EUROPEAN
COURT
OF AUDITORS

EN

Opinion 04/2022

(pursuant to Article 287(4) and Article 322(1)(a), TFEU)

concerning the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/241as regards REPowerEU chapters in recovery and resilience plans and amending Regulation (EU) 2021/1060, Regulation (EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814 [2022/0164 (COD)]

Contents

Introduction

01 The Russian invasion of Ukraine has increased energy security concerns and brought to the fore the EU's dependence on gas, oil and coal imports from Russia. In response, in March 2022, the Commission called for the rapid phasing-out of imports of Russian fossil fuels and the acceleration of the European Green Deal[1]. Following this, the European Council decided that the European Union should fully phase out its dependency on imports of Russian gas, oil and coal as soon as possible and asked the Commission to propose a plan by the end of May 2022.

02 On 18 May 2022, the Commission presented the REPowerEU Plan[2], a roadmap towards achieving a more resilient energy system and a true Energy Union, by ending the EU's dependence on fossil fuels and fast-forwarding the clean energy transition. The measures in the plan are intended as a response to these ambitions through energy savings, diversification of energy supplies, accelerated rollout of renewable energy to replace fossil fuels in homes, industry and power generation, and production of clean energy.

[1] Communication from the Commission "REPowerEU: Joint European Action for more affordable, secure and sustainable energy", COM(2022) 108.

[2] Communication from the Commission "REPowerEU Plan", COM(2022) 230.

03 As part of this initiative, the Commission has published a proposal for a regulation of the European Parliament and of the Council to amend Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans, as well as Regulation (EU) 2021/1060[3], Regulation (EU) 2021/2115[4], Directive 2003/87/EC[5] and Decision (EU) 2015/1814[6] [2022/0164 (COD)].

04 The proposal encourages Member States to use their national recovery and resilience plans (RRPs) as a strategic framework for reforms and investments to ensure joint European action for a more resilient, secure and sustainable energy system. New measures to this end would be included in a new REPowerEU chapter that would be added to approved RRPs.

05 In line with the request received from the European Parliament's Committee on Budgetary Control and the Council, this opinion contains an assessment of the overall design of REPowerEU, the appropriateness of the proposed amendments and the potential implementation risks. While it focuses on the Commission's proposal, it also takes into account the related political agreement reached at the European Council of 8 March 2022.

---

[3] Regulation (EU) 2021/1060 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

[4] Regulation (EU) 2021/2115 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013.

[5] Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

[6] Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC.

General observations

06 We conclude that the proposal provides a comprehensive overview of the context and main challenges as well as the process leading to the proposal. It suggests implementing relevant measures in the framework of the Recovery and Resilience Facility thereby taking advantage of structures already in place.

07 We note, however, that implementing REPowerEU as currently proposed may be challenging in practice for the following reasons:

- whilst REPowerEU targets the EU as a whole, the RRF is implemented through measures put forward by Member States. This poses a risk in terms of the strategic response to the challenges ahead and may distract attention to the priorities of individual Member States rather than those of the Union as a whole;
- the limited timeframe of the RRF in combination with the time needed to submit and approve the amendments to the RRPs may not be suitable for the some of the REPowerEU objectives;
- it is currently unclear whether the funds available will be in proportion to REPowerEU's ambitious objectives and corresponding investment needs, in particular as large parts would require Member States to use the remaining RRF loans or transfer funds from other Union policies;
- the proposed allocation keys for the distribution of funds to Member States do neither reflect the current challenges and objectives of REPowerEU nor Member States' specific investment needs in this regard;
- given the strong focus in the RRF on green targets and climate, introducing a general exemption from the principle of "do no significant harm" for the REPowerEU measures may jeopardise one of its core values.

Specific comments

Objectives and design of REPowerEU

Article 1 of the proposal amending Article 4 and Article 18(4)(q) of the RRF regulation; Introducing new Article 21c and Annex I of the proposal

Key points

- Achieving REPowerEU objectives will depend on complementary actions at all levels
- The timeframe of the RRF constrains some of the REPowerEU objectives
- The stakeholder consultation was limited to Member States

The REPowerEU objectives

Achievement of objectives

08 The general objective of REPowerEU is *to increase the resilience of the Union energy system through a decrease of dependence on fossil fuels and diversification of energy supplies at Union level*[7]. This objective would be implemented through the RRF by including relevant measures in the REPowerEU chapters of RRPs[8].

09 The general objective of REPowerEU refers to the EU as a whole. Rather than identifying strategic projects, which are most likely to contribute to this general objective, REPowerEU would be implemented through measures put forward by Member States. This poses risks in terms of the strategic approach to REPowerEU and the achievement of its overall objective.

10 The proposal suggests improving energy infrastructure and facilities to meet immediate security of supply needs for oil and gas. We understand that some urgent measures may be necessary to address short-term needs. However, investments in

[7] Article 1 of the proposal, amending Article 4 of Regulation (EU) 2021/241 establishing the RRF.

[8] New Article 21c(1) of the amended regulation.

infrastructure for fossil fuels are not necessarily in line with the longer-term REPowerEU objective of reducing dependence on fossil fuels, or with the RRF's strong focus on the green transition, under which at least 37 % of the total RRF allocation must contribute to climate objectives.

11 In order to ensure synergies and complementarity, the REPowerEU chapters should provide information on actions pursuing the REPowerEU objectives that are funded not by the RRF but through national or other Union funds[9]. We welcome the Commission's intention to obtain an overview of all relevant actions, as the success of REPowerEU will depend on complementary action at all levels. However, some of these measures, in particularly those financed from national sources, will not fall under the RRF monitoring and control arrangements.

Timeframe

12 The proposal includes a set of objectives combining short-term measures to address immediate security of supply needs, mainly by improving energy infrastructure and facilities, as well as medium to long-term measures focusing on, for example, energy efficiency, transmission bottlenecks and requalification of the workforce.

13 Annex I to the proposal specifies that the measures in REPowerEU chapters should "*effectively contribute towards the Union's security of supply for the Union as a whole, notably through a diversification of energy supply or reduction of dependence on fossil fuels before 2030*". We note that the 2030 timeframe differs from the eligibility period for the RRF, which will end in 2026.

14 With regard to measures addressing the long-term objectives of REPowerEU, we note that their full implementation within the RRF, which ends in 2026, may not be possible. While the RRF will help to implement short-term investments, the long-term objectives of REPowerEU may need to be implemented also through investments financed by other EU programmes.

Impact assessment and stakeholder consultation at EU level and in Member States

15 The better regulation guidelines suggest the use of impact assessments and stakeholder consultations as part of the comprehensive analysis of design and implementation options. Despite this, the proposal was not the subject of a dedicated

[9] Section 5 of the explanatory memorandum to the proposal.

impact assessment or stakeholder consultation. We agree with the Commission, however, that a comprehensive impact assessment of REPowerEU would have been difficult in such a limited timeframe.

16 The proposal introduces a requirement for Member States to carry out consultation when drafting their RRPs and provide a summary of this consultation process in the REPowerEU chapter, explaining the outcome of consultations and how stakeholder input was taken into account[10].

17 Although it might increase the time needed to develop and submit REPowerEU chapters, we welcome the involvement of stakeholders at national level. However, it is not clear to what extent and how the Commission could intervene in the event that a Member State did not sufficiently address stakeholders' views and concerns.

Funding and financial allocation

Funding of REPowerEU

Article 1 of the proposal amending Article 14 of RRF regulation; introducing Article 21a and Article 21b; Articles 2, 3, 4 and 5 of the proposal; and recitals 14-18 and 20 of the proposal

Key points

- Total funding is uncertain and could range from €20 billion to €275 billion
- Additional funding (€20 billion) will only cover a very small portion of total investment needs
- Incentives to use the loan component may be limited for some Member States

18 The Commission has estimated that €210 billion will be needed in additional investment for REPowerEU, in particular to cover the phasing-out of Russian fossil fuel imports by 2027[11]. These additional needs are planned to be financed from various sources, amounting to a maximum available funding of €274.4 billion:

[10] Recital 12 and Article 1(3) of the proposal.

[11] Factsheet "Financing REPowerEU".

- €20 billion of grants through the auction of EU Emission Trading System (ETS) allowances;
- up to €26.9 billion of grants from voluntary transfers from cohesion funds;
- up to €7.5 billion of grants from voluntary transfers from rural development funds;
- up to €220 billion through the remaining RRF loans.

19 We point out that all of these sources except ETS allowances are outside the Commission's control, as they depend on Member States transferring funds from other policy areas or using the remaining part of RRF loans. Consequently, the total funding actually available may be considerably lower, and there is no certainty as to whether it will be sufficient to cover the estimated investment needs of €210 billion.

Grant support – new revenue from auction of ETS allowance

20 According to the proposal, the Commission would finance part of the REPowerEU grants by raising €20 billion (in current prices) from the auction of ETS allowances held in the Market Stability Reserve. This would cover only a small proportion of total estimated needs.

21 The ETS is a key contributor to the EU's climate policy objective of reducing greenhouse gas emissions to meet the 2030 and 2050 targets. The purpose of the Market Stability Reserve is to help stabilise the ETS by removing surplus allowances when there are too many and releasing them when there are too few.

22 In our 2020 special report on the ETS[12], we recommended that the Commission better target the allocation of free allowances and improve the methodology for benchmarks. Under the proposal, the amendment to Decision (EU) 2015/1814 would extend the current intake rate for Market Stability Reserve allowances until 2030 and allow for some allowances to be released and auctioned to generate additional revenue for the RRF. At recent trading rates (between €80 and €100/tCO2e), to raise €20 billion it will be necessary to place anywhere between 200 and 250 million additional allowances in circulation by 2030.

---

[12] Special report 18/2020: "The EU's Emissions Trading System – free allocation of allowances needed better targeting", recommendations 1 and 2.

23 Using the Market Stability Reserve to raise additional revenue, and returning such large volumes of allowances to the market, may undermine the Reserve's original purpose of supporting carbon prices and disrupt the EU ETS market. In addition, it may decrease incentives to mobilise alternative funding for sustainable investments.

Grant support - Transfers from EU cohesion policy and rural development funds

24 The proposal introduces the possibility of transferring up to an additional 7.5 % of Member States' initial cohesion policy fund allocations to support REPowerEU activities under the RRF[13]. This would bring in up to €26.9 billion, mainly from the ERDF. This additional amount would be conditional on the full use of the existing mechanism for transferring up to 5 % (€17.7 billion) of cohesion funding to other instruments under direct or indirect management. Transferred allocations would be used for the benefit of the authorising Member State.

25 Similarly, the proposal allows the transfer to the RRF of 12.5 % of EAFRD funding, up to a ceiling of €7.5 billion across all Member States.

26 Both additional transfers would be voluntary. The fact that REPowerEU measures do not require national co-financing could be an incentive for Member States to make these transfers. However, they could result in the reallocation of funding from regional to national level in the Member States, given that both the cohesion policy funds and the EAFRD are implemented through national and regional programmes, whereas REPowerEU does not necessarily have a regional component. Thus, regional authorities could be reluctant to accept making those transfers.

27 In addition, the proposal and the Commission guidelines require transferred EAFRD funding to contribute nonetheless to CAP objectives. This is so as to exclude the risk of transfers impeding those objectives. However, in cohesion there is no such alignment unless the transfer is already written into the partnership agreement. Funds transferred from an amended programme will not necessarily contribute to the objectives of that programme.

28 Consequently, the possibility of voluntary transfers to the RRF of cohesion and rural development funding will come down to a policy choice that may reduce the availability of funding for other cohesion and rural development objectives.

---

[13] Article 2(5) of the proposal.

Loan support – through the remaining RRF loans

29 The Commission also proposes financing REPowerEU measures from remaining RRF loans. Of the €385.8 billion made available for loans under the RRF, Member States have so far requested €165 billion, leaving up to €220 billion available for REPowerEU. As only seven Member States have requested loans so far, and the others may do so until 31 August 2023[14], the amount of remaining loans available for REPowerEU measures may yet fall considerably.

30 For the Commission to obtain some indication of the proportion of available loans, all Member States would need to communicate their intention to submit a loan request no more than 30 days after the entry into force of the amended regulation. However, this information would be indicative only. Consequently, the amount actually available would not be known until the 31 August 2023 deadline for submitting loan requests.

31 Whether or not Member States will make use of the remaining loans depends on a number of factors, in particular borrowing conditions or their additional financing needs or debt ratio. Consequently, the attractiveness of loans is likely to vary. In general, Member States with more favourable borrowing conditions than the EU can offer are unlikely to use the available loans.

[14] Article 14 of Regulation 2021/241.

Financial allocation

Article 1 of the proposal amending Article 14 of RRF regulation; introducing Article 21a and Article 21b; Articles 2, 3, 4 and 5 of the proposal; and recitals 14-18 and 20 of the proposal

Key points

- The allocation key for grants and loans is not directly linked to the REPowerEU objectives
- The allocation mechanism for the remaining part of the RRF loans is not yet clear

Allocation of grants

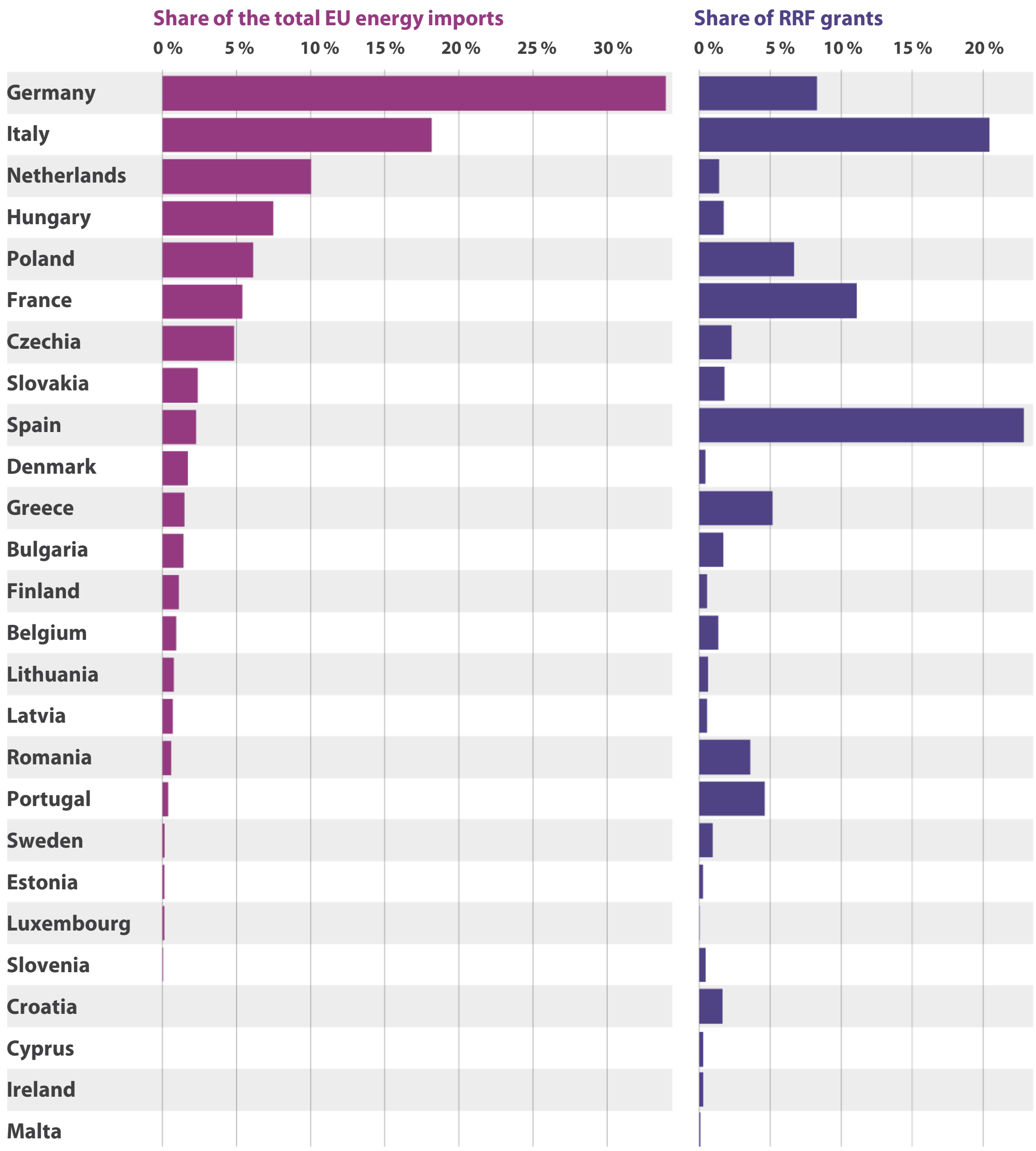
32 The proposal[15] suggests calculating Member States' share of grants on the basis of the RRF allocation key defined in Article 11 of Regulation 2021/241. As a result, 70 % of the grant share would be allocated on the basis of the population, the inverse of GDP per capita and the unemployment rate of each Member State. The remaining 30 % would be distributed on the basis of population, the inverse of GDP per capita and, in equal proportion, the change in real GDP in 2020 and the aggregated change in real GDP for the period 2020-2021.

33 Therefore, the proposed allocation key is not directly linked to REPowerEU's investment needs or to its objectives of reducing dependency on fossil fuels and diversifying energy supplies. For example, it does not take into account the energy dependency rate[16], in particular dependency on Russia, which varies considerably among the Member States (see ***Figure 1***), or the rate of renewables in the energy mix for each Member State, which ranges from 10 % to over 90 %.

[15] Article 21(a)(2) of amended Regulation 2021/241.

[16] The energy dependency rate shows the proportion of energy that an economy must import.

Figure 1 – Share of total EU energy imports from the Russian Federation vs estimated share of grant using RRF allocation key



* Information not available for Austria.

Source: ECA based on https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-2c.html?lang=en and https://ec.europa.eu/info/files/updated-member-states-grant-allocation-based-eurostat-outturn-data-2020-and-2021_en.

Allocation of loans

34 The proposal does not change the allocation formula for the loan component governed by Article 14(5) of Regulation 2021/241. Consequently, each Member State can request loans of up to 6.8 % of its 2019 GNI. As is the case for grants, the allocation does not relate to the REPowerEU objectives.

35 The RRF regulation foresees the possibility of increasing the amount of loans in exceptional circumstances. In line with the proposed amendment to Article 14(6), this increase should take into account the needs of the requesting Member State and of requests planned or already submitted by other Member States. In practice, this allows for the reallocation of the remaining part of the RRF loan component to other Member States.

36 It is unclear how the outstanding loans would be distributed between Members States, as the amended Article 14(6) only gives guiding principles (equal treatment, solidarity, proportionality and transparency) with no further details on how these would be implemented in practice.

REPowerEU chapters

Article 1 introducing new Article 21c and recitals 4-8, 10-11 and 13-14 of the proposal

Key points

- Submission of REPowerEU chapters not compulsory
- A general exemption for some of the REPowerEU measures from the "do no significant harm" principle poses risks to the RRF's green objectives
- Cross-border initiatives play a key role in the achievement of objectives, but may not be systematically included in REPowerEU chapters
- The time needed for the assessment will mean funds are probably not available until late 2023
- The new criterion for assessing REPowerEU chapters leaves room for qualitative judgement

Process for submitting REPowerEU chapters

37 Regulation 2021/241 establishes the conditions in which a Member State may modify its RRP[17]. In ***Table 1*** we provide an overview of possible reasons laid down in Regulation 2021/241 for modifying an RRP.

[17] Article 21 of Regulation (EU) 2021/241.

Table 1 – Circumstances that allow for amendment of an RRP

Type of amendment	Reason for amendment	Provision in Regulation 2021/241
General amendment	Calculation of final allocation of RRF funding results in an upward or downward adjustment of the allocation to the Member State in question	Article 11(2)
	Member State requests (additional) loan	Article 14(4)
	Member State requests an amendment on the basis that milestones and targets in the RRP are no longer achievable because of objective circumstances	Article 21(1)
REPowerEU chapters*	Member State proposes REPowerEU measures and requests the additional funding referred to in Article 21a of Regulation 2021/241.	Article 14
	Member State proposes REPowerEU measures and makes a transfer of cohesion or EAFRD funding	Article 18
	Member States can request an increase in loan support in excess of 6.8 % of 2019 GNI	Article 14(6)

* Submission mandatory in case of any of the general amendments.

Source: ECA

38 Member States submitting a request to modify their RRPs after the entry into force of the proposal would be obliged to include a REPowerEU chapter. However, Member States not making such a request would not be obliged to submit a REPowerEU chapter. This could undermine the achievement of REPowerEU objectives.

Content of REPowerEU chapters

Country-specific recommendations

39 Regulation 2021/241 stipulates that RRPs are *expected to contribute to addressing all or a significant subset of challenges identified in the relevant country-specific recommendations* (CSRs) adopted in the European Semester[18].

[18] Articles 18-19 and Annex V of Regulation (EU) 2021/241.

40 The 2022 CSRs[19] refer to, among other things, the energy challenges Member States are facing. In 2021, the Commission did not issue any CSRs, but only recommendations on Member States' budgetary situation under the Stability and Growth Pact[20].

41 As the proposal does not change the current provisions of the Regulation 2021/241 as regards CSRs, Member States proposing REPowerEU chapter would still need to demonstrate that their amended RRPs addressed all or a subset of relevant CSRs issued at that time. While the energy related CSRs of 2022 (e.g. enhancing energy efficiency, diversifying energy supplies or developing energy infrastructure) correspond to the objectives of the REPowerEU, the non-energy related CSRs (e.g. those related to pensions, taxation, or fiscal policy) go beyond the scope of these chapters and therefore it remains unclear how they will be covered.

42 We also note that the Regulation 2021/241 and the proposal do not establish what constitutes "relevant" or a "significant subset" of CSRs. This will depend on discussions between the Commission and the Member State concerned, taking into account the funds available to the Member State. Assessing the extent to which CSRs are addressed is therefore a matter of judgment.

The "do no significant harm" principle

43 Regulation 2021/241 does not allow any measures for the implementation of reforms and investment projects to be included in an RRP if they may do significant harm to the environment (the principle of "do no significant harm").

44 The proposal introduces an exception to this principle for measures "*improving energy infrastructure and facilities to meet immediate security of supply needs*".

45 We understand that the measures in question are likely to have an impact on the environment and that there will be a trade-off between the objective of secure energy supply and environmental and climate concerns, at least in the short run. However, given the strong focus in the RRF on green targets and climate, introducing an exemption from the principle of "do no significant harm" may jeopardise one of its

---

[19] 2022 European Semester: Country-Specific Recommendations / Commission Recommendations.

[20] Country-Specific Recommendations for 2019, 2020 and 2021: A tabular comparison and an overview of implementation, p. 2.

core values. Thus, it may be useful at least to have an indication of the impact of potentially harmful measures so as to select those which represent an acceptable level of environmental and climate impact compared to the value added they are expected to bring to the REPowerEU objectives.

Cross-border projects

46 According to the proposal, cross-border projects and measures of a cross-border nature are particularly suited to the REPowerEU objectives[21]. This applies specifically to projects aiming to improve the energy connection between Member States to increase the security and diversification of energy supply.

47 To date, the number of cross-border projects included in approved RRPs has been limited, and the proposal does not include any specific action to incentivise such projects. In addition, the fact that the REPowerEU chapters may be submitted at different times further impairs the inclusion of cross-border projects in RRPs.

48 Notwithstanding their strategic importance for achieving the REPowerEU objectives, we note that cross-border projects or cross-border sections of TEN-E priority projects often suffer delays. For example, nearly ten years after the intended deadline, among other things the integration of the EU electricity market is incomplete due to insufficient capacity of cross-border interconnectors[22].

49 The specific challenges that arise when designing and implementing cross-border projects underline the need for mature projects to be proposed for REPowerEU funding, account also being taken of the RRF implementation deadline. This may result in strategic cross border projects not being included in the RRPs.

Assessment of REPowerEU chapters

Assessment procedure and timing

50 The procedures for assessing REPowerEU chapters generally follow those used for RRPs in their original form:

- The Commission shall assess each RRP within two months of its submission by the Member State. With the Member State’s agreement, this deadline may be

---

[21] See the explanatory memorandum to the proposal.

[22] ACER Market Monitoring Report 2020 – Electricity Wholesale Market Volume.

extended by a reasonable period if necessary[23]. Once the RRP has been positively assessed, the Commission issues a proposal for a Council implementing decision.

- Based on the proposal, the Council should approve the Council Implementing Decision on the RRP within four weeks[24].

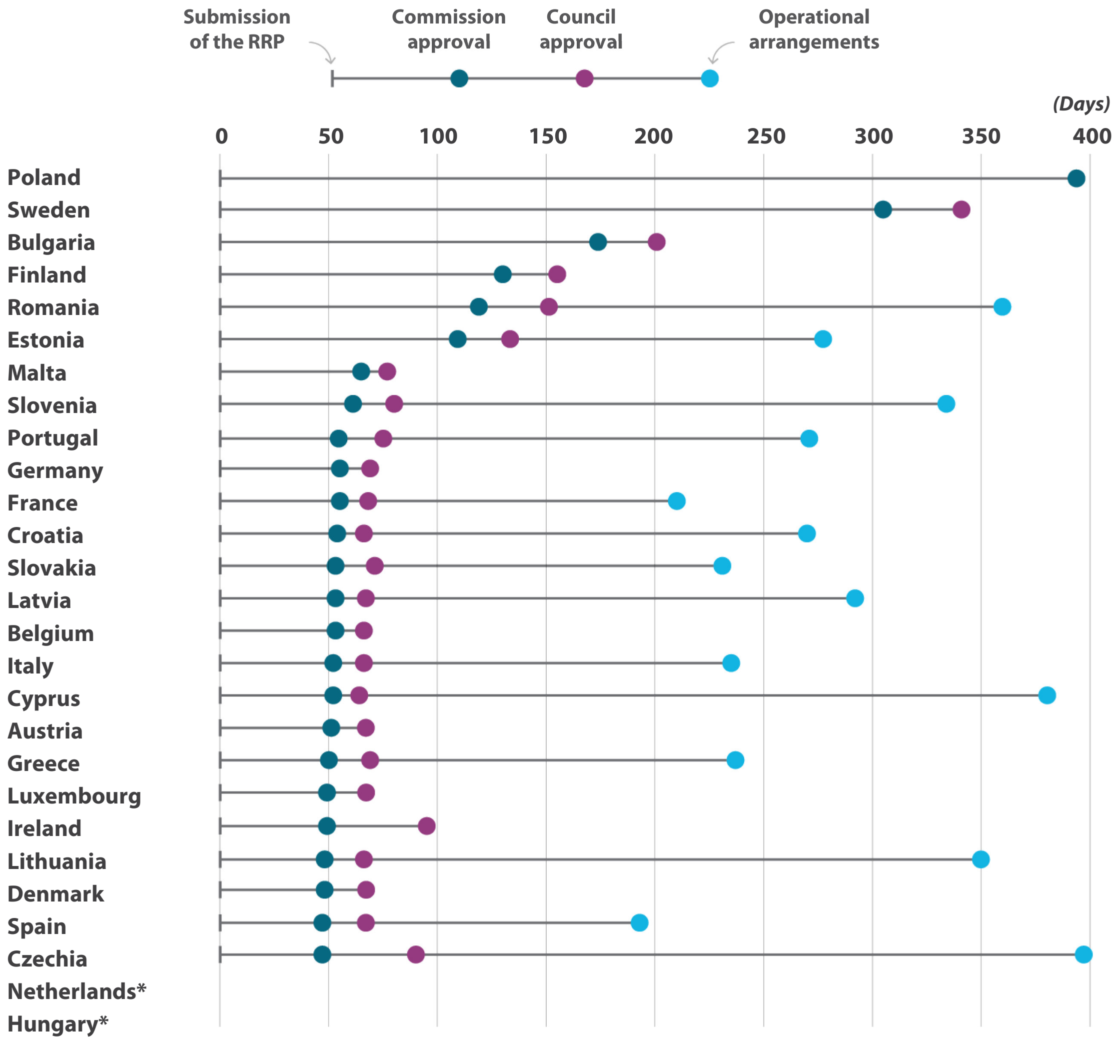
- After the Council has given its approval, the Commission concludes an operational arrangement with the Member State covering technical aspects of implementation, such as a timeline, additional intermediate steps to the milestones and targets, and arrangements for access to underlying data.

51 As of 4 July 2022, all Member States have submitted their RRPs, but only 14 have signed an operational arrangement. For these 14 cases, the average time elapsing from submission of the RRP to signature of the operational arrangement was about 9 months (see ***Figure 2***).

[23] Article 19(1) of Regulation (EU) 2021/241.

[24] Article 20 of Regulation (EU) 2021/241.

Figure 2 – Time between submission of RRPs and signature of operational arrangements



* Hungary and Netherlands have only submitted their RRPs recently and are still assessed by the Commission.

Source: ECA.

52 In addition, as stated above, the proposal does not specify a date for the submission of REPowerEU chapters. It merely states: "*The recovery and resilience plan submitted to the Commission after [the entry into force of this amending Regulation] shall contain a REPowerEU chapter.*"[25]

53 The absence of a clear timeframe for submitting REPowerEU chapters and the time needed for their assessment would negatively affect the timeliness of REPowerEU funding. Even assuming that the assessment of REPowerEU chapters would take less

---

[25] Article 21c of amended Regulation 2021/241.

time than the original assessment of RRPs, it is unlikely that the amended operational arrangements would be signed before mid-2023 or that funding would be available before the end of 2023.

Criterion and rating for the assessment of REPowerEU chapters

54 The Commission's assessment of RRPs and of the new REPowerEU chapters is based on a number of criteria in four different categories (*relevance, effectiveness, efficiency and coherence*)[26].

55 In its proposal, the Commission introduces an additional criterion for the assessment of the investments and reforms included in REPowerEU chapters, and lists specific elements that should be taken into account (see ***Table 2***).

Table 2 – Assessment of REPowerEU chapters

Criterion	Elements to be taken into account in the assessment
"The measures [...] are expected to effectively contribute towards the Union's security of supply for the Union as a whole, notably through a diversification of energy supply or reduction of dependence on fossil fuels before 2030."	"The implementation of the envisaged measures is expected to: 1. significantly contribute to the improvement of energy infrastructure and facilities to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole; or 2. significantly contribute to boosting energy efficiency in buildings, decarbonising industry, increasing production and uptake of sustainable biomethane and renewable or fossil free hydrogen and increasing the share of renewable energy; or 3. address energy infrastructure bottlenecks, in particular by constructing cross-border links with other Member States, or supports zero-emission transport and its infrastructure, including railways; or 4. significantly contribute to supporting a requalification of the workforce towards green skills, as well as supporting value chains in key materials and technologies linked to the green transition; and 5. whether the measures and explanation [...] are complementary to each other and significantly contribute to achieving the Union's diversification of energy supply or reduction of dependence on fossil fuels before 2030 together with: o measures in the already adopted Council implementing decisions and

[26] Article 19(3) of Regulation (EU) 2021/241.

Criterion	Elements to be taken into account in the assessment
	o other measures contributing to the REPowerEU objectives to be implemented from 1 February 2022 until 31 December 2026 without financial support from the Facility.”

Source: ECA, based on the proposal.

56 A rating scale for all the REPowerEU criteria is given in the assessment guidelines[27]. The Commission would rate the chapters from “A” (highest) to “C” (lowest). However, for the RRP to receive a positive assessment overall, the REPowerEU criterion must be rated “A” (see ***Table 3***).

Table 3 – Rating of REPowerEU chapters

Criterion	Possible contribution ratings	Minimum required rating
“The measures […] are expected to effectively contribute towards the Union’s security of supply for the Union as a whole, notably through a diversification of energy supply or reduction of dependence on fossil fuels before 2030.”	**A** – “to a large extent” **B** – “to a moderate extent” **C** – “to a small extent”	**A**

Source: ECA, based on the proposal.

57 As we noted in our opinion on the RRF[28], the wording of the criterion and the assessment elements are not always specific (“significantly contribute”, “boost energy efficiency”). Furthermore, the proposal lacks a clear definition of what constitutes “*measures contributing to a large/moderate/small extent*” to the objectives of security of energy supply or reduced dependence on fossil fuels. This would therefore be a matter of qualitative judgement, with the attendant risks in terms of the potential impact of RRPs and consistency in their assessment in different Member States.

58 To date, the Commission has generally assessed RRPs on their own merits, with no comparative analysis across Member States. This approach is even more likely to apply to amendments of RRPs, including REPowerEU chapters, as Member States will not be submitting them at the same time. It will also reduce the likelihood of identifying and promoting cross-border projects (see ***Cross-border projects***), which

---

27 Annex V to amended Regulation (EU) 2021/241.

28 Opinion No 6/2020 concerning the proposal for a regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility (COM(2020) 408).

play a key role in achieving the REPowerEU objectives and are explicitly referred to in the third assessment element. Moreover, the absence of a comparative analysis poses a risk in terms of the coherence of REPowerEU chapter assessments and would limit the scope of any strategic view as to whether the measures in those chapters are likely to contribute to the overall REPowerEU objectives.

59 We welcome the specific reference to complementarity in the last assessment element and the obligation for Member States to provide a comprehensive overview of all relevant measures, irrespective of the source of funding. However, measures funded from other, in particular national sources, fall outside the RRF's control mechanisms and could be altered or revoked at any time. This limits the benefit of this assessment element.

Reporting, monitoring and evaluation

Article 1 of the proposal introducing new Article 21d, recital 21 and Annex I of the proposal, and point 1.4.4 of the legislative financial statement

Key points

- Lack of guidance on reporting might impair the proper monitoring and evaluation of REPowerEU
- Proposed indicators are not suitable for monitoring progress towards the REPowerEU objectives
- The mid-term evaluation report on the RRF in 2024 will come too early to provide information on the implementation of REPowerEU measures

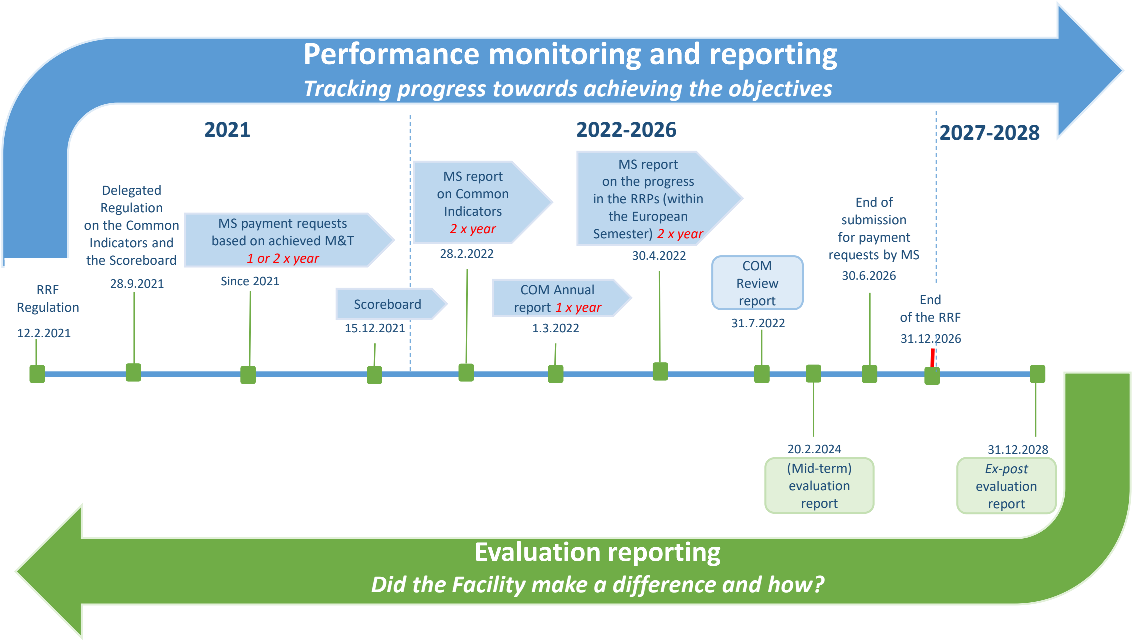
60 Regulation 2021/241[29] sets out the reporting obligations for Member States and the Commission on the progress made towards the RRF objectives, measured against a set of common indicators[30] ; an independent evaluation report on the implementation of the RRF is required at specific points in time . Under the proposal, investments and reforms in the REPowerEU chapter would be subject to the same monitoring

[29] Articles 27, 30 and 31 of Regulation (EU) 2021/241.

[30] Delegated Regulation (EU) 2021/2106 on supplementing Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility by setting out the common indicators and the detailed elements of the recovery and resilience scoreboard.

arrangements as other measures in an RRP. ***Figure 3*** provides an overview of reporting, monitoring and evaluation arrangements under Regulation 2021/241.

Figure 3 – RRF performance monitoring and evaluation 2021-2028



Source: ECA.

Reporting on the implementation of REPowerEU chapters

61 The proposal reiterates that the existing arrangements for reporting under the RRF should be extended to the REPowerEU chapter.

62 We welcome the fact that the Commission is proposing to include reporting on REPowerEU in the current RRF reporting system. In this context, we note that the Commission needs to provide further guidance on the content of Member States' reports, and on the collection, analysis and verification of the data and information they should include. Reporting must comprise all information that is needed for the proper monitoring and evaluation of the measures in REPowerEU chapters, and any delays and shortcomings in this respect, including the risk of fraud and other irregularities, must be avoided or properly mitigated.

63 In this connection, it is important to set up effective fraud reporting mechanisms that will permit continuous monitoring and supervision of the protection of the EU's financial interests[31]. So far, Member States have had no obligation to report suspicions of fraud in the RRF to the Commission in the same way as for other EU schemes[32].

Monitoring by the Commission

64 The measures in REPowerEU chapters would be subject to the same monitoring arrangements as all other RRF measures. Those arrangements are based on 14 common indicators for reporting progress towards the RRF objectives[33] and comprise a methodology for reporting social expenditure[34].

65 In addition, the proposal requires the Commission to track progress and achievements in relation to REPowerEU chapters through the following performance indicators[35]:

- number of modified plans including a REPowerEU chapter as approved by the Commission (output);
- number of measures in the REPowerEU chapters implemented (result);
- overall contribution to REPowerEU objectives, and in particular towards phasing out the EU's dependency on Russian gas (result);
- the REPowerEU objectives pursued in the respective chapters, which have been achieved due, inter alia, to the financial support received (impact).

66 We note however that the proposed indicators do not fully correspond to the objectives of the REPowerEU and are not suitable to measure its performance. The first indicator is an output indicator that is not directly linked to the objectives of the REPowerEU proposal or the RRF. The second indicator measures REPowerEU results but is only indirectly linked to the objectives. The third and fourth indicators are

---

[31] See ECA opinion No 6/2020, paragraph 23.

[32] Member States authorities report cases of suspected or established fraud (and other irregularities) to the Commission through the Irregularity Management System (IMS) hosted at OLAF's anti-fraud information platform.

[33] Delegated Regulation (EU) 2021/2106 setting out the common indicators and the detailed elements of the recovery and resilience scoreboard.

[34] Delegated Regulation (EU) 2021/2105 supplementing Regulation (EU) 2021/241 by defining a methodology for reporting social expenditure.

[35] Point 1.4.4 of the legislative financial statement to the proposal.

directly related to the REPowerEU objectives, but assessing them will be challenging because they are based on the assumption of a simple cause/effect relationship which does not necessarily exist in reality – namely, that the achievement of objectives is linked to the overall financial contribution or to the volume of financial support.

67 Of the 14 common indicators, four lend themselves for use with measures in the REPowerEU chapters: *"savings in annual primary energy consumption"; "additional operational capacity installed for renewable energy"; "alternative fuels infrastructure (refuelling/recharging points)"; and "number of participants in education or training".* However, the common indicators do not capture all aspects of the REPowerEU, such as the production and uptake of sustainable biomethane or the decarbonisation of industry.

68 The monitoring system should establish a clear link between indicators and objectives, and envisaged milestones and targets[36]. To facilitate monitoring and evaluation of the implementation of REPowerEU measures, and to assist Member States in using their resources effectively to achieve the EU's common energy goals, the Commission should specify indicators at a sufficient level of detail. This would also ensure that data from different Member States is comparable and can be aggregated.

69 Furthermore, even though the REPowerEU objective of reducing dependence on fossil fuels and diversifying energy supply would be measurable[37], the proposal does not quantify the expected results for this overall objective at EU level – except in as much as it refers to the Union's 2030 climate targets and its 2050 climate neutrality objective.

70 At Member State level, Article 21c of amended Regulation 2021/241 would require to explain in what way measures would contribute to the REPowerEU objectives, including a quantification of energy savings.

[36] Better Regulation Guidelines, SWD(2017) 350.

[37] Better regulation toolbox, p. 110.

71 The Commission's guidance[38] to Member States requires them, in their REPowerEU chapters, to demonstrate that the corresponding investments and reforms will deliver on the REPowerEU objectives by measuring:

- o the expected reduction in gas or fossil fuel imports from Russia and the expected fall in energy consumption, and
- o the modernisation of grid infrastructure to favour decentralisation, market integration or enhanced security of supply.

72 We welcome this intention to measure and report on the potential impact of measures in the REPowerEU chapters. However, the proposed indicators only cover some of the REPowerEU objectives, and the only compulsory quantified estimate would relate to the reduction in gas imports from Russia.

Evaluations

73 Regulation 2021/241 requires an independent mid-term evaluation report on the implementation of the RRF by 20 February 2024, and an independent *ex post* evaluation report by 31 December 2028. The mid-term evaluation should examine how well the RRF has achieved its objectives, the efficiency of its use of resources, and its added value, and should be accompanied, where appropriate, by a proposal for amendments to the regulation. The ex-post evaluation should provide a global assessment of the RRF and consider its long-term impact.

74 The mid-term evaluation report is likely to include little information on the implementation of REPowerEU measures, as the first REPowerEU funding is not likely to be paid until late 2023, depending on how long it takes to complete the legislative procedure for adopting the proposal and, subsequently, to assess the amended RRPs.

[38] Guidance on Recovery and Resilience Plans in the context of REPowerEU, p. 27.

This Opinion was adopted by the Court of Auditors in Luxembourg on 21 July 2022.

For the Court of Auditors

Klaus-Heiner Lehne
President