GREEN RECOVERY TRACKER

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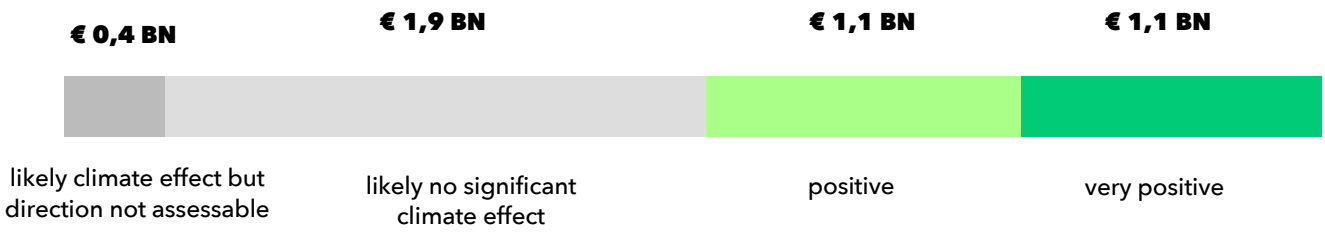
GREEN RECOVERY TRACKER REPORT: AUSTRIA

At the end of April 2021, the Austrian government submitted its official Recovery and Resilience Plan (RRP) for the use of funds from the EU Recovery and Resilience Facility (RRF). With an overall volume of € 4.5bn, equaling 1.2% of Austrian's GDP (2020), the Austrian government aims to strengthen its domestic recovery package (NRP). Large parts of the RRP were already presented in last year's governmental program (2020-2024)[1], coinciding with the official RRP time frame. It is noteworthy, that social partners and civil society organizations heavily criticized the lack of consultancy and transparency in the development process of the RRP[2]. Overall, Austria's recovery measures make a 34% contribution to the green transition, as our analysis identifies the following spending shares:

Figure 1: Amounts committed by assessment category (all recovery measures)



In focus: Green Spending Share

We find that Austria's draft recovery plan (RRP) achieves a green spending share of 34%, below the EU's 37% benchmark. No measures have a negative impact. But we find that 8% (€0.36bn) may have a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the importance of further scrutiny during the continued planning, review, and implementation of the recovery measures.

Our calculation of the green spending share aims to mirror the approach used for the official assessment of national recovery plans, which distinguishes between measures contributing fully to the green transition (100% coefficient) and measures contributing partly (40% coefficient). Therefore, we fully count "very positive" measures towards the green spending share, while "positive" measures are weighted using a coefficient of 40%, which is applied to the associated costs. All individual assessments can be accessed via the country page on our website.

The RRF package is divided into four components: green recovery, digital recovery, knowledge-based recovery and fair recovery. Mostly the measures under the green recovery component can be evaluated as having positive climate effects. Some green measures are investments into replacing traditional oil or gas-fired heating systems, the expansion and greening of the public transport system, increased quota for reusable beverage containers as well as investments into pilot projects for hydrogen- or electric-powered industrial processes. Austria's RRP thus covers important parts of a green transition; however, it lacks creativity and additionality as specifically asked for by the European Commission. Additionally, the plan sets no specific targets or conditionalities with respect to reductions in CO2 emissions.

OUR HIGHLIGHTS

Good Practice

Public Transport

Austria's recovery package has a strong focus on environmentally friendly public transport systems. Investments into zero-emission buses and the expansion of the railway system is accompanied by the 1-2-3 climate ticket offering nationwide affordable public transportation.

Bad Practice

Lack of additional ambition

In light of its preceding big announcements of exceeding the 37% threshold of green measures, it is sobering that many of those lack the much-needed comprehensiveness and creativity necessary to achieve the national target of climate neutrality by 2040.

To Our Surprise

Integration of national plans

Measures of Austria's RRP are strongly linked to the National Energy and Climate Plan (*NECP*) as well as the national mobility plan (*Mobilitätsmasterplan 2030*). Although this might stem from the fact that many measures were already in those plans, its interlinkage might enable effective alignment with national climate targets.

GENERAL CONTEXT

In January 2020, Austria formed the first European coalition of a center-right party (Austrian People's Party, ÖVP) with a center-left "green" party (The Greens). Starting with a promising governmental program, this alliance is promoting big steps towards an ecological transition. This includes introducing a nationwide public transport ticket (1-2-3 ticket), setting a climate neutrality target to 2040 (instead EU 2050), and reaching 100% renewable energy use by 2030[3]. The Covid-19 crisis and resistance by the ÖVP, however, have led to little actual implementation of these measures yet.

The global health crisis has placed economic competition back at center stage and climate actions have mostly been put on pause. A point in case being the bail-out of Austrian Airlines (AUA) via €150 million as well as a loan of €300 million, without any governmental stake in the airline (as in the case of Germany), nor any specific conditionalities.
Furthermore, previous public pressure on the government, due to large-scale protests of "Fridays for Future" strikes, was weakened by a curfew and strong lock-down measures.

While other governments already publicly discussed the draft of their national Recovery and Resilience Plan, covering measures financed by the EU Recovery and Resilience Facility, the Austrian government was criticized by the opposition and civil society organizations for drafting the plan behind closed doors[4]. Although an e-mail address was instated for the consultation process (ending on February 26th) the lack of transparency in the choice of measures left much to be desired.
The report was only made publicly available after its submission to the European Commission on April 30st. A previously leaked version by an independent think tank contained much more ambitious, although utopian, targets[5]. The final version lacks any specific targets in reductions of CO2 emissions.
The urgently needed debate on climate related policies, targets and the ambitions of the RRP, have been, however, overshadowed due to multiple inner-party affairs of the main governmental party (ÖVP).
The Austrian RRP estimates a budget of €4.5bn, which surpasses the suggested budget of €3.46bn by the European Commission by around €1,04bn. As the actual amount will only be fixed by June 2022 the Austrian government aimed to exhaust all possibilities.

Context indicators[6,7]	Austria	EU average
GDP (2019)	**397.5bn €**	
GDP (per capita, 2019)	**44780 €**	**31130 €**
GDP (per capita, 2020, provisional)	**42110 €**	
Debt (% of GDP, 2019Q4)	**70.5 %**	**77.6 %**
Debt (% of GDP, 2020Q4, provisional)	**83.9%**	**89.8%**
Unemployment Rate (December 2019)	**4.3 %**	**6.5 %**
Unemployment Rate (August 2020)	**5.6 %**	**7.7 %**
Unemployment Rate (December 2020)	**5.8%**	**7.5%**
Real GDP for 2020	**- 6.6 %**	**- 8.3 %**
Real GDP forecast for 2021	**+ 3.4 %**	**+ 5.8 %**
Total recovery spending[8]	**49.6bn €**	
EU recovery funding (grants only, current prices)[9]	**3.5bn €**	

KEY FOCUS AREAS OF THE AUSTRIAN RECOVERY DEBATE AND THE RECOVERY PACKAGE

The government's announced priorities for the RRP are to strengthen Austria as an attractive and competitive business location, as well as to reform and invest in the spirit of the European Green New Deal. The additional funding should strengthen the national recovery package and address economic, ecological, and social weaknesses within Austria[10].

So far, there has been hardly any political debate on the recovery package. This stems from the fact that the political discussion is currently distracted by governmental internal affairs and thus has been commented by the opposition parties on just a few occasions. The most prominent critique was the lack of additionality. The biggest opposition party (SPÖ) points out that mostly old projects were reused (96%) and therefore, no additional boost by the RRP can be

expected[11]. The second major critique refers to the lack of transparency when drafting the report. This was also the loudest criticism from the public sphere, as for example by major civil society organizations and some social partners.
Besides the lack of detail on the socio-ecological tax reform, no major criticism regarding specific investments and reforms within the RRP was expressed.

The RRP, with a planned budget of €4,5 million, will only present a part of the national recovery "comeback" plan. What this national plan contains, however, is not clear yet. The funds stemming from the EU will be used with a focus on climate action and digitalization. The biggest parts will fall under the category of "environmentally friendly mobility" with €849 million and "broadband expansion" with €891 million. Ambitious reforms, subsumed in the last part of the package, aim to establish an appropriate framework for a successful and green recovery. As these are not very concrete yet, their implementability and credibility remains to be seen.

FINANCING AND ADDITIONALITY OF AUSTRIA'S RECOVERY PACKAGE

The Austrian government extended its national debt to finance recovery measures in 2020 to €315.6bn. All in all, around €49.6bn were spent in 2020 and 2021 on crisis response measures as well as an additional €11.6bn in order to boost the economy[12]. The national debt is expected to increase to €339.7bn in 2021[13]. The funds from the Recovery and Resilience Facility will be used to strengthen the domestic recovery package as well as to implement the governmental program (2020-2024). The Austrian government plans to receive €4.5bn in funding via the RRF and does currently not plan to apply for any additional loans.

As the current governmental period coincides with the time horizon of the RRF, the Austrian Recovery and Resilience Plan is mostly in line with already-planned measures. While the governmental parties stress that around two thirds of the plan are new investments, opposition and civil society organizations point out that only 4% are actually new measures[14]. It can be concluded, then, that although Austria is missing out an opportunity to give the green transition an additional boost, at least some steps in the right direction are being taken to implement the ambitious governmental program.

GOVERNANCE OF THE RECOVERY PACKAGE

Some green measures of the recovery package are linked to the targets defined in Austria's National Energy and Climate Plan. Monitoring of progress will be conducted by the implementing ministries. A specific climate-related governance of the recovery efforts seems not to have been implemented. However, it must be noted that positive developments are held in prospect. Currently in discussion is an ambitious climate protection law which sets a carbon budget per sector. Beyond that, the new legislation proposes a science-based Climate Council which should keep an eye on the emission reduction targets and propose immediate measures if targets are not met. Furthermore, within 2021 a Citizen Climate Council should be implemented which would enable citizen participation. Finally, the proposed legislation contains a Climate Check which legally consolidates that every new law and regulation, as well as funding and investment regulations must be screened on climate sustainability.
As these reforms, however, are not implemented yet, it remains to be seen how the measures of the recovery package will be monitored.

NOTEWORTHY SHORT-TERM LIQUIDITY AND STATE AID DECISIONS ("COMPANY BAIL-OUTS")

The Austrian government has already made emergency measures summing up to €49.6bn available[15]. This includes among others a short-time work scheme, emergency aid for companies, fixed cost subsidies, guarantees and liabilities for business loans, as well as reductions and deferrals of claims for taxes. This rescue package aims to safeguard jobs and to strengthen Austria's economic position. Support was not linked to any sustainability conditions. A major bail-out decision with climate impact was the €150 million aid package for the Austrian Airlines (AUA, part of the Lufthansa Group). While in other countries bail-outs of airlines were linked to sustainable conditionalities, Austria's package was rather seen as an ecological crash landing. Although the airline is not allowed to offer short-haul flights reachable via train within less than three hours, this affects just one route (Vienna - Salzburg) and does not concern other airlines (like the parent company Lufthansa). Another critique was that while Germany negotiated a 20% governmental stake for its bail-out, nothing of this kind was achieved in

Austria. Contrasting the climate goals, the requirement of the bail-out was an extension of its flight capacities.

The majority of other subsidies to companies were mostly lacking transparency. In order to fulfill transparency requirements of the EU, the Austrian government, however, recently started publishing government support measures on the EU Commission's webpage[16].

DEEP DIVE: THE MOST IMPORTANT RECOVERY MEASURES AND HOW WE ASSESS THEM

The most important measures with an effect on the green transition are:

- The promotion of the exchange of oil and gas heating systems (€158.9 million) and fighting energy poverty by thermal refurbishment of buildings of low-income households (€50 million), can be seen as a positive step towards advancing the green transition. Furthermore, by supporting thermal refurbishment of buildings and businesses in local villages, greening facades, and recycling of brownfield land (€50 million), these positive measures will reduce land use and support local resilience.
- Multiple measures to support the public transport sector, including investments into zero-emission buses and infrastructure (€ 256 million), the construction of railway lines (€ 543 million), and the implementation of a national 1-2-3 public transport ticket can be assessed as very positive. These measures help accelerate the transition of the transport sector.
- The support for the repair of electrical and electronic equipment via a repair bonus for citizens (€130 million) aims at expanding the lifespan of electrical and electronic equipment. This measure decreases the demand for electronic equipment, decreasing thus material throughput and emissions. It additionally might raise public awareness of sustainable consumption.
- To achieve 100% renewable energy by 2030, measures were proposed to invest in pilot projects to prepare the industry towards climate neutrality (€100 million), as well as investments into hydrogen projects (€125 million) to support the transition in sectors that are particularly difficult to decarbonize. These measures can be assessed as positive, as long as the strategy keeps its commitment to green hydrogen.

- A rather small but socially important measure is the Climate Change Investment Fund for cultural enterprises (Klimafitte Kulturbetriebe) (€15 million). We assess this investment as positive as it supports investments into energy saving measures and the use of renewable energy sources, and simultaneously raises public awareness.

The package furthermore contains a significant number of measures that do not directly relate to the green transition but are still important and potentially transformative, such as:

- Measures to advance the digital transition, like the digitalization of schools by providing digital equipment for students (€172 million), expanding broadband availability (€891 million), digitalization of public administration and services (€160 million), as well as the promotion of quantum technology (€107 million).
- Educational measures include: strengthening elementary education institution (€28 million), addressing accumulated learning gaps caused due to lockdowns (€101 million), and enabling reskilling and upskilling on the labor market (€277 million).
- Health measures include promoting primary care projects (€100 million), as well as investments in the implementation of community nursing (€54 million).

IMPORTANT CLIMATE POLICY DECISIONS TAKEN DURING THE CRISIS AND RECOVERY PERIOD

While in January 2020 the implementation of the "climate-ministry" offered promising prospects, the Covid-19 pandemic has put most climate policy decisions on pause for the rest of the year. In 2021, however, the discussion of the climate-referendum in the National Council has brought the topic back on the agenda. Significant cornerstones for the new climate protection law were set, as well as the implementation of several climate committees. Those include representatives to the national government, the federal states, as well as citizens and scientific advisors. The recently presented draft of the climate protection law has set out further ambitious goals[17]. This draft is, however, still in the negotiating phase, and it remains to be seen what will actually be set into practice.

ANNEX: MOST IMPORTANT MEASURES OF THE RECOVERY PACKAGE BY SECTOR

Sector	**Most important measures with effect on green transition**
Energy	• Promoting the exchange of oil and gas heating systems (€159 million, positive) • Investments into renewable hydrogen projects (€125 million, very positive) • Increase in energy efficiency in village centers and refurbishment of buildings (€50 million, positive)
Mobility	• Promotion of zero-emission buses and infrastructure (€256 million, very positive) as well as zero-emission commercial vehicles and infrastructure (€50 million, positive) • Construction of new railway lines and electrification of regional railways (€543 million, very positive)
Industry	• Investments into circular economy projects: empty deposit systems and measures to increase the reusable quota for beverage containers (€110 million, positive), retrofitting of sorting equipment (€60 million, positive) • Transformation of industries towards climate neutrality via investments in efficient use of energy (€100 million, very positive)
Buildings	• Fighting energy poverty by refurbishment projects (€50 million, positive) • Revive village centers through refurbishment projects (€50 million, positive)
Cross-cutting	• Increase funding for the biodiversity fund (€50 million, positive) • Support for the repair of electrical and electronic equipment (€130 million, positive) • Ecological investments in enterprises by energy reductions, refurbishment, sustainable mobility (€504 million, positive) • Climate change investment fund for cultural enterprises (€15 million, positive)

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