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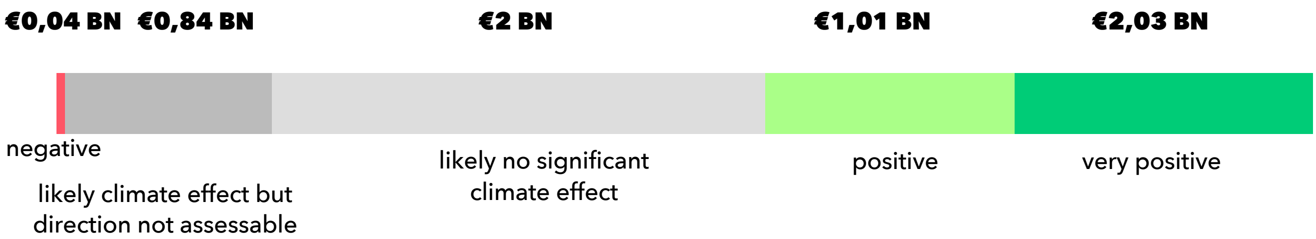
GREEN RECOVERY TRACKER REPORT: BELGIUM

The government of Belgium published the final version of its National Recovery and Resilience Plan (RRP) on April 30th 2021. The European Commission has adopted a positive assessment of Belgium's recovery and resilience plan on June 23rd. Belgium is set to receive a total of €5.9 bn through the EU Recovery and Resilience Facility (RRF). About 20% of this budget will be invested on the federal level, the remaining share will be distributed among federal entities. This report focuses primarily on the plan for the federal level, but provides some information on the plans by federal entities[1]. Our analysis shows overall, that the investments envisaged by the plan can make a very positive contribution to the green transition. This is reflected in the spending shares we identified (including all federal entities):



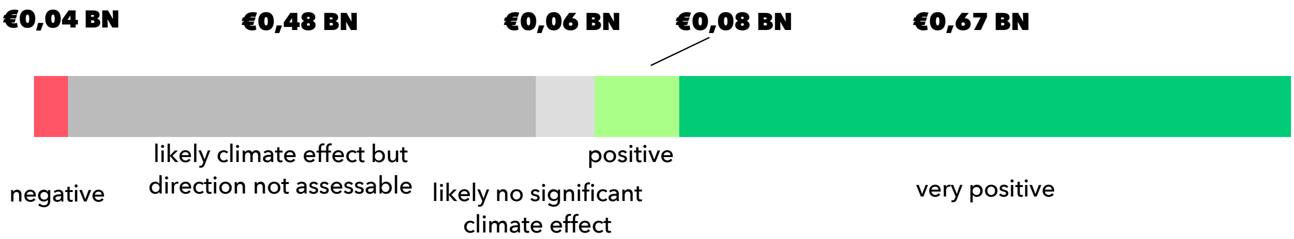
In focus: Green Spending Share
We find that all recovery measures across all federal entities reach a green spending share of 41%. According to the government, the plan's climate spending share is 50%, which was approved by the European Commission. In contrast, 1% (€0,04bn) of all measures have a negative impact. Furthermore, we find that 14% (€0,84bn) 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 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 climate mitigation (100% coefficient) and measures contributing partly (40% coefficient). Therefore, we fully count "very positive" measures towards the green spending share, while "positive" measures

[1] There is one official RRP by the federal government as well as 5 plans for the various federal entities: one for the Flemish Region and Community, one for the Walloon Region, one for the Brussels Region, one for the Walloon-Brussels Federation and one for the German Community

A special feature of the Belgian plan compared to other countries is the role of the regions: Regions have financial authority for some legislative areas in Belgium, the national budget was split up politically between the federal entities (*Federal level €1.25bn ; Flemish Region and Community €2.25bn ; Walloon Region €1.48bn ; Brussels Region and the French and German speaking Communities €0.94 bn*). Thus, the federal level plays only a subsidiary role.

When assessing Belgium's federal draft recovery plan (RRP), Belgium achieves a green spending share of 53%, above the EU's 37% benchmark. The results of our analysis are reflected in the spending shares we identified:



The federal government (which consists of the Social Democrats, the Liberals and the Greens from both parts of the country, and the Flemish Christian Democrats) was formed in fall 2020 and indicated a clear willingness to integrate an ecological transition into the recovery. The government highlighted the economic recovery, higher prosperity and a more resilient and greener economy in the long term as crucial elements of the post-COVID-19 recovery. Reflecting this, the Belgian plan is made of different measures organized across five strategic axes: Sustainability, Digital transformation, Mobility, Social issues, and Productivity.

Some green transition elements were already part of the political debate before the COVID-crisis hit Belgium. For example, the Belgian nuclear power plants phase out was set for 2025. Up until now it was still unclear how the energy mix will be generated without nuclear power. There has been a lack of investments in energy efficiency and renewable energy deployment to compensate for nuclear power. The federal government agreement also included a reference to structural tax reforms at federal level to support a transition towards a low carbon economy. More specifically, it refers to a new tax system to help bring together climate and environmental objectives. In April 2021, a federal instrument was also adopted aimed at monitoring the climate objectives of the federal government agreement, the National Energy and Climate Plan as well as the Belgian RRF plan.

OUR HIGHLIGHTS

Good Practice

Offshore wind-energy interconnection hub

Belgium plans the development of offshore wind-energy by installing an interconnection hub between different European countries (the so called "Wind-energy Island in the North Sea").

Bad Practice

Little support for renewable energy production

While Belgian nuclear power plants will probably close by 2025, there is insufficient investment in renewable energy production included in the plan, which may cause that (at least on the short term) the Belgian electricity production will increasingly rely on gas-fired power plants.

To Our Surprise

Focus on Infrastructure

60% of the Belgian RRF budget is devoted to infrastructure (construction/renovation sector). Nevertheless, the sole Federal government project related to this issue concerns the renovation and transformation of one specific building only: the former Brussels Stock Exchange building (Beurspaleis / Palais de la Bourse).

KEEP AN EYE ON...

> **...the implementation of investments**, as there are no indications of a minimum standard or of climate objectives in most investment projects. Sustainability indicators should be introduced for all measures as evaluation metrics.

> **The offshore wind-energy interconnection hub** has a lot of potential. It is however crucial that this Hub uses circular economy models and also minimizes the potential loss of biodiversity.

> **...the need of additional investments:** Belgium's Recovery and Resilience Plan covers the grant portion of the money available through the RRF. Additional funding is foreseen to complement the RRF but it seems to be limited compared to the needs: 0.2% of GDP instead of 4% needed according to a study of the "Centrale Raad voor het Bedrijfswereld/Conseil Central de l'Economie". Regarding federal investments in energy infrastructures (as H_2 and CO_2 backbone or offshore energy island), they will benefit from 10% of the federal R&D funding dedicated to projects in line with climate and energy, and from the support of the national gas grid operator for new developments (renewable gases, hydrogen, sector coupling). Nevertheless, it is important to mention that e.g. the Flemish plan foresees a bit more than €2bn in investments next to their share of the RRF, which in itself is 0.4-0.5% of the overall Belgian GDP.

> **...the lack of additionality**: Different investment projects should have already been funded without the RRF (especially regarding federal investments). Instead of taking Belgians climate-neutral transition up a notch the RRF is simply supplementing a lack of public investment in the past.

> **...the relatively low level of public consultations**. There were two representative bodies, one with employers/employees and one with sustainable development actors (same but with associations) installed.

> **...the need for a higher level of coherence and** coordination between investment projects and structural reforms, but also between the different federal entities (which was criticized by the European Commission with regard to the Belgian NECP last year as well), as well as between Belgium and other (European) countries

> **...the lack of transparency of investments:** Investment must focus on multi-benefits projects, but the current allocation of budgets lacks transparency. There are often no clear indicators, (intermediary) objectives or monitoring foreseen, while projects of the draft plan are not detailed enough to be sure that the budget will really be used for the objective it is meant to be use for.

> **...the energy sector:** While Belgian nuclear power plants will probably close by 2025, there is insufficient investment in renewable energy production included in the plan, most probably because these competences lie at the regional level. Hubs and networks are favored instead to promote H_2, CO_2 capture and storage, offshore wind energy exchanges inside the country and with neighboring countries. Green H_2 must be promoted because of its better environmental performance.

> **…the construction sector:** Whereas the Belgian plan puts 60% of the Belgian RRF budget in the construction sector, there seems to be lack of sufficient training programs as Belgium is already a labor shortage in the sector.

OVERVIEW: MOST IMPORTANT MEASURES OF THE FEDERAL RECOVERY PACKAGE BY SECTOR

Sector	**Most important measures with effect on green transition**
Energy	• Off-shore energy islands (€0,1bn, very positive)
Mobility	• Velo Plus - development of new quality and safe cycling infrastructures in Brussels and from/to Brussels (medium and long distances) (€0,01bn, very positive) • Railways - accessible and multimodal stations (€0,08bn, very positive) • Railways – an efficient network (€0,28bn, very positive)
Industry	• Backbone for H_2 and CO2: Developing a backbone for hydrogen and CO2 (€0,1bn, very positive) •An industrial value chain for hydrogen transition. This call for projects will stimulate demonstration projects linked on the production and use of hydrogen (€0,1bn, very positive)
Buildings	• Building (energy) renovation (€0,01bn, positive)
Cross-cutting	• Belgium Builds Back Circular (€0,03bn, positive)

This report was written by Sandrine Meyer, Prof. Marek Hudon (both Université Libre de Bruxelles) and Helena Mölter (Wuppertal Institute). We are grateful to Domien Vangenechten (E3G) for providing valuable inputs and for supporting the review process.