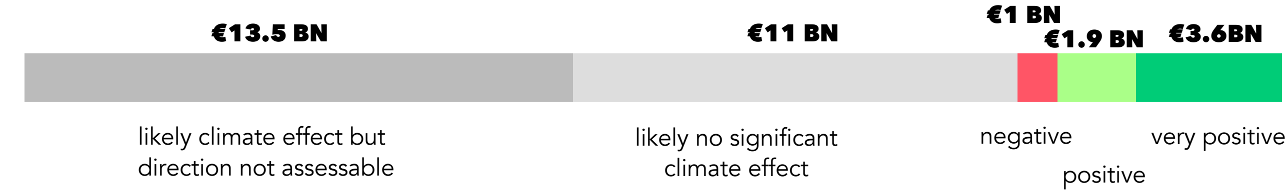
Last update: 16/12/2021

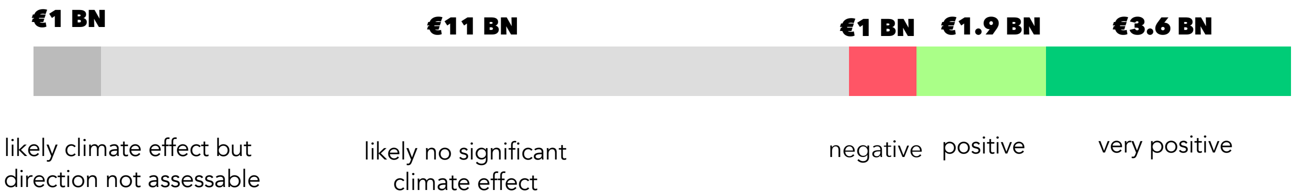
GREEN RECOVERY TRACKER

GREEN RECOVERY TRACKER REPORT: GREECE

Overall, Greece's recovery measures have the potential to make a moderate contribution to the green transition, as our analysis identifies the following spending shares.



The following figure is showing the spending shares of the Recovery and Resilience plan taking into account Grants (€17.8 bn) only:



The pandemic hit the Greek economy after a decade long crisis and stagnation, at a moment when economic growth was timidly picking up. On the eve of the pandemic Greece's economy was still 18% lower than prior to the 2010 debt crisis[1], while economic activity is expected to shrink by 10% in 2020. Greece entered the pandemic with a public debt legacy of 180% of GDP[2], while the combination of additional spending to shield the economy and of economic contraction will substantially increase Greece's debt-to-GDP ratio, to more than 200%. According to the EU Economic forecast Autumn 2021, Greece's economy rebounded strongly in the second quarter of 2021, by 3.4% compared with the previous quarter. Real GDP reached its pre-pandemic level in the second quarter of 2021[3].

A limited "fiscal space" means that the overwhelming majority of recovery expenditures is expected to come from the EU's Recovery and Resilience Facility (RRF), of which Greece is one of the major net beneficiaries: available RRF grants and loans amount to €29 billion (constant 2018 prices), equivalent to 15.8% of Greece's 2019 GDP[4]. Additional €3bn in grants will come from other components under the Next Generation EU program.

After a decade of dearth of investments in the real economy, high unemployment and weak economic performance, the national recovery and resilience plan (RRP) can be perceived as a unique opportunity both for responding to the crisis triggered by the pandemic and for boosting transformational investments.

GREEN RECOVERY TRACKER

In focus: Green Spending Share

We find that Greece's final recovery plan (RRP) achieves a green spending share of 14% (including Grant and Loan component), whereas the RRP incl. Grants only achieves a green spending share of 24%. Furthermore, we find that 44% (€13.5bn) may have a positive or negative impact on the green transition depending on the implementation of the relevant measures. The main portion of this is due to the loan component (€12.5bn) which is used for passing on guarantees and concessional finance to the private sector. Though the government published a guidance on how to channel this into green investments, it is not assessable yet to which extent these investments will contribute to climate mitigation. According to the EU assessment, the plan's climate spending share is 38%.* The divergence between these assessments can be explained by two factors: first, the fact that we could not assess the loan component (i.e. the end use of loans cannot be determined ex ante); second, that unlike the EU's green tagging methodology, our methodology does not classify climate adaptation and biodiversity conservation as positive contributions towards climate mitigation, unless the link with the latter is direct.

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 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.

OUR HIGHLIGHTS

Good Practice

Linking the economic recovery to the just transition of coal regions

Along with a number of clean energy, energy efficiency, and clean transport investments that can help Greece accelerate its decarbonization, a good practice worth flagging is the leveraging of RRF funds to support the coal phase out by mobilizing additional investment in coal regions for a just transition. Indeed, the EU's Just Transition Mechanism (JTM) provides relatively limited funds to support the economic restructuring of regions facing the consequence coal phase out (by 2028), and the leveraging of additional funds via the RRF can be classified as a good practice.

GREEN RECOVERY TRACKER

Bad Practice

Using recovery loans for fossil gas infrastructure

Although the initial draft plan included investments in fossil gas related infrastructure within its grant component, these were eventually excluded from the final plan. However, investments for new fossil gas infrastructure are eligible for a loan under the RRP's loan mechanism, provide they abide to the DNSH criteria of the RRF regulation. This is a bad practice, as new gas infrastructure could lock Greece's energy system in a high carbon intensity path for many decades. Further, if Greece is to minimize gas penetration in its energy mix, it needs to significantly ramp-up investments in viable alternatives, such as electricity storage. However, the RRP only dedicates €450 million for new storage systems, something which is insufficient to hit the target even of the existing NECP (based on previous, less ambitious EU climate targets). As such the RRP is unambitious as it fails to drive a change in philosophy for Greece's energy transition.

To Our Surprise

Green budgeting comes to Greece

The 2021 budget introduces the notion of green budgeting for the first time in Greece. In 2020 the government joined the OECD's Paris Collaborative on Green Budgeting, and the explanatory report accompanying the 2022 budget specifies that the government is in the process of developing methodologies for tracking the climate contribution of budgetary and fiscal policies in cooperation with relevant international institutions. According to the timeframe presented in the same report by 2025 it is expected a complete depiction of the environmental footprint of the different budgetary policies. Although the examples for the moment provided in the explanatory report are fairly narrow and shallow compared to international best practice, and actual figures have yet to be produced, this is a step in the right direction.

GENERAL CONTEXT

Before the Covid-19 crisis hit the country, the political debate in Greece was dominated by economic and social issues as a consequence of Greece's decade long "great depression" and subsequent slow recovery.

Within this context, the government adopted a climate transition agenda notably as a means of catalyzing new investments and job creation. One of the first announcements of the Greek prime minister, leader of the conservative party New Democracy, when coming into office in

2019 was an ambitious strategy of full lignite phase out by 2028. This announcement was further elaborated in Greece's 2019 national energy and climate plan (NECP), which projects a prompt replacement of lignite via a substantial increase of renewable energy systems and fossil gas (coal to gas switch) in the energy mix by 2030.

The preparation for a just transition plan for coal regions has been the subject of a prominent policy debate over the course of 2019 and 2020. Further, in line with the objectives set out by the NECP, over the course of 2020 the government notably introduced new legislation providing substantial subsidies for the purchase of electric vehicles, and a new energy efficiency scheme destined to enhance the energy performance of the buildings stock. Finally, in November 2021 the Greek government presented a proposal for climate law aligning the Greek targets with the European ones.

However, current policies contain a number of blind spots and debatable policy directions in the fields of climate and wider environmental policy[5]. First, the partial switch from coal to new gas infrastructure (instead of coal to renewables) bears the substantial risk of locking Greece's energy system in fossil fuel infrastructure for the forthcoming decades. Second, both the decarbonization of the transport system and energy efficiency targets set by the NECP are relatively unambitious. Third, in the realm of wider environmental policy, Greece presents significant delays in the application of EU environmental policy and legislation regarding biodiversity and circular economy targets. Greece has been the object of infringement processes, for instance concerning the protection of its Natura-2000 network and waste management practices. Fourth, the current government has not challenged the decision of previous governments to grant rights on a large amount of Greece's territory, onshore and offshore, for the upstream exploration, and possible future extraction, of oil and gas.

Within this wider context, the major stake is whether the RRF funds will be harnessed to invest in the necessary infrastructure for achieving more ambitious climate and environmental targets, while avoiding investments that are likely to harm medium to long-term green transition prospects.

On November 25, 2020, the Greek government published its "Strategic directions of the National Recovery and Resilience Plan", which was open to consultation until December 20. The full (draft) NRRP was submitted to the European Commission immediately, without waiting for the conclusion of the consultation period, while the final plan was adopted by the European Commission, in June 2021.

GREEN RECOVERY TRACKER

Context indicators[6]	**Greece**	**EU(27) average**
GDP (2020, provisional)	**165.3 bn €**	
GDP (per capita, 2020, provisional)	**16170 €**	**26380 €**
Debt (% of GDP, 2019)	**180.7 %**	**78.8%**
Debt (% of GDP, 2020)	**206.3 %**	**91.8%**
Unemployment Rate (2020)	**16.3 %**	**7.1 %**
Unemployment Rate (2021, forecast)	**15.3 %**	**7.1 %**

Real GDP forecast for 2021	**+7.1 %**	**+5.0 %**
Real GDP forecast for 2022	**+5.2 %**	**+ 4.3 %**
Total recovery spending	**32 bn €**	
EU recovery funding (grants only, constant 2018 prices)	**16.4 bn €**	

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

Greece's RRP is composed of a grant component and a loan component. The grant component is structured around four pillars: (1) the green transition (€6.2 billion), (2) the digital transition (€2.1 billion), (3) employment, skills and social cohesion (€4.1 billion), and (4) accelerating private investment (€4 billion). On top of the grant component, the RRP will also leverage additional loans worth €12.6 billion from the RRF, to finance the plan's "loan facility". The latter is expected to be used for providing concessional finance to Greece's private sector. In theory, the loan facility should channel at least 37% of total funds for green investments (as per the RRF's green tagging methodology) while the entire loan facility should respect the "do no significant harm" provisions of the RRF regulation. However, it is impossible to determine ex ante where the loans will eventually be channeled.

A number of reforms and investments included in the RRP are based on the recommendations of a separate document, the "Growth strategy for Greece" drafted by an expert commission headed by Nobel laureate Christopher Pissarides[7]. Many elements of this medium to long-term growth strategy have been politically divisive, with major opposition parties openly criticizing a number of its key reform recommendations, namely: its proposal for changing the auxiliary pension scheme from distributive to individual capitalization; its lack of concrete proposals to reduce inequality beyond trickle down; its concept of enhancing enterprise size to increase international competitiveness by merging SMEs, the backbone of the Greek economy with the few large ones; its proposals for further relaxation of labor rights; and its underlying reliance on markets to address, through growth, social needs.

In terms of the green transition components of the RRP, these are split among four major categories, mirroring some of the EU's RRF flagship areas, namely:

- Power up
- Renovate
- Recharge and refuel
- Sustainable use of resources, climate resilience

Although no major players are opposing the principle of dedicating a substantial share of recovery funds for green transition investments, dividing lines are evident on the details and content of the plan.

A first dividing line concerns the development of new fossil fuel infrastructure. While the government and industry lobbies insist on financing new fossil gas infrastructure, the view that fossil gas can still be considered a "transition fuel" for the 2020s and 2030s is being increasingly challenged both by civil society organizations and some political parties. On the extreme side of the spectrum, a recent report on Greece's "Green Deal", written by former minister Ioannis Maniatis, even classified upstream oil and gas projects as "green transition" investments[8].

A second dividing line concerns the role of citizens in the energy transition. The governing majority seems to favor large-scale, concentrated renewables deployment, with a recent piece of legislation curtailing the role of community energy projects in the green transition. On the other hand, the largest left-wing opposition party places a heavier emphasis on the role of distributed energy systems through the active participation of citizens via Greece's community energy scheme (based on the Greek law on energy communities).

FINANCING AND ADDITIONALITY OF GREECE'S RECOVERY PACKAGE

Greece's €32 billion support package[9] (constant 2018 prices) is expected to be largely financed through the EU's Recovery and Resilience Facility, from which Greece will receive €16.4bn in grants and €12.7bn in loans. Further sources of funding are grants from other Next Generation EU-components, namely REACT-EU (€2.3bn), the Just Transition Fund (€0.4bn) and the European Agricultural Fund for Rural Development (0.3bn). The MFF grants allocated to Greece for the period 2021-27 (€38 billion in constant 2018 prices) remain roughly at the same level of the previous MFF 2014-20 (€36 billion in constant 2018 prices). As such, the main "difference maker" in terms of the short- to medium-term economic recovery from the pandemic is clearly the RRF, not only considering its additionality but also in view of its frontloaded structure.

The 2021 budget projects that Greece will manage to spend €2.6 of grants and €1.2 billion of loans from the RFF, in addition to €1.6 billion available via the REACT-EU facility.

Although the RRF clearly consists of additional funds, a major question regarding its impact on the medium- to long-term recovery is whether it will be harnessed to finance investments for reaching additional climate and biodiversity targets, over and above those already planned to 2030; or whether it will instead be used to fulfill investments for hitting existing targets.

To give one example, Greece's NECP already planned the upgrading of approximately 60,000 private buildings (including in the households and services sector) annually, in order to reach a target of upgrading 12-15% of Greece's building stock by 2030[10]. Whilst the RRP includes a "renovate" component for increasing the energy efficiency of the building stock, it remains unclear whether this component will deliver additional or deeper renovations (compared to those already planned) or simply be used to fulfill the NECP's target.

The additionality of the RRP's investments compared to Greece's current NECP is crucial, as the latter will need to be revised over the course of 2021 to reflect the EU's decision to raise its emissions reduction target to 55% by 2030.

GOVERNANCE OF THE RECOVERY PACKAGE

The recovery package is loosely linked to the targets of Greece's NECP (to 2030) and Long Term Energy and Climate Plan (to 2050).

To this date, the governance process of the RRP has been very centralized and untransparent. There has been limited public consultation throughout the design of the plan, and the only document formally put to public consultation was the "Strategic direction of the Recovery and Resilience Plan", a report disclosing very limited information on the full (draft) RRP sent to the European Commission. Finally, although the full RRP was eventually made public, the detailed project fiches and the "do no significant harm" assessments of individual projects remain undisclosed.

In October 2020, the government created an ad hoc public body attached to the Ministry of Finance, the "special department for the management of the recovery fund", which is expected to manage the RRP and oversee its implementation. The RRP will be centrally managed, while regional and local governments are expected to have a secondary role.

Overall, civil society organizations, opposition parties and MPs have been stressing the need for a more transparent process in the design of the RRP and its subsequent implementation. Demands for greater transparency have been largely ignored to this date.

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

Starting from the first lockdown in March, the Government provided direct income support to employees who were laid off or furloughed, loans to enterprises compelled to close and loan guarantees, postponed VAT payments and tax obligations, covered in part social security contributions and selected enterprise rent payments.

The total support provided to the Greek economy to address the pandemic in the period 2020-2022 amounts to 43.3 billion euros, of which 23.1 billion euros relate to the year 2020 (including additional spending and foregone or deferred revenue) 16.9 billion euros in the year 2021 and 3.3 billion euros in 2022. Of this total, approximately €12.9 billion were mobilized so far for the provision of liquidity support to firms via guarantees and "below the line" measures (e.g. equity injections and loans)[11].

Support measures for firms did not have any climate or environmental conditionality attached, despite the fact that the vast majority of liquidity support was absorbed by large companies. Crucially, neither the €120 million grant to Aegean Airlines (Greece's largest airline) nor the various support measures offered to shipping companies, and energy companies, included any green conditionality[12].

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

Although the government has provided no detailed investment cost breakdowns and we rely on partial information, **the most important measures included in the RRP with an effect on the green transition are:**

- The upgrade of electricity infrastructure, a measure we consider necessary to increase the penetration of renewable energy systems in the energy mix.
- Additional support to coal regions in transitions, notably via investments in district heating systems, energy efficiency, and the financing of soil rehabilitation works. We

consider that leveraging the RRF to complement the (more limited) funds provided by the JTF (Just Transition Fund) is certainly positive, in principle.

- A new dedicated scheme to accelerate investments in energy upgrades (retrofitting), combined with support measures for the installation of onsite renewable energy power generation systems (PV), electricity storage infrastructure (batteries), charging stations for electric vehicles, and smart meters.

- A scheme providing financial support for rolling out of an accessible electric vehicles charging network across Greece. Although this is certainly a positive measure for enhancing e-mobility, it is partial at best. Indeed, no measures to increase clean public (or shared) transport infrastructure, notably in urban centers, are included in the RRP. Similarly, the RRP ignores necessary investments for expanding the rail network (one of the smallest in the EU) and/or fully electrifying the existing part, as well as the greening of other transport modes i.e. maritime and aviation

- Investments for the sustainable use of resources and climate resilience, notably including reforms and investments for: promoting sustainable agriculture, enhancing the sustainable use of resources, restoring forest ecosystems, accelerating the transition to a circular economy, upgrading the infrastructure of protected areas, and enhancing the protection to floods and forest fires. Although we consider the inclusion of such investments positive in principle, there are some concerns on the environmental impact of some of the measures e.g. the construction of dams, expressed also by local communities.

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:

- The digital pillar of the plan (€2.1 billion of grants), which for instance includes investments and reforms to (a) improve broadband connectivity and digital inclusion across the territory, (b) accelerate the digitization of businesses, and (c) digitize public services.

- The employment, skills and social cohesion pillar of the plan (€4.1 billion of grants), which includes among others investments and reforms to (a) improve the accessibility of the healthcare system, (b) enhance digital skills of the population at multiple levels (education system, vocational training, lifelong learning etc.), and (c) employment support measures via both active and passive labor market policies.

GREEN RECOVERY TRACKER

IMPORTANT CLIMATE POLICY DECISIONS TAKEN DURING THE CRISIS AND RECOVERY PERIOD

The Greek government introduced a series of (positive and negative) new laws and announced several climate related initiatives during the pandemic period.

On the legislation front, it notably introduced new legislation aiming to catalyze the development of e-mobility, including economic incentives and the roll-out of charging infrastructure. The government also introduced a relatively ambitious (compared to previous similar schemes) energy upgrade scheme for buildings.

On the policy front, the 2021 budget introduces for the first time the notion of "green budgeting", although the way it is implemented is narrow and shallow compared to international best practices, hence falling short of expectations.

A series of negative developments should also be highlighted. First, a 2021 law strongly curtailed the prospects of community/cooperative energy schemes (as per Greece's law on energy communities). Second, in early 2021 the government (along with 9 other EU Member States) decided to block the delegated acts of the EU taxonomy regulation on the grounds that fossil gas infrastructure is not eligible to be classified as a "green" investment by the EU taxonomy's technical screening criteria[13]. Since then, the Greek government has consistently supported the inclusion of both fossil gas and nuclear in the EU Taxonomy.

This report was written by Olivier Vardakoulias and Victoria Tsitsoni (both WWF Greece) and Dimitris Lalas (FACE^{3}TS S.A.). We are grateful to Antonia Brand (Wuppertal Institute) and Helena Mölter (Wuppertal Institute) for providing valuable inputs.

REFERENCES

[1] Eurostat: https://ec.europa.eu/eurostat/databrowser/view/tec00001/default/table?lang=en
[2] Eurostat: https://ec.europa.eu/eurostat/databrowser/view/sdg_17_40/default/table?lang=en
[3]https://ec.europa.eu/economy_finance/forecasts/2021/autumn/ecfin_forecast_autumn_2021_el_en.pdf
[4] In nominal terms the grants available to Greece are of 17.8 billion (or 16.45 billion in 2018 prices based on fixed deflators used by the European Commission). On top of grants, Greece can claim loans of a maximum of 6.8% of its 2019 Gross National Income i.e. 12.9 billion. The latest allocation calculations for the recovery and resilience facility are available in the following document: https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/recovery_and_resilience_facility_.pdf.
[5] For an overview of the limitations of the NECP see for example page 30 of: Vardakoulias, O (2020). Blueprint for a green recovery in Greece. WWF Greece report. https://wwfeu.awsassets.panda.org/downloads/wwf_greece_green_recovery_report_eng.pdf
[6] Eurostat; European Economic forecast Autumn 2021; European Commission (2020). Recovery and Resilience Facility – Grants allocation per Member State; own analysis
[7] Pissarides, C, Vayanos, D, Vettas, Meghir, C (2020). Growth plan for the Greek economy (in Greek). https://government.gov.gr/wp-content/uploads/2020/11/growth_plan_2020-11-23_1021.pdf
[8] (In Greek). Dianeosis (2020). Green growth: Responding to the environmental crisis. https://www.dianeosis.org/wp-content/uploads/2020/11/Maniatis_final.pdf
[9] Ministry of Finance (2020). Strategic directions of the recovery and resilience plan. http://www.opengov.gr/minfin/wp-content/uploads/downloads/2020/11/Greece-RRP-EN-1.pdf
[10] Ministry of the Environment and Energy (2019). National Energy and Climate Plan. https://government.gov.gr/wp-content/uploads/2020/11/growth_plan_2020-11-23_1021.pdf
[11] Ministry of Finance (2020). State budget for 2021 and 2022; IMF (2021). Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic.
[12] European Commission (2020). State Aid cases: Greece. https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic/state-aid-cases/greece_en
[13] Twice along the adoption process. See Euractiv: Brussels postponed green finance rules after 10 EU states wielded veto. https://www.euractiv.com/section/energy-environment/news/brussels-postponed-green-finance-rules-after-10-eu-states-wielded-veto/ and WWF EU: https://www.wwf.eu/?uNewsID=5424966