession (IPA)** has been the EU's means of assisting the enlargement region with reforms via financial and technical aid. For the period 2007-2013, the Instrument for had a budget of EUR 11.5 billion, EUR 12.8 billion for the period 2014-2020 and EUR 14.2 billion for 2021-2027. In addition, assistance is also provided through regional programs like the “Environment and Climate Regional Accession Network” and the “Green for Growth Fund”. The IPA covers a wide range of thematic priorities, including “Green agenda and sustainable connectivity” which accounts for 42.25% of the 2021-2027 budget. **Ukraine’s newly gained candidate country status means that it will have access to these funds** as well. **Post-accession financial assistance** was made available to the countries that joined the EU in 2004 and 2007 through the “**Transition Facility**”, which aimed to strengthen the administrative capacity of the new member states in implementing EU legislation and to promote the exchange of best practices among peers.

¹ Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Until accession in 2004, **Poland received about EUR 7 billion of overall support from the EU between 1989 and 2003**, including EUR 3.9 billion from the PHARE program. How much of that support was dedicated to energy and climate purposes is hard to estimate but is likely to be only a small portion of the overall amount.

3 Countries within the EU Neighbourhood Policy

Countries part of the EU's neighbourhood policy without candidate status can access funds from **European Neighbourhood Instrument** - previously known as the European Neighbourhood and Partnership Instrument (ENPI). At the moment, the EU offers aid to 16 partner nations within the framework of the European Neighbourhood Policy (ENP), primarily through **the European Neighbourhood Instrument**, with a total budget of EUR 15.4 billion allocated for the period from 2014 to 2020. The ENI funds are channelled through bilateral programmes for all ENP countries (of which Ukraine is a recipient) as well as regional and the ENP-wide programmes. Objectives and priorities for Union support to partner countries together with indicative allocations are set in relevant multiannual programming documents. For example, in the program for Ukraine for 2018-2020, "Connectivity, energy efficiency, environment and climate change" made up 15% of its assigned budget - EUR 65.07 million – EUR 79.53 million.²

4 EU Membership Countries

For member states of the EU, multiple, much larger funds are available.³ About a third of the Union's budget is allocated to cohesion policy - EUR 392 billion for the period 2021-2027 – consisting out of several funds available to its member states.⁴ The most important fund is the European Regional Development Fund (**ERDF**). Its objective is to diminish regional dissimilarities and promote strategic investment across various sectors, including into sectors related to the energy transition, renewables, and combatting climate change.

Moreover, there is the **Cohesion Fund** which provides assistance to member states with a per capita Gross National Income of less than 90%⁵ of the EU-27 average in order to strengthen the economic, social and territorial cohesion of the EU. The Cohesion Fund supports investments in the field of environment and trans-European networks in the area of transport infrastructure (TEN-T).

The ERDF and Cohesion Fund for the period 2021-27 allocate 33% (ERDF) and 56% (Cohesion Fund) to climate action – more than EUR 118 bn. From these funds, Poland will be the largest recipient of financing – both overall and from the parts that contribute to climate action (see

² [Financing the ENP | EEAS \(europa.eu\)](#)

³ https://commission.europa.eu/funding-tenders/find-funding/funding-management-mode/2014-2020-european-structural-and-investment-funds_en

⁴ [Inforegio - Available budget of Cohesion Policy 2021-2027 \(europa.eu\)](#)

⁵ For the 2021-2027 period, the Cohesion Fund concerns Bulgaria, the Czech Republic, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

Figure 2 in Annex). **Poland will receive EUR 23 bn in climate related funding** and EUR 59 bn in non-climate related funding in the period 2021-2027.⁶

Additionally, there are several smaller **more specialised funds** that are available to member states. These includes the “Just Transition Fund”⁷, the “Social Climate Fund”⁸, the “Modernisation Fund”⁹ and the “Innovation Fund”.¹⁰ These funds **focus on territories and households that are expected to be the most negatively impacted** by the transition towards climate-neutrality as well as on **modernising the national energy systems** in order to meet the 2030 targets – reflecting the growing importance of these topics to the EU as a whole. Additionally, the “**Connecting Europe Facility**” (CEF)¹¹ serves as a funding instrument for boosting energy, transport, and digital infrastructure and for the period 2021-2027 has a budget of EUR 42.3 billion – Switzerland and Turkey have been countries that also profited from CEF projects.

Following the Covid-19 pandemic and the full-scale Russian invasion of Ukraine in 2022, the EU installed the **Recovery and Resilience Facility (RRF)**, the main financing instrument of the NExGenerationEU program and key to its RePowerEU plans, which specifically **aims at a greener, more digital and more resilient recovery process** from the economic turbulences. The RRF will provide EUR 723 billion raised on capital markets via EU-Bonds to its member states – EUR 385 bn of funds and EUR 338 bn in grants.¹² To access them, EU countries have to submit national recovery and resilience plans. The overall shares of **green energy and climate related components must reach at least 37%**. **Poland will receive a total of EUR 24 bn in grants and EUR 11.5 bn in loans from the RRF**, of which **EUR 17.4 bn will go into green and climate related projects** (See Figure 3 in Annex).¹³ In the past, from 2009-2019, the “**European Energy Programme for Recovery**” existed which was launched after the financial crisis in 2008 to support key investments and to promote the energy transition. The fund was endowed with EUR 4 bn aimed to fund gas and electricity infrastructure, renewable energy and carbon capture and storage projects.¹⁴

While all these funds, available for member states only, are larger in number and size compared to funds for accession countries, it should be noted, however, that the programs are **in part financed by the recipient states themselves** via their own contributions to the EU budget as well as from revenues of the European Union Emissions Trading System (EU-ETS).

⁶ [2021-2027 Cohesion policy: tracking climate action | Data | European Structural and Investment Funds \(europa.eu\)](#)

⁷ [The Just Transition Mechanism \(europa.eu\)](#)

⁸ [Social Climate Fund \(europa.eu\)](#)

⁹ [Homepage - Modernisation Fund](#)

¹⁰ [Innovation Fund \(europa.eu\)](#)

¹¹ [CEF Energy Projects by Country | Innovation and Networks Executive Agency \(archive-it.org\)](#)

¹² [Recovery and Resilience Facility \(europa.eu\)](#)

¹³ [Recovery and Resilience Scoreboard \(europa.eu\)](#)

¹⁴ [EU funding possibilities in the energy sector \(europa.eu\)](#)

5 Conclusion and implications for Ukraine

Ukraine's newly gained candidate country status means that it will probably have access to **additional funds** such as the **Instrument for Pre-Accession (IPA)**, similar to predecessor programs previously available to CEE countries pre-2004 accession. Smaller regional programs with a dedicated focus on energy and climate, such as the "Environment and Climate Regional Accession Network" and "Green for Growth Fund" are also available.

However, considering the **changed circumstances** since the 2004 EU enlargement wave, in particular Ukraine's **dual burden of post-war reconstruction and "catching up" with the EU Green Deal**, where membership countries have enjoyed and continue to benefit from more substantial support via dedicated EU funds, this points to a **likely gap in financing currently available**. Ukraine is set to receive **EUR 50 bn of EU support via the multi-annual Ukraine Facility** in the form of loans and grants. However, most of these funds are committed for direct budget support, especially pensions payments, and **only a smaller share is dedicated to support investments in energy** and other infrastructure. Additional climate-related investment needs could thus either be included in IPA negotiations or be part of a separate, dedicated mechanism to support Ukraine's green reconstruction in line with the European Green Deal.

A dedicated mechanism would allow more **flexibility in program design**. On the one hand, Ukraine could use its climate ambitions – as expressed in the COP28 report and NECP both currently in development – for **targeted climate-finance** such as via **debt-for-climate swaps, conditional loans and grants** or **twinning** of EU support with future Ukrainian carbon price revenues. On the other hand, the EU could leverage its support to **integrate Ukraine into strategic European value chains across energy and energy product trade, critical minerals, manufacturing, and defense**. In doing so, Ukraine and the rest of Europe could jointly reach European climate targets, while also increasing their energy security and resilience and reaching greater strategic autonomy for certain critical value chains.

Annex

Table 1: Pre-accession assistance to candidate countries from CEE

Table 2: Pre-accession EU assistance to candidate countries from Central and Eastern Europe, 1990–2006, allocations (commitments) € million

Country	Phare* 1990–99	Phare 2000– 03	SAPARD** 2000–03	ISPA*** 2000–03	Total EU grant support 2000–03	Transitional facility 2004–06	Total 1990– 2006	Per capita, €
Bulgaria	878.2	557.8	218.7	428.4	1,204.9	859.5	2,942.6	360
Czech Republic	406	391.3	92.8	293.4	777.5	36.1	1,219.6	119
Estonia	186.4	136.2	50.8	119.5	306.5	17.7	510.6	357
Hungary	954.6	467.4	159.8	368.9	996.0	35.9	1,986.6	195
Latvia	251.6	153.3	92.2	195.3	440.8	19.5	711.9	291
Lithuania	340.5	407.9	125	216.9	749.8	35.7	1,125.5	321
Poland	2,036.6	1,807.5	708.5	1,454.4	3,970.5	114.9	6,122.0	159
Romania	1148	1,099.9	632.1	1,002.4	2,734.4	1,381.5	5,263.9	233
Slovakia	315.4	295.4	77.1	195.7	568.2	29.4	913	170
Slovenia	193	141.8	26.8	64.2	232.8	17.5	443.3	221
Total	6,709.8	5,458.5	2,183.8	4,339.1	11,981.4	2,547.7	21,238.9	203
Ukraine****	831.1				478.1	442.2	1,751.4	35
Ukraine**** (1991–2016)							3,823.7	79

*Initially Poland and Hungary Assistance for the Restructuring of the Economy programme (Phare)

** Special Accession Programme for Agricultural and Rural Development (SAPARD)

*** Instrument for Structural Policies for Pre-Accession (ISPA)

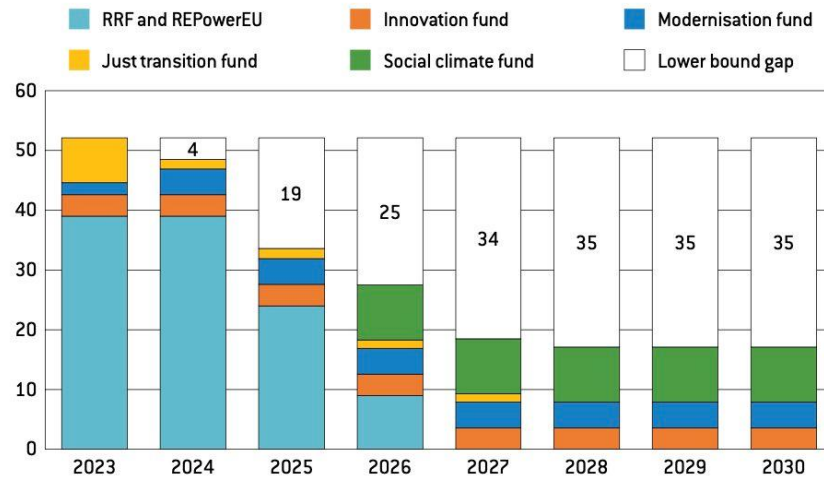
**** Grants only

Source: Chatham House (2018),

<https://www.chathamhouse.org/sites/default/files/publications/research/2018-08-16-rebuilding-ukraine-eu-assistance-wolczuk-zeruolis.pdf>

Figure 1: EU Climate Grants 2023-2030

Figure 4: EU climate grants: the sharp post-RRF decline (€ billions)



Source: Bruegel based on the European Commission (2020a) and Baccianti (2023). Note: All numbers are in current prices. The split of RRF and REPowerEU funding by year was done using Carrión Álvarez's estimates (2020).

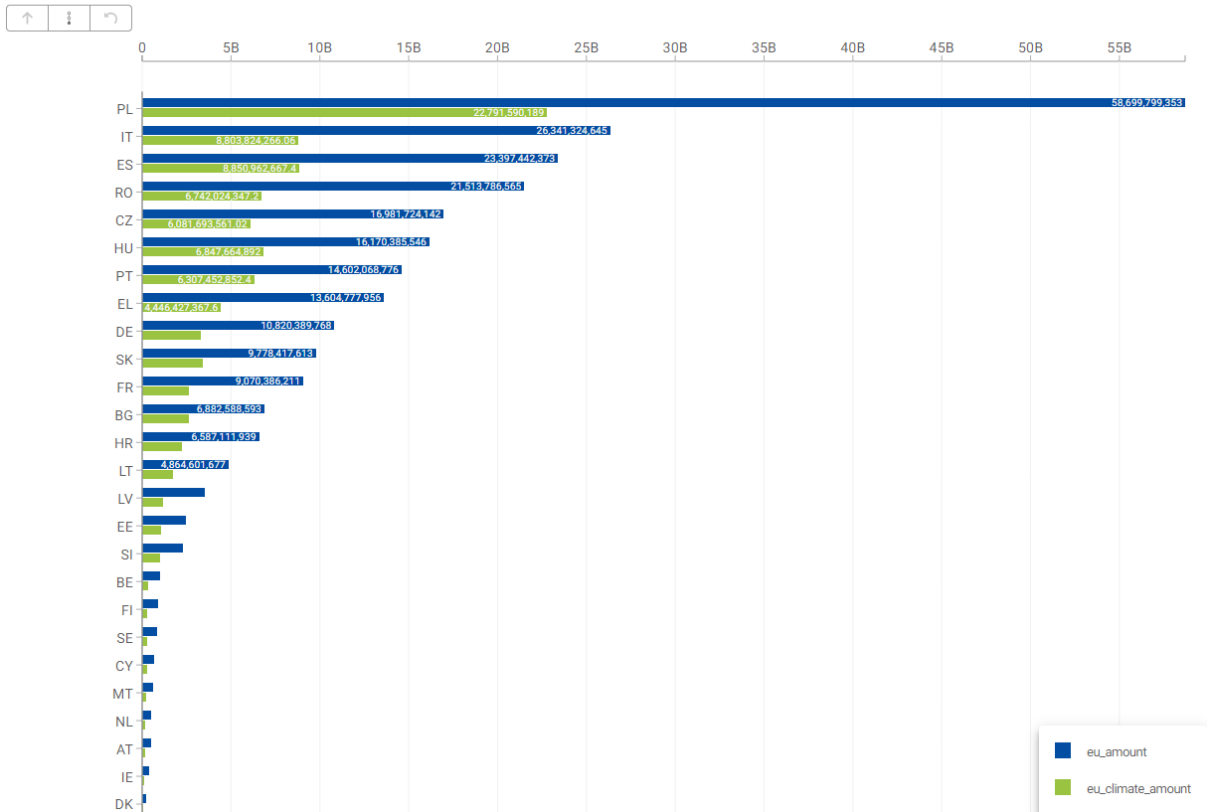
Source: Bruegel (2023), <https://www.bruegel.org/policy-brief/new-governance-framework-safeguard-european-green-deal>

Note: The ERDF, the largest source of climate-related EU funding, seems to be missing from this graph (compare Figure 2).

Figure 2: ERDF and Cohesion Fund Financing by Member State

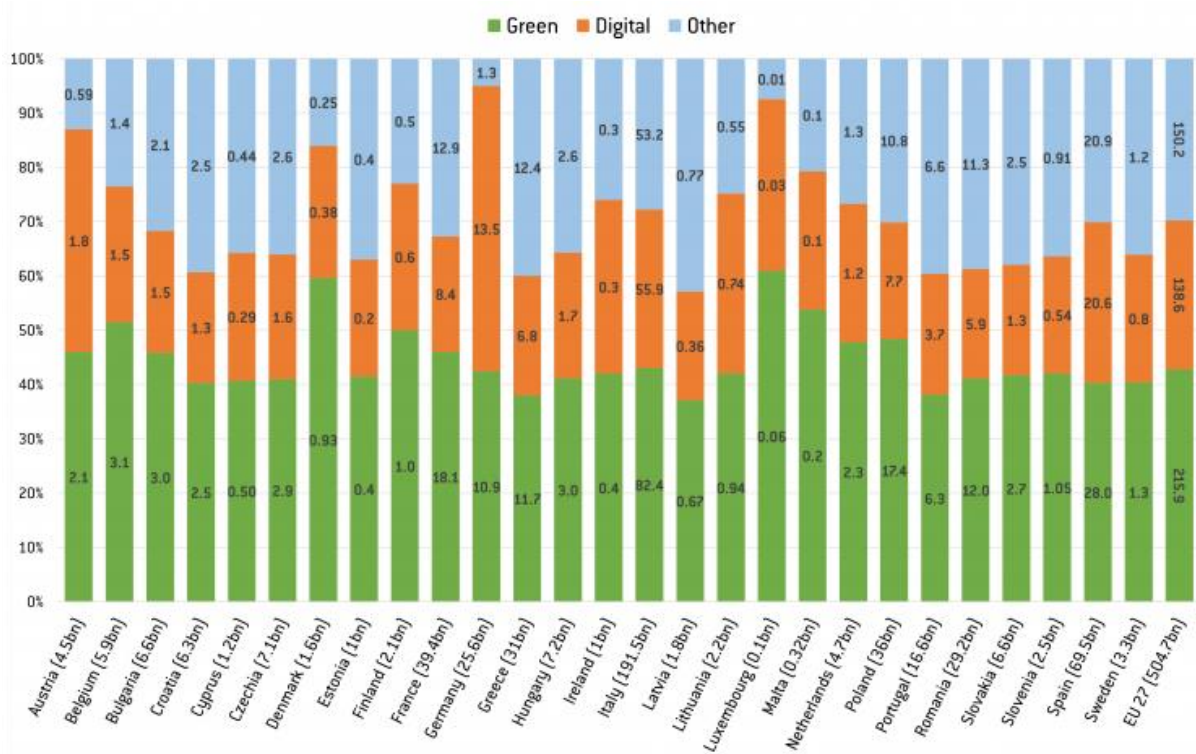
21-27 ERDF and CF climate tracking - EU climate amounts by MS

Filter by programme on the top right



Source : European Commission (n.d.), <https://cohesiondata.ec.europa.eu/stories/s/2021-2027-Cohesion-policy-tracking-climate-action/mdt2-qvkd#an-overview-of-planned-climate-actions-in-2021-27>

Figure 3: Overall resource allocation in national recovery and resilience plans (% of total and EUR billions)



Source : Bruegel (2023), <https://www.bruegel.org/dataset/european-union-countries-recovery-and-resilience-plans>