



# Methodology for the application of the DNSH principle at the national level in Czechia

DLV3:

Report on the existing practices - application of DNSH principle by EU peer Member States

### Contract details

REFORM/SC2022/112 - Methodology for the application of the DNSH principle at the national level in Czechia

### Authors

Jeroen van der Laan

Rachel Lamothe

Catarina Alves

Pavla Cihlarova

### Presented by

Trinomics B.V.

Westersingel 34

3014 GS Rotterdam

The Netherlands

### Contact person

Mr. Peter Janoska (Project Manager)

E: [peter.janoska@trinomics.eu](mailto:peter.janoska@trinomics.eu)

Ms. Pavla Cihlarova (Project Coordinator)

E: [pavla.cihlarova@trinomics.eu](mailto:pavla.cihlarova@trinomics.eu)

Mr. Jeroen van der Laan (Technical Lead)

E: [jeroen.vanderlaan@trinomics.eu](mailto:jeroen.vanderlaan@trinomics.eu)

### Date

Rotterdam, 7 April 2023



**Rotterdam, 7 April 2023**

**Client: Office of the Government of the Czech Republic (OoG) and DG  
REFORM**

**Methodology for the application of the DNSH principle at the national level  
in Czechia**

**In association with:**



This project is carried out with funding by the European Union via the Technical Support Instrument and in cooperation with the Directorate General for Structural Reform Support of the European Commission

## CONTENTS

<b>Executive Summary .....</b>	<b>1</b>
<b>1 Introduction .....</b>	<b>4</b>
1.1 Developing DNSH guidelines in Czechia.....	4
1.2 Objectives and structure of this report.....	5
<b>2 Identification of good practices and lessons learned .....</b>	<b>6</b>
2.1 Approach.....	6
2.2 Consolidated selection criteria matrix .....	7
2.3 Selection of DNSH practices and peer EU Member States .....	8
<b>3 Analysis of good practices and lessons learned .....</b>	<b>10</b>
3.1 Governance processes of the application of the DNSH principle .....	10
3.1.1 Context of the challenge .....	10
3.1.2 Presentation of the focus cases for the webinar.....	10
3.1.3 Replicability to the Czech context.....	13
3.2 Implementation of simplified and detailed DNSH assessments .....	14
3.2.1 Context of the challenge .....	14
3.2.2 Presentation of the focus cases .....	15
3.2.3 Replicability to the Czech context.....	17
3.3 Application of DNSH principle to R&D and green innovation projects .....	18
3.3.1 Context of the challenge .....	18
3.3.2 Presentation of the focus cases .....	18
3.3.3 Replicability to the Czech context.....	21
<b>4 Peer-learning exchange webinars .....</b>	<b>23</b>
4.1 Webinar 1: Governance processes for applying the DNSH principle .....	23
4.1.1 Main points of discussion and takeaways from the webinar.....	23
4.1.2 Key lessons learnt .....	23
4.2 Webinar 2: Implementation of simplified and detailed DNSH assessments .....	24
4.2.1 Main points of discussion and takeaways from the webinar .....	24
4.2.2 Lessons learnt.....	24
4.3 Webinar 3: Application of the DNSH principle to innovative green technologies .	25
4.3.1 Main points of discussion and takeaways from the webinar .....	25
4.3.2 Lessons learnt.....	25
<b>Annex A - Logistics and lessons learnt .....</b>	<b>27</b>
<b>Annex B - Concept notes of webinars .....</b>	<b>30</b>
<b>Annex C - Minutes of webinar 1: Governance processes for applying DNSH principle ..</b>	<b>40</b>
<b>Annex D - Minutes of webinar 2: Implementation of simplified and detailed DNSH assessments.....</b>	<b>48</b>

**Annex E - Minutes of webinar 3: Application of the DNSH principle to innovative green technologies .....55**

## Executive Summary

An analysis of existing practices on DNSH application in Member States has been carried out, including a peer-learning exercise with a selected number of Member States. This analysis has been carried out in the context of a TSI project on the 'Methodology for the application of the DNSH principle at the national level in Czechia'. The purpose of this summary document is to be further disseminated with the DNSH community and other Member States, to offer insights into different existing DNSH approaches.

The identification of existing practices and lessons learned, and the selection of respective peer Member States was done on the basis of a selection-criteria matrix, reflecting on the main challenges around the application of DNSH in Czechia, namely:

- Governance processes & practices around the implementation of the DNSH principle;
- Implementing (and monitoring) the application of DNSH - simplified and detailed assessments; and
- Application of the DNSH principle to research and development (R&D) and green innovation projects.

The **selected EU Member States participating in the peer learning exercise are Austria, Belgium, Finland, Slovakia and Spain**. During the selection process, the focus was, to the extent possible, on Member States with similar policy and governance context as Czechia, to ensure usability of the lessons learned within the Czech context. The main challenges have also been used in the further analysis.

For each challenge the following has been done:

- i) Discussion of the details of the DNSH challenge, as identified during consultations with various Czech authorities, the Commission services and through other EU Member States who are receiving support on DNSH implementation through the Technical Support Instrument (TSI);
- ii) Presentation of a relevant '*focus case*' presented by one (or more) of the selected Member States on how the identified challenge can be overcome; and
- iii) Analysis of replicability of the focus cases and practices to Czechia. Each of these aspects per identified challenge are described in the sections below.

### Governance processes of the application of the DNSH principle

In relation to this DNSH challenge, Member States often face difficulties to identify a **central authority** with a mandate to govern the DNSH process, and at the same time, **involving all relevant authorities** and striking a balance between sole governance process consistent across all programmes, sectors and investments, while **maintaining flexibility** to involve sectoral expertise and specialised authorities during DNSH assessments. Introducing an effective governance system allows for a minimised administrative burden and consistency of DNSH assessments across authorities.

Two Member States (Spain and Austria) presented good practices regarding this given challenge, centralised **governance system and capacity building by the DNSH Division** for the Recovery and Resilience Plan in Spain and the **DNSH Helpdesk in Belgium**. The Spanish DNSH Division acts as a '*central expertise hub*', which assists different Ministries with DNSH compliance when designing (new)

programme calls, trains civil servants and develops materials for systematic DNSH assessments across all sectors, types of instruments, and jurisdictions. The Belgian DNSH Helpdesk, also, offers assistance to public federal authorities, offers trainings of funding authorities and project developers, prepares materials to support authorities and project developers and is responsible for communication activities to all public, private, federal, and regional stakeholders about good practices.

With regards to replicability of these solutions to the Czech context, the creation of a dedicated team similar to the Spanish or Belgian teams would provide targeted support for the implementation of DNSH guidelines through different Operational Programmes (OP) and funds. This would require designing a clear mandate, proper resources, and clarification of the repartition of roles with managing authorities (i.e., final responsibility, quality assurance, data collection, etc.). A Czech DNSH Division or DNSH Desk could then have the capacity to roll-out and implement the Czech national DNSH guidelines, similar to the Spanish and Belgian guidance documents.

### Implementation of simplified and detailed DNSH assessments

The second challenge focused on a number of specific issues related to DNSH implementation:

- i) Development of efficient ex-ante screening methodologies, considering differences of DNSH guidelines across different EU Funds;
- ii) Definition of the concept “significant harm” and of “sufficient” DNSH assessments; and iii) striking for a balance between standardisation and sector-relevant questions.

Two Member States (Finland and Slovakia) shared their existing practices applicable to this challenge. In Slovakia a **sectoral approach to DNSH for buildings** has been developed, with a **comprehensive and granular methodology**. The process adheres to the DNSH guidelines outlined in the RRF Regulation and incorporates green tag conditions that establish verification mechanisms, ensuring consistency with climate mitigation efforts and the minimum safeguards required for the other five EU environmental goals. In addition, a checklist has been developed to assist ministries in aligning their open calls with the DNSH principle, which ensures that the criteria for different types of calls involving building investments are relevant. In Finland, a **priority order law for environmental permitting** has been introduced. Under this national law, priority is given to (infrastructure) projects in the environmental permitting process which have gone through a DNSH assessment. The DNSH principle is therefore used as a “tool” for determining which projects are eligible for fast-track handling of the environmental permit, as long as the projects fall within the sectoral scope and conditions of the priority order law.

As to the replicability of the Slovak approach to the Czech context, Czechia has focused on developing sector-agnostic framework guidelines (rather than on sector-specific framework). While complete decentralization of the DNSH process may hinder standardization and create inconsistencies among methodologies, the development of sector-specific guidelines could help ministries assess DNSH projects more effectively. A potential solution could be to centralise the development and governance of guidelines for the (building) sector, ensuring these are aligned with the existing national sector-agnostic guidelines, which could help address concerns about inconsistency. Regarding the replicability of the Finnish approach, It is unlikely that developing a priority order law for environmental permitting in Czechia can be replicated easily in the short term, as there is no existing legislative framework to support such action, and it may not be easy to gain political support for such an initiative.

### Application of DNSH principle to R&D and green innovation projects

Assessing DNSH in R&D and green innovation projects was found to be a particularly challenging task for Czech authorities, given that many initiatives are unlikely to have substantial adverse environmental impacts, with a number of specific challenges:

- i) Developing alternative criteria for assessing projects that are not covered by existing DNSH guidance and/or by the EU Taxonomy Delegated Acts;
- ii) Striking a balance between standardisation and consideration of projects' specificities; and
- iii) Developing additional policies and methodologies to classify and measure investments in innovative green technologies.

Two Member States (Finland and Austria) have existing approaches to this challenge. In Finland there is a state-owned company, **Climate Fund**, that invests in the scaling up of climate solutions with significant emissions reduction potential. The Fund follows a specific set of 3 preconditions for investment proposals, one of them being the alignment with the DNSH principle, using either existing DNSH assessments or the EU taxonomy's Delegated Acts as a starting point for the assessment. In Austria they are making use of **green budgeting** as a holistic methodology to identify and invest in green activities. There are plans to extend this approach to regional budgeting and to interlink green budgeting with the DNSH principle, since conceptually, green budgeting can be used to estimate DNSH compliance.

Regarding replicability of a dedicated process for innovative investments (based on the Finnish model) in Czechia, a series of changes are needed to allow for the replication of the practice. Compared to the approach of the Finnish Climate Fund, the involvement of Czech topical and sectoral experts is not institutionalized; there appears to be a division of roles "in silos" across managing authorities. The possibility to rely on experts is thus conditioned on a clearer institutionalization to incentivize coordination between authorities. Regarding the replicability of green budgeting (based on the Austrian model), it is unlikely on the short term but could be considered in the medium term, following full institutionalization of DNSH practices and processes across all Czech Ministries and managing authorities.



# 1 Introduction

## 1.1 Developing DNSH guidelines in Czechia

The European Green Deal aims to make Europe climate neutral by 2050. To reach this goal, support from various EU funds and programmes are instrumental for Czechia. Czechia has allocated 42% of its Recovery and Resilience Facility (RRF) funds to support the domestic green transition. When preparing its Recovery and Resilience Plan under the RRF, Czechia has confirmed its compliance with the DNSH principle, which is defined by Article 17 of the Taxonomy Regulation. This principle can also be recognised, though to a lesser extent, in other established EU funded programmes such as the Just Transition, InvestEU, Horizon Europe, Cohesion Policy Funds. Czechia intends to increase its administrative capabilities and knowledge on the application of the DNSH principle to ensure that reforms and investments planned in the country are in line with EU and national climate and environmental targets.

*'Methodology for the Application of the 'Do No Significant Harm' (DNSH) principle'*, is a project funded by the European Commission via the Technical Support Instrument (TSI), where the competent authorities of the Czech Republic are the beneficiary.

This TSI project specifically provides the following support:

- Identifying and understanding existing mechanisms and guidelines for the application of the DNSH principle in the Czech context as well as in other EU Member States.
- Creating DNSH guidelines for Czech funding authorities and funding beneficiaries, and delivering capacity building and communication material on the national guidelines to the Czech authorities who provide funding.
- Providing accompanying support for implementation of the national DNSH guidelines, including organisation of webinars to raise awareness and share experiences nationally and at EU-level.

As mentioned above, the project contributes to the implementation of the Green Deal, hence the results of the project ought to be twofold; namely, providing Czech authorities with practical and usable results and demonstrating an added value of sharing lessons among EU Member States and the European Commission. The impact and goals of this project are understood as follows:

- Enhanced capacity of the Czech authorities to integrate the application of the DNSH principle and climate proofing guidelines into public investments; and
- Ability of the beneficiary authorities to integrate the DNSH principle and climate proofing application as part of their standard procedures. To this end, the project is developing a clear set of guidelines and tools to facilitate their use by relevant stakeholders (both by the competent authorities and by private stakeholders), including training sessions of these stakeholders, where necessary.

In summary, as a result of this project, the Czech authorities will have a good understanding of how public funds are currently directed to help achieve climate and energy objectives. They will have the capability to quickly and reliably make funding decisions that accelerate the green transition and do not cause harm to the environment.

## 1.2 Objectives and structure of this report

The objective of the peer learning is to identify lessons learned and share insights into the existing practices of peer EU Member States, with a focus on those that are relevant for the Czech context. The overarching aim of this deliverable, however, is to gather lessons learned and existing (good) practices applicable to all Member States.

This report is also intended to become a reference document for a wider DNSH community within the EU, and is expected to be sharable beyond this project. It follows the following structure.

- **Executive Summary;**
- **Introduction** - the chapter at hand, which is setting the scene and context of the project as a whole as well of this deliverable;
- **Identification of good practices and lessons learned** - this section provides an overview of the process for reviewing and selecting up to five other EU Member States in terms of their good practices (and examples) and lessons learnt about the application of the DNSH principle under the RRF and beyond;
- **Analysis of good practices and lessons learned** - this part provides an overview of the challenges related to the application of the DNSH principle in terms of governance, detailed and simplified assessments, and R&D and green technologies;
- **Peer-learning exchange webinars** - this section provides reflections on the process for organising the webinars and evaluates their outcomes. It also shows how the peer-learning webinars can/will inform further deliverables; and
- **Annex**, including supporting materials shared with participants ahead of each webinar.

The findings of this peer learning (DVL 3) report will feed into the forthcoming deliverables. The most important deliverable which will build on the findings of this one will be the development of the actual national DNSH guidelines for Czechia (DVL5): overarching methodological guidelines on the application of the DNSH principle both for authorities managing public investments and for project implementers/grant beneficiaries. However, it ought to be noted that this report is only reflecting the current situation at the time of its delivery (February 2023), while the application and implementation of the DNSH principle is an ongoing and evolving matter.

## 2 Identification of good practices and lessons learned

This chapter provides an overview of the process for reviewing and selecting up to five (5) peer EU Member States with good practices, examples and lessons learnt related to the application of the DNSH principle under the RRF, the Cohesion Policy Funds (CPF), and beyond. The peer learning exchange webinars were specifically tailored to the needs of Czech authorities, which were part of the selection process. In particular, the chapter will briefly describe the approach taken by the project team for the horizon-scanning of relevant DNSH practices within the EU, and how the selection matrix has been adjusted and updated compared to the inception report (DLV1) for the actual selection process of the peer EU Member States.

### 2.1 Approach

#### Approach for gathering insights on good practices and lessons learned

In order to inform the identification process of relevant good practices, examples and lessons learned around the application of the DNSH principle by other peer Member States so far, the project team has carried out the following review activities and steps.

- **[Step 1] Desk review:** the project team carried out a **horizon-scanning analysis** of relevant existing EU documents and guidance on and around the implementation of DNSH (such as the “*Technical guidance on the application of the DNSH principle under the RRF Regulation*”<sup>1</sup>) in order to develop a list of guiding principles and “potential” challenges already identified by the Commission in their application guidance.
  - The desk review has provided insights into relevant determination and refinement of the **selection criteria** within the consolidated selection criteria matrix (see section 3.2).
- **[Step 2] Learning from diagnostic analysis (DLV2):** through the technical consultations and interviews carried out by the project team as part of the inception phase and diagnostic analysis (DLV2) on the implementation of DNSH in Czechia, the team obtained useful insights and an improved understanding of the main challenges faced by the different Czech authorities.
  - Inputs from the work under DLV2 has supported the **priority setting of the key DNSH challenges**, based on the Czech experience, for the analysis of (similar) challenges, good practices and examples of peer Member States, complementing the analysis of Step 1.
- **[Step 3] Experience of working with other EU Member States on DNSH implementation:** Trinomics carries out various other technical support projects for DG REFORM in other EU Member States around the DNSH guidance development specifically (i.e., Finland) or with DNSH support being within the scope of particular deliverables or tasks as part of RRF implementation and monitoring support activities (i.e., Spain, Slovakia, Belgium). Through these other TSI projects, the project team has a **good understanding of (similar) challenges in other EU Member States** compared to those challenges being encountered by the Czech authorities.
  - Due to Trinomics’ previous and ongoing experience around supporting other EU Member States on their journey to understand and unpack the DNSH principle, the project team was able to

<sup>1</sup> C(2021) 1054, Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation [https://ec.europa.eu/info/sites/default/files/c2021\\_1054\\_en.pdf](https://ec.europa.eu/info/sites/default/files/c2021_1054_en.pdf)

bring **relevant examples and experiences** to the selection criteria matrix and “match” (national) examples with the DNSH challenges identified under Steps 1 and 2 above.

**[Step 4] Consultation with EC services:** the project team has liaised with various parts of the Commission services (i.e., DG REFORM, DG CLIMA, DG ENV, DG REGIO, DG ECFIN, SG-RECOVER, JRC) to understand whether certain best practices, lessons learned and examples within EU Member States are known to or have been observed by the Commission already in a more anecdotal or ad hoc way. The project team has consulted the Commissions services through:

- A **questionnaire** circulated among all EC services mentioned above with technical (clarification) questions around the application of DNSH (as well as climate proofing, as an input to the DLV2 work), together with practices and examples observed within EU Member States;
- A **plenary meeting** with the above-mentioned Commission services, convened by DG REFORM on November 10<sup>th</sup> 2022, in order to discuss key challenges around DNSH implementation and (emerging) good practices at MS level from the EC’s perspective;
- As a follow-up to the plenary meeting, various **dedicated technical knowledge sharing meetings** (online, hybrid or physically in Brussels) have taken place with DG REGIO, SG-RECOVER, and the EU Taxonomy team within the JRC in particular, starting in late November 2022 throughout into the first half of January 2023.

The above steps have supported the project team to identify the **key DNSH challenges** observed in general terms, and in Czechia in particular, and “match” them with similar challenges in other EU Member States and how they have addressed the challenge (so far) by sharing **their (practical) experience and examples**, as an input to the consolidated selection criteria matrix (see section 3.2).

The approach taken for the analysis of the examples and lessons learned from other peer EU Member States, as well as the organisation of the three (3) online webinars, are described in more detail in Chapters 4 and 5 respectively of this DLV3 report.

## 2.2 Consolidated selection criteria matrix

The inception report of this TSI project (DLV1) contained a preliminary selection criteria matrix, which in turn was based on the team’s suggestion for a scoring-type of matrix, in order to give a framework for how DNSH challenges and good practices and lessons learned (i.e., “focus cases”) would be analysed and brought forward to the peer learning exchange webinars. The selection criteria matrix has been further refined after the desk review and consultation activities with the EC services and Czech authorities, as presented below. The project team has, in this process and to the extent possible, focused on Member States with similar policy and governance context as Czechia, to ensure usability of the lessons learned within the Czech context.

The main changes of refinement should (better) reflect the key DNSH challenges identified within Czechia, which were selected for the analysis and serve as central themes for each of the webinars, as agreed between the project team and Management Committee (MC) on December 15<sup>th</sup> 2022. The key challenges identified around DNSH implementation identified center around:

- **Governance processes & practices** around the implementation of the DNSH principle;
- Implementing (and monitoring) the application of DNSH - **simplified and detailed assessments**;

- Application of the DNSH principle to **research and development (R&D) and green innovation projects**.

**Table 1 Consolidated selection criteria matrix for the analysis of lessons learnt**

	Elements and challenges for learning exchange with peer Member States	Rationale for selecting Member States	Amendments based on Steps 1 and 2
C1	<p>Implementation of the DNSH principle in projects developed by private actors in a similar economic context and in a similar governance setting</p> <p><b>Challenge:</b> Governance processes &amp; practices</p>	<p>The Member State benefits from the Just Transition Fund and/or develops guidelines for the DNSH principle in a decentralised manner (i.e., involving equally several administrations).</p>	<p><b>Merged</b> the criteria around <b>similar economic context</b> with the criteria around a <b>similar governance setting</b></p>
C2	<p>Implementation of the DNSH principle in transitioning sectors that are at a similar stage of maturity as in Czechia</p> <p><b>Challenge:</b> Implementing the application of DNSH - simplified and detailed assessments</p>	<p>The Member State applies the DNSH principle to operations and projects in cyber-security, R&amp;D, competitiveness, health and social issues.</p>	<p>Transitioning sectors should mainly focus on sectors that require a <b>simplified assessment</b></p>
C3	<p>Implementation of the DNSH principle in key sectors identified in the RRP and that are most likely to represent a risk of significant harm at the implementation level</p> <p><b>Challenge:</b> Application of the DNSH principle to R&amp;D and green innovation projects</p>	<p>The assessment of the Member State's RRP identified risks in the protection of nature and adaptation to climate change in the sector of water infrastructure, the sustainable use of bioenergy, the support to zero- or low-emission vehicles, and the reuse or recycling of construction waste; or Step 1 revealed a methodology for building specific alternative DNSH processes and/or criteria</p>	<p><b>Challenging sectors</b> should be targeted (biomass-related projects and waste in criteria), and alternative criteria and/or processes should be discussed</p>

*Note: the analysis of lessons learned encompasses both good and bad practices, and challenges faced.*

While the project team initially proposed to develop a scoring-type matrix that will assess the DNSH implementation developments around each of the above criteria and DNSH challenges, this turned out quite difficult due to the rather limited (or non-existing) publicly available documentation on the practices, examples and lessons from EU Member States around DNSH implementation. Therefore, the project team had to mainly rely on the good practices observed by Trinomics in TSI work through which it provides support around DNSH implementation and monitoring, combined with suggestions from the Commission's services through the rounds of technical consultations.

## 2.3 Selection of DNSH practices and peer EU Member States

Based on the updated selection criteria matrix, the project team has gathered examples from other EU Member States against each of the criteria and challenges identified, mostly from Member States that are being supported by Trinomics under other SRSS/TSI funded projects by DG REFORM. The

recommendations made by the project team to the project’s MC, as part of the scoping work for this deliverable, are listed in Table 2.

**Table 2 Suggestions for the selection of EU Member States for the peer learning exchange webinars**

	DNSH challenge for peer learning exchange	Focus cases identified during the desk-based research
W1	Governance processes & practices around the implementation of the DNSH principle	<p><b>Belgium:</b> set-up a dedicated DNSH helpdesk support service centrally located within the federal government, supporting the different line ministries and providing advice to programme managers on DNSH guidance, templates and questionnaires.</p> <p><b>Spain:</b> set-up a dedicated DNSH Division within the Ministry of Ecological Transition and Demographic Change, supporting the different line ministries and providing advice to programme managers on DNSH guidance, templates and questionnaires.</p>
W2	Implementing (and monitoring) the application of DNSH - simplified and detailed assessments	<p><b>Slovakia:</b> has a rather granular and detailed approach to conducting DNSH assessments for the buildings sector within the country, with specific (ongoing) support under the TSI to develop sector-specific DNSH guidelines.</p> <p><b>Finland:</b> has recently adopted a “priority order law” for which a (simplified) DNSH assessment is requested in order to have priority within the environment permitting process for (large) infrastructure projects, either under the RRF envelope or funded by national funds.</p>
W3	Application of the DNSH principle to R&D and green innovation projects	<p><b>Finland:</b> the Finnish Climate Fund has developed an alternative approach for applying the DNSH principle through their fund by embedding DNSH as part of their investment decision-making process. Next to that, Finland’s envelope under the RRF has been mainly spent on R&amp;D and green innovation projects, which brings in relevant experience from the RRF perspective in particular.</p> <p><b>Austria:</b> is among the pioneers in developing an integrated approach and methodology for green budgeting &amp; tagging, and conducting the DNSH assessment. Various other Member States are considering similar next steps which could potentially help mainstreaming the application of DNSH within (national) public finance.</p>

Following the approval of the MC regarding the peer Member States (i.e., Austria, Belgium, Finland, Slovakia, and Spain) to be invited for the peer learning exchange with the Czech authorities, the project team has ‘formally’ reached out to each of the Member States together with a reference letter from DG REFORM, for encouraging the selected Member States to participate within the peer learning webinars.

After the formal introductions to the different Member State officials, the project team has followed up with each of them individually to introduce the wider objectives of the peer learning exchange - highlighting that the learnings and webinars aim to be there for the wider DNSH community in Europe, beyond the (direct) Czech authorities and beneficiary of this TSI project. More importantly, these bilateral interviews have been used to validate and refine the “focus cases” for each of the webinars and confirm the Member State’s interest and availability to attend (some of) the webinars scheduled in January and February 2023.

## 3 Analysis of good practices and lessons learned

This chapter provides an overview of the challenges related to the application of the DNSH principle in terms of governance, detailed and simplified assessments, and R&D and green innovation projects. For each challenge, we are first presenting a review of the issues raised during the technical consultations and the desk research. It then introduces the “focus cases” presented by the peer EU Member States and their relevance, before turning to insightful practices to overcome the challenges, as identified during the interviews and desk research. Finally, and based on clear enablers and barriers, this allows for an analysis of the replicability of the focus cases and practices to Czechia.

### 3.1 Governance processes of the application of the DNSH principle

#### 3.1.1 Context of the challenge

Setting up efficient and clear governance systems to implement the DNSH principle emerged as a critical challenge during the technical consultation meetings with Czech stakeholders. Member States face difficulties in establishing these processes, and in particular to:

- **Identify a central authority** (e.g., ministry or agency) mandated to establish rules and processes for DNSH assessments (including guidelines and data sets) and to train managing authorities;
- **On the one hand, to strike a balance between a sole governance process consistent across all programmes, sectors and investments, while on the other hand, to maintain flexibility** to involve sectoral expertise and specialised authorities during DNSH assessments;
- **Avoid heavy processes for all authorities, while ensuring a sufficient and granular knowledge across all authorities**, in order to develop accurate assessments and support.

While it entails challenges, the construction of efficient and clear governance systems allows to:

- **Minimise the administrative burden.** The governance system and processes must provide relevant (e.g., understandable by non-experts) and sufficient (e.g., sectoral) support to managing authorities and applicants, while acknowledging their limited resources;
- **Ensure the consistency of DNSH assessments across authorities.** The governance system and processes should ensure an even level of environmental integrity across authorities, sectors, and jurisdictions (in the case of regional implementation). It must also provide information and requirements that applicants may use for all programmes (disregarding the managing authority, and to a certain extent, the fund).

This webinar topic thus aimed at addressing the repartition of roles in and across authorities, the consistency and flexibility of governance processes, the management of data, and capacity building.

#### 3.1.2 Presentation of the focus cases for the webinar

The governance system and **capacity building by the DNSH Division** for implementing the Spanish RRP and the **DNSH helpdesk** in Belgium were selected as focus cases. They both provide good practices regarding the challenges raised above, while exemplifying the benefits of minimised administrative burden and consistency of DNSH assessments.



### Governance system and capacity building for the RRP (Spain)

Spain has developed a centralized system for implementing and monitoring its RRP. The General Directorate for the Recovery and Resilience Plan in the Ministry of Finance is responsible for the coordination of the RRP implementation, and the National Audit Office stands as the central control authority. In addition, the Division for Monitoring the Application of Environmental Legislation (or “DNSH Division” thereof) is nested in the Ministry for Ecological Transition and the Demographic Challenge and ensures the centralization of the DNSH application. Importantly, the DNSH Division does not have a legal mandate, but rather acts as a “central expertise hub”<sup>2</sup> -exclusively for the RRF- that:

- **Assists the different line Ministries to comply with the DNSH principle when designing (new) programme calls.** This is done by coordinating relevant Ministries and teams on specific topics, and by reviewing legal texts to be validated by the Council of Ministers;
- **Trains civil servants from public administrations** that are involved in the implementation of the RRP (including regional and local entities) through seminars and focus groups;
- **Develops materials for systematic DNSH assessments across all sectors, types of instruments, and jurisdictions** (including a guide validated by the Commission, a self-assessment questionnaire, and a data repository for conducting climate proofing).

This centralized functioning ensures the consistency of the DNSH reviews of measures conducted since April 2021. Notably, while the reviews conducted by the DNSH division are not legally binding for the Ministries in charge of the measures, the DNSH Division observes that they have been gradually included by Ministries in the final legal texts. This suggests that the DNSH Division has the technical capacity to address the review of RRP measures, and that it holds the expertise to streamline and standardize practices across all sectors and instruments. The relevance of this work is further confirmed by Ministries that benefit from it, and which highlight that the DNSH Division’s expertise is a key element to ensure that measures are abiding by European guidelines.

Trainings also emerged as a beneficial tool for the strong implementation of the DNSH principle under the RRP. First, they allow to centralise the (rather technical) questions from implementing authorities throughout local, regional, and national jurisdictions, and thus to strengthen the communication materials provided by the DNSH Division. Furthermore, the organization of trainings by a sole entity ensures that consistent answers and guidance are provided, which fosters a harmonized level of environmental integrity in Spain.

### Creation of expertise center and helpdesk for the DNSH principle (Belgium)

Acknowledging the relatively “new concept” of the DNSH principle and the subsequent conceptual challenges for Belgian federal authorities<sup>3</sup>, and given the decision to apply the DNSH principle to federal funding for the Belgian RRP, a DNSH Helpdesk was launched by the Secretary of State for Recovery and Strategic Investments in September 2022. The DNSH Helpdesk consists of a team of varied profiles (4 experts, 1 coordinator, 1 secretary) and is located under the Federal Public Service Health, Food Chain Safety and Environment. It focuses on the application of the DNSH principle under the RRF.

In addition to its central supporting position, the DNSH Helpdesk is strongly nested within the Belgian governance structure and represents federal entities in the inter-federal network for DNSH (see section **Chyba! Nenalezen zdroj odkazů.**). The DNSH Helpdesk offers:

<sup>2</sup> Order TED/1374/2021

<sup>3</sup> Note to the Council of Ministers, March 2022



- **Assistance to public federal authorities** (e.g., analysis of measures' compliance with the DNSH principle) and to project applicants/developers (e.g., ad hoc information throughout projects);
- **The provision of trainings** to funding authorities and project developers;
- **Materials to support authorities and project developers** (guides, templates for assessments, templates for DNSH-aligned public procurements, technical guidance for self-assessments);
- **Communication** to all public, private, federal, and regional stakeholders about good practices.

The central position and functioning of the DNSH Helpdesk across public and private stakeholders, and across federal and regional entities appears as a key strength. The DNSH Helpdesk team highlights that **external communication** to these stakeholders proved particularly successful. In practice, external communication is conducted regularly - from the appraisal of projects, which avoids large application revisions later on - and in a pro-active manner - with outreach to funding authorities to offer support from the DNSH Helpdesk's team. The effectiveness of external communication is also championed by the variety of types of support (e.g., videos, templates, guides). Variety of formats indeed allows to reach more diverse audiences and ensures that information can be found by users permanently (permanent videos vs. ad hoc trainings). Importantly, the DNSH Helpdesk aims to build capacity beyond the implementation of the DNSH principle under the RRF; the team underlines that the DNSH principle is comprehensive, such that it should be understood beyond the specific modalities of the RRF and beyond the climate-related environmental objectives (only). This intense and varied support requires that the DNSH Helpdesk is allocated large resources; the team highlights that such resources are a **pre-requisite** to the development of materials and to the coordination of authorities and project developers.

In addition to these focus cases, two relevant practices providing an illustration of example solutions to face governance challenges were identified during interviews and desk research. Their functioning and relevance are presented in Box 1.

#### Box 1 Illustrative governance practices

##### Decentralised governance towards the development of sectoral methodologies (Slovakia)

Slovakia did not set up a centralised governance structure. However, the Office of Government acknowledges the risks associated with an application of inconsistent methodologies across the RRF measures. The approach chosen thus consists of using the existing expertise sitting within Ministries to develop sectoral methodologies and to use their lessons learnt. For instance, the methodology for the construction sector -which benefitted from a TSI project and is the most advanced sectoral methodology- spilled over to other sectors. This approach appears to be a pragmatic solution in the absence of sufficient political backing and when there is a difficulty to identify a central authority. It also offers a high degree of flexibility to address sectoral specificities of DNSH processes and assessments, although this also leads to a need for additional efforts to ensure the consistency of sectoral methodologies. It limits the administrative burden for authorities, as they must mainly focus on their core sectors, which also ensures the easy identification of the expert Ministries when granular knowledge is needed.

##### Inter-federal DNSH network (Belgium)

Belgium has set up a governance structure that reflects the involvement of regional and federal authorities in the application of the DNSH principle for the RRF. An inter-federal network gathers the representatives of authorities implementing the RRF. It is headed by the Federal Bureau for Planning, which was allocated

dedicated resources to act as secretariat (thus managing the challenge related to the identification of a central authority). This practice appears to strike a balance between the needs for coordination and flexibility to factor in other authorities' experience. The network supports the alignment of methodologies across all Belgian jurisdictions. It further ensures the consistent interpretation of European documents and peer EU Member States' practices, and the coordination of research efforts on the DNSH principle, without hindering the possibility for more granular discussions and methodologies.

### 3.1.3 Replicability to the Czech context

In order to evaluate the **replicability** of the abovementioned practices to Czechia, Table 3 synthesizes the **enablers** and **barriers** to the establishment and success of the practices. Here, enablers are defined as factors that allow the establishment and effectiveness of the practices. In contrast, barriers are defined as factors that hinder the establishment and effectiveness of the practices.

Table 3 Enablers and barriers to the governance practices reviewed

	Governance system and capacity building for RRP (ES)	Expertise centre and helpdesk for DNSH (BE)	Decentralised governance for sectoral methodologies (SK)	Inter-federal DNSH network (BE)
Enablers	E1 Clear mandate E2 Dedicated budget E3 Validation by the EC E4 Large team	E1 Clear mandate E2 Dedicated budget E5 Technical support E7 Varied team	E6 Use of existing expertise E5 Technical support E8 Sectoral guidelines	E1 Clear mandate E2 Dedicated budget E7 Varied team
Barriers	None identified	None identified	B1 Absence of political support B2 Absence of clear mandates B3 Extremely small team	B4 Potential overlap of entities' mandates <sup>4</sup>

#### Replicability of a dedicated DNSH team (based on the Belgian and Spanish model)

In Czechia, the implementation of the **framework environmental guidelines** is coordinated by the Ministry of Industry and Trade (for the RRF) and by the Ministry of Regional Development (for the Cohesion Policy fund). The absence of a team fully dedicated to the coordination and capacity building for the application of the DNSH principle hinders the impact of the guidelines [B3].

The creation of a dedicated team with a similar mandate as the Spanish DNSH Division and/or the Belgian federal DNSH Helpdesk would provide **targeted support for the implementation of DNSH guidelines through different Operational Programmes (OP) and funds**. This would require designing a clear mandate, proper resources, and clarification of the repartition of roles with managing authorities (i.e., final responsibility, quality assurance, data collection, etc.). A Czech DNSH Division or DNSH Helpdesk should be provided with the resources and capacity to roll-out and implement the Czech national DNSH guidelines, similar to the Spanish and Belgian guidance documents.

- This replication of practices could notably be enabled by the grouping of individuals who currently work under Operational Programmes and Ministries, and which hold a strong knowledge of project developers and environmental protection frameworks [E6, E7]. The group could function as a DNSH division. Such a recommendation may be explored in the context of DLV5 in the present TSI project [E5].

<sup>4</sup> Cf. the helpdesk's mandate to coordinate and ensure alignment, and the Federal Planning Bureau's secretariat mandate.

In addition to the barriers identified in Table 3, the replicability is partly limited by the fact that the DNSH Division exclusively focuses on the DNSH principle under the RRF, while Czechia governs the implementation of the RRF and of the Cohesion Policy funds separately.

The replicability of illustrative examples is provided in Box 2.

#### Box 2 Replicability of the illustrative governance practices

##### Replicability of decentralised governance towards the development of sectoral methodologies (based on the Slovak model)

Because sector-agnostic framework environmental guidelines are in place in Czechia, the Slovak model does not appear replicable [E8]. The framework guidelines provide a clear guidance on the alignment of DNSH processes and assessments across all sectors, thus making sectoral methodologies redundant. Furthermore, Czechia identified a central authority to develop the guidelines (i.e., the Ministry of Environment), but the coordination of the RRF and CPR implementation lies with the Ministry of Industry and Trade and the Ministry of Regional Development respectively. The decentralised Slovak model thus does not appear replicable to Czechia.

##### Replicability of an inter-federal DNSH network (based on the Belgian model)

Due to the centralised application of the DNSH principle, the inter-federal DNSH network does not appear easily replicable. The relevance of the network indeed appears limited because regional or local stakeholders are not involved in the Czech DNSH processes. However, the Belgian model could be replicated by focusing on a topical -rather than jurisdictional- network [E7]. A network of authorities, academics, and relevant institutions (e.g., Hydrometeorological Institute or Czech Academy of Sciences) could be institutionalised [E1] to ensure regular exchanges on data repositories for the application of the DNSH principle (these are currently decentralised), and on the state of research on challenging sectors and environmental integrity - this could be built on the model of current practices in Czechia for the application of CP. This would allow to address these topics -which have been highlighted as challenges during consultations- in a central, yet flexible manner. Similar to other practices, the replication of the inter-federal DNSH network could be hindered by the lack of resources for both participants and a secretariat [E2].

## 3.2 Implementation of simplified and detailed DNSH assessments

### 3.2.1 Context of the challenge

The second webinar focused on the experiences and lessons learned from conducting both simplified and detailed DNSH assessments. More specifically, discussions centered on the following issues:

- **Development of efficient ex-ante screening methodologies**, considering differences of DNSH guidelines across different EU Funds, and noting that a portion of risks of significant harm pertains to the operational phase of projects;
- **Definition of the concept “significant harm” and of “sufficient” DNSH assessments**, while ensuring that environmental integrity is not breached (for instance, the Finnish Climate Fund suggests that this could be done through the design of benchmarks or of an accreditation of external advisors);
- **Strike for a balance between standardization and sector-relevant questions**, acknowledging the importance of program and project typology in determining which DNSH assessment type is most appropriate.

Additionally, the webinar provided an opportunity to explore how **(national) legal frameworks** could be used to clarify, transform and/or simplify DNSH assessments, as well as to explore concerns related to later phases of the DNSH evaluation process that are still in the works, particularly the monitorization phase.

### 3.2.2 Presentation of the focus cases

The second webinar focused on **Slovakia** and **Finland** as case studies, selected based on their identified good practices and differences in implementation methodologies. Finland implemented a more centralized approach to DNSH by incorporating the DNSH principle into their national legislative framework. In contrast, Slovakia chose a more decentralized approach that facilitated the development of a detailed process for DNSH assessment for buildings covered by the RRF. By presenting and comparing these focus cases, it was possible to identify the benefits and drawbacks of centralized versus decentralized approaches to DNSH implementation.

#### Sector approach to DNSH assessments for buildings (Slovakia)

The DNSH governance structure for RRF in Slovakia operates in a decentralized manner. The responsibility for implementing the DNSH principle in RRF falls on the Office of Government (OoG) of Slovakia. To enhance the efficiency of this process, three ministries have been appointed as intermediaries, and an independent technical advisory body has been established. In general, the ministries abide by the OoG's DNSH guidelines for RRF. However, larger ministries have started to devise their own strategies to address specific needs and demands.

The most comprehensive and granular methodology to DNSH application in Slovakia was developed for investments in buildings. This is largely due to the allocation of a significant portion of Slovakia's RRF funds, amounting to 2.7 billion Euro, towards building investments. As building investments are coordinated across various ministries, it is the responsibility of the OoG to oversee the DNSH process for buildings. This methodology includes its **own handbook with guidelines and templates for assessment and financing conditions**. The process adheres to the DNSH guidelines outlined in the RRF Regulation and incorporates green tag conditions that establish verification mechanisms, ensuring consistency with climate mitigation efforts and the minimum safeguards required for the other five European environmental goals. In addition, a checklist has been developed to assist ministries in aligning their open calls with the DNSH principle. According to the Slovak representative, this checklist ensures that the criteria for different types of calls involving building investments are relevant.

More specifically, the following conditions were defined to guarantee that building investments are aligned with the DNSH principle:

- 1) Exclusion criteria;
- 2) Technical specifications relevant to the construction sector (e.g., about the quality of the materials used);
- 3) Conditions that require consistency of current (national) legislation;
- 4) Recommendations.

To further support the DNSH assessment, a specific handbook is being developed on **construction waste** to support managing authorities in assuring the **70% minimum recycling threshold** defined EU Taxonomy Climate Delegated Act. Although other types of investments may differ, it is anticipated that

the comprehensive DNSH guidelines developed for buildings will provide valuable insights and serve as a model for creating specific guidelines in other investment areas.

### Priority order law for environmental permitting (Finland)

The DNSH principle was identified as a useful overarching criterion to cover all aspects of environmental integrity during the implementation of Finland's RRF funds. The inter-ministerial working group on financing the green transition in Finland concluded that the (rather long) environmental permitting, particularly for energy-related investments under the RRF, could hinder the fast implementation of (large) infrastructure projects which are needed for scaling up the green transition in Finland. To overcome this obstacle, a national law was developed and adopted by the Finnish parliament, providing priority to (infrastructure) projects in the environmental permitting process which have gone through a DNSH assessment. The DNSH principle is therefore used as a "tool" for determining which projects are eligible for fast-track handling of the environmental permit, as long as the projects fall within the sectoral scope and conditions of the priority order law. The priority-order process applies to projects funded by any fund. Within the DNSH assessment process, no quantitative criteria are used (e.g., LCAs), although these could be used to justify good performance. It is important to note that the DNSH assessment as part of the priority law does not impact the environmental permit itself or the permitting review process; it only ensures that eligible projects go through the permitting process within 12 months.

Implementing this process requires major capability improvements from the Regional State Administrative Agencies, assigned as the implementing authorities for this fast-track permitting process. Officials have been trained and receive support through a parallel TSI project on the development of national DNSH guidelines in Finland, to enhance and increase the capabilities of the relevant permitting authorities. By implementing these changes, it is expected that the permitting process will be more streamlined and will enable the deployment of green transition investments to move forward more efficiently.

Finland's representative noted that this system requires a strong inter-ministerial cooperation, and strong technical capabilities from line ministries since they are conducting impact assessments that fall under their sectors.

In addition to these focus cases, a relevant practice providing an illustration of example solution to face implementation challenges was identified during the panel discussion of Webinar 2. Its functioning and relevance is presented in Box 3.

#### Box 3 Illustrative implementation practice

##### Large companies responsible for ex-ante assessment (based on the Spanish model)

Each ministry in Spain bears the responsibility for establishing and managing DNSH ex-ante assessments under the RRF. However, larger company beneficiaries may be tasked with conducting these assessments themselves, along with a requirement for third-party validation or certification. By doing so, Spain can allocate its resources to other requests and ensures that project-specific assessments are of high quality and relevance. This approach is self-evident to Spain as DNSH is a long-term consideration, and companies will inevitably need to incorporate DNSH into their procedures. Belgium also acknowledged the potential of such an approach.

### 3.2.3 Replicability to the Czech context

Table 4 synthesizes the enablers and barriers to the establishment and success of the practices to assess their replicability to Czechia. Here, enablers are defined as factors that allow the establishment and effectiveness of the practices. In contrast, barriers are defined as factors that hinder the establishment and effectiveness of the practices.

**Table 4 Enablers and barriers to the implementation practices reviewed**

	DNSH building granular approach (SK)	Priority order law for environmental permitting (FI)	Large companies responsible for ex-ante assessment (ES)
Enablers	E1 Decentralized DNSH Governance E2 Technical support	E4 Legislative framework E5 Political support E6 Technical support	E7 Defined criteria for company-level assessment E8 Third-party validation
Barriers	B1 Limitations in replicability to other sectors	B2 Insufficient technical capabilities B3 Limited inter-ministerial cooperation	B4 Limited to large size companies

#### Replicability of DNSH application with a granular sectorial approach (based on the Slovak model)

Czechia and Slovakia share a similar decentralized government structure [E1], with responsibility for implementing the DNSH resting with each program owner, corresponding to their respective ministry. However, they differ in their approaches. Slovakia has opted for a decentralized DNSH process, which has resulted in **sector-specific guidelines**, whereas Czechia has focused on developing **sector-agnostic framework guidelines**. While complete decentralization of the DNSH process may hinder standardization and create inconsistencies among methodologies, the development of sector-specific guidelines could help ministries assess DNSH projects more effectively. This could be particularly valuable for building sector investments, which requires coordination across multiple ministries/departments. One potential solution to these issues could be to centralize the development and governance of guidelines for the building sector in the Ministry of Environment, which has already produced a comprehensive document outlining the DNSH principle, CP application process, and requirements for funded sectors, including construction/renovation of buildings. To ensure success, it would be important to align sector-specific guidance with the existing national sector-agnostic guidelines, which could help address concerns about inconsistency [B1].

#### Replicability of the Priority order law for environmental permitting (based on the Finnish model)

It is unlikely that developing a priority order law for environmental permitting in Czechia can be replicated easily in the short term. Firstly, there is no existing legislative framework to support such action [E4], and secondly, it may not be easy to gain political support for such an initiative [E5]. While technical capabilities could be improved [E6] [B3], there is no political mandate to set up an inter-ministerial cooperation for a system similar to the priority order law [B3], although this would be crucial for the successful implementation of such methodology.

The replicability of the illustrative example is provided in Box 4.

#### Box 4 Replicability of the illustrative implementation practice

##### Replicability of the transfer of ex-ante assessment responsibility to larger companies (based on the Spanish model)

Czechia could benefit from Spain's approach, as it is complementary to established methodologies and can be relatively easy to integrate into national guidelines and ministerial procedures. Implementing this approach could mitigate the administrative burden for the DNSH division and line Ministries, especially for larger projects [B4]. To implement this approach, it is important to establish specific criteria for when a company can assume responsibility for an ex-ante DNSH assessment [E7]. These criteria should be actionable and evident in the DNSH decision tree. However, one challenge for implementing this process could be the selection and accreditation of third-party validators [E8]. If this process is time-consuming, the verification process can be transferred to the ministry to ensure that the verification process adheres to the same standards as other projects.

### 3.3 Application of DNSH principle to R&D and green innovation projects

#### 3.3.1 Context of the challenge

Assessing DNSH in R&D and green innovation projects was found to be a particularly challenging task for Czech authorities, given that many initiatives are unlikely to have substantial adverse environmental impacts due to the nature of the activity or project (e.g., research & development), or have unknown potential environmental impacts (e.g., green innovation, pilot projects) at the point of assessment. As a solution, the third and final webinar aimed to share Member States' experiences and approaches on this matter and to deliberate on potential resolutions for the following specific challenges:

- **Developing alternative criteria** for assessing projects that are not covered by existing DNSH guidance and/or by the EU Taxonomy Delegated Acts;
- **Striking a balance between standardisation and consideration of projects' specificities;**
- **Developing additional policies and methodologies to classify and measure investments in innovative green technologies.**

The webinar focused on green budgeting as a methodology that can potentially aid in the DNSH assessment of projects that lack technical guidance or screening criteria.

#### 3.3.2 Presentation of the focus cases

As part of the webinar, **Finland** and **Austria** were invited to share relevant methodologies and alternative approaches that can assist Czechia and other Member States in addressing the challenges discussed. The **Finnish Climate Fund** presented their methodological approach for assessing DNSH of activities and investment projects using alternative processes, while **Austria** presented their early experiences around using green budgeting to facilitate DNSH assessments.

##### DNSH assessment approach for green innovative technologies (Finland)

The Finnish Climate Fund is a state-owned company that invests in the scaling up of climate solutions with significant emissions reduction potential. Operational since 2020, the fund has made 19 investment decisions, and its typical ticket size ranges from 4 to 40 million euros - higher values are also possible. The fund follows a specific set of 3 preconditions for investment proposals, one of them being the alignment with the DNSH principle, using either existing DNSH assessments or the EU taxonomy's Delegated Acts as a starting point for the assessment. After passing the preconditions, the final selection of investment targets is based on impact such as overall emissions reduction potential.



The process of alignment with DNSH involves an initial analysis by the applicant, supported by the Finnish Climate Fund. This support has proven to be particularly relevant given the novelty of DNSH and the size of the companies (usually SMEs or startups). Afterwards, the verification process is conducted with the assistance of external technical experts. If the appraisal reveals data gaps or contradictions, further steps and reporting requirements are implemented to rectify them. Currently, the fund uses criteria from the EU Taxonomy Delegated Act and DNSH guidelines made by the Finnish Environment Institute (SYKE) for assessing the DNSH principle.

### Green budgeting (Austria)

Austria uses green budgeting as a holistic methodology to identify and invest in green activities. The process is led by the Ministry of Finance and involves reviewing all 38,000 budget lines, integrating environmental considerations into the budget formulation and decision-making process.

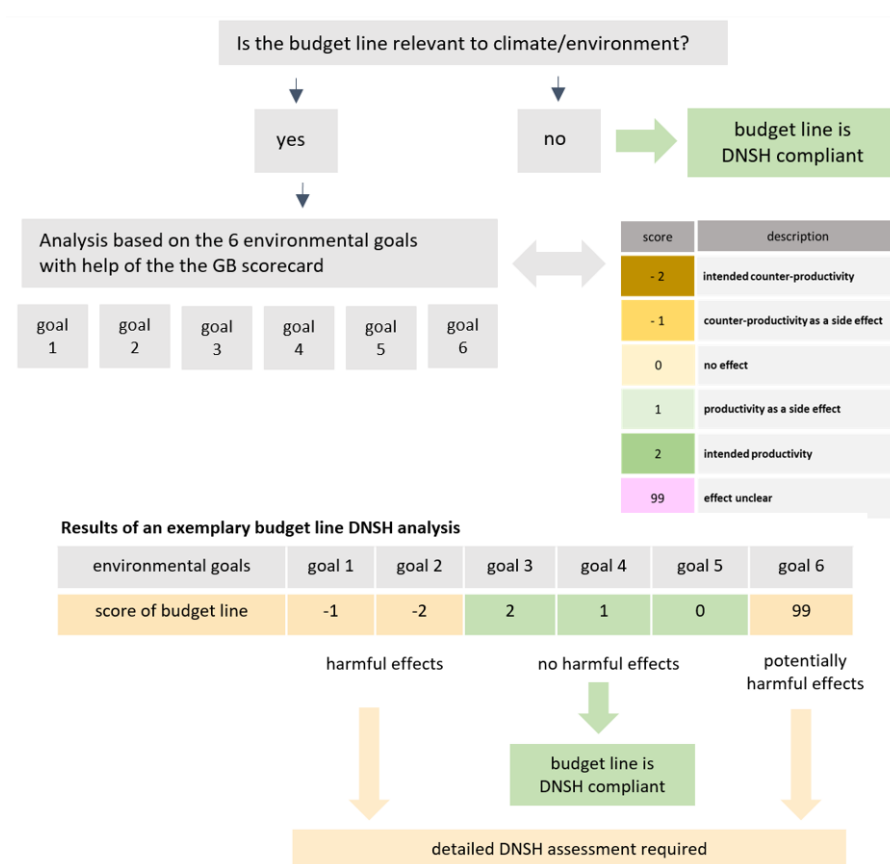
The Ministry now intends to extend this approach to regional budgeting and to interlink green budgeting with the DNSH principle, since conceptually, green budgeting can be used to estimate DNSH compliance. To achieve this, the Ministry's approach involves two steps. First, if a budget line is relevant for climate and environment, it is considered DNSH compliant. Second, if a budget line is not considered relevant, the green budgeting methodology is employed to evaluate compliance with each of the six environmental objectives. A score is assigned to the budget line for each objective. If the scores indicate "intended counter-productivity", "counter-productivity as a side effect", or "effect unclear," an additional DNSH assessment is necessary. However, if the scores indicate "no effect," "productivity as a side effect," or "intended productivity," the budget line is considered compliant with DNSH principles. This process is depicted in Figure 1.

Even though the process is still in its early stages, the Ministry has already identified institutional and methodological challenges that such a process will entail. Institutional challenges involve convincing all the line Ministries and departments of the relevance of green budgeting. Methodological challenges include balancing granularity and usability, recognizing modified scores, acknowledging rebound effects, and ensuring the solidity of the scoring through a quality assurance process.

In addition to these focus cases, two relevant practices providing an illustration of example solutions to face challenges for R&D and green innovative projects were identified during the panel discussion of Webinar 3. Their functioning and relevance are presented in Box 5.



**Figure 1 Process for estimating DNSH compliance based on green budgeting (source: Austrian Ministry of Finance)**



#### Box 5 Illustrative practices for R&D and green innovative investments

##### Enhanced coordination between stakeholders (based on the Finnish model)

The Finnish Ministry of Economic Affairs emphasizes the importance of cooperation in ensuring the quality assurance of DNSH assessments and projects, particularly with regard to R&D projects. The Ministry funds green energy infrastructure and all 38 projects so far have gone through and validated a DNSH assessment. The Ministry holds regular discussions with local authorities and applicants, using guidelines developed by the Finnish Environment Institute as well as European guidelines. Trainings have also been provided to applicants to ensure their understanding of DNSH. When it comes to sub-components that may require additional DNSH analysis, the Ministry conducts analyses similar to any other project, with riskier aspects being assessed more in-depth. Moreover, exchanges with local authorities in charge of environmental permitting is a useful tool when there are uncertainties about potential impacts. This practice provides an example of a solution to strike a balance between standardization and the consideration of projects' specificities.

##### Use of broader data sources for categorisation (based on the Spanish model)

The Spanish government has established a dedicated process to address situations where no DNSH technical screening criteria exist. This process involves collaborating with technical experts to identify the primary impact of activities across their entire life cycle, estimate these impacts, and draw conclusions based on them. If deemed significant, the beneficiaries must provide a compliance statement with specific reporting criteria.

This practice provides qualitative criteria and information, thus facing the challenge of developing alternative criteria and methodologies to classify innovative investments.

### 3.3.3 Replicability to the Czech context

In order to evaluate the replicability of the abovementioned practices to Czechia, Table 5 synthesizes the enablers and barriers to the establishment and success of the practices. Here, enablers are defined as factors that allow the establishment and effectiveness of the practices. In contrast, barriers are defined as factors that hinder the establishment and effectiveness of the practices.

**Table 5 Enablers and barriers to the practices for R&D and green innovation reviewed**

	DNSH process for innovative investments (FI)	Green budgeting (AT)	Enhanced coordination between stakeholders (FI)	Use of broader data sources for categorisation (ES)
Enablers	E1 National guidelines E2 Cooperation with experts E3 Ex-post assurance	E4 Sufficient resources E5 Multiple benefits E6 Gradual approach	E4 Sufficient resources E7 Clear repartition of roles E8 Low volume of projects	E9 Existing budget mapping E10 Existing sectoral strategies E6 Step-wise approach
Barriers	B1 Official definition of integrity B2 Lack of comparison points	B3 Lack of quality assurance B4 Limited political push	B5 Limited institutionalisation	B5 Limited institutionalisation

#### Replicability of a dedicated process for innovative investments (based on the Finnish model)

The construction of a dedicated DNSH process that takes into account the specificities of innovative investments appears replicable, on its principle. The Finnish focus case suggests that three elements are needed for replication: the existence of national guidelines, the strong cooperation with experts, and the existence of ex-post processes for quality assurance. In Czechia, national guidelines have been developed in the course of the fall 2022 and will be complemented by overarching guidelines in the context of this TSI project [E1]. The cooperation with experts also appears to be of relevance in the Czech context as the application of the DNSH principle is ensured by managing authorities that hold topical and sectoral expertise, such as Operational Programmes [E2]. In addition, the fact that barriers [B1] and [B2] are observed in both Finland and Czechia suggests that they do not prevent the establishment of the DNSH process for innovative investments, but that they would rather hinder its success.

In practice, a series of changes are needed to allow for the replication of the practice. Compared to the approach of the Finnish Climate Fund, the involvement of Czech topical and sectoral experts is not institutionalized; there appears to be a division of roles “in silos” across managing authorities. The possibility to rely on experts is thus conditioned on a clearer institutionalization to incentivize coordination between authorities. In addition, an ex-post assessment of projects would need to be set up to confirm (i) the relevance of the criteria and thresholds chosen and (ii) that the project meets the criteria and thresholds. Setting-up this system is not expected to raise technical issues, but to be hindered by the lack of resources.

#### Replicability of green budgeting (based on the Austrian model)

In the short term, the replicability of green budgeting to Czechia is deemed low. While two of the enablers identified ([E4] Sufficient resources and [E5] Multiple benefits) are absent in the Czech context, the remaining barriers to the Austrian green budgeting are both observed in Czechia ([B3] Lack of quality assurance and [B4] Limited political push).

The replication of green budgeting could however be considered in the medium term (i.e., after the full institutionalization of DNSH practices and processes across all Czech Ministries and managing authorities). In the medium term, the appearance of the following enablers can be expected:

- **Sufficient resources [E4]:** The institutionalisation of DNSH practices and processes is expected to support their standardisation and thus their efficiency. Although this may not be sufficient to discharge teams from DNSH-focused work, this is expected to release additional resources;
- **Gradual approach [E6]:** By focusing resources and conceptual work on the application of the DNSH principle in the short term, Czech authorities will be able to rely on a strong system in the future to develop green budgeting (for instance by using the results of DNSH assessments to classify budget lines);
- **Multiple benefits [E5]:** The publication of the European Green Bond Standard (which, in the current proposition, builds on the DNSH principle) and the spreading of climate-relevant prudential exercises will multiply the justifications for setting up a green budgeting method.

The replicability of the illustrative example is provided in **Box 4**.

#### Box 6 Replicability of the illustrative practices for R&D and innovative green investments

##### Replicability of an enhanced coordination between stakeholders (based on the Finnish model)

This practice is considered replicable in the Czech context, provided that it is limited to the most complex investment cases. Unlike Finland, Czech authorities lack resources [E4] and face an important volume of projects [E8]. However, the clear repartition of roles appears to be as critical as the volume of resources, insofar as it allows officials to identify which teams and colleagues may cooperate on the DNSH assessments. The repartition of roles requires institutionalized practices that are complex to put in place, while the increase of resources is practically easy once the political push is provided and can be compensated by the focus on the most complex investment cases. Therefore, the presence of clear roles in Czechia [E7] sets the scene for stronger coordination between Ministries, managing authorities, and the local authorities that deliver permits. Finally, the institutionalization of coordination can be easily implemented (e.g., by describing it in the national guidelines) to remove barrier [B5].

##### Replicability of the use of broader data sources for categorisation (based on the Spanish model)

The use of broader documents (e.g., simplified life-cycle assessments, evaluation of the implementation of SDGs, sectoral roadmaps) to categorise innovative projects appears to be replicable to the Czech context in the medium term. The Spanish example suggests that this practice requires granular data and a strong institutional anchorage. While Czechia can rely on sectoral roadmaps [E10] and on the SGD-based analysis of its budget<sup>5</sup> [E9], it does not have a sufficient institutional push to systematically analyse innovative projects with a broader set of data sources [B5]. The lack of resources described by Czech authorities indicates that the current DNSH assessments methods should not be made more complex or costly. However, these constraints may evolve over time [E6]. The increased efficiency of DNSH assessments (through the institutionalisation of the DNSH principle and the creation of national guidelines) and the increased experience with innovative projects (with examples of simplified life-cycle assessments and of pilot cases based on SDGs and sectoral roadmaps) will largely support the replication of the practice in the medium-term.

<sup>5</sup> This analysis was conducted in 2020. See <https://sustainabledevelopment.un.org/memberstates/czechrepublic>

## 4 Peer-learning exchange webinars

This chapter goes beyond the analysis of specific focus cases proposed in Chapter 3, and provides an overview of the content of the discussions conducted during the webinars. For each webinar, the discussions held are summarized along (i) main points of discussion and takeaways and (ii) key lessons learnt.

### 4.1 Webinar 1: Governance processes for applying the DNSH principle

#### 4.1.1 *Main points of discussion and takeaways from the webinar*

Challenges related to the **recent** development of the DNSH principle, the **lack of consolidated frameworks** (i.e., there is a number of diverse models, templates and approaches), the **lack of expertise** throughout the DNSH application, and the **need for dedicated resources** emerge as key characteristics in all the peer Member States present during the webinar. These characteristics relate to each other and tend to aggravate one another (e.g., the limited size of teams dedicated to the DNSH principle is highlighted as a difficulty to develop consolidated frameworks and to build expertise among all relevant staff). In addition, 3 key points echoing across the peer Member States were discussed around the governance structure and procedures for applying the DNSH principle:

- **The difficulty to find a balance between centralisation and decentralisation.** The former allows for the development of consolidated frameworks and facilitates synergies, while the latter ensures that the application of the DNSH principle is tailored to local or sectoral contexts (especially where there are no or small teams dedicated to the DNSH principle, because the application can only rely on line Ministries or managing authorities);
- **The variety and number of authorities involved.** Governance processes must allow for the capacity building and effectiveness of all managing authorities, which poses issues since they largely differ in terms of sectors and scale;
- **The difficulty to apply in an equally effective manner the DNSH principle across all funds.** Typically, the implementation of the RRF calls for a legal exercise, while the implementation of Cohesion Policy funds calls for a technical knowledge of relevant DNSH criteria. This requires different and potentially diverging attributes in governance systems.

#### 4.1.2 *Key lessons learnt*

A number of lessons learnt were discussed and reflected upon as part of the panel discussion. While they do not systematically address all the challenges around DNSH governance as mentioned above, they have the advantage of applying to diverse contexts:

- **Flexibility is essential.** Objectives and environmental risks may change over time. Specific recommendations in trainings and in governance systems should thus be avoided. Practical support for decision making (e.g., in the shape of decision trees) should rather be provided;
- **Aggregated data and IT tools should be developed.** They should offer up-to-date and scientific information (e.g., from research institutes), and data should be machine readable;
- **Regular communication is needed** between teams dedicated to DNSH and authorities applying the DNSH principle. While intense communication is particularly beneficial during the appraisal stage to build solid criteria and processes that avoid crisis situations, communication should be maintained throughout the steps of DNSH application. Teams dedicated to DNSH should proactively reach out to line Ministries and offer help and basic training;

- **Disseminate information through** (i) **diverse formats** so that more information is available (e.g., videos), (ii) **beyond the RRP and beyond climate** (there should not be cherry picking among environmental objectives) and (iii) **throughout the DNSH application chain** (train auditing teams of the RRP and Financial Inspectors, train teams involved in the development of ESG);
- **Ensure that sufficient resources exist and that the DNSH principle is on the radar of all relevant Ministries and institutions**, for instance by relying on National Secretaries and the Government.

## 4.2 Webinar 2: Implementation of simplified and detailed DNSH assessments

### 4.2.1 Main points of discussion and takeaways from the webinar

Similar to the main takeaways and points discussed during Webinar 1, participants raised points that are particularly related to the learning process within the public authorities around the implementation of the DNSH principle. They highlight challenges and that reflect concrete difficulties to implement a recent concept, and they describe the ambition to gradually integrate the DNSH principle in environmental methodologies:

- **There is a need to strike a balance between a limited administrative burden** (for both managing authorities and project proponents), **and oversimplified DNSH assessments**. In particular, simplified assessments and assessments conducted by small proponents should ensure environmental integrity despite their lower level of detail;
- **The content and process of DNSH assessments should accommodate for flexibility over time**, in order to reflect the lessons learnt through the years. Similarly, they should allow for a margin of interpretation (e.g., acknowledging that alternative projects may take place outside the EU without environmental safeguards);
- **The relevance and feasibility of additional criteria** is considered by certain MSs to **counterbalance the absence of specific DNSH criteria and to recognise local specificities** (e.g., BAT-related criteria, alignment with national strategic documents);
- **The gradual integration of the DNSH principle in national legislation and environmental methodologies is considered** by certain peer Member States. Legislative amendments beyond the sheer translation of European requirements is considered as an option to anchor the DNSH principle into national public funding (e.g., through permitting or green budgeting).

### 4.2.2 Lessons learnt

Five main lessons emerge from the webinar. They cover:

- **The need to adapt to sectors and to the size of projects or type of proponent**. This could involve the removal of criteria that appear disproportionate compared to the risk that the project at hand jeopardises the DNSH principle;
- **The need for clarifications at the European level about DNSH thresholds**. While this should not systematically lead to quantitative thresholds (which correspond to uneven levels of ambition across MSs), this is necessary to ensure that environmental integrity is respected in an equivalent manner across the EU;
- **The need to develop simple and pragmatic guidelines**. Guidelines should be clear, synthetic and pragmatic particularly where their audience consists of proponents, e.g. by offering checklists and imposing the same criteria across all financial instruments;
- **The possibility to use the application of the DNSH principle as a tool to demonstrate a progressive approach** to European funding, and/or a fast advancement in the implementation of national RRP. Several MSs indeed present the fast implementation of their national RRP as a

successful strategic choice, suggesting that the application of the DNSH principle can be a token for innovative and effective environmental protection;

- **The possibility to develop (additional) DNSH criteria specific to calls or projects** to tailor the generic DNSH assessments to particular contexts. This practice can be extended beyond the implementation of Cohesion Policy funds, as a means to strike a balance between flexibility and standardisation.

## 4.3 Webinar 3: Application of the DNSH principle to innovative green technologies

### 4.3.1 Main points of discussion and takeaways from the webinar

Main points of discussion relate to the different steps that authorities go through when applying the DNSH principle to investments in innovative green technologies:

- **At the classification step:** managing authorities tend to first assess the nature and magnitude of the risks that the project jeopardizes the DNSH principle. Based on this assessment, the need for specific criteria can be ascertained, and the criteria developed. This suggests that it remains difficult to automatically identify riskier projects and projects that do not correspond to usual simplified and in-depth assessments;
- **At the step of criteria identification:** by default, managing authorities use of the DNSH TSC from the EU Taxonomy Delegated Acts to conduct in-depth DNSH assessments. Procedures and methodologies to design project-specific DNSH criteria are only launched where project-level criteria are needed and where the DNSH TSC do not exist;
- **At the step of criteria development:** rebound effects, the complexity of the DNSH TSC and the limited capacity of project proponents are the main constraints for managing authorities when developing DNSH criteria. In addition, across peer Member States, the objective of transition towards a circular economy and R&D projects pose most issues for developing project-level criteria.

### 4.3.2 Lessons learnt

As discussed in Section 3.3, peer Member States have developed different methodologies for applying the DNSH principle to investments in innovative green technologies. Yet, they reveal common lessons learnt:

- **It is helpful to standardize the process for identifying projects that might require project-level criteria.** This can be done by developing rules for clustering projects. Standardizing helps to identify projects requiring project-level criteria faster and earlier in the process, and thus supports the division of work across line Ministries and DNSH dedicated teams;
- **Environmental methodologies may be used to support the application of the DNSH principle in complex and innovative projects,** by offering additional and in-depth information. Green budgeting, EIAs and CP are particularly relevant in that regard;
- **Processes should allow for the review and refinement of DNSH criteria during the implementation of the projects.** By definition, innovative projects present unknown risks or risks that are difficult to appraise. Iterative processes ensure that all risks are taken into account, even where they emerge at a late stage. This flexibility also allows managing authorities to fully utilise the results of EIAs;
- **Managing authorities should have the possibility to rely on external technical experts or expert committees** to confirm and deepen preliminary DNSH assessments (cf. “classification step” and “criteria identification step”). Because innovative projects entail unknown risks and niche

technology or processes, specific expertise is needed to appraise them and to develop relevant and ambitious criteria;

- For innovative projects that emerge in clusters, i.e., for projects that present similarities and whose number is expected to rapidly grow (e.g., hydrogen-related investments), managing authorities should consider **developing benchmarks to clarify levels of significant harm and of sufficient assessment**;
- **Gradually building upon existing solutions**, instead of developing multiple solutions at once, is the most efficient. It allows managing authorities to iterate and to effectively implement their processes and methodologies.

## Annex A - Logistics and lessons learnt

This chapter provides information regarding the three peer-learning exchange webinars organised in the context of DLV3. It describes the logistical processes behind the organisation of all webinars as well as providing reflections on the process for organising the webinars and evaluates the outcomes and how the peer-learning webinars can/will inform further stages of the project.

### A.1 Organisation & logistics

For the purpose of the peer-learning exchange among selected Member States a total of three webinars were organised. These took place on 26 January, 2 February, and 16 February<sup>6</sup> 2023. All three webinars were held online, using the Teams webinar platform. The attendance for all webinars was more than satisfactory:

- Webinar 1 noted 132 registered<sup>7</sup> participants. The majority of those were Czech participants (94), followed by representatives of the European Commission (11), Spain (10), Slovakia (7), Belgium (6), Austria (3) and Finland (1).
- Webinar 2 was attended by 102 participants. Out of these the majority were from Czechia (63), followed by Belgium (7), Slovakia and Spain (6 participants each), Finland and EU-level (5 each), Austria (3) and the project team members (7). Out of these, majority of participants observed the webinar (83), with 5 speakers, 5 representatives of the European Commission, 2 representatives and 7 members of the project team.
- Webinar 3 was attended 79 participants. Out of these the majority were from Czechia (44), followed by EU-level (8), Spain (6), Belgium (5), Finland (5) Austria (3) and Slovakia (1). It was also attended by 5 project team members and 2 stakeholders who did not indicate their details. Out of these, majority attended as observers (59), with 5 speakers, 5 representatives of the European Commission, 3 representatives of the Czech Office of Government and 7 members of the project team.

Each webinar was scheduled individually, with separate invites, registration forms and supporting documents. Organisation of each webinar started with a selection of a date, convenient for the project team, DG REFROM, and the beneficiary. Once the date was set, a first set of invitations with a 'save-the-date' and a brief explanation of the purpose of the event was shared with selected stakeholders. The list of invitees included only representatives of public bodies of the selected Member States, Czechia, and European Commission representatives. Following a receipt of an invite, stakeholders were asked to register for the event. This allowed the project team to i) track the number and nature of expected participants, and ii) ask participants for their permission to record the event, and to share and use their contact details in case of any further DNSH-related learning events.

One week in advance participants also received an additional email, with further details on the contents of each specific seminar and relevant supporting documents, namely an agenda and a concept note.

The agenda of each webinar followed the same structure of an online event of 2,5 hours. The first half of the webinar was dedicated to presentations from speakers. Each webinar begun with a brief

<sup>6</sup> Originally, the 3rd webinar was scheduled for 9 February, but was postponed due to unavailability of some key speakers.

<sup>7</sup> The platform did not generate attendee report for the first webinar.



introduction to its purpose, welcoming words by the Czech Office of Government or DG REFORM. The first presentation of the event was always dedicated to ‘setting the scene’, where the Czech context in relation to the topic of each webinar, as observed in the course of the study. The following presentations were delivered by the invited speakers; one speaker presenting the Czech approach to DNSH and potential challenges and two speakers from invited Member States. The second half of the event was reserved for a panel discussion. Each panel was attended by the speakers who presented during the first part of the webinar, as well as (in some cases) some additional speakers from invited Member States. The panel was moderated by a member of the project team. The discussion was formulated around a number of guiding questions, which were shared with speakers and participants ahead of the webinar as part of the background materials. Furthermore, participants were also given the opportunity to raise additional questions that they wished to be answered by the panellists. The meeting ended with a brief summary of its contents by the moderator and closing remarks by the Office of Government or DG REFORM.

## A.2 Process reflection & evaluation

The webinars have generally been considered a success, with high participation (which also lasted throughout the entire length of each event) and well-versed and knowledgeable speakers. Several participants also expressed their appreciation of a well-carried out and professional event.

During and following the organisation of the webinars, the project team regularly reflected on the organisation of the webinars. Already during the course of organising the webinars some lessons learned have been identified and were reflected directly in the organisation of the following webinars, for example:

- **Flexibility** in adapting the length of the presentations and/or the panel discussion to accommodate the specific speakers and/or panellists;
- Developing a list of **additional (shadow) questions** to be raised during the panel discussions, if need be; or
- Members of the project team on stand-by during the panel discussion itself, to develop **ad-hoc additional questions** reflecting on the responses of the panellists.

Following the webinars, a number of lessons learned have been identified, which can be classified in two overarching groups; i) lessons learned that can be applied when planning future events in relation to DNSH, and ii) practical lessons that can be applied to organisation of any online event.

In relation to **potential future DNSH events** the main learning point has been to establish the **objective, aim and wished impact of the event and to clearly communicate it to the audience and speakers**. This can be beneficial to the event in several manners:

- Firstly, it will allow to invite the best-suited speakers for the given objective and desired impact.
- Secondly, once the aim and desired impact of the event is established, the structure of the event can be decided. From experience webinars and/or online events with larger audience are a well-suited medium for presentations and exchanges of experiences, as has been done in the DLV3 webinars. Though, it can also be useful to schedule follow-up smaller scale events among Member States sharing similar challenges, where more specific issues can be discussed in a smaller setting. A smaller setting can also allow for participants to be more open and outspoken than with a large audience present.

- Thirdly, it will be helpful to the participants when disseminating the invite further to best identify additional participants who might benefit from the event.

Secondly, number of **practical lessons learned for organisation of webinars that can be applied to any online events** have also been identified:

- The most overarching lesson learned is to allow for sufficient time for the scheduling and preparing of an event.
- Developing an internal event protocol or plan for event organisation with assigned roles and a timeline helps, to ensure all steps are followed in a timely fashion and nothing is forgotten.
- Selection of date for the event and speakers should happen in parallel, to prevent that key speakers are unavailable on the selected date.
- Once speakers are confirmed and the (draft) agenda has been prepared, it is beneficial to schedule a preparatory meeting with the speakers (and/or panellists). This will not just allow them to familiarise themselves with the online platform and to test itself functionality, but it will also give a chance for the speakers and the moderator to meet ahead of the meeting, which can be particularly beneficial during discussions.
- If speakers are presenting their own slides, it is useful to request to receive those in advance ahead of the event, which will allow for a quality assurance and potential follow up, if needed. If possible, it can also be useful speakers with clear instructions on the outline of the presentation and its desired length, for example, by developing a brief template which is then shared with the speakers.
- Reaching out to stakeholders more than once during the preparatory phase has also been useful, as it can serve a natural reminder of the event. As a rule of a thumb, three emails per event have worked well (1) save the date and introduction to the event, 2) more specific information with an agenda and background documents, and 3) thank you and follow up, with additional documents, e.g. the presentation slides).
- Creating a designated inbox for the event has also proven useful, as it allows for centralised exchange with speakers and participants, which can be managed by several people at once to ensure timely communications.
- The structure of the materials shared with participants helps professionalise the event and set the expectations.

#### **Potential follow up to the webinars**

As mentioned above, during the registration phase contact details of stakeholders interested in potential future exchanges have been collected. At this point, no further exchanges have been scheduled between Member States' competent authorities, however, may there be interest from stakeholders to do so, the project team can serve as a facilitator of first contacts.

## Annex B - Concept notes of webinars

### 4.3.3 Webinar 1

# Peer learning exchange on existing practices on the application of the DNSH principle (I)

Webinar (MS Teams): Governance processes for applying the DNSH principle

Date: 26/01/2023	Time: 10.00 - 12.30h CET	Location: MS Teams. The link for connection is edited automatically after the participant registered <a href="#">here</a> .
------------------	--------------------------	---

### About the peer-learning exchange

#### Context

A consistent application of the DNSH principle by public authorities across public funds is critical to ensure that Member State public spending and investment has no significantly harmful impact(-s) on the environment. The inherent complexity of the DNSH principle application and its relative novelty for most stakeholders requires significant improvements in Member State capacities and know-how. It is key to enhance key staff skill sets, while also developing and streamlining internal methodologies and coherent procedures for applying the DNSH principle.

In this context, the Directorate-General for Structural Reform Support (DG REFORM) of the European Commission has awarded a contract to Trinomics and the International Sustainable Finance Centre (ISFC) for provision of technical support under the Technical Support Instrument (TSI) to the Czech Republic in the **Development of a methodology for the application of the Do No Significant Harm (DNSH) Principle at the national level in Czechia.**

#### Purpose

As part of the contract with the European Commission, Trinomics and ISFC have been asked to develop, organize and host three (3) online peer-learning and exchange webinars among the EU Member States. The peer-learning and knowledge exchange will provide a platform for discussion and capacity building, with participating EU Member States sharing and **discussing examples, practices and lessons learned about the implementation of the DNSH principle to date.**

The discussions will mainly focus on the challenges related to the application of the DNSH principle faced by the Czech authorities. The same (or similar) challenges have appeared in other Member States, with presentations and focus cases mostly addressing experiences and examples from the application of the DNSH principle within the Recovery and Resilience Facility (RRF).

**The peer-learning aims to benefit all participating Member States. We will produce a deliverable with lessons learnt and good practices that can be shared with all Member States<sup>8</sup>. The webinars will contribute more broadly to advancing and scaling up the green transition within the EU and its Member States.**

<sup>8</sup> In addition, the webinar will be recorded for purposes of wider dissemination within the Czech administration.

### About the webinars

The peer learning exercise will consist of 3 webinars, each focusing on a specific challenge.

- Webinar 1: Governance processes for applying the DNSH principle
- Webinar 2: Implementation of simplified and detailed DNSH assessments
- Webinar 3: Application of the DNSH principle to R&D and green innovation projects

Prior to designing the webinars, Trinomics conducted desk research and interviewed a selected group of Member States that were identified as either having similar governance set ups or good practices for applying the DNSH principle. These exchanges were useful to better understand the state of play of the DNSH principle implementation in Europe, and to learn about different approaches to similar DNSH application challenges. As a result, **Austria, Belgium, Finland, Slovakia and Spain** have been invited to showcase their good practices and examples in dealing with different DNSH challenges, next to **Czechia** presenting their experience.

## Webinar 1: Governance processes for applying the DNSH principle

### About the challenge

Building on technical consultations with stakeholders in Czechia and other EU Member States, this **first webinar** will focus on the experiences and practices of selected Member States to ensure **good governance of the DNSH application processes**. It will address the challenges of establishing an efficient governance system and processes to implement DNSH guidelines, including:

- Changes to the way that public spending is appraised, assessed and monitored;
- Evaluation and distribution of public funds for programme and project applications; and
- Minimisation of bureaucracy and inconsistencies across different government agencies.

In addition, the webinar will cover the importance of **capacity building to enhance the DNSH-related knowledge and processes**. These should ensure that the responsible managing authorities and funding applicants can effectively identify, assess, and mitigate the potential sustainability risks and impacts of projects. The webinar will also discuss the governance of the data needed to conduct DNSH assessments.

### Approach used for the webinars

#### Part I: Introduction and setting the scene

The webinar will start by giving a brief introduction about the **agenda and objectives of the webinar**, and will be followed by presentations from the project team and representatives of Czechia, Spain and Belgium about their specific practice (“focus case”) in relation to the webinar’s challenge. The **project team (ISFC)** will start setting the scene around the challenge by putting this within the Czech context (based on the diagnostic analysis carried out in 2022). **Czechia** will then present the specific example on the use and implementation of the recently adopted framework guidelines for DNSH and climate proofing (CP) of CPR funding, which are the result of cooperation between governmental departments to put forward a consistent methodology across all Czech authorities. **Spain** will follow by presenting the DNSH capacity building program that is being implemented in order to support RRP implementation and to build capacity related to DNSH methodologies. Finally, **Belgium** will conclude the agenda before the coffee break by talking through the process of decision making and implementation of a DNSH expertise centre and helpdesk for supporting national and regional authorities in their DNSH assessments.

#### Part II: Panel discussion - DNSH Governance

Presentations from Member States will set the stage for the **panel discussion**, which will be guided by open questions developed based on the technical consultations with stakeholders in Czechia and other EU Member States. The panel discussion will also allow participants to ask questions in relation to the practices and examples presented in Part I of the webinar. The panel discussion questions have been developed so that Member States can gain **new insights, ideas, and perspectives** on measures to be adopted and actors to be involved to overcome each of barriers related to DNSH governance.

### Programme

Part I: Introduction and setting the scene		
<b>Moderator:</b> Jeroen van der Laan (Trinomics)		
10.00 - 10.05	<b>Welcome:</b> introduction to the project, and expected outcomes of the webinar	Nikola Blokešová, Office of the Government (Czechia)
10.05 - 10.15	<b>Setting the scene:</b> introducing the challenges related to governance processes for applying the DNSH principle	Julian Toth (ISFC)
10.15 - 10.35	<b>Context in Czechia:</b> Introducing the framework guidelines and the governance of their application across Ministries	Richard Juřík, Ministry of the Environment
10.35 - 10.55	<b>Focus case 1:</b> Creation of a capacity centre in Spain	Lucía Cobo, Ministry of the Ecological Transition and the Demographic Challenge (Spain)
10.55 - 11.15	<b>Focus case 2:</b> Creation of a helpdesk on DNSH in Belgium	Stéphanie Baclin, Federal Public Service Health, Food Chain Safety and Environment (Belgium)
11.15 - 11.30	<i>Coffee break</i>	
Part II: Panel discussion - Governance processes for applying the DNSH principle		
11.30 - 12.20	<b>Moderator:</b> Julian Toth (ISFC) <b>Panel Members:</b> <ul style="list-style-type: none"> <li>- Richard Juřík, Ministry of the Environment (Czechia)</li> <li>- Lucía Cobo, Ministry of the Ecological Transition and the Demographic Challenge (Spain)</li> <li>- Stéphanie Baclin, Federal Public Service Health, Food Chain Safety and Environment (Belgium)</li> <li>- Emma Terämä, Ministry of the Environment (Finland)</li> </ul>	
12.20 - 12.25	Reflection on main takeaways panel discussion	Jeroen van der Laan (Trinomics)
12.25 - 12.30	Wrap-up and closing	Riikka Torppa (European Commission, DG REFORM)

### Guiding questions for the panel discussion

#### Challenge 1: Establishing an efficient governance system

- Member States (and departments within Member States) have taken different approaches in the repartition of the DNSH-related administrative burden across authorities and project applicants. In your experience, what approach(es) have revealed to be the most efficient at the appraisal/assessment stage? And which ones at the monitoring stage?
- Has your Member State developed any measures or a governance system to ensure the consistency of DNSH methodologies and assessments across ministries and agencies?

#### Challenge 2: Building capacity for enhance DNSH-related knowledge and processes

- When going through the training and capacity building activities of your DNSH team(-s)/helping departments, what are the main needs observed? For instance, what are the main questions that emerge from project applicants (e.g., in relation to DNSH criteria for different sectors, processes, legal thresholds...)?

#### **Challenge 3: Governance of data needed to conduct DNSH assessments**

- Datasets and data repositories have the potential to simplify DNSH process at various levels. Based on the project applicants' suggestions and your experience, what do you think are the main requirements and success factors for setting up such datasets and data repositories? What are the main hurdles?

#### **Horizontal question(-s)**

- How do you see DNSH governance unfolding over the next years in your country? Is there any particular new environmental legislation coming up, in support of the application of the DNSH principle?

#### 4.3.4 Webinar 2

## Peer learning exchange on existing practices on the application of the DNSH principle (II)

Webinar (MS Teams): Implementation of simplified and detailed DNSH assessments

Date: 02/02/2023	Time: 10.00 - 12.30h CET	Location: MS Teams. The link for connection is edited automatically after the participant registered <a href="#">here</a>
------------------	--------------------------	---

### About the peer-learning exchange

Please refer to this section under concept note for Webinar 1.

### Webinar 2: Implementation of simplified and detailed DNSH assessments

#### About the challenge

Building on technical consultations with stakeholders in Czechia and other EU Member States, this **second webinar** will focus on the experiences and practices to **implement simplified and detailed DNSH assessments**. In particular, the webinar will discuss how Member States can balance the **effectiveness of simplified versus detailed DNSH assessments** to ensure the environmental integrity of the DNSH principle through EU and national budget spending on the one hand, and the **proportional administrative burden on the applicants and managing authorities** on the other hand in relation to the potential high(-er) environmental impacts. The webinar will notably revolve around the following challenges:

- Understanding of the differences between simplified and detailed DNSH assessments under the RRF and Cohesion Policy funds (CPF);
- Developing approaches that simplify and standardize DNSH assessments;
- Recognizing the importance of programme and project typology to determine which DNSH assessment type are needed;
- Setting a definition of “significant harm to the environment” and ensuring that environmental integrity is not breached (including for simplified DNSH assessments);
- Striking a balance between sector-specific questions and generic prerequisites as part of the DNSH assessments.

In addition, the webinar will discuss the **relationship between the implementation of the DNSH principle and legislative frameworks**. Prior diagnostic research within the context of the TSI project concluded that (strong) national environmental legislation frameworks supports the application and compliance of the DNSH principle and avoids duplication of work for managing authorities and applicants. The webinar will offer the opportunity to discuss how to transform and/or use legislative frameworks to simplify DNSH assessments.

Finally, the webinar proposes to discuss the application of the DNSH principle **from the appraisal to the monitoring** (and possibly decommissioning) stage.

#### Approach used for the webinars

##### Part I: Introduction and setting the scene

The webinar will start by giving a brief introduction about the **agenda and objectives of the webinar**, and will be followed by presentations from the project team and representatives of Czechia, Slovakia and Finland about

their specific practice (“focus case”) in relation to the webinar’s challenge. The **project team (Trinomics)** will start setting the scene around the challenge by putting this within the Czech context (based on the diagnostic analysis carried out in 2022). **Czechia** will then present its approach to **simplify DNSH assessments and to categorize different types of DNSH assessments**. This example will be followed by a focus case on **Slovakia’s granular approach to DNSH assessment for buildings under the RRF**. The second focus case will introduce the approach **Finland** has taken in applying the DNSH principle beyond the EU funds by embedding DNSH requirements within recently adopted national legislation supporting the Finnish green transition. More specifically, Finland has adopted a **priority order law which facilitates and speeds up the environmental permitting** of infrastructure projects that comply with the DNSH principle.

## Part II: Panel discussion - Implementation of simplified and detailed DNSH assessments

Presentations from Member States will pave the way to the **panel discussion**, which will be guided by open questions developed by the project team and based on technical consultations with stakeholders in Czechia and other EU Member States. The panel discussion will also allow participants to ask questions in relation to the practices and examples presented in Part I of the webinar. The panel discussion questions have been developed so that Member States can gain **new insights, ideas, and perspectives** to ensure an effective and efficient implementation of DNSH simplified and detailed assessments.

### Programme

Part I: Introduction and setting the scene		
<b>Moderator:</b> Jeroen van der Laan (Trinomics)		
10.00 - 10.05	<b>Welcome:</b> presentation of the agenda, introduction to the project, and expected outcomes of the webinar	Nikola Blokešová, Office of the Government (Czechia)
10.05 - 10.15	<b>Setting the scene:</b> introducing the challenges related to the implementation of simplified and detailed DNSH assessments	Peter Janoska (Trinomics)
10.15 - 10.30	<b>Context in Czechia:</b> introducing the practice of Operation programme Just Transition for simplifying and categorising DNSH assessments	Jan Hlaváček, OP JTF (Czechia)
10.30 - 10.45	<b>Focus case 1:</b> DNSH assessment guidelines for Buildings in Slovakia	Kristína Korčeková, Office of the Government of the Slovak Republic (Slovakia)
10.45 - 11.00	<b>Focus case 2:</b> Priority order law for environmental permitting in Finland	Emma Terämä, Ministry of the Environment (Finland)
11.00 - 11.15	<i>Coffee break</i>	
Part II: Panel discussion - Implementation of simplified and detailed DNSH assessments		
11.15 - 12.20	<b>Moderator:</b> Linda Zeilina (ISFC) <b>Panel Members:</b> - Jan Hlaváček, Operation programme Just Transition (Czechia) - Kristína Korčeková, Office of the Government of the Slovak Republic (Slovakia) - Emma Terämä, Ministry of the Environment (Finland) - Moritz Schwarz (Austria) [to be confirmed]	
12.20 - 12.25	Reflection on main takeaways panel discussion	Jeroen van der Laan (Trinomics)
12.25 - 12.30	Wrap-up and closing	Riikka Torppa (European Commission, DG REFORM)



### Guiding questions for the panel discussion

#### On the balance between efficiency and effectiveness of DNSH assessments

- What are the practices to simplify and standardise DNSH assessments - beyond those discussed previously (e.g., methodologies, format of the forms, etc)?
  - Are there other methods, solutions to improve the situation? E.g., specific project call, evaluation...
- What are the practices to avoid the administrative burden on project proponents, while ensuring strong safeguards on the application of the DNSH principle?
- How relevant is the definition of a threshold of “significant harm” in ensuring that environmental integrity is not breached for all projects (including for simplified assessments)? Do you face challenges regarding this? Have you identified good practices?
- (How) do you differentiate between sectors when conducting detailed DNSH assessments, beyond regulatory requirements (e.g., specific methodologies and criteria)?

#### On the relationship between the application of the DNSH principle and legislative frameworks

- Does your Member State consider legislative amendments to better integrate the DNSH principle in environmental law?

#### On the different stages of DNSH application

- Have you developed any measure to monitor the application of the DNSH principle, beyond requirements in your national RRP? Which challenges are you facing (e.g., timeline and frequency for monitoring)? What are the lessons learnt so far?

### 4.3.5 Webinar 3

## Peer learning exchange on existing practices on the application of the DNSH principle (III)

Webinar (MS Teams): Application of the DNSH principle to R&D and green innovation projects

Date: 16/02/2023	Time: 10.00 - 12.30h CET	Location: MS Teams. The link for connection is edited automatically after the participant registered <a href="#">here</a>
------------------	--------------------------	---

### About the peer-learning exchange

Please refer to this section under concept note for Webinar 1.

### Webinar 3: Application of the DNSH principle to R&D and green innovation projects

#### About the challenge

Building on technical consultations with stakeholders in Czechia and other EU Member States, this **third and last webinar** of the peer-learning exercise will focus on the experiences and practices of selected Member States in **applying DNSH to programs and projects that lack technical guidance due to (early-stage) innovation activities currently not being covered under the Taxonomy Delegated Acts**. In particular, the webinar will focus on DNSH assessments for **R&D and green (innovative) technology investments**. While critical to the green transition, it has proven difficult for Member States to apply the DNSH principle to these investments (in particular under the RRF) due to their innovative nature and without technical screening criteria for these activities under the Taxonomy Regulation. The webinar will discuss what approaches have been developed by Member States for green (innovative) technology investments, in order to ensure that those investments do not jeopardize any of the EU's environmental goals.

The webinar will notably revolve around the following challenges:

- Developing methodologies and define alternative criteria for assessing projects that are not covered by precise DNSH guidance and/or by the EU Taxonomy Delegated Acts;
- Striking a balance between process standardization and consideration of projects' specificities;
- Developing other and additional policies and methodologies (e.g., green budgeting) to classify and measure investments in innovative green technologies.

Furthermore, the webinar will present and discuss **alternative methodologies that have been developed by other EU Member States to identify and invest in green activities, such as green budgeting**, and related implications in the assessment of the DNSH principle for projects that lack technical guidance/screening criteria.

#### Approach used for the webinars

##### Part I: Introduction and setting the scene

The webinar will start by giving a brief introduction about the **agenda and objectives of the webinar**, and will be followed by presentations from the project team and representatives of Czechia, Austria and Finland about their specific practice ("focus case") in relation to the webinar's challenge. The **project team (Trinomics)** will start setting the scene around the challenge by putting this within the Czech context (based on the diagnostic analysis carried out in 2022). **Czechia** will follow with a presentation that will provide further detail onto their experience, challenges and learnings dealing with DNSH assessment of programmes focused on R&D, innovation

and competitiveness . Finland will then present the **approach of the Finnish Climate Fund** has taken for conducting (ex-ante) DNSH assessments of (innovative) green technology investment projects. Austria will conclude with a presentation on the **granular approach and methodology for green budgeting of Austria's national budget**, arguing for the methodology's relevance in meeting DNSH requirements.

### Part II: Panel discussion - Application of the DNSH principle to innovative green technologies

Presentations from Member States will set the stage for the **panel discussion**, which will be guided by open questions developed based on the technical consultations with stakeholders in Czechia and other EU Member States. The panel discussion will also allow participants to ask questions in relation to the practices and examples presented in Part I of the webinar. The panel discussion questions have been developed so that Member States can gain **new insights, ideas, and perspectives** on measures to be adopted and actors to be involved to overcome each of barriers related to DNSH governance.

### Programme

Part I: Introduction and setting the scene		
<b>Moderator:</b> Peter Janoska (Trinomics)		
10.00 - 10.05	Housekeeping rules and presentation of the agenda	Peter Janoska (Trinomics)
10.05 - 10.10	<b>Welcome:</b> introduction of EU peer-learning exchange and expected outcomes of the webinar	Riikka Torppa (European Commission, DG REFORM)
10.10 - 10.15	<b>Setting the scene:</b> introducing the challenges related to the application of the DNSH principle to innovative green technologies	Jeroen van der Laan (Trinomics)
10.15 - 10.30	<b>Context in Czechia:</b> introducing their experience, challenges and learnings	Ivana Ptáčková, Ministry of Industry and Trade (Czechia)
10.30 - 10.45	<b>Focus case 1:</b> DNSH assessment approach for green innovation technologies	Juha Ollikainen, Finnish Climate Fund (Finland)
10.45 - 11.00	<b>Focus case 2:</b> Approach and methodology for greening the national budget in Austria	Kerstin Haider, Ministry of Finance (Austria)
11.00 - 11.15	<i>Coffee break</i>	
Part II: Panel discussion - Application of the DNSH principle to innovative green technologies		
11.15 - 12.20	<b>Moderator:</b> Linda Zeilina (ISFC) <b>Panel Members:</b> <ul style="list-style-type: none"> <li>- Ivana Ptáčková, Ministry of Industry and Trade (Czechia)</li> <li>- Kerstin Haider, Ministry of Finance (Austria)</li> <li>- Juha Ollikainen, Finnish Climate Fund (Finland)</li> <li>- Lucía Cobo, Ministry of the Ecological Transition and the Demographic Challenge (Spain) (<i>tbc</i>)</li> <li>- Siina Lepola-Lång, Ministry of Economic Affairs &amp; Employment (Finland) (<i>tbc</i>)</li> </ul>	
12.20 - 12.25	Reflections on main takeaways and next steps from Czech perspective	Nikola Blokešová, Office of the Government (Czechia)
12.25 - 12.30	Wrap-up and closing peer-learning webinars	Peter Janoska (Trinomics)

### Guiding questions for the panel discussion

#### On the methodologies for DNSH principle assessment of R&D and green innovation projects

- What process is enacted when the managing authority concludes that a project or program does not have DNSH TSC? Are these cases provisioned in the governance structure of DNSH assessment?
- How do you assess the DNSH principle for projects and programmes where guidance does not exist, particularly for green technology projects?
- Have you identified alternative or other relevant methodologies/practices/ related to this?

- Developing criteria for a specific project or programme may create issues related with standardization and quality assurance. How do you approach this issue?
- How do you respond to cases where a subcomponent requires a more in-depth DNSH assessment (e. g. a larger proportion of investment in infrastructure)?
- How do the application of the DNSH principle and green tagging relate?

# Annex C - Minutes of webinar 1: Governance processes for applying the DNSH principle

## Setting the scene (Julian Toth, ISFC)

The theme of the webinar was identified based on consultations and desk research.

Governance processes can be defined as the processes, procedures and practices of authorities to share responsibilities of data and application of the DNSH principle.

Important points to understand the context in Czechia include:

- Multiple national-level programmes that are managed by different authorities and operational programmes;
- DNSH and CP are recent notions for which there is limited experience, and for which guidelines must still be proofed. The presentation to be given by Richard Juřík will present the results of such proofing and development;
- There are inconsistencies across authorities.

Overall, Czechia faces four main challenges:

- *Decentralisation and risks of inconsistencies.* The repartition of roles to identify and communicate requirements to applicants is not clear. Certain authorities do so at the programme level; others only present requirements per se to applicants, such that the latter do not need to understand the DNSH concept to comply with it.
- *Complexity.* Administrative complexity adds to the first challenge. Typically, applicants face differing requirements and forms across authorities.
- *Communication across managing authorities.* DNSH application is fragmented, although this is being managed better as the TSI project advances.
- *Access to data and information.* There are limited solutions to collect, share and leverage existing data, although we observe that the Czech authorities gradually try to manage this issue.

## Richard Juřík - Ministry of the Environment (Czechia)

### Context

The DNSH concept is new to Ministries and experts. The Ministry of Environment's practices and Czech legislation are not aligned with it yet. Currently, the Ministry aims at defining common recommendations for integrating the DNSH principle and CP principles in Czech legislation. Overlaps between Cohesion Policy funds, RRF and InvestEU slow down the integration process.

### Presentation of the governance system

The governance of DNSH is decentralized in Czechia. Responsibilities fall under the managing authorities. This makes the structure complex. Managing authorities must conduct both DNSH assessments and -where applicable- CP at the level of calls or at a higher, more strategic level. Applicants are informed with concrete technical requirements to be implemented in their projects. Currently, the list of requirements is insufficient to comply with the DNSH principle.

The Ministry of Environment's procedural DNSH methodological guidance for RRF include:

- ✓ **Assessment phase:** DNSH self-assessment at the level of the programme component and negotiation with the EC;
- ✓ **Identification phase:** based on the CID, on operational agreements, and on national documentation;
- ✓ **Implementation phase:** administration of grants and public procurement;
- ✓ **Ex-post monitoring,** before the payment requests are submitted to the EC.

The Ministry of Industry and Trade coordinates the process and formalizes the steps of the DNSH implementation cycle. Ad hoc consultations are also being conducted with the Ministry of Environment. With regard to Cohesion Policy funds, a simplified one-phase approach is preferred for each programme.

The implementation phase consists in the administration of grants.

The EC validated the approach in each programme through a monitoring committee. It will be gradually refined based on the feedback of managing authorities (mainly Ministries). It is worthy to note that the recommendations developed in the guidelines are currently optional.

### *Lessons learned*

A number of lessons learnt can be raised:

- Applicants should not have to carry alone the burden associated with DNSH assessments;
- Flexibility is essential because the objectives of the programs can change with time. Therefore, very specific recommendations could become outdated fast if they are not future proofed;
- The bonification of environmental ambition can be a useful tool to hinder complex DNSH assessments;
- There is lack of aggregated data and enabling IT tools;
- Concrete criteria for construction, renovation and purchases is needed.

## **Lucía Cobo - Ministry of the Ecological Transition and the Demographic Challenge (Spain)**

### *Context*

Spain is a major recipient of the RRF, and will receive over 69 billion euros (taking into account the 2022 update). The Spanish RRP will also be enhanced by investments through loans and RePowerEU. The Plan contains 10 lever policies, including 30 components covering the measures. The DNSH team represented by Lucía Cobo team manages 10 of these components. They relate to environment and energy policies (21% of the Plan's value).

### *Presentation of the governance system*

The Plan is challenging, not least due to the volume and broad coverage, but also because there is an unprecedented number of administrations that must coordinate their implementation. A Royal Decree sets up the governance system for this implementation (including PPPs, applications, controls and audits measures). This fast tracks the implementation and administrative procedures and allows to set up technical committees. The latter are directly headed by Pedro Sanchez directly.

The Ministry of Finance is the major coordinating authority. Note that regions are involved in the implementation. The existing public control system was updated towards the implementation of the

RRP. The rules are applicable to national, regional and local authorities. Each administrative layer must ensure compliance and reports to the above layer. Decision making authorities are thus responsible for setting systems that ensure compliance.

Finally, the DNSH team is responsible for green tagging since the publication of a law in 2021 which sets a quantitative target for green investments. Based on this mandate, the team prepared and published an analysis of the budget, and a Green Budget Working Group was set up. A TSI project supported the initiative. It found that 30,6% expenses are eligible to adaptation and mitigation.

### *Presentation of the capacity building measures*

Given the Ministry of the Ecological Transition and the Demographic Challenge (MITECO) competencies, it advised the negotiation of the RRP (including for monitoring and green tagging). The team decided to create a dedicated team to support the Ministry at large and to execute the Plan. It does not have a legal mandate (unlike the Ministry) but does take the lead in practice. It assists the Ministries by:

- Implementing and developing climate tagging;
- Answering to specific demands through a helpdesk;
- Organising focus meetings;
- Reviewing the legal texts to be validated by the Ministry Council. Although the review is not binding, the team observes that its reviews have helped to improve the quality of the texts;
- Publishing a guide on legal instruments according to EU provisions;
- Coordinating with expert units and experts in Ministries and departments (e.g., when specific questions related to circular economy emerge).

The team has reviewed 457 regulatory instruments. Overall, the opinions of the team are trusted, mainly due to the concerns over the legal validity and complexity of European provisions. This review covers all legal instruments, including ministerial orders, royal decrees, council of Ministers agreements, draft laws, coordinating documents across authorities, etc.

The team developed a guide aimed at all institutions that execute the Plan. This format is a good solution to highlight the importance of the DNSH principle (and green tagging) while helping to put it in practice. The Guide ensures that administration comply in a homogeneous manner. The Guide was reviewed by the Commission. Other Ministries also published equivalent documents at the sectoral level. A self-assessment questionnaire is also included in the Guide.

The helpdesk provides support to all the stages of RRF implementation. Most questions from participants relate to the possible impacts of certain objectives/measures, verifications mechanisms, and green tagging.

### *Challenges*

The training sessions raise awareness and help authorities to make the DNSH application affordable.

Challenges are similar to the situation described in CZ. They notably include:

- Diversity of criteria, models and templates;
- Lack of expertise;
- The use of DAs;
- The lack of consolidated frameworks;
- Difficulty to use the EU Taxonomy in budgetary policy.

## Stéphanie Baclin - Federal Public Service Health, Food Chain Safety and Environment (Belgium)

### *Context*

Belgium's RRP is backed by a total of 5.9 billion euros from the RRF, as well as a national equivalent plan supported by the Federal Government of Belgium, amounting to 1.6 billion euros. To align processes and standards, the Federal Government of Belgium has decided to expand the DNSH assessment requirement to the Federal Government Fund.

The recovery effort in Belgium encompasses not only these funds but also recovery and resilience plans supported and financed by the regions and communities, contributions from private companies towards the stimulus effort, and the Economic Recovery and Transition Fund (FPIM). In total, these efforts add up to 20 billion euros.

### *Presentation of the governance system*

To support public authorities with the application of the DNSH principle, the Federal Government launched in 2022 the DNSH Expertise Center and Helpdesk, becoming the central point of contact for DNSH-related enquiries. The goal is to assist federal project leaders during the entire life cycle of their projects (preparation, implementation and reporting).

DNSH actors in Belgium include FPS Health, DG Environment, the inter-federal DNSH network, the actors involved in the TSI project and the General Inspectorate of finance.

Initially, the Ministry of Environment was identified as the best-suited authority to oversee the application of the DNSH principle and more resources were allocated based on a Ministerial decision in March 2022. 1 coordinator and 4 experts (in economy and biodiversity - varied profiles are involved) and 1 secretary currently work in the team. Private companies and public (federal) entities may call on the team for ex-ante DNSH assessments and for monitoring. An evaluation of self-assessments is also proposed for Ministries and private proponents. In the context of the national DNSH network, trainings are offered - tailored trainings on specific measures have proven to be the most appreciated and valuable. The team also represents the federal entity in the national DNSH network.

A TSI project supporting the implementation of the RRP was launched but only partly focuses on DNSH. It however gave materials for trainings and ex ante analyses. A second TSI project is in the pipeline for sensitive environmental impacts.

### *Presentation of the capacity building measures*

The DNSH Expertise Center & Helpdesk is responsible for developing DNSH methodological tools (e.g., guidance, check-lists, templates, etc.), training line ministries in the use of such tools, as well as training public service companies (e.g., for railroads) on DNSH principle and requirements.

### *Lessons learned*

A number of lessons learnt can be raised:

- **It is better to reach out fast and often to line ministries**, to indicate to them that they can receive help and to train them from the start on the DNSH principle;
- **Integrate the DNSH principle early on and in every relevant document**, so that crisis situations are avoided;
- **Disseminate information** and multiply formats so that more information is available (e.g., videos, insofar as you cannot organize trainings every weeks);
- **Teach the DNSH beyond RRP** (and beyond climate; there should be no cherry picking);



- **Train auditing teams** of the RRP and Financial Inspectors;
- **Collate information and develop practical tools**, insofar as questions are generally speaking the same;
- **Build on the support of National Secretaries and Government.** Resources *are* needed to properly implement DNSH and this needs to be provided.

## Panel discussion

**Project team:** How to enhance the efficiency of governance processes? Are there valuable approaches for dividing the responsibilities for DNSH application?

**Lenka Růžičková:** The capacity to deal with the complexity of DNSH is still insufficient. RRF and Cohesion Policy funds are governed separately, such that the comparison with case studies presented is not easy. Cohesion Policy funds build on lessons learned from the application of the DNSH principle in the RRF. Comparison is also difficult with Belgium, where there is a balance of allocated funds to RRF and Cohesion Policy funds, while funds are largely more abundant for the Cohesion Policy funds in Czechia.

**Project team:** How is CPF approached in Spain?

**Lucía Cobo:** The guide developed by the team for the strategic environmental evaluation and for DNSH assessments is used. DNSH guidance was written for the recovery plan, but a number of lessons learned apply to the Cohesion Policy funds. The approach also consisted in extending the capacity of the DNSH division (currently 10 colleagues). The Spanish approach is approved by the European Commission.

**Project team:** On the topic of capacity building, what are the main considerations with regard to other presentations?

**Emma Terämä:** Organisational structures differ. RRF is covered by the Ministry of Finance, while regional funding is nested under Economic Affairs. Finland has been active and ambitious in the setup of green transition targets, which helped to conduct DNSH-type of assessments at the programme level. The assessments are delegated to each Ministry that is implementing the measure and subsequent evaluation. The decentralised system keeps on working nowadays. This does not make it simple - typically, the different authorities had to be all contacted to check whether they had developed any documentation. The situation is stabilising (more guidance exists). The agency governing the reporting has developed documents. The question remains - would a centralised system not have been better suited?

**Project team:** Have there been any systems developed to ensure the consistency of DNSH application in the RRF and Cohesion Policy funds?

**Stéphanie Baclin:** The ex-ante assessments from the Federal Plan Bureau attempted to do so. This provided an overview on the entire plan and of the DNSH application for all measures and thus helped to coordinate. For instance, this helped to know for which measures Stéphanie's team can contact previous teams for previous measures to re-use the previous assessments. They do have consistency on their radar but the system is not perfect yet.

**Emma Terämä:** In many subjects, specific expertise is needed. Therefore, at this stage, only individual experts from specific units involved in the RRF can do the ex-ante assessments. Certainly a separate team (such as in Belgium) could make sense. But when discussing specific cases, it always boils down to very specific expertise. Therefore, a generic team is not the best suited.

**Project team:** In terms of specific technical knowledge, what are the main challenges in Czechia?

**Richard Juřík:** Historically there has been a horizontal, strategic team at the Ministry of Environment. But the capacity to support component owners and the like is very limited (2 people). The Ministry thus tried to institutionalise and centralise the DNSH governance. However a strong opposition raised at the political level, as this would require to increase the number of civil servants. Now that the topic continues becoming more complex (e.g., CP under the Cohesion Policy funds), the horizontal team is not in the position to consult in a concrete manner to all the requests for help. It gave high-level recommendations for all objectives and framework guidance for CP. The specific implementation thus still relies on the component's owners/managing authorities (e.g., for ex ante assessments). However, they are not always able to do so, as confirmed by the TSI project.

**Lucía Cobo:** Each ministry is responsible for establishing the managing procedures. It is more efficient to ask Ministries to conduct assessments, although larger companies are asked to conduct assessment themselves (in certain cases this includes third party validations or certifications). The DNSH principle is here to stay; companies must start sooner or later to incorporate it in their procedures.

**Project team:** How do you approach capacity building at the national level? What are the main needs from the Ministry and project proponents?

**Lenka Růžičková:** This effort started with seminars two years ago. The trainings were integrated in the discussion around the EU Taxonomy and other topics. It thus remained high level, but helped to improve the capacity and sharing of information. It proved important to include different stakeholders.

**Project team:** In Belgium, the DNSH centre provides trainings. At a granular level, what have been the main capacity building needs? What are the questions mostly asked?

**Stéphanie Baclin:** The questions are still broad and basic. Many participants ask about the notion of DNSH. Recipients raised that they did need this support and they felt much accompanied when received a basic description of the principle and clear steps to be followed. Knowing that they may rely on answers later on in the process from the helpdesk is also appreciated.

**Project team:** What about the Spanish context?

**Lucía Cobo:** The DNSH division provides support to proponents to fill-in the self-assessment questionnaire. Questions that most frequently arise concern methods for data collection, label changing, level of requirements, etc. However other more complex questions also start to be asked.

**Project team:** Do you try to tailor trainings based on trainees' needs?

**Lucía Cobo:** Yes, the DNSH team always asks about their needs. There is a general training, to which are included answers to questions, specific measures and types of funding, etc.

**Julian:** In terms of governance, how do you approach capacity building across ministries?

**Emma Terämä:** The Ministry provided one training, which was useful to understand and expand the team's ability on DNSH. The environmental integrity concept of DNSH was discussed and revealed complex. Moreover, similarly to Czechia, the 2-stages DNSH assessment is not very clear.

**Project team** [Question from the chat]: Could we hear more about the practices related to railway infrastructure from Belgium?

**Stéphanie Baclin:** The training on railroads is to be conducted the day after the webinar, therefore there are no interesting perspectives to share yet.

**Richard Juřík:** Technical screening criteria is not mandatory, but it can be used as reference, even if it does not answer specific questions.

**Project team:** For climate proofing, regarding the adaptation phase, data is needed. What is the current state of data sharing and data platforms?

**Richard Juřík:** It is currently insufficient. Policies should be interlinked to help ESG reporting. It would make sense that colleagues dealing with sustainable finance policy also manage the DNSH principle and climate proofing. To support that, the Ministry is considering climate budgeting. Moreover, although there is no data cloud yet, a study about climate risks is being conducted, and a discussion has been launched to improve data servers. Climate proofing guidance makes sense for large projects, but it is not useful in practice from an environmental point of view for small projects because of its highly granular data requirements. An online system should be able to gather all types of data, which would provide step by step guidance. Currently, data sets are decentralized, not all of them are provided by governmental institutions. That is also why academia and others institutions are being involved.

**Project team:** How do you address the governance and processes related to data?

**Lucía Cobo:** Spain developed a tool for EIAs and CP. The sources of data come from meteorological stations in Spain and Eurocordex and IPCC projections (cf. important messages in the chat below). The information is provided for the 50 coming years, and although it is not extremely precise for mountains (more for cities), the methodology has been re-used by institutions of reference, confirming the quality of the Spanish approach. The tool is available freely online.

**Emma Terämä:** Finland wishes to provide more specific data tailored to DNSH. The questions are related to responsibilities: who should pay for this service? Who should manage it? To what extent would private actors benefit from it? How to deal with the sensitivity of data that comes from the private sector? The discussion remains. There is some data in RRF reporting of course, but it is not machine readable and thus its accessibility is quite limited.

**Project team:** Are legislative changes needed to support implementation of the DNSH principle?

**Lenka Růžičková:** Czech authorities intend to improve national legislation to better reflect the DNSH-specific guidance, namely to accommodate the need of involvement of a larger scope of stakeholders. The goal is to increase capacity in this area.

**Project team:** What are your main priority for the coming year?

*In Belgium:* to better disseminate information;

*In Finland:* to develop guidelines;

*In Spain:* to create verification mechanisms, to review irrelevant TSC or TSC that are too specific to be used, to integrate DNSH in the national legislation;

*In Czechia:* to better manage data provision, to integrate the DNSH principle in the Czech legislative framework (this will mainly consist in work at the political level), and to dig deeper in the framework guidelines.

#### **Related questions from the chat**

**Comments from a Spanish representative:** The DNSH assessments of recovery measures are public. Our investment 6 inside component 1 deals with the Trans-European Transport Network - European

Corridors. The info is here (see chapter 8): <https://www.lamoncloa.gob.es/temas/fondos-recuperacion/Documents/16062021-Componente6.pdf>

AdapteCCa is a platform for consulting and exchanging information on impacts, vulnerability and adaptation to climate change. <https://www.adaptecca.es> climate change scenario viewer

[https://escenarios.adaptecca.es/#&model=EURO-CORDEX-EQM.average&variable=tasmax&scenario=rcp85&temporalFilter=year&layers=AREAS&period=MEDIUM\\_FUTURE&anomaly=RAW\\_VALUE](https://escenarios.adaptecca.es/#&model=EURO-CORDEX-EQM.average&variable=tasmax&scenario=rcp85&temporalFilter=year&layers=AREAS&period=MEDIUM_FUTURE&anomaly=RAW_VALUE)

## Annex D - Minutes of webinar 2: Implementation of simplified and detailed DNSH assessments

### Setting the scene (Peter Janoska, Trinomics)

The webinar will center on the procedures and lessons learned for carrying out both simplified and detailed assessments of the DNSH principle. The typology of programs and projects is important to determine what type of DNSH assessment is needed, and all the activities have to comply with the DNSH principle. Under the Cohesion Policy funds, programs need to be precisely defined in order for DNSH principle to be ensured at the project level. Projects must be selected in a way that they answer to the definition of programmes.

Environmental integrity must be assessed at the national level to ensure that environmental integrity is not violated. If an investment contributes significantly to one of the environmental objectives, it must be evaluated against the DNSH principle in order to be considered a sustainable investment. Determining what constitutes a "substantial contribution" is another challenge. As a result, assessing compliance with environmental objectives can be difficult; some of the objectives are difficult to interpret, which brings us to the legislative framework. European legislation transposed to national legislation can help address this issue, but transposition is not a guarantee of compliance with the DNSH principle. Circular economy is particularly difficult, not only for Czechia but also for other peer Member States.

### Jan Hlaváček - Operational Programme Just Transition (Czechia)

#### *Context*

Jan Hlaváček's team has been the managing authority of programme for environment (since 2004, it combines notably the Cohesion Fund and the ERDF) and of the Just Transition. The latter was approved in 2022, and covers varied topics including R&D, SMEs and education in the regions producing coal. This broad focus explains the dire need for assessments to ensure environmental integrity.

DNSH is a new issue for all final proponents and managing authorities. It represents an administrative burden, which limits the absorption of EU funds - the approach is thus to avoid adding any administrative burden/requirements on top of DNSH, keeping in mind that there were already many environmental requirements to be applied in previous programmes. The time constraint set up by EU regulations urges to allocate 70% of funding by 2026.

Therefore, final recipients should not make detailed assessments (those should happen at the programme level). Requirements should be clear and easy to implement by final recipients.

#### *Presentation of the practice in Czechia*

In this context, 2 programme assessment were conducted and submitted to the EC during the negotiations. Assessments are however not part of the programme themselves - there is thus flexibility to change their modalities in the future. This flexibility is an important point for Czechia (e.g., for allowing a learning process to take place).

Assessments are conducted for each of the 6 objectives, although there are no specific objectives for the JTF programme. In both cases, four steps are set:

- ✓ Harmful activities are excluded: the exclusion list is based on the JTF regulation and additional Czech exclusions (e.g., battery energy storage technologies, activities not aligned with the polluter pay principle). Exclusions mainly cover fossil fuels, industries covered by the ETS, and heavy industries.
- ✓ Technical conditions (to support the activities) are applied: these are derived from the EU Taxonomy, the CPR and the RRP. These are specific criteria. There are also Czech requirements (e.g., BAT-related, minimum warranty of 20 years for PV output, etc.).
- ✓ Consistency is ensured with strategic documents: these include regional waste management plans, plans related to water management, floods, and sewerage.
- ✓ Recommendations or bonuses (for green activities) are applied: there is an incentive to make additional measures such as green roofs, adaptation measures, and energy performance measures.

Managers verify the feasibility studies, project documentation, and certifications (e.g., EIA). There must be an approval from the authority responsible for the alignment with strategic documents, along with a declaration of honour (the actual verification only happens on the case audits are conducted). The conditions are more or less verified depending on their level of priority (e.g., showers and toilets types).

### **Challenges**

The team is aware of the limitations of its approach, and notably of:

- Oversimplification;
- The fact that the approach does not fit all (typically, it is difficult to set general rules for climate adaptation measures, which are highly context-dependent);
- The difficulty to strike a balance between over-complexification and the absence of guidelines, or flawed guidelines.

Efforts are thus being dedicated to the improvement of the guidelines.

## **Kristína Korčeková - Office of the Government of the Slovak Republic (Slovakia)**

### **Context**

Slovakia aims at positioning itself as a leader in the RRF implementation, and was one of the first Member States to begin the RRP process. This not only demonstrates the Slovak proactive approach to the topic, but also its willingness to embrace better practices. Slovakia has established a comprehensive RRF implementation system that is adaptable to future developments as their capacity grows. This includes a strong legal framework, as well as the ability to add new components over time. In general, simple guidelines are preferable.

Slovakia allocated 6.5 billion euros in grants to the green economy, along with other “green” measures in other budgetary components, such as in investments in buildings (where green tagging is used).

### **Presentation of the practice in Slovakia**

The Office of Government is not responsible for applying the DNSH principle. It works with 3 Ministries that designate intermediates to apply the DNSH principle, aiming for more agility in the process.

Recipients can be Ministries, private people, cities, companies. An independent advisory body consisting in experts supports the process. The current DNSH governance is not set in stone and varies across sectors. For instance, the Office of Government is in charge of green buildings because the application of the DNSH principle to this sector is streamlined across several ministries; at the same time, the Ministry of Economy is more independent in its application of the DNSH principle and covers the renewable energy sub-sector.

The RRP was written by the Ministry of Finance and Office of Government after DNSH assessment guidance for all areas was completed. Additional technical assistance for buildings was developed specifically through green tag conditions, setting verification mechanisms listed in the assessment. Only if these safeguards are met is an investment considered compliant.

The team focusing on the DNSH principle at the Office of Government conducted DNSH assessments for building investments specifically. They are consistent with the climate mitigation goal, followed by safeguards for other goals. Concrete actions are more simplified, with a checklist for ministries to use when creating an open call to check which conditions they are using and how, as well as which they believe are irrelevant. For example, a single-family home renovation is not subject to bird-related regulation. The team is trying to strike a balance in order to simplify the process. It completed the assessment in order to be evaluated positively, but there are conditions for complying with the DNSH.

- Exclusion criteria;
- Technical conditions;
- Conditions that require consistency of current legislation;
- Recommendations.

### *Verification process in Slovakia*

Verification of the application of DNSH criteria is under the responsibility of the Office of Government. Certain criteria are assessed and defined at the call level. The call's design makes it DNSH compliant. For example, biomass is not supported (by exclusion) or on the list of things that are financed (by inclusion, listing). Proponents do not need to justify that they abide by applicable environmental laws. However, legislative acts that are specific to the call, such as material quality, may be included in the call level criteria. Active justification is required by the EC and must be included in the operational agreement (for example, 70% of recycling waste). This approach seeks to develop a comprehensive approach for line ministries to use in practice.

## **Emma Terämä - Ministry of the Environment (Finland)**

### *Context*

Currently, in Finland, environmental assessments are used in the preparation of legislation (regulatory impact assessments, use of the Taxonomy, RRF legislation for implementation, fast-track permitting for 2023-2026) and in the implementation of plans.

### *Relevance and use of DNSH criteria beyond European funding*

During the recovery period, criteria were already used to ensure that recovery investments supported the environmental integrity. In this regard, DNSH could be useful overarching criteria to allow actors to cover all aspects of environmental integrity.

A working group also noticed that permitting could be a hindrance to fast implementation. This is particularly the case for energy-related investments. This led to the idea of developing a legislation

that requires a screening of future investments at the permit stage, using the DNSH principle. The DNSH principle thus became the key tool to access fast-track. This requires major capability improvements for the Regional State Administrative Agencies.

The DNSH principle does not affect environmental permitting itself. It only ensures a guarantee for eligible projects that permitting will be provided within 12 months. In practice, there is a single stage with a general assessment. No LCAs nor exclusions are conducted. There is a sectoral selection, but no the exclusions from the RRF. No quantitative criteria are used (although a quantitative threshold can be used to justify a good performance). There is no hierarchy between different types of impacts.

### *Practical considerations*

This system requires a strong inter-ministerial cooperation. Line ministries are responsible for conducting impact assessments that fall under their sectors. This is needed to understand better the relevance of each type of assessment towards DNSH, insofar as niche expertise may be needed.

## Panel discussion

**Project team:** Does any panelist wish to mention a practice that has not been discussed yet?

**Moritz Schwarz:** The Ministry of Finance oversees the RRF implementation and DNSH assessments. Furthermore, a TSI project will be launched soon to delve deeper into these topics. So far, the line ministries have evaluated the DNSH principle. There are differences between Ministries, as well as some differences in their methodologies. The goal now is to standardize the evaluations and implementation (with a priority on the RRP). DNSH-related concepts are attempted to be incorporated into legislation, processes, and green budgeting by the Ministry. The goal is to combine the DNSH principle and related approaches with green budgeting processes to create a systematic approach. The DNSH principle can play an important role in green budgeting, though the level of detail will need to be increased over time (step by step). In a nutshell, Austria takes a bottom-up approach, paying special attention to budgetary elements that require more careful attention in order to align with the DNSH principle.

**Project team:** Are there examples of exclusions based on the polluter pays principle in Finland?

**Emma Terämä:** No. There is an interesting program to reduce oil heating in buildings from administrative to private residencies. There, the exclusion principle was used to shift to centralized heating systems. Since the latter can still rely on old coal systems, district heating might still be supported by what is excluded elsewhere (this is only due to a transition period).

**Project team:** Are you considering legislative amendments to comply with DNSH?

**Jan Hlaváček:** It could be useful in the case of environmental impact assessment, with the goal of improving climate coverage. This possibility is still being discussed.

**Kristína Korčeková:** Certain aspects such as the 70% recycling waste have already been translated into national law (from technical conditions to legal requirement). Other changes similar to this may occur in relation to other criteria.

**Project team:** The approaches presented suggest uneven levels of integrity between detailed/simplified assessments. What would be an *absolute* acceptable level?



**Emma Terämä:** When the RRF was launched, the Environmental Institute was asked to clarify what would be integrity levels for each sector (i.e., which aspects and interpretation is needed for applying the DNSH principle in each sector). This resulted in the preparation of guidelines, which partly rely on national legislation. Now that the DNSH principle is gradually being integrated in national legislation, the question boils down to the need to make the DNSH principle clear to all project developers. This is particularly tricky since the Taxonomy's TSC are evolving - this was not the initial expectation. More broadly, there should be a reflection on justifying/clarifying when to use the DNSH principle, keeping in mind the end-user's needs and capacity. First, it could be used to raise awareness; second, it could be used to guarantee that there will not be significant harm. National thresholds already exist and should be listed in the guidelines.

**Project team:** In terms of avoiding administrative burden, what practices can be used or improved?

**Kristína Korčeková:** It is critical to leave room for interpretation when designing processes. Because the DNSH policy already prohibits harmful activities, it is best to simplify the process. Furthermore, the DNSH policy should not be the end goal and should not prevent good investments, so it should be flexible. When considering potential mining projects, for example, it is critical to remember that the alternative is obtaining these materials from outside the EU, where environmental standards are frequently low. Creating safeguards in such cases can be a good strategy for mitigating any negative environmental impact. It is also critical to determine who is in charge of ensuring compliance, whether at the state or ministry level.

**Project team:** How do you navigate differing priorities while keeping a user-friendly system?

**Jan Hlaváček:** One of the main priorities is to make sure that requirements are clear for end-users. This means that the criteria should focus on the priorities for each sector.

**Project team:** Are there any differences between financial instruments and other investments?

**Jan Hlaváček:** A loan will be launched under the JTF. The approach is the same. There are technical conditions to be met by the end-user. Given that the administrative burden is even heavier than for grants, only the most important conditions are included (i.e., no full assessments).

**Moritz Schwarz:** The administrative procedure differs. The principle and the interpretation of the principle should be standardized as much as possible. The outcome and general direction should not depend on the instrument used to support stakeholders, especially if the aim is that the DNSH principle delivers impact in the longer-run. Transparency on this policy is needed (in case DNSH is not ensured, a strong political justification is needed, e.g., buying gas during the energy crisis). Ultimately, all policies must align with the DNSH principle - the implementation is a matter of interpretation, but not its mandatory nature.

**Project team:** Would legislative changes help to simplify DNSH assessment, given that the DNSH principle is here to stay and may expand in the future?

**Moritz Schwarz:** Legislative changes may not make the process easier, as policy is expected to become increasingly complex over the next 10-15 years. This could be the case with RRF legislation. The question is whether it was the best course of action.

**Emma Terämä:** Transparency is essential, and all government spending must adhere to DNSH regulations. However, it is critical to find common ground when analyzing various environmental targets. The Ministry can prioritize its efforts toward achieving sustainable development goals by

identifying "bad" investments and their environmental impact. As a result, it is critical to ensure that the process of identifying bad investments is open and transparent.

**Kristína Korčekova:** While reading through various RRF reports, it becomes clear that there is a significant disparity between them, particularly in terms of the need for safeguards. If DNSH is truly a European principle, it must be more clearly defined at the European Commission level to ensure consistency and comparability, even if it does not take the form of a directive. The Office of Government hopes to align its approach with the EC's expectations through a TSI project. It is, however, having difficulty getting clear answers from the EC. Despite the will to obtain answers from the EC, it does not appear to be a viable option at this time.

**Kristína Korčekova:** Buildings are simple. You can write it down, but innovation is more difficult. As can be seen, the buildings approach can be applied to other sectors, but larger projects require different rules. There are many buildings to be built or renovated, so standardization is simple, but larger programs require their own DNSH approach.

**Project team:** What is the most appropriate level to implement the DNSH principle and CP?

**Moritz Schwarz:** The answer depends on who answers. At the Ministry of Finance, large programmes are developed, where final users are individuals. The approach is thus to develop precise guidelines at the programme level. This needs to be standardized, insofar as the implementation varies. In any case, for green budgeting, DNSH or CP, this is done at the program-level, because this is where most standardized-information can be found.

**Project team:** In the case of simplified assessment, what is the most challenging environmental objective?

**Jan Hlaváček:** Adaptation. It is much project- or site-specific, such that general rules cannot be set at the national level.

**Project team:** When conducting the DNSH assessment at project level, do you differentiate between simplified and detailed assessment for different objectives? How do you deal with the different taxonomy objectives?

**Jan Hlaváček:** The same approach is applied to all. The EU Taxonomy is used for all sectors, such that there is no differentiation between climate mitigation or waste management. The EU Taxonomy is not extremely strict with regard to environmental objectives, but is more precise with climate mitigation and adaptation. The climate objectives set more conditions with a higher level of precision.

**Project team:** Have you developed any methods for monitoring DNSH application? Are there any obstacles? Any early lessons?

**Emma Terämä:** Finland has a program that helps local and regional development authorities to attract more green investment. For this type of investment, the Ministry now requires a DNSH. However, this can only be accomplished through desk-based research.

**Project team:** Are there any other points that you wish to raise?

**Moritz Schwarz:** You asked about the challenge of setting thresholds. Given the vast difference between assessments in different countries, any quantitative threshold can pose challenges and result in inconsistencies. Depending on the countries, projects would be DNSH compliant in some countries, but not in others. Wind turbines, gas boilers are specifically relevant examples. The long-term meta-analysis will be extremely important.

**Project team:** What are the key priorities that you want to achieve in the next few months?

**Emma Terämä:** Building capacity. DNSH training for permitting authorities in accordance with the new legislation. Other ministries, in particular, will need to establish new programs aligned with DNSH, including after the national elections of Q2 2023.

**Project team:** Based on your experience with the DNSH principle and on exchanges with other peer Member States, have you identified good practices or inspiring examples at the national level?

**Jan Hlaváček:** A national guide for DNSH and CP was developed. The key will be the feedback from the investing world - is the process doable, and does it deliver the expected outcomes?

**Moritz Schwarz:** The TSI results in Finland and Czechia will be useful. It is notable that institutional set-ups vary this widely. The fact that certain countries have 2 FTEs centralized on DNSH helps, while Austria has required the coordination of several line ministries.

#### *Related questions from the chat*

Question from a Belgian representative to Jan Hlaváček: Can you give concrete examples of exclusion based on the polluter pays principle?

Response from Jan Hlaváček: On the exclusions based on the polluter pays-principle:

1. JTF example: Coal mines reclamation - mining companies have to reclaim mining site in line with the plan approved by the Czech Mining Office. Activities covered by the reclamation plan are not eligible.
2. General example: A national database of contaminated sites exists ([https://www.sekm.cz/portal/areasource/map\\_search\\_public/](https://www.sekm.cz/portal/areasource/map_search_public/)) Remediation of these sites is not eligible (except cases where the polluter is unknown or no longer exists).

## Annex E - Minutes of webinar 3: Application of the DNSH principle to innovative green technologies

### Setting the scene (Jeroen van der Laan, Trinomics)

The main topic is to discuss DNSH in the context of green technologies and innovations. Main challenges:

- **Difficulty to estimate environmental impacts and risks that the DNSH principle is not applied**, for instance for projects related to social innovation. For example, Czechia is working on projects in innovative waste systems. As pilot projects, it is difficult to understand the impacts when there is such uncertainty on project outcomes.
- **Lack of technical guidance and definitions of some of these innovations in the regulations.** There are no TSC and relevant climate delegated acts for these activities. They are not in the taxonomy as sustainable activities, also not in the enabling activities list. E. g. On green hydrogen, Commission talks about additionality and talks about where one may find criteria relevant for assessment.
- **Process standardization:** One of the main objectives in the DNSH application process is to avoid administrative burden and promote efficiency. This is particularly challenging in some areas, such as R&D and innovation. E.g., For smaller research grants for innovative projects it may be difficult and time consuming to assess DNSH-linked risks.

### Ivana Ptáčková - Ministry of Industry and Trade (Czechia)

#### *Context*

The presentation covers the implementation of the DNSH principle and of CP in structural funds (ERDF). The key target group of the Ministry is middle to large (publicly-owned) companies, and includes all sectors.

Entrepreneurs face a number of issues, making it all the more critical to provide them with clear and understandable information on DNSH and CP.

#### *Presentation of the Czech practice*

The key sources used for developing the Ministry's approach and methodology are the technical guidelines developed by the Commission. The approach is then implemented by the managing authorities, such as the programme for technology and innovation.

For all sectors, DNSH assessments (and, where applicable, CP) revolve around three steps:

1. The managing authority assesses the specific objectives of the types of measures and programmes. This may rely on the use of the Delegated Acts;
2. The analysis is refined at the level of activities;
3. The managing authority clarifies the need for DNSH assessments and for CP:
  - a. Procedure 1: at the substantial contribution level, negligible impacts are expected when implementing the investment;
  - b. Procedure 2: there are DNSH mandatory criteria and, potentially, a need for CP, specified in the technical guidelines;
  - c. Procedure 3: the technical screening criteria (TSC) presented in the EU Taxonomy Delegated Acts can be applied to the investments.

4. *For CP.* The managing authority directly evaluates if, at the activity level, the programme might exceed 20.000 t CO<sub>2</sub>e. This helps clarifying to what extent a CP is required. Currently, this approach is considered robust for smaller investments. This allows to simplify it and to provide clear instructions to smaller applicants.

In the case of R&D and green innovation investments, the use of TSC requires a clear definition and experience with the technology used. In the absence of such detail, the managing authority uses climate tags (029 and 030) to identify investments that are expected to have positive impacts. For these eligible investments, the managing authority provides a template to applicants, through which the latter can state that they meet the requirements specific to each of the 6 environmental objectives. The applicant proposes its own statement to prove that the requirements are fulfilled. The forms are evaluated on the basis of a score. The scoring relies on a qualitative assessment and can - among others- be substantiated with the applicant's business plan.

In the case of investments favoring energy efficiency, renewable energy and energy infrastructure, European legislation is used (including the Delegated Regulation 2021/2139). Similar to R&D investments, climate tags are attributed to each investment. The applicant states that it meets any existing TSC criteria, and provides an open-ended justification of how the criteria will be met.

### **Challenges**

A number of challenges emerge for the Ministry, Managing Authorities, and applicants. They notably include:

- The specificities of financial instruments and the associated analyses that must be conducted are not fully clear;
- The interlinkages between the TSC and the legislative obligations already existing is unclear;
- The limited capacity and impossibility for SMEs to use the EU Taxonomy;
- The identification and selection of requirements or criteria in fields where criteria are expected to be published (e.g., textile products for circularity);
- The choice of criteria where no specifications exist - for now, the managing authorities use applicable legislation;
- The identification and use of data to conduct CP.

## **Juha Ollikainen - Finnish Climate Fund (Finland)**

### **Context**

The Fund is state owned, investments are primarily in climate technology and in the scaling phase. The Fund is operational since 2021. So far approximately 20 investment decisions have been made, each ranging an investment amount between 4-40 million euros.

### **Presentation of the Finish practice**

Every investment must pass the preconditions. If the preconditions are met, the final prioritisation and selection of investment proposals will be made based on the impact criteria. The pre-conditions are:

1. A credible plan for the repayment of the investment and return capital;
2. With Climate Fund's investment the project will be realized in the first place, earlier or on a larger scale;
3. Alignment with the DNSH.

Afterwards, the investment is analyzed against its emissions reductions potential and the productivity and business potential. Finally, there is an Investment Proposal Specific assessment. The DNSH process begins with an initial DNSH analysis conducted by the proponent. The Finnish Climate Fund supports the client in this process - a support that has proven particularly relevant given the novelty of DNSH, the complexity of the process itself and the size of the companies (which are oftentimes small to micro entities). The DNSH analysis is then verified by the Fund. For this step, the Fund usually hires a technical expert with specific technical expertise. Open issues and uncertainties discovered are managed by follow-up measures and reporting obligations.

Currently the Fund applies criteria from (i) the EU Taxonomy delegated acts and (ii) DNSH guidelines prepared by the Finnish Environment Institute as a basis for applying the DNSH principle. The process is always ongoing, and ready to incorporate further guidance when this is available, namely new EU Taxonomy delegated acts and national guidelines (developed through a TSI project).

### *Moving forward: learnings and challenges ahead*

Lessons learnt and challenges are raised:

- The DNSH principle is still in development. It is also new to companies, so they need support;
- Many DNSH criteria regard the operational phase and cannot be checked beforehand. Similarly, in many cases EIA and environmental permitting support the application of the DNSH only in the later phase of the project;
- It would be helpful that requirements are clearer at the legislative level;
- The notion of “sufficient” level of analysis is unclear and difficult to define;
- Benchmarks and examples will be very useful for different types of projects (e.g., to have examples of how to analyse data);
- One needs to have quite specific knowledge to do this analysis. The expert(s) need to know well the national legislation, specifically in technology. This is the reason why the Fund uses external advisors in the evaluation phase;
- One thing that is being considered is the accreditation of advisors;
- Despite efforts to limit the administrative burden, any analysis brings transactional costs.

## **Moritz Schwarz & Kerstin Haider - Ministry of Finance (Austria)**

### *Context*

In Austria, green budgeting is fully led by the Ministry of Finance, both strategically and operationally. The Ministry engages in a holistic approach to review all aspects of the budget. In that regard, the exercise goes further than the analysis of budget lines - it facilitated the emission of a green bond, it led to macro-economic modelling of GHG effects, and to upgraded methodologies for impact assessments.

### *Presentation of the methodology*

A set of principles guides green budgeting in Austria:

- Having a holistic approach: all types of policies are reviewed, disregarding the Ministry or the authority in charge;
- Review all instruments: this includes taxes, tax breaks, expenditures, revenues;
- Adopt a step-wise approach: due to the role of regions, the Ministry intends to extend its approach to regional budgeting, beyond federal expenditure;
- Interlink green budgeting with DNSH - this aspect is the next goal of the Ministry.

This resulted in the review of around 38.000 budget lines. In practice, it required to identify the smaller common denominator across all lines (i.e., their description). The key was to differentiate between the input of the line (funding) and the output (impacts). Grasping the nature and magnitude of the outputs required new approaches. The first step consisted in clarifying whether the line is relevant in terms of climate or environmental effects. It was found that 10% of the expenditure and revenues are relevant - thus calling for an additional analysis to determine the approximate impact. This impact is evaluated through the *intention* of the budget line. It can be positive or negative (a scale of 6 scores is used), or neutral (i.e., relevance is observed but no effects on productivity are expected). At the aggregated level, budget chapters receive a score that translates the total score. For instance, the budget for transport received a high score overall, with approximately 4.5 billion euros expected to lead to positive side effects on productivity.

### Interlinkages with the DNSH principle

How can this methodology be linked to DNSH? The creation of synergies between green budgeting and DNSH is a prime goal of the Ministry for the coming year.

Conceptually, green budgeting can be used to estimate DNSH compliance. The approach of the Ministry consists in the following steps:

- (1) In case a budget line is not considered as relevant for climate and environment, it is considered DNSH compliant
- (2) If not, the green budgeting methodology is used for each of the 6 environmental objectives to determine the compliance (or, alternatively, the need for further assessments) of the budget line. In practice, this means that, for each of the objectives, a score is attributed to the budget line:
  - (a) If the scores “intended counter-productivity”, “counter-productivity as a side effect” or “effect unclear” are attributed, an additional DNSH assessment is needed.
  - (b) If the scores “no effect”, “productivity as a side effect” or “intended productivity” are attributed, the budget line is considered as compliant with the DNSH principle.

### Challenges

Two types of challenges emerge:

- Institutional challenges: Convincing all line Ministries and departments of the relevance of green budgeting is a hurdle.
- Methodological challenges: It is difficult to strike a balance between granularity and usability: in case of various scores for a budget line, the variety can be recognised or the predominance principle followed. In addition, a solution must be found for those scores that may be modified after the budget lines’ implementation has been monitored. Moreover, rebound effects must be accounted for. Finally, a quality assurance process must be defined to ensure the solidity of the scoring (potentially for each of the 38.000 budget lines).

## Panel discussion

**Project team:** Are there provisions when there are no DNSH TSC? If not, how do you deal with these cases? How do you deal with green technology projects?

**Lucía Cobo:** There are many economic activities that are not covered in the delegated acts. During discussions on the platform of sustainable finance it is noticeable that a lot of sectors are lobbying to have their activities in the taxonomy regulation. This case is particularly noteworthy due to the

significant number of activities falling under R&D, accounting for 16% of the Spanish RRP budget, which amounts to 11 billion euros, comprising 30 measures and sub-measures for technology and innovation. To resolve this the Spanish Ministry of Finance has set up a general process with specific governance for these cases:

1. Define the primary impact through the entire life cycle of the activities (present and future impacts);
2. Estimation of these impacts and elaborate justifications from conclusions;
3. Estimation of the financial sustainability of projects and DNSH with the help of technical experts;
4. Provision of a statement of compliance from beneficiaries and applicants with specific criteria for compliance;
5. Report on criteria defined in the statement. Objective by objective, beneficiaries must explain the contribution of the project to those;
6. Expert committees evaluate reports. To support this process there are templates for specific activities on what needs to be asked. There are also specific checklists for specific sectors, such as textile, hardware, etc for circular economy.

**Kerstin Haider:** Austria is improving its approach, there is thus no best-practice to share at this time. A TSI project will support further developments on this topic.

**Juha Ollikainen:** There is national Finnish guidance available for authorities with tools used to analyse this types of cases.

**Ivana Ptáčková:** The DNSH principle is a type of environmental protection. The EU Taxonomy and TSC are not obligatory for structural funds, that is why they are being used, but in case economic activities are not covered by TSC, Czech authorities go through the current legislation to derive criteria. Unless there was previous experience with a similar type of project, it is not possible for Czechia to give this task of criteria identification to applicants. Specific requirements would be useful.

**Project team** [question from the chat]: About the green budgeting in Austria: could you give a concrete example of unexpected policy measure that you identified with your method ? (i.e. a policy that would have a (unexpected) climate impact)

**Kerstin Haider:** Before the energy crisis one could not find any counter-productive measures in the budget using the green budgeting method. After the crisis started, counterproductive budget lines were identified. Ultimately, in a context of crisis, the goal of environmental preservation became secondary. On another note, the green budget allows the Austrian government to do deep dives on the budget, notably on the R&D chapter's budget lines.

**Project team:** Have you developed any measures for ensuring the quality assurance of the assessments and projects, especially with regard to R&D projects?

**Siina Lepola-Lång:** The Finnish Ministry of Economic Affairs funds green energy infrastructure (38 projects so far - all went through and validated a DNSH assessment). The DNSH assessments are broad; the Ministry holds regular discussions with the local authorities that deliver permits, and with applicants. Cooperation revealed to be a key success factor. The Finnish Environment Institute developed guidelines, which are used by the Ministry along with European guidelines. Trainings were also provided to applicants.

**Lucía Cobo:** Quality assurance is usually a struggle -disregarding the application of the DNSH principle- and it does not exist yet for R&D projects. In any case, this technically cannot exist for R&D. The



Ministry does not however identify any risk of negative impacts and existing mitigating and monitoring measures conducted by the applicants (e.g., management plan).

**Project team:** How can the DNSH and green tagging guidelines be strengthened?

**Kerstin Haider:** A discussion is going on about this topic. The strengthening of the methodology must be doable (as mentioned, 38.000 budget lines were assessed). The goal is thus to re-use the steps for green tagging as much as possible in the process of DNSH (e.g., the scorecard is to be translated in terms of harmful and potentially harmful effects). It remains to be seen how the budget lines that require additional DNSH assessments can be identified.

**Project team:** How do you address sub-components that might require additional DNSH analysis? Is there any procedure and how can it be standardized?

**Siina Lepola-Lång:** Many of these investments exist. However there is no specific procedure - projects are analysed as any other, and their riskier aspects are assessed more in-depth. Environmental permitting is also referred to when there are uncertainties about the potential impacts (the Ministry directly calls the authorities that validated the permits).

**Juha Ollikainen:** In case a project is referenced in the Delegated Acts, an additional assessment can be conducted.

**Lucía Cobo:** If these Delegated Acts do not cover the projects, only state of the art knowledge and experience can be used. This entails challenges - particularly for the circular economy objective.

**Ivana Ptáčková:** Circular economy is indeed a crucial issue, particularly for infrastructure. For now, the Ministry uses an exclusion list of activities and solutions to reduce the risks that the circular economy objective is not respected. This remains hardly usable in the case of R&D, where the potential risks and effects are extremely broad - thresholds would be needed rather than specific criteria in order to be applicable to R&D projects.

**Project team:** Are there technical and/or legislative measures that could support you with addressing R&D or innovative investments?

**Juha Ollikainen:** Specific guidance for the project evaluators is needed, in particular guidance that distinguishes between the requirements/legislation that already exists, and the DNSH-specific criteria. Currently, the technical knowledge that is required to conduct assessments without this guidance is too high level and too broad. Case examples are also absolutely needed. Benchmarks from existing projects would be much more practical to use on a daily basis.

**Project team:** Does any of the Member States that you represent intend to set up a green budgeting mechanism? If yes, would any legislation and/or technical measure support you to do so?

**Lucía Cobo:** The Spanish RRP includes a reform in that direction. The guiding law was passed in 2022. Green budgeting used the SDGs (which had already been used to assess the sustainability of the budget) to identify the 6 environmental objectives. A climate tag was finally attributed to relevant measures. In the future, broader types of expenses will be included (including the expenses that do not intend to have positive impacts on climate, revenues, and the social security budget).

Sectoral roadmaps are supporting this effort. For instance, the roadmap for green hydrogen (which includes a description of investments from production to use and transport) helps to ascertain the content of the measures and thus their tagging.

**Ivana Ptáčková:** There are no discussions to develop green budgeting.

**Siina Lepola-Lång:** There have been attempts to develop and use green budgeting in Finland. It is currently not done -at least in the Ministry of Economic Affairs- but is worth exploring. In any case, the bottom line need is to limit the complexity of DNSH assessments, such that smaller companies may conduct DNSH assessments themselves (i.e., without consultants) and can actually benefit from public funding. Juha Ollikainen seconds this point.

Trinomics B.V.  
Westersingel 34  
3014 GS Rotterdam  
The Netherlands

T +31 (0) 10 3414 592

[www.trinomics.eu](http://www.trinomics.eu)

KvK n°: 56028016

VAT n°: NL8519.48.662.B01

Trinomics® 