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Green transition in CESEE EU member states: A sectoral view and the role of EU recovery funds

Session 4: Addressing long-term supply challenges via structural policies and green transition

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Key takeaways

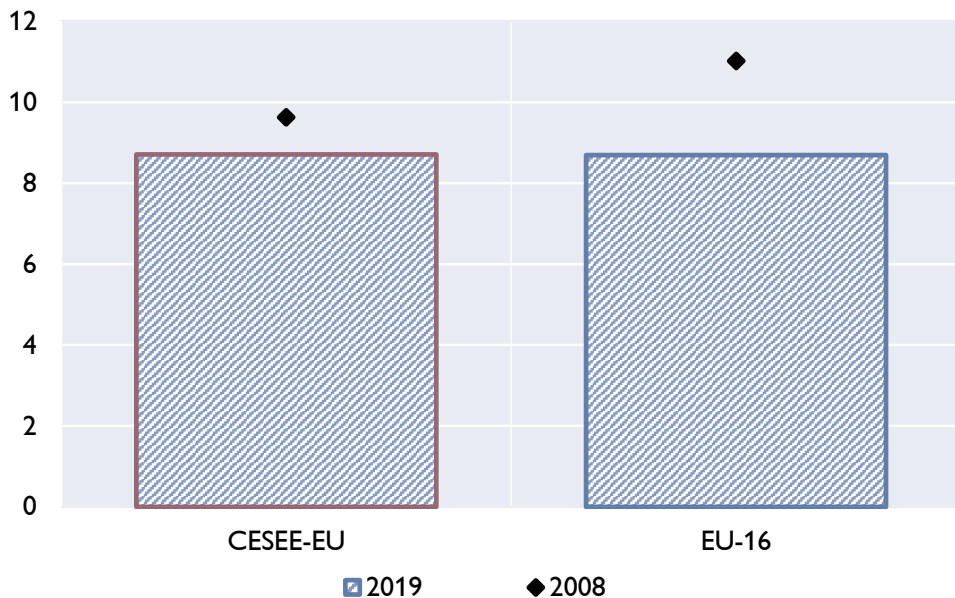
- It is **high time** to **foster green transition** with a view to **addressing climate change** as the major medium- to **long-term economic challenge**.
- **Most CESEE EU countries are still green transition laggards**, although their GHG (greenhouse gas) emissions have fallen sharply against 1990 on the back of their economic transition.
 - **Since 2008**, they have made comparatively **small progress** in reducing emissions.
- **On the upside**: Post-pandemic **EU funds** envisaged for spending in 2021-26 according to **national “Recovery and Resilience Plans” (RRPs) in CESEE EU** appear to **appropriately address climate-related weaknesses**.

Comparing CESEE EU countries with other EU countries (EU-16) on aggregate

GHG emissions per capita almost equal, after slower progress in CESEE since 2008

GHG emissions per capita

GHG (in t Co2 equivalent) per person



Source: Authors' calculations, UNFCCC.

However, coupled with lower GDP per capita, CESEE economies' „carbon intensity“ still far higher

GHG emissions per unit of GDP (at PPP)

Indexed values, EU-27=100

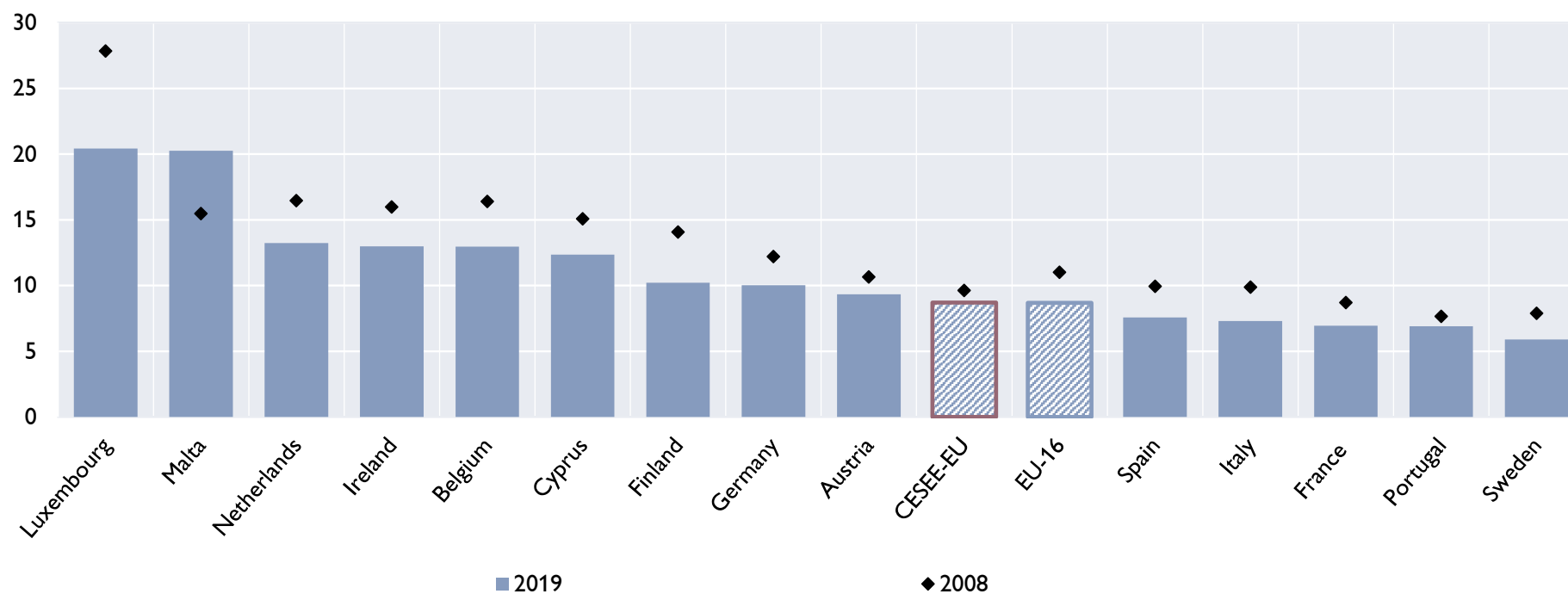


Source: Authors' calculations, UNFCCC.

Sizeable heterogeneity in GHG emissions per capita within the EU-16 aggregate

GHG emissions per capita

GHG (in t CO2 equivalent) per person

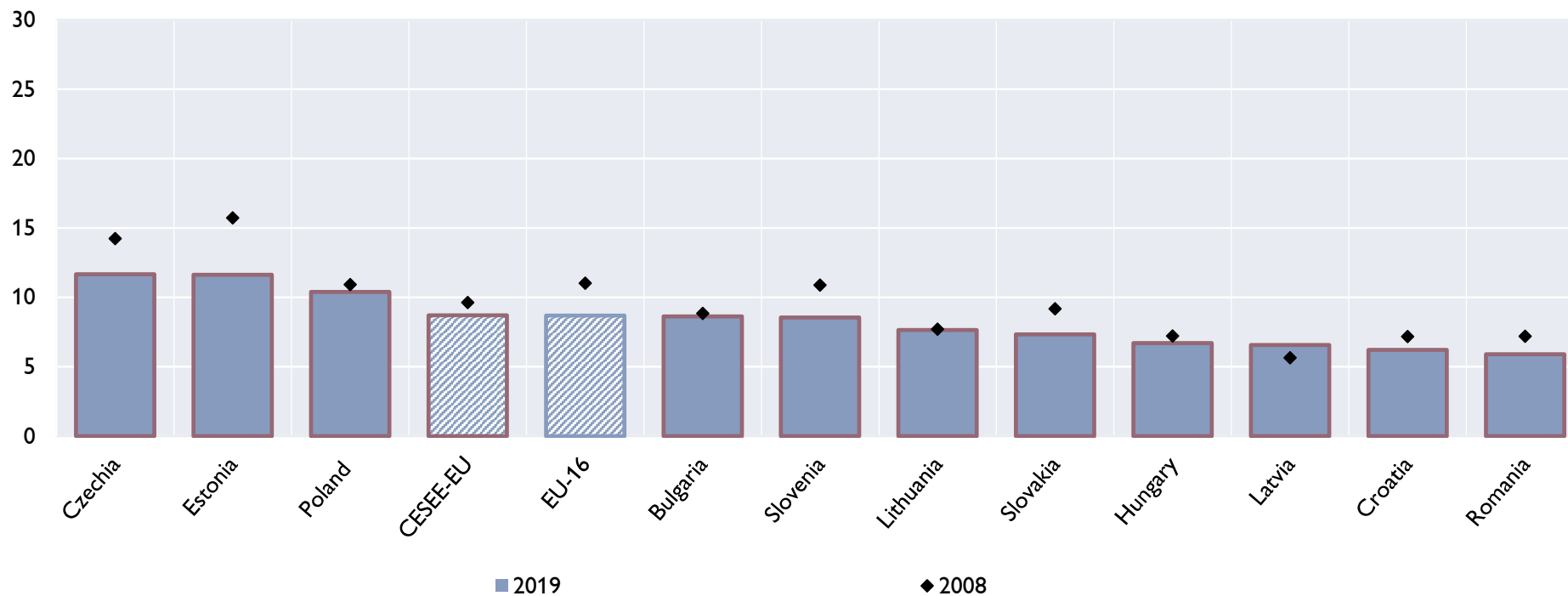


Source: Authors' calculations, UNFCCC.

Considerable heterogeneity of GHG emissions per capita also among CESEE EU MS

GHG emissions per capita

GHG (in t CO₂ equivalent) per person



Source: Authors' calculations, UNFCCC.

Energy industries GHG emissions substantially larger on average in CESEE €NB than in EU-16, as opposed to the transport sector – but again heterogeneity

Sectoral GHG emissions per capita (2019)

GHG (in t CO2 equivalent) per person

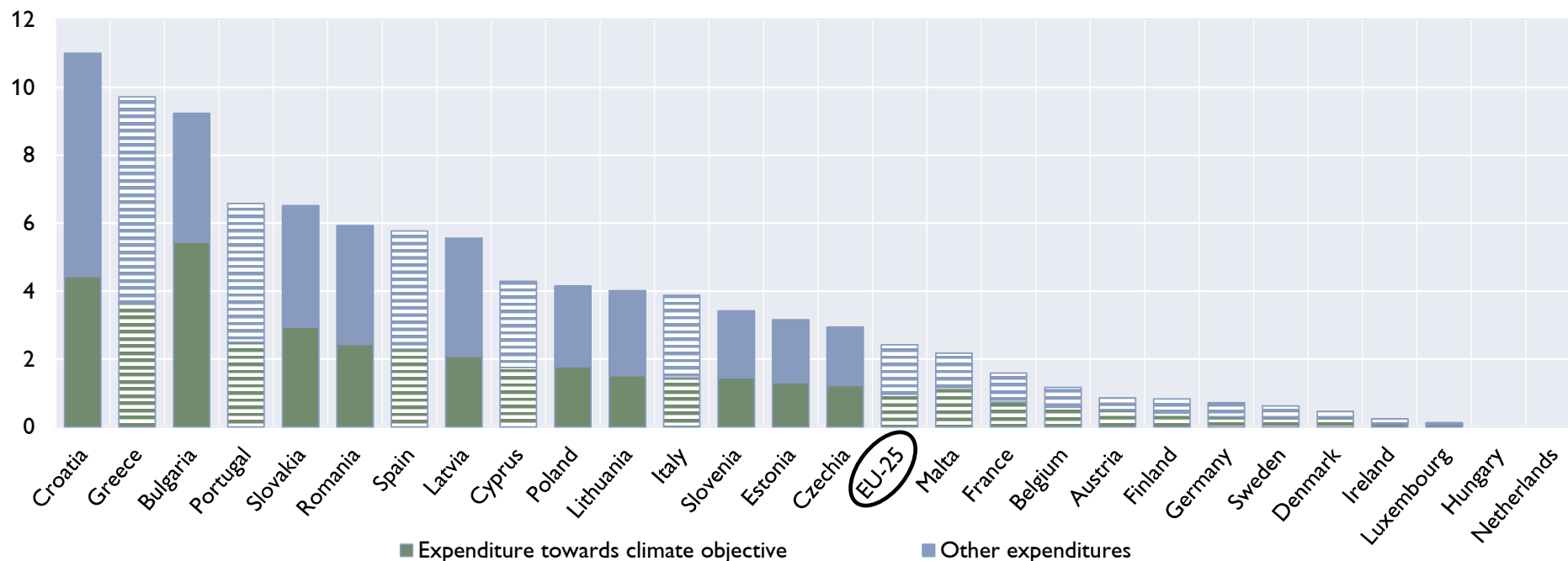


Source: Authors' calculations, UNFCCC.

CESEE EU countries among main beneficiaries of EU grants for RRP payout 2021-26, with generally more than 40% for climate-related measures

Total grants allocated and expenditure towards climate objectives

Cumulated volume for 2021-26 in % of annual GDP in 2021

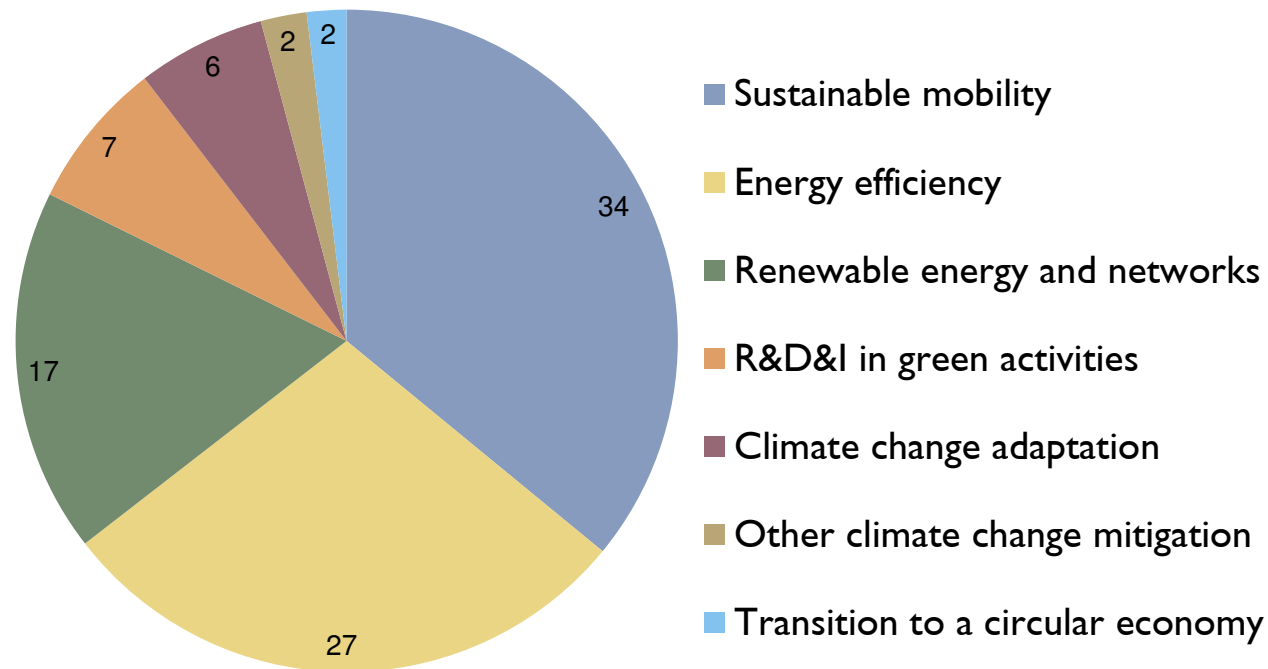


Source: European Commission, Eurostat.

More than 75% of EU aggregate grants for climate-related RRP measures fall into three policy areas

Breakdown of expenditure towards climate objectives per policy area

Share in %, all EU countries



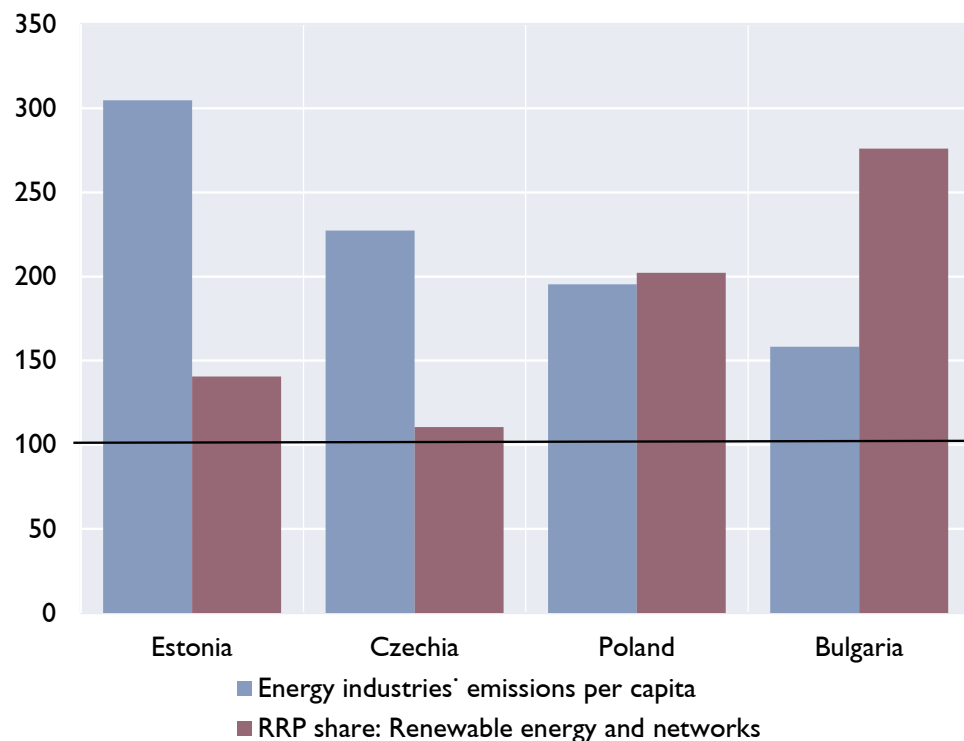
Source: European Commission.

EU grants for RRP address country-specific weaknesses (1)

The case of energy industries

Energy industries' emissions and related RRP share

Indexed values, EU-27=100



Source: Authors' calculations, European Commission, UNFCCC.

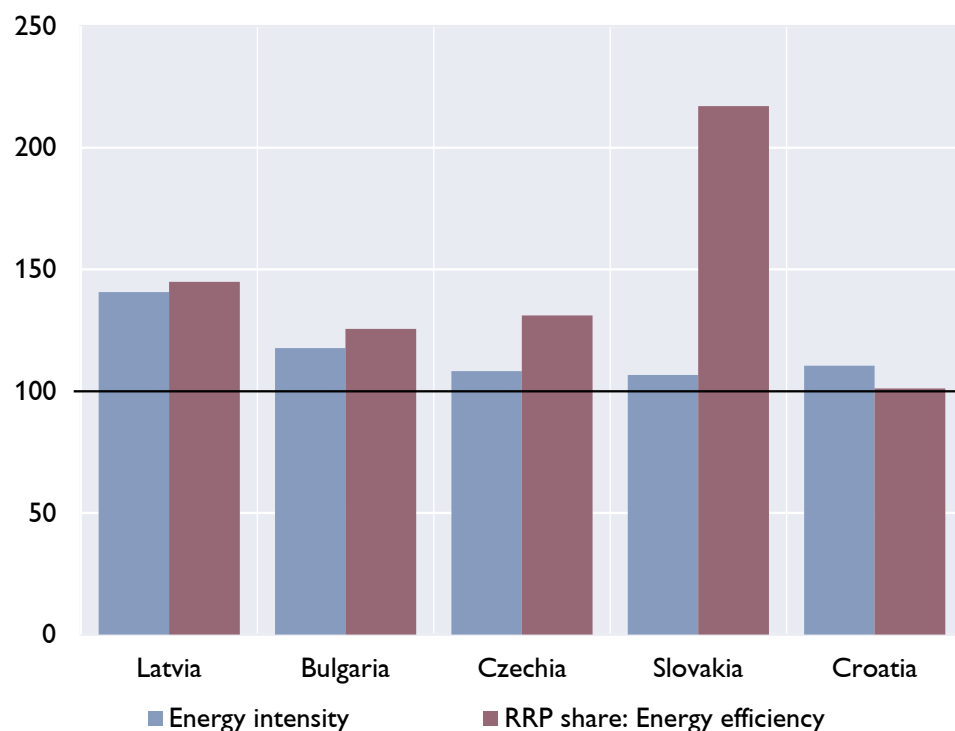
- CESEE countries whose **energy industries GHG emissions are far above EU-27 average** dedicate an **above-average share** of their total climate-related EU grants **to renewable energy**.
- These four countries also dominate respective features of the CESEE EU aggregate.

EU grants for RRP address country-specific weaknesses (2)

The case of energy efficiency

Energy intensity and related RRP share

Indexed values, EU-27=100



Source: Authors' calculations, European Commission, Eurostat.

Note: Energy intensity defined as energy used per unit of GDP (at PPP).

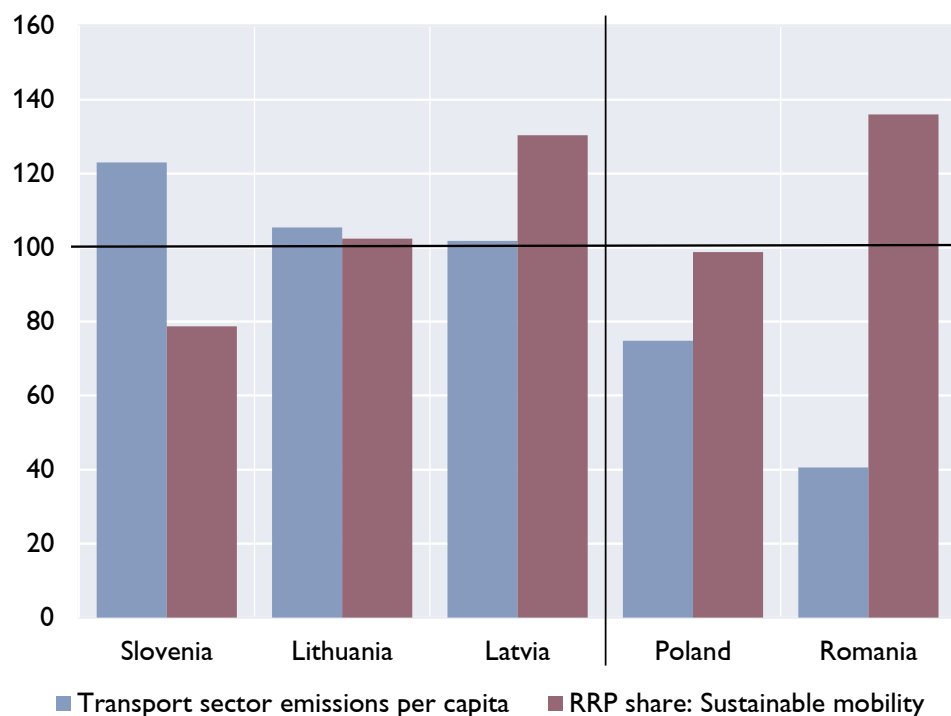
- Most CESEE countries whose **energy intensity is above the EU-27 average** dedicate an **above-average share** of their total climate-related EU grants **to energy efficiency** measures.
- Exceptions are Slovenia and Estonia, given their exceptionally strong focus on climate change adaptation (SI) and R&D&I (EE).

EU grants for RRP address country-specific weaknesses (3)

The case of the transport sector

Transport sector emissions and related RRP share

Indexed values, EU-27=100



Source: Authors' calculations, European Commission, UNFCCC.

- CESEE countries whose **transport sector GHG emissions are far above CESEE average and above or close to EU-27 average (SI, LT, LV)** dedicate the (ex aequo) **largest share** of their total climate-related EU grants (which is partly close to or above the EU-27 average share) **to sustainable mobility.**
- The **same is true** for two CESEE countries that have had **particularly high growth rates of transport sector emissions** in recent years **(PL, RO).**

Conclusions

- **Ex-ante** assessment:
 Post-pandemic **EU funds** envisaged for spending in 2021-2026 according to **national “Recovery and Resilience Plans” (RRPs) in CESEE EU** appear to **appropriately address climate-related weaknesses**.

- **Ex-post** evaluation:
Comparing climate-related **RRP expenditures by policy area** with **changes in sectoral emission** indicators may provide an avenue to **future performance-based** evaluation.
 - However, the impact of external shocks, like particularly Russia’s war against Ukraine, is bound to interfere with the effects of this policy intervention.

Danke für Ihre Aufmerksamkeit

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