



Brussels, June 13th 2022

To: Ministers of Economy and Finance of EU Member States

Re: Legislative proposal to finance RePowerEU

Dear Finance Ministers,

We are writing to you concerning the Commission's proposal for a Regulation aimed at resourcing the implementation of the RePowerEU plan.

In principle, we welcome the proposal to add a dedicated chapter on RePowerEU in the Recovery and Resilience Plans (RRPs), and recognize the need to mobilise additional resources to deliver it. It should help ensure consistency between new investments and reforms and what is already included in National RRP and actions funded via national funds. The dialogue between Member States and the European Commission should ensure national ownership of investments and reforms included in such chapters; And the requirement that measures included in these chapters should contribute to effectively addressing the challenges identified in the country-specific recommendations related to energy should help guarantee a coordinated approach towards the renewable energy transition across Member States, while strengthening cohesion.

However, **we are strongly opposed to the waiving of the “Do No Significant Harm” obligation for the part of the RepowerEU chapters dedicated to diversifying fossil fuel sources (article 21c par. 2.4. of the amendment to the RRF regulation) and call upon you to reject it:**

- This amendment opens the door to the financing of any fossil fuel investment and broader environmentally harmful projects, risking the waste of precious funds that are needed for the deployment of renewable energy, energy savings measures and sustainable transport.
- It is unnecessary to phase out Russian fossil fuel imports: [CAN Europe's recent briefing based on the Paris Agreement Compatible Scenario demonstrates](#) that it is possible, to wean off Russian gas in only four years, without additional gas imports from elsewhere with more ambitious action to curb energy demand, ramp up sustainable renewables and roll out flexibility options. The idea that it takes less time to develop new fossil fuel infrastructure to replace Russian fossil fuel imports, compared to the roll-out of renewable alternatives, is flawed.

- Waiving DNSH requirements would set an extremely poor precedent of backtracking on the progressive exclusion of fossil fuels from all EU funds. It would also undermine the [EU's commitment](#) to phase out fossil fuel subsidies.

We are equally strongly opposed to auctioning of Market Stability Reserves of the European Trading Scheme: [undermining and politicizing the functioning of the European Trading Scheme](#) for raising meagre amounts that could and should be raised through other sources is unacceptable.

Overall, we therefore call for an outright rejection of article 4 and 5 of the proposed Regulation, as well as related changes to proposed Article 1.

Beyond the reshuffling of existing funding streams proposed under the RepowerEU plan, we are aware that additional public resources are necessary to accelerate the transition towards renewable energy and end EU's dependence on fossil fuels in a socially just manner, as the green investment gap remains large. We therefore urge you **to adopt measures that would generate additional public resources for financing the energy transition at both the EU and Member State levels, without putting the burden of the crisis on low and middle-income people.** Among these, phasing out free ETS allowances, phasing out and repurposing fossil fuel subsidies to finance the energy transition, introducing a meaningful Financial Transaction Tax, an ambitious minimum corporate tax rate, a digital tax and a wealth tax are longstanding demands of civil society organisations. It is more urgent than ever to take them seriously.

The attention to reskilling and upskilling of people in green jobs is welcome – though insufficient, as **the distributional impact of all measures that will be part of the RePowerEU chapters** [should be considered to avoid deepening inequality](#). Proposed Article 1 should be completed in that regard.

We regret that no formal stakeholder consultation was carried out on the proposed Regulation. This is further aggravated by the fact that the proposed provision on the consultation of local authorities and stakeholders on the new RePowerEU chapters is not making such consultations binding (proposed Art. 1). Responding to crises and emergencies is becoming the norm, and cannot justify circumventing effective and inclusive participation of civil society. **Public ownership is crucial for the success of RepowerEU:** sidelining civil society could translate into delays and a lack of public support for individual measures. We therefore call upon you **to strengthen the paragraphs on civic participation and consultation in Articles 2 and 3 of the proposed Regulation.**

We remain available would you be interested to discuss these issues more in depth.

Yours Sincerely,

Anelia Stefanova, Energy Transformation Area Leader, CEE Bankwatch Network

Chiara Martinelli, Director, Climate Action Network Europe