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ANNEX I

of the Commission Implementing Decision on the financing of the annual action plan in favour of the NDICI Neighbourhood East Region for 2022

Action Document for Supporting Decarbonisation, Climate Resilience and Energy Security in the Eastern Partnership

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23 of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	Supporting Decarbonisation and Climate Resilience in the Eastern Partnership Annual action plan in favour of Eastern partner countries for 2022 CRIS number: NDICI-GEO-NEAR/2022/043-911 OPSYS business reference: ACT-60957 - JAD.992671 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in the Eastern Partnership countries (Armenia, Azerbaijan, Belarus ¹ , Georgia, Republic of Moldova ² , and Ukraine).
4. Programming document	Multi-annual Indicative Programme for the Neighbourhood East Region for the period 2021-2027 ³
5. Link with relevant MIP(s) objectives/expected results	Specific objectives: <ul style="list-style-type: none">– Preserve human health, biodiversity and natural assets;– Support circular economy, decarbonisation, climate neutrality and green growth.– Strengthen energy security and nuclear safety and stronger uptake of renewable energy sources.

¹ In line with the Council Conclusions of 12 October 2020 and in light of Belarus's involvement in the Russian military aggression against Ukraine, recognised in the European Council Conclusions of February 2022, the EU has stopped engaging with Belarusian authorities.

² hereinafter referred to as Moldova

³ C(2021)9370 adopted on 15/12/2021

PRIORITY AREAS AND SECTOR INFORMATION				
6. Priority Area(s), sectors	Priority area 3: Environmental and climate resilience			
7. Sustainable Development Goals (SDGs)	<p>Main SDG (1 only): <i>Goal 13. Take urgent action to combat climate change and its impacts</i></p> <p>Other significant SDGs (up to 9) and where appropriate, targets: <i>Goal 1. End poverty in all its forms everywhere</i> <i>Goal 5. Achieve gender equality and empower all women and girls</i> <i>Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all</i> <i>Goal 8. Decent Work and Economic Growth</i> <i>Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable</i> <i>Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</i></p>			
8 a) DAC code(s)	41010 – Environmental policy and administrative management – 85% 23110 – Energy policy and administrative management – 15%			
8 b) Main Delivery Channel @	11000 – Donor Government 40000 – Multilateral organisations 50000 – Other (EU Agency)			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
1. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	<u>Connectivity @</u>	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Tags digital connectivity energy transport health education and research			NO YES NO NO NO
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line: BGUE-B2022-14.020111-C1NEAR Total estimated cost: EUR 21 717 000.00.			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of	Project Modality			

financing and management mode)	Indirect management with pillar assessed entities to be selected in accordance with the criteria set out in section 4.3.1. Direct management (grants).
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1.2. Summary of the Action

The EU has supported climate policy reforms and investments by the Eastern partner countries in line with the shared commitments under the Paris Agreement, Energy Community Treaty and bilateral agreements. Within this new Action, the overall objective is to enable progress of the Eastern Partners towards climate resilience and neutrality, and strengthen their energy security. The Action is also a response to the wider situation in the energy sector and the needs created by the Russia’s war of aggression against Ukraine, notably the wish of affected countries to become independent of Russian imports of fossil fuels and gradually switch to renewable energy sources. The Action will contribute to the elaboration and implementation of policies and tools necessary to achieve the goals and targets related to national and international climate action – such as long-term low emission strategies, green financing frameworks, adaptation planning and pilot projects, carbon pricing and robust emissions monitoring, reporting and verification frameworks.

The Action will prepare the ground for municipal and other infrastructure investments in line with the Economic and Investment Plan for the Eastern Partnership (EaP) ⁴and the projected needs for a green reconstruction of Ukraine and rebuilding its energy and climate resilience while contributing to the green and digital transition of the country, as outlined in the Ukraine Relief and Reconstruction Communication⁵. This will be done (i) by helping EaP countries to green their capital markets and (ii) by pilot testing climate adaptation and resilience projects. These demonstration projects will show how cities could increase resilience to physical climate risks and become more liveable in practice.

The Action will provide further support to strengthen legislative and regulatory frameworks, evidence-based policy design and promote a conducive environment for sustainable energy investments, increased production of renewable energy and grid interconnection, and climate neutrality in the longer-term perspective. In order to monitor progress, the Action will include cooperation with the European Environment Agency to support Georgia, Moldova and Ukraine in the implementation of the Governance Regulation under the Energy Community Treaty, which includes considerable reporting obligations as regards contracting parties’ decarbonisation efforts.

All of these activities will be crucial to ensure that partner countries stay on the path to mid-century climate neutrality, undertake a green reconstruction after the cessation of hostilities, enable greater climate resilience, and ensure the creation of a credible green finance market. This is required to ascertain the highest level of preparation once the EU Carbon Border Adjustment Mechanism (CBAM) enters into force, and when the levy will have to be paid as of 2026.

2. RATIONALE

2.1. Context

The EU plays a leading role in addressing climate change and accelerating the green transition, having enshrined an ambitious 2030 emissions target of an at least 55% reduction from 1990 levels and a commitment to climate neutrality by 2050 into legislation⁶. At the same time, climate change is a challenge that requires a

⁴ https://www.eeas.europa.eu/sites/default/files/swd_2021_186_f1_joint_staff_working_paper_en_v2_p1_1356457_0.pdf

⁵ https://ec.europa.eu/info/sites/default/files/ukraine-relief-reconstruction_en.pdf

⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1119>

global response, highlighting the need for the EU and its partners to promote and implement ambitious environment, climate and energy policies across the world. This is the cornerstone of the external dimension of the European Green Deal⁷ (EGD); only a robust response to climate change can ensure economic and societal resilience, including jobs and growth. This applies especially to the neighbourhood regions. The EU has therefore committed to continue working with the Eastern partners for reshaping policies, business models, and infrastructure in line with the EGD and the need for a green recovery from COVID-19. The green transition provides important opportunities for the EU and the Eastern Partner countries alike.

The Eastern Partnership (EaP) policy framework is guiding regional cooperation in the Eastern neighbourhood. This joint initiative of the European Union, its Member States and Armenia, Azerbaijan, Belarus⁸, Georgia, the Republic of Moldova (hereinafter referred to as Moldova) and Ukraine, contributes to the overall goal of increasing stability, prosperity and resilience of the EU's neighbours as set out in the Global Strategy for the Common Foreign and Security Policy of the European Union⁹ and the 2015 European Neighbourhood Policy Review¹⁰.

The current regional priorities have resulted from an in-depth dialogue with key stakeholders. Based on this dialogue, five policy objectives were formulated in March 2020¹¹ under the overarching framework of resilience. They were welcomed by the EU Member States in May 2020¹² and endorsed by the EaP Leaders in June 2020¹³. The Joint Staff Working Document "Recovery, resilience and reform: post 2020 Eastern Partnership priorities"¹⁴ identified a set of specific actions in support of these five priorities, which include climate and environmental resilience. With the overall objectives of strengthening resilience and generating concrete benefits to the people, the new agenda is structured around two pillars (i) investment – supported by an Economic and Investment Plan, and (ii) governance – underpinned by reforms and fundamental shared values. This new agenda was endorsed at the EaP Summit in December 2021¹⁵ and is fully aligned with the European Commission's Political Guidelines 2019-2024¹⁶. It was translated into specific objectives of the Multi-annual Indicative Programme (MIP) for the Neighbourhood East Region for the period 2021-2027¹⁷, in particular "Priority area 3: Environmental and climate resilience". Russia's war of aggression against Ukraine will certainly have a considerable impact on the Eastern Partnership agenda. It will be adapted in such a way as for the EU to be able to respond rapidly and effectively to the needs of Ukraine in particular and the Eastern partner countries as a whole.

Through the Economic and Investment Plan, the Commission may decide to mobilise up to EUR 2.3 billion of funding for investment in the coming years. If deemed appropriate, part of this funding could extend guarantees in the order of EUR 5.8 billion under the European Fund for Sustainable Development Plus to help reduce the cost of financing for both public and private investments and to mitigate risks for investors. Support at this level could mobilise investments of up to EUR 17 billion. The EaP's Economic and Investment Plan will be crucial in implementing environmental and climate resilience and to build back better following the

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52019DC0640&from=EN>

⁸ In line with the Council Conclusions of 12 October 2020 and in light of Belarus's involvement in the Russian military aggression against Ukraine, recognised in the European Council Conclusions of February 2022, the EU has stopped engaging with Belarusian authorities.

⁹ https://eeas.europa.eu/sites/default/files/eugs_review_web_0.pdf

¹⁰ JOIN(2017) 18 final

¹¹ JOIN(2020) 7 final.

¹² <https://www.consilium.europa.eu/media/43905/st07510-re01-en20.pdf>

¹³ <https://www.consilium.europa.eu/en/meetings/international-summit/2020/06/18/>

¹⁴ SWD(2021) 186 final.

¹⁵ <https://www.consilium.europa.eu/en/meetings/international-summit/2021/12/15/>

¹⁶ https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf

¹⁷ C(2021)9370 adopted on 15/12/2021

COVID-19 pandemic as around half of the foreseen investments are green investments. The EIP will also be instrumental for a sustainable and green post-war reconstruction of Ukraine.

The Communication on Ukraine Relief and Reconstruction¹⁸ brings another dimension to these efforts. It outlines a comprehensive framework for the reconstruction efforts firmly anchored in the green and digital agenda. The RebuildUkraine Facility will encourage investments in energy infrastructure in accordance with the latest climate and environmental EU policies and standards.

All six Eastern Partners are parties to the UN Framework Convention on Climate Change (UNFCCC) and have signed and ratified the Paris Agreement. In the run-up to COP26 in Glasgow, five Eastern Partners submitted updated Nationally Determined Contributions (NDCs), which, compared to the previous cycle, show an increased ambition of greenhouse gases emissions reduction. Azerbaijan is scheduled to submit its updated NDC in the first half of 2022. Ukraine, Moldova, Georgia and Armenia have committed in their bilateral agreements with the EU to align their national legal framework with key parts of the EU climate and environmental *acquis*. Negotiations on a new Partnership Agreement with Azerbaijan are ongoing since 2017, and are expected to introduce a higher climate ambition.

Ukraine, Georgia and Moldova are members of the Energy Community, which adopted a decarbonisation roadmap at its ministerial meeting in November 2021. The decarbonisation roadmap provides guidance on the definition and implementation of 2030 energy and climate targets and mid-century climate neutrality for the Contracting Parties. Measures related to the monitoring, reporting and verification of emissions, the implementation of carbon pricing systems, and potential additional elements of the EU's Fit for 55 package are part of this roadmap, setting out a clear and predictable path for all stakeholders for the decarbonisation of the energy sector. Functioning Measurement, Reporting and Verification (MRV) and carbon pricing systems need to be in place in our partner countries to comply with the joint commitment under the Paris Agreement to limit the world temperature growth to 1.5 degrees and with the Carbon Border Adjustment Mechanism proposed by the European Commission, aiming to prevent an increase of emissions in countries outside the EU and potential carbon leakage stemming from tightening rules and more ambitious climate and energy targets within the EU.

These measures will not only contribute to decarbonisation, but will also strengthen energy security and benefit consumers and citizens in general (e.g. as regards air quality). Since Russia's war of aggression against Ukraine, the synchronisation process to enable cross-border flows of electricity between Ukraine, Moldova and the EU was rapidly concluded. As a consequence, the countries will need targeted technical assistance to ensure that their energy regulatory frameworks are updated and measures put in place to enable cross-border trading of electricity. Ensuring cross-border trading of electricity, accelerating the deployment of renewable energy sources reducing emissions through the demand side are policy goals that are fully in line with and contribute to the implementation of the EU External Energy Strategy¹⁹ and the REPowerEU Plan²⁰, launched in May 2022.

At the same time, climate adaptation needs are becoming more pressing at the local level while there appears to be a general lack of expertise within municipalities in the EaP countries in this field. Municipalities of all sizes and in all countries faced with unavoidable already occurring and potential further consequences of climate change (increase of average temperatures etc.) are interested in exploring climate adaptation and disaster risk management (in particular related to floods, droughts and forest fires). This is fully supported by civil society who recommends that the EaP governments should actively adopt and implement climate change adaptation policies. All EaP countries have signed the Sendai Framework for Disaster Risk Reduction.

¹⁸ https://ec.europa.eu/info/files/ukraine-relief-and-reconstruction_en

¹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=JOIN%3A2022%3A23%3AFIN&qid=1653033264976>

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN&qid=1653033742483>

Given the magnitude of the green transition challenges, demand has been growing for policy incentives and innovative products to mobilise sustainable financing. After years of their slower uptake compared with other markets, green bonds issuance has increased in the EaP countries. More generally, sustainable finance represents a real potential in the region. As economies of the Eastern partners become increasingly integrated with EU economies, it is important to make them prepared for rapid shifts in EU economies and capital markets that will accompany the move towards climate neutrality.

Green finance is also expanding worldwide as a result of voluntary initiatives. At central banks and regulators level, the Network for Greening the Financial Sector provides a platform to learn among peers and build solutions for integration of climate (and recently biodiversity) risk at prudential level (Armenia, Georgia and Ukraine being members of the network). The International Platform on Sustainable Finance, an EU initiative gathering partner countries, provides a forum for dialogue between policymakers, developing sustainable finance regulatory measures to help investors identify and seize sustainable investment opportunities that truly contribute to climate and environmental objectives. Armenia, Azerbaijan, Georgia, Moldova are engaging with the Green Climate Fund (GCF) and are beneficiaries of several mitigation and adaptation financing programmes, including programmes for green cities.

A Global Green Bond Initiative is being developed through a Team Europe Flagship Initiative which will be supported through the Sustainable Finance window under the EFSF+. Also, assistance will be provided by the Sustainable Finance Advisory Hub, which is intended to support the design, set-up, issuance and management of sustainability-related financial instruments and the development of credible sustainable finance frameworks. Other international partners and multilateral development banks play important roles as well.

2.2. Problem Analysis

The action addresses the following priority areas:

1. Implementation and alignment of climate legal frameworks with the Paris Agreement, bilateral agreements with the EU: As of May 2022, five Eastern Partners have submitted their updated Nationally Determined Contributions (NDCs), with the sixth one being near completion. The updated NDCs show a slightly increased climate ambition across the region, with higher targets for emissions reduction and include in some cases adaptation components and for Ukraine - a commitment to climate neutrality by a set date. Still, many measures included under the initial NDCs remain to be implemented, and projections show that emissions in some sectors are set to increase beyond 2030. Under the Paris Agreement, countries are encouraged to submit their next round of updated NDCs by 2025, but it is clear that fulfilling already existing commitments will be a challenge in the region. The focus must be placed on implementation, and assistance in implementing reforms that will have a real impact on emissions levels and the countries' climate resilience. The development and implementation of mid-century, long-term low greenhouse gas emission development strategies (LEDS) is a priority in this regard, as the Paris Agreement parties are encouraged to submit them to United Nations Framework Convention on Climate Change (UNFCCC) Secretariat well before the Global Stocktake in 2023. This exercise has progressed unevenly across the region despite support through EU4Climate. The LEDS will need to be finalised and updated to provide milestones and concrete actions, thus enhancing long term security for investors, to ensure compliance with the updated NDCs, and sectoral policies on the national level.

Furthermore, the introduction of robust Monitoring, Reporting and Verification (MRV) systems is a priority, not only to satisfy reporting requirements and inform policymaking, but also as a requirement for the establishment of effective carbon pricing systems. The Enhanced Transparency Framework under the Paris Agreement obligates countries to biannually report data on their Greenhouse Gas Emissions (GHG) inventories and underlying accounting methodology. This reporting obligation will apply from December

2024 at the latest. Legal approximation with the EU *acquis* on MRV and Emissions Trading Systems (ETS) is included in the Association Agreements ²¹and will be gradually transposed, including through the Energy Community Treaty, in line with its decarbonisation roadmap. Significant technical assistance has been provided by the regional EU4Climate and ClimaEast projects, with the core of MRV systems having been developed across the region. Roadmaps and legal analysis have been developed for their strengthening and progressive implementation. While further work is needed on the regulatory aspect, the focus for the coming period will be to make the MRV systems operational, ensure that there is a system of accreditation (of verifying institutions) in place and that technical capacities to perform regular data gathering and ensure quality control of data is strengthened. Carbon pricing policies will need to be in place in partner countries, if their economic operators would like to avoid, or receive a discount on, the Carbon Border Adjustment Mechanism levy from 2026.

Successful implementation of climate policy will further require mainstreaming into priority sectors of the economy (e.g. energy, transport, agriculture). Further assistance will also be needed to ensure alignment with the EU *acquis* (e.g. on methane, ozone depleting substances, fluorinated-gases²²) in line with bilateral agreements and other international commitments. Ensuring country ownership and involvement of all relevant stakeholders across sectors will be key across all activities.

2. *Climate adaptation planning*: Eastern Partnership countries are highly vulnerable to the adverse effects of climate change. An increase in extreme weather events, more frequent heat waves, forest fires and droughts, heavier precipitation and flooding are among the consequences of climate change likely to enlarge the magnitude of disasters and to lead to significant economic losses, public health problems and deaths. While some Eastern Partners have included an adaptation component under their NDCs and are developing national plans, further work is needed to ensure a coherent and inclusive framework based on modelling of climate scenarios until mid-century. There is little technical expertise on climate adaptation, especially at the sub-national level. Mandates related to climate change adaptation remain blurred. Local authorities continue having difficulties in implementing climate-related measures because of insufficient access to financial means. Fiscal centralisation and limited financial viability limit very much the implementation of projects. Municipalities often lack means for infrastructure projects as investments mainly depend on transfers from the state budget, which are often neither timely nor predictable. Sovereign guarantees are required in many cases in order for municipalities to be able to borrow. Furthermore, there is limited experience with climate adaptation projects. Benefits stemming from such actions are still unclear for local authorities. Adaptation planning should be woven into the wider disaster risk reduction framework, and complemented by sectoral assessments and plans for priority sectors, e.g. agriculture, water use and energy.

3. *Green financing frameworks*: Given the high energy and carbon intensity of the EaP economies, there are opportunities for highly impactful actions in the context of the green transition. However, even these actions require a large-scale mobilisation of public and private sector investments. With the falling costs of renewables, shifting perceptions of investors, and growing pressure from civil society to act on environmental and climate challenges, the world is reaching a tipping point in both demand and supply of green finance. In the EaP region, the pace of sustainable finance mobilisation is slowed down by several factors, such as lack of awareness of benefits of green bonds and existing international standards; lack of supportive regulatory frameworks and local green bond guidelines; underdeveloped governance arrangements and lack of green bond ratings, indices, and listings; discouraging costs of meeting green bond requirements; lack of mature pipelines of projects; poor understanding of climate change as an investment risks; and lack of domestic green investors. The development of green bonds also depends upon factors of a more general nature. An existing

²¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22014A0529\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22014A0529(01)&from=EN)
[https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22014A0830\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22014A0830(01)&from=EN)
[https://eur-lex.europa.eu/legal-content/en/TXT/PDF/?uri=CELEX:22014A0830\(02\)](https://eur-lex.europa.eu/legal-content/en/TXT/PDF/?uri=CELEX:22014A0830(02))

²² Fluorinated gases (F-gases) as man-made gases used in a range of industrial applications. Most F-gases have a high global warming potential, with some being up to 26,000 times more potent than carbon dioxide (CO₂).

municipal bond market is an essential prerequisite to help spur interest in green bonds. Thus, in parallel with working on green bonds, domestic capital markets need to be fostered. Critical constraints relate to fiscal decentralisation, as well as an appropriate pricing of externalities and regulatory reforms in relevant sectors.

4. *Energy sector governance and decarbonisation*: The energy sector is one of the main sources of emissions, even more so due to the carbon heavy energy mix and high energy intensity of the economies of Eastern Partnership countries. The energy markets in the region have only partially adopted best practices in the sector that would speed up decarbonisation and promote energy security and energy efficiency, for example unbundling, market governance, integration of renewables and energy efficiency standards. The Energy Community Treaty as well as the Association Agreements with Georgia, Moldova and Ukraine, and the CEPA with Armenia include commitments to transpose key elements of the EU *acquis* in these areas. The national energy legislative and regulatory frameworks in the EaP partner countries need to be strengthened through legislative support and technical assistance, to provide incentives for decarbonisation and encourage investments in the generation, transmission and distribution of renewables and in energy efficiency. Market reform is also a requirement for electricity and gas market integration with neighbouring countries, which is of particular relevance to the electricity post-synchronisation processes of Ukraine and Moldova and is of crucial importance to diversify supply and enhance energy security. For the Energy Community contracting parties, the adapted Governance Regulation²³ sets common rules for planning, reporting and monitoring on energy and climate policies and targets, including via National Energy and Climate Plans. Targeted support is needed to ensure compliance, e.g. the quality of reported data, its comparability with EU data, and its appropriate compilation and analysis. Additional support will also be required to coordinate the flow of fuel, equipment and repair material needed to keep the Ukrainian electricity and gas systems operational.

Within the four priority areas the Action should be consistent with the priorities for the green reconstruction of Ukraine in line with the EU's green and digital agenda and the Ukraine Relief and Reconstruction Communication.

Stakeholders

The following core stakeholders will be involved in all programme activities and become the main partners in the implementation of the programme.

The primary stakeholders will be competent authorities within the national governments tasked to coordinate climate change mitigation and adaptation policies and the green energy transition. The Action will work with ministries of environment, energy, finance and economy, as well as ministries of infrastructure, regional development and agriculture, and, where relevant, investment support agencies. To ensure a holistic approach, the Action will also develop a close working relationship with:

- Relevant government agencies (i.e. forestry, water management agencies);
- Local authorities in the EaP countries that are signatories to the Covenant of Mayors who will be the main beneficiaries of the demonstration projects scheme. The programme will also support engagement between local authorities with civil society organisations and the local population, as well as with academia, private sector, in particular business associations (e.g. chambers of commerce) and start-ups. The project will proactively promote participatory approaches to planning at local level and reach out to involve more women and youth as they are often the main final beneficiaries, and are also often at the forefront of pioneering local climate action solutions. National associations of local authorities will also continue to be involved;

²³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1999&from=EN>

- Technical and administrative structures responsible for the design, implementation, and operation of the MRV and ETS, as well as the energy and industrial installations covered by the scheme;
- Potential sovereign and non-sovereign bond issuers, as well as regulatory authorities and capital market participants, such as international and domestic rating agencies, stock exchanges, etc.;
- Financial sector regulatory agencies, banks, and banking associations;
- Major regional and national structures responsible for the management of natural resources, i.e. forests, rivers, oceans, permafrost soils;
- Other relevant stakeholders in the energy sector, for instance Distribution and Transmission System Operators, if needed.

2.3. Lessons Learned

The EU has funded regional climate mitigation and adaptation through ClimaEast (2013-2017) and EU4Climate (2017-2022). EU4Climate was designed to focus entirely on policy support, with the funds for demonstration projects and investments that had existed under ClimaEast instead channelled through the Covenant of Mayors East and various investment structures such as the Neighbourhood Investment Platform (NIP), European Fund for Sustainable Development+ (EFSD+) and Eastern Europe Environmental and Energy Efficiency Partnership (E5P).

This division of labour has allowed for more targeted and flexible support to the Eastern Partners under EU4Climate, providing broad support to the strengthening of climate policy and legal frameworks, in particular as relates to the Paris Agreement. The flexible nature and clear objectives of EU4Climate have been positively assessed by stakeholders²⁴. The present Action will retain the elements of flexibility and high-level policy support, while increasing its engagement in technical assistance and practical implementation of the climate policy framework. The present action will also include a strong focus on alignment with, and implementation of, the EU *acquis* in the climate and energy sectors, as a response to the rapid development of EU policy and legislation in these fields. This work will directly support the governance pillar under the EaP Economic and Investment Plan.

The energy sector has been identified as a priority sector to promote decarbonisation of the region. Broad support on the collection and use of energy data for policymaking, as well as the drafting of primary and secondary legislation in line with the EU *acquis* and best practices are key elements in the clean energy transition. The effective implementation of energy policy also remains a challenge, highlighting the need for more targeted support to implementation. This is especially pertinent for the contracting parties of the Energy Community Treaty, which has incorporated a substantial amount of the EU *acquis* supporting decarbonisation. The treaty is expected to develop further in this direction, in line with its decarbonisation roadmap.

The governance aspects of this Action will complement the channelling of investments under the Economic and Investment Plan and other available financial instruments, with facilitating and scaling up green investments being of particular importance. Establishing a green capital market is often seen as one of the major steps that can enable the transition to a green economy, and further efforts to enhance underlying capital market structures and standards are needed to mitigate the risks of national fragmentation and greenwashing. At present, these remain high and can inhibit the development of integrated and resilient green capital markets. Enhancing the comparability and standardisation of sustainable finance products is urgently needed to alleviate these risks.

Investment needs for the green transition in the EaP countries are high compared with available budgets. Municipal budgets in particular are very scarce and fail to ensure infrastructure investments even using loans, where feasible. The loan repayment capacity is limited to the typical annual capital expenditures that are small.

²⁴ Climate and environment evaluation p. 253

While there is a wide range of financial instruments available in EaP countries, they tend to use the simplest ones, since financial markets are not well advanced. Still, municipalities are the hot spots of green finance in the EaP region both in terms of challenges and opportunities. Municipalities have competing investment goals and obligations in other sectors, for example roads. There is a persistent perception of energy efficiency projects or green investments more generally as risky, which could partly be addressed through demonstration projects, in particular in conjunction with the Covenant of Mayors. Municipal size, project development capacity and financial resources are a big constraint on project development. The condition of the domestic banking sectors likewise constitutes an important barrier to ramping up loans for municipalities in the six EaP countries.

Different forms of EU support and international cooperation have encouraged the development of green finance. Increasingly, green investments have been in the focus of the Neighbourhood Investment Platform. The EU has also contributed to the Ukrainian Energy Efficiency Fund, the Green for Growth Fund and the E5P (Eastern Europe Energy Efficiency and Environment Partnership) multi-donor fund. In addition, the EU provided small grants and technical assistance to Covenant signatories for demonstration projects, mostly energy efficiency upgrades in buildings. The FINTECC EU4Climate window is promoting the uptake of advanced technologies by SMEs. Through the EU4Environment programme, the EU helps the partner countries to identify green investment needs and opportunities, as well as sources of public and private funding. EU4Climate has supported the EaP governments to build capacity related to budget tagging.

Capacity building should be provided to the municipal climate adaptation and energy managers. There is a need for a grant scheme/component for smaller cities who plan to work on projects that can be replicated and used as demonstration projects but have no access to credits. The development of concrete municipal projects, collection and dissemination of applications through an interactive online project pipeline available in each Covenant of Mayors (CoM) East country should be continuously supported. The current project pipeline online tool should be more interactive providing complete assistance for match-making activities, etc. Inter-municipal co-operation in providing services and in project preparation/implementation should be promoted.

Future cooperation will have to take into account the degrading economic and social conditions in the region, notably the impact of the Russia's war of aggression against Ukraine. Although economic growth in the Eastern Partnership countries resumed in 2021 following contraction in 2020²⁵, the region faces multiple downside risks and the pace of recovery might slow down in the future. Driven by the sharp acceleration in food and energy prices resulting from the war in Ukraine, inflation pressures have returned. Interest rates went up in 2021 and private investment flows have been limited. Official development assistance, critical at the height of the crisis in 2020, remains important.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The **Overall Objective** (Impact) of this action is to support the green transition, enhance decarbonisation, boost energy security and increase resilience to counter the effects of climate change of the six Eastern Partner countries.

The **Specific Objectives** (Outcomes) of this action are:

1. Countries' capacity to adequately measure and reduce national emissions and adapt to the impact of climate change is increased, and implementation of the climate policy framework is advanced;
2. Benefits of climate adaptation are demonstrated through specific projects;

²⁵ United Nations World Economic Situation and Prospects (WESP) 2022, <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2022/>

3. Credible regulatory frameworks on green financing are established in line with EU norms and bond issuance is diversified and scaled-up;
4. Legislative and regulatory frameworks of the energy sector and their implementation are strengthened, contributing to decarbonisation, energy security and improved market functioning.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Under **outcome 1** – Countries' capacity to reduce national emissions and adapt to the impact of climate change is increased, and implementation of the climate policy framework is advanced:

- 1.1 Climate change mitigation policy frameworks are updated and their implementation advanced;
- 1.2 MRV and carbon pricing systems are established and operational;
- 1.3 Alignment with and implementation of the climate-related EU *acquis* included in bilateral agreements and relevant administrative capacities needed for their implementation is strengthened;
- 1.4 National adaptation and disaster risk reduction planning is updated and its implementation advanced, including on mainstreaming adaptation planning in priority sectors;
- 1.5 Regional capacity building and sharing of best practices is promoted through workshops, trainings, exchanges, study visits, etc.;
- 1.6 Green post-war reconstruction of Ukraine in line with the green and digital agenda is supported.

Under **outcome 2** – Benefits of climate adaptation are demonstrated through specific projects:

- 2.1 Up to ten demonstration projects, including on healthy ecosystems and biodiversity, are established showing the benefits of climate adaptation.
- 2.2 Demonstration projects have proven to have a potential for replication in other municipalities.
- 2.3 Relevant capacity building is provided to the municipal climate adaptation and energy managers.

Under **outcome 3** – Credible regulatory frameworks on green financing are established in line with EU norms and bond issuance is diversified and scaled-up:

- 3.1 Policy dialogue and training are carried out for raising awareness about sustainable finance;
- 3.2 Primary and secondary legislation is improved and technical guidelines are developed in line with EU and international norms on green finance with a focus on green bonds;
- 3.3 Issuance-specific support is provided with a focus on climate adaptation bonds and Ukraine's green reconstruction;
- 3.4 Surveys are carried out to identify and increase investor demand.

Under **outcome 4** – Legislative and regulatory frameworks of the energy sector and their implementation are strengthened, contributing to decarbonisation, energy security and improved market functioning

4. Transposition and implementation of the energy *acquis* is strengthened;
- 4.2 Assistance to Ukraine and Moldova in the ENTSO-E post-synchronisation process is provided;
- 4.3 Assistance to Ukraine to determine the support needs and to organise the supply of donations to ensure the functioning of Ukrainian critical energy infrastructure is provided;

- 4.4 Technical facilities and support is provided to the contracting parties to the Energy Community Treaty for reporting data and information related to climate change mitigation and adaptation, renewable energy, and energy efficiency.

3.2. Indicative Activities

Activities related to Output 1.1 – Climate change mitigation policy frameworks are updated and implementation advanced:

- Update and contribute to the implementation of NDCs, NDC roadmaps, NDC financing strategies and National Energy and Climate Action Plans;
- Finalise and contribute to the implementation of Long-term Low Emissions and Development Strategies (LT-LEDS);
- Contribute to the implementation of sectoral climate mainstreaming plans, update and draft new ones as required;
- Support the drafting and implementation of legal acts and technical documents to advance the implementation of national climate legal frameworks;
- Conduct capacity building events in relation to the above (ex. trainings, workshops, policy dialogues).

Activities related to Output 1.2 – MRV and carbon pricing systems are established and operational:

- Provide concrete assistance and capacity building in the set-up and implementation of MRV systems;
- Provide gap analyses and implementation roadmaps for the development of MRV and carbon pricing systems as necessary, building on the results of the EU4Climate project;
- Draft legislation and technical guidelines to strengthen MRV systems in line with the Paris Agreement transparency framework, the EU *acquis* and best practices, as applicable to each country;
- Provide concrete assistance and capacity building in the set-up and implementation of carbon pricing systems;
- Draft legislation and technical guidelines establishing carbon pricing systems in line with the EU *acquis* and best practices, as applicable to each country;

Activities related to Output 1.3 – Alignment with and implementation of the climate-related EU *acquis* included in bilateral agreements is strengthened:

- Support the drafting of legislation, legal analysis and policy papers to align with the EU *acquis*, in line with bilateral agreements with the EU and best practices;
- Provide ad-hoc expert advice to assist in the implementation of the climate-related EU *acquis*;
- Facilitate discussions on policy and regulatory reform/alignment in support of EU policy dialogue with the Eastern Partner countries;

Activities related to Output 1.4 – National adaptation and disaster risk reduction planning is updated and its implementation advanced, including on mainstreaming adaptation planning in priority sectors:

- Strengthen national and sectoral adaptation planning and its implementation;
- Strengthen links between adaptation planning at national and regional/municipal levels, in close cooperation with the Covenant of Mayors East;
- Facilitate cooperation between stakeholders on the central level (e.g. ministries and government agencies) to advance implementation.

Activities related to Output 1.5 – Regional capacity building and sharing of best practices is promoted:

- Facilitate regional exchange of experience, best practices and knowledge on the regional level, and between the region and the EU;
- Organise regional trainings, workshops, study visits etc.

Activities related to Output 1.6 –Green post-war reconstruction of Ukraine in line with the green and digital agenda is supported:

- Carry out needs assessments and identify the needs related to the green reconstruction of Ukraine, in line with the overall objective of the Action;
- Implement capacity building activities and provide technical assistance to national and local authorities and civil society involved in the reconstruction process.

Activities related to Output 2.1 – Up to 10 demonstration projects, including on healthy ecosystems and biodiversity, are established showing the benefits of climate adaptation:

- Prepare and launch calls for proposals, define winning proposals, ensure contracting and monitoring of implementation, report on, and raise public awareness about project results.

Activities related to Output 2.2 – Demonstration projects have proven to have a potential for replication in other municipalities:

- Monitor and report on the potential of replicating the demonstration projects in other municipalities;
- Analyse the reports and provide recommendations for future projects.

Activities related to Output 2.3 – Relevant capacity building is provided to the municipal climate adaptation and energy managers:

- Organise workshops, trainings, exchanges, study visits for the municipal climate adaptation and energy managers in cooperation with the Covenant of Mayors East.

Activities related to Output 3.1 – Policy dialogue and training is carried out for raising awareness about sustainable finance:

- Facilitate EaP countries participation in relevant international initiatives;
- Develop awareness raising products and organise events, such as multi-stakeholder policy dialogues, expert-level meetings, training events, on-the job training and support, etc.

Activities related to Output 3.2 – Primary and secondary legislation is improved and technical guidelines are developed in line with EU and international norms on green finance with a focus on green bonds:

- Analyse regulatory frameworks in selected countries and identify gaps;
- Suggest amendments to the primary and secondary legislation and accompany legislative processes, e.g. through preparation of impact assessment and support for stakeholder consultation;
- Help improve governance frameworks, e.g. through the creation of supervision and coordination mechanisms;
- Develop technical guidelines necessary for the application of green bonds.

Activities related to Output 3.3 – Issuance-specific support is provided with a focus on climate adaptation bonds and Ukraine's green reconstruction:

- Support specific issuances, including support for project pipelines preparation in line with the EU taxonomy, for defining reporting requirements, and for external review;
- Provide support for ensuring transparency and accountability of issuances in cooperation with civil society.

Activities related to Output 3.4 – Surveys are carried out to identify and increase investor demand:

- Design and carry out two rounds of surveys of potential investors;
- Engage with institutional and other type of investors demonstrating demand.

Activities related to Output 4.1 – Transposition and implementation of the energy *acquis* is strengthened:

- Assist in drafting, revising, supporting the adoption and implementation of primary and secondary legislation related to energy reforms, as well as rules of procedure and administration, manuals, and guidelines for ministries and regulators (in line with the Energy Community Treaty/Association Agreements/DCFTAs for Georgia, Moldova and Ukraine);
- Develop policy guidelines, recommendations and gap analyses related to energy reforms;
- Provide capacity building to develop strategic thinking, planning, adoption and implementation of energy reforms.

Activities related to Output 4.2 – Assistance to Ukraine and Moldova in the ENTSO-E post-synchronisation process is provided:

- Provide technical assistance to actors involved in the post-synchronisation process, notably ministries of energy and energy regulators;
- Support the drafting of technical and legal acts related to the post-synchronisation process.

Activities related to Output 4.3 – Assistance to Ukraine to determine the support needs and to organise the supply of donations to ensure the functioning of Ukrainian critical energy infrastructure is provided:

- Assess the needs as stated by the Ukrainian Ministry of Energy and ensure compliance between requested and available goods (e.g. in terms of different standards used in Ukraine and the EU);
- Assist in liaising with donor companies and entities to identify goods;
- Support the delivery of donated goods through logistics assistance;
- Assist in preparing information for donors on the use of donations;
- Provide administrative support to the management of the Energy Community Secretariat's established Fiduciary account collecting financial donations dedicated to support the functioning of Ukraine's energy system in a stable manner.

Activities related to Output 4.4 – Technical facilities and support is provided to the contracting parties to the Energy Community Treaty for reporting data and information related to climate change mitigation and adaptation, renewable energy, and energy efficiency:

- Provide technical facilities and technical support for reporting of data and information related to climate change mitigation and adaptation; renewable energy; and energy efficiency in the Energy Community Treaty contracting parties;
- Carry out compilation and quality assurance of reported data, including gap-filling of underreported information where feasible, to establish final datasets for each reporting obligation;
- Support contracting parties with advice and capacity building in the preparation and execution of data and information reporting.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

The entirety of the Action is focused on decarbonisation and climate adaptation, in line with the external dimension of the European Green Deal²⁶ and the EU Strategy on Adaptation to Climate Change²⁷. The Action will be guided by the objective to transform the EaP economies into resilient, energy and resource-efficient and competitive economies, where no one is left behind. The outcomes of mandatory screenings are as follows:

²⁶ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

²⁷ https://ec.europa.eu/clima/eu-action/adaptation-climate-change/eu-adaptation-strategy_en

- *Strategic Environmental Assessment (SEA) screening*: The SEA screening concluded that no further action was required. Each green bond issuance under Outcome 3 will undergo the SEA screening.
- *Environmental Impact Assessment (EIA) screening*: The EIA screening classified the action as Category C (no need for further assessment). Each demonstration project under Outcome 2 will perform the EIA screening.
- *Climate Risk Assessment (CRA) screening*: The CRA screening concluded that this action is no or low risk (no need for further assessment). Each demonstration project under Outcome 2 will perform the CRA screening.

The above SEA/EIA/CRA processes will integrate the general assessment of a substantial contribution and no significant harm to any of the six environmental objectives formulated in Articles 10-15 and 17 of Regulation (EU) 2020/852 of the Council and the Parliament on the establishment of a framework to facilitate sustainable investment.

Biodiversity will be streamlined through nature-based solutions as a focus for climate adaptation demonstration projects. Possible projects will include:

- *Urban biodiversity/forests* – planting a selection of tree species that are more resilient to water and heat stresses, diversification of tree species, increased use of runoff water for watering trees, automatic irrigation and control of water leaks.
- *Green roofs, green walls and vertical gardens* - lowering indoor temperatures and absorbing rainwater, thus reducing flood risk. They also provide biodiversity and social aesthetic benefits, serve for improving air quality and education purposes.
- *Forest belts* – using afforestation/reforestation practices applying the ecosystem approach and scaling-up territories covered with forest vegetation.
- *Rain water management* - implementing the blue and green infrastructure components and modernisation of the rain water sewage system.
- *Water retention landscape* - restoring the full water cycle and reducing vulnerability to climate change and extreme events such as droughts, water scarcity and floods.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. This implies that gender equality will be mainstreamed across this programme also defining specific actions aiming at gender equality mostly at the project level. Gender considerations will be taken into account and mainstreamed through the development of LEDS, national adaptation plans and sectoral strategies and plans. Gender disaggregated indicators will be proposed for national policy instruments/plans, and the Action will contribute to reinforcing gender equality and empowerment of women and girls also through facilitating broad stakeholder engagement in the elaboration of climate policy and legislation.

Human Rights

The Action will contribute to protecting economic and social rights. Activities included in the Action are focused on promoting decarbonisation and adaptation to the harmful effects of climate change, which will bring positive effects to peoples' health and well-being. The Action further seeks to create a balanced and sustainable economic growth model and consequently more decent job opportunities for its citizens. In addition, the Action's focus on improving climate governance will facilitate access to environmental information, in line with the Aarhus Convention.

Disability

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D0. This implies that the Action does not specifically target the inclusion of persons with disabilities.

Democracy

The Action will aim to reinforce democratic standards by strengthening good governance and engaging citizens and civil society in the preparation of the climate policy framework of partner countries. The Action will offer opportunities to increase the level of dialogue between citizens and public administration, in promoting inclusiveness and assuring equal access to information. The demonstration projects on climate adaptation are of particular importance to foster engagement on climate action from all sectors of society, highlighting the opportunities and benefits of the green transition, and the need for citizens to play an active role in shaping and implementing it.

Conflict sensitivity, peace and resilience

Climate change and environmental degradation, including biodiversity and forest loss, are a threat to international stability and security.²⁸ Climate change will have serious consequences for the Eastern Partnership countries, including draughts, forest fires, floods and tangible negative impacts on the health and economic situation of citizens.²⁹ The combined impact of these events may increase the risk of violent conflict. The Action will directly address these challenges and increase resilience of societies through assistance in designing and implementing climate adaptation and disaster risk reduction strategies, and by strengthening the framework for their implementation. In order to ensure that measures are well-designed and bring clear benefits for citizens, the links with the sub-national levels will be strengthened and a broad inclusion of stakeholders ensured.

Disaster Risk Reduction

By developing and supporting the implementation of adaptation and disaster risk reduction strategies, the Action will increase the climate and environmental resilience of the Eastern Partner countries, and contribute to the countries' work under the United Nations Office for Disaster Risk Reduction (UNDRR) Sendai Framework for Disaster Reduction. This is a part of the overall objective of the Action, which will also mainstream adaptation into priority sectors of the economy.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1.1 Macro-Environment	Ongoing war situation in Ukraine and its consequences for investment and project implementation risks in the EaP region.	H	H	A detailed assessment needs to be made of the situation on the ground as regards the needs and possibilities for restoring infrastructure, mitigating security risks and ensuring the sustainability of activities and investments.

²⁸ <https://www.consilium.europa.eu/media/48057/st05263-en21.pdf>

²⁹ <https://climateknowledgeportal.worldbank.org/>

1.1 Macro-Environment	Travel restrictions and/or changing policy priorities due to the COVID-19 pandemic.	M	M	Organisation of hybrid or virtual meetings or events, close dialogue with the beneficiaries to keep climate and energy policy high on the agenda.
1.1 Macro-environment and political priorities	Lack of coordinated and consistent political will towards the objectives of the action.	M	H	Continuous dialogue with national level authorities on climate and energy policy, explaining the costs of inaction and benefits of action related to the green transition. Flexibility will be kept in reallocating resources to other countries if concerned activities are at the country level.
1.2 Working with the actors outside the Commission and beneficiaries	Lack of full support and cooperation by the beneficiaries during the implementation.	M	M	Alignment with beneficiaries' needs, regular political dialogue with the countries of the region with support from the EU Delegations.
2.2 Operational processes	Delays due to heavy bureaucratic procedures within the beneficiary governments.	H	H	Systematic involvement of the EU Delegations and provision of support to project implementers, blended with careful planning of activities and good knowledge of procedural requirements by the beneficiary governments.
2.2 Operational processes	Institutional tensions or lack of cooperation among various stakeholders, including governmental authorities.	M	M	Involvement of influential stakeholders able to facilitate the achievement of compromise. Coordination with and full use of the Commission's climate policy tools at highest political levels and at technical level across sectors. The project will seek synergies with the work of the EU High Level Advisers in the region.
3.1 Human resources	Local authorities in the region do not have sufficient capacity and experience in implementing sustainable policy or related action plans, project design and implementation.	H	H	Providing relevant capacity building and technical assistance to the local authorities. Continuous dialogue with local and national authorities on issues like decentralisation and fiscal autonomy for local authorities.
3.1 Human resources	Significant degree of staff turnover in beneficiary	M	M	Ensuring the retention of institutional memory through the documentation of

	institutions and erosion of institutional memory.			files and guidance notes, as well as the promotion of retention policies.
3.1 Human resources	Lack of absorption capacity in beneficiary countries.	L	M	Ensure appropriate sequencing of activities and donor coordination to avoid training fatigue among staff. Ensure tailored capacity building to help offset workload increase on beneficiaries.
3.1 Human resources	Problems in recruiting national experts.	L	M	Transparency of recruitment procedures, including the broadest possible publication of vacancies and active promotion of the positions
5.1 Communication methods and channels	EU visibility and policy dialogue is diluted in favour of implementing partners.	M	M	Strategic communication will be an essential element of the programme. Sufficient resources will be dedicated to this element. Compliance with EU visibility requirements will be regularly monitored and EU representatives will be present in key events.

Assumptions:

- Factors outside the project's control, which might impact the outcome-impact linkage, such as continued political, social and economic stability in the region, are favourable for implementation;
- The hostilities cease and security situation in Ukraine is stable enough to allow for implementation in Ukraine;
- Demand for support outlined in the Action document remains high;
- Sufficient fiscal decentralisation in order to allow for activities to be carried out at the local level;
- Understanding of stakeholder needs and legislative processes by the implementing partners;
- Availability of implementing partners and service providers with the necessary technical and legal expertise;
- Regulatory proposals developed with EU support are adopted timely and without being altered;
- Availability of co-financing.

3.5. Intervention Logic

The past years of EU and donor support to the Eastern Partnership has resulted in an improved climate policy framework across all countries in the region. Ambitions and awareness have risen, and have been codified into legal commitments. Still, implementation lags behind, with many targets included under the first NDCs unmet, even as updated NDCs have been communicated. Fundamentally, the Action will adhere to the logic of the Paris Agreement framework, supporting its implementation to meet national commitments. At the same time, the ambition of the EU has risen considerably in the past few years, in line with the external dimension of the European Green Deal which calls for the EU and its partners to promote and implement ambitious

environment, climate and energy policies across the world. This is especially applicable to the Eastern Partners, with climate neutrality being the aim for the entirety of Europe, not only the EU. Through the dynamic approximation of bilateral agreements (Association Agreements including DCFTAs, CEPA and Partnership Agreement) and the Energy Community Treaty, alignment is set to increase. Measures included under EU's Fit for 55 package, in particular the proposed CBAM, will require significant efforts to implement. Further efforts are also required to develop favourable conditions for green investments, to ensure that such investments are scaled up while following a comparable and standardised methodology. Responding to these needs, the present Action will be focused on assisting the Eastern Partners in implementing measures that will lead to structural change, advancing the **Overall Objective** of the Action to support the green transition, enhancing low-carbon development, energy security and increasing resilience to the effects of climate change.

A significant part of the Action, under **Outcome 1**, will focus on implementing key structural measures, such as MRV systems and carbon pricing, providing practical assistance and capacity building. These systems are the foundation required to monitor and mitigate emissions, enabling an effective implementation of climate policy that will spur real change. To complement these measures, assistance will be provided to ensure that the climate policy frameworks and levels of ambition are up to date, aligning with the applicable EU *acquis* and best practices. Also in this aspect, the key goal will be to support implementation by developing strategic documents and frameworks that are workable and enhance the sustainability of the Action. To this end, the Action will draft, finalise or update LEDS, updated NDCs for 2025, sectoral plans, adaptation planning, climate mainstreaming plans, as well as technical and legislative outputs necessary for the effective implementation of climate policy frameworks. Capacity building measures under each output will be underpinned by an exchange of best practices and policy dialogue with the EU and within the region.

Under this Outcome a specific focus will be on supporting the green post-war reconstruction of Ukraine in line with the green and digital agenda in accordance with the principles presented in the Relief and Reconstruction Communication. This will be done in the form of the needs assessments, capacity building activities and technical assistance to national and local authorities, and civil society involved in the reconstruction process.

Under **Outcome 2**, the Action will provide targeted support to municipalities to raise their capacity for green investments, with a focus on climate adaptation projects. This will be done in close cooperation with the Covenant of Mayors initiative. Specific areas for demonstration projects on climate adaptation will be identified in consultation with stakeholders in EaP countries based on previous discussions that resulted in the identification of possible types of projects. These will focus on urban biodiversity, forests and forest belts; green roofs, green walls and vertical gardens; rain water management and water retention landscape. The pilot projects will provide the basis for replicating similar initiatives in other municipalities. The success of the projects and their replicability will be ensured through capacity building to be provided to the municipal climate adaptation and energy managers.

Outcome 3 will focus on the development of a green bond market in particular and the wider green finance sector in general. Green bonds in particular are well-suited to projects that require capital investment ahead of revenue, which by and large is the case in the region. Improving the climate for green investments will help mobilise revenue needed to meet climate and environmental goals, in particular the ambitious targets of the NDCs, but also the targets to which the local authorities across the EaP have adhered within the Covenant of Mayors framework. Demonstrating the value and feasibility of investment in the area of climate adaptation will help promote action that is critical for reducing countries' high vulnerability to climate change.

The Action identifies measures under several priority areas that are applicable to policymakers, government institutions, standard-setting bodies, financial institutions, development finance institutions, multilateral banks, civil society, NGOs, bond issuers, and investors. By addressing various stakeholder groups, the Action will increase awareness and buy in. The Action assumes that the current attractiveness of green bonds to

investors looking to fulfil their growing green mandates will continue. The strong demand for green bonds can enable potential issuers to widen their investor base and in some cases to attract cheaper financing. To seize the opportunity to grow the market for green bonds, the immediate priority is to build momentum.

Under **Outcome 4**, more targeted activities are planned in the energy sector to promote decarbonisation in line with the Energy Community Treaty and its decarbonisation roadmap. The foreseen activities will directly contribute to decarbonisation by enabling the effective monitoring and governance of the energy sector, integration of renewables, and setting of energy efficiency standards. Georgia, Moldova and Ukraine, as contracting parties of the treaty, will be supported in the transposition of the EU *acquis* on energy sector governance, renewable energy sources and energy efficiency. The Action will draft technical and legislative acts and provide capacity building to ensure the effective implementation of legislation. Targeted support to the collection, quality assurance/quality control, consolidation and analysis of data and information will be provided to fulfil reporting obligations on data related to climate change mitigation and adaptation, renewable energy, and energy efficiency, introduced into the treaty in November 2021. The decarbonisation roadmap also foresees the future inclusion of the EU *acquis* on MRV and ETS systems, where assistance is expected to be needed during the implementation period of the Action. Assistance on transposition and implementation frameworks under this outcome will be complemented by assistance on implementation and capacity building in the climate sector under outcome 1. The activities will also address needs stemming from the Russia's war of aggression, such as the post-synchronisation process of Moldova and Ukraine, and assistance to coordinate the supply and delivery of donations to ensure the functioning of Ukrainian critical energy infrastructure. The latter activity feeds into the work of the European Union Civil Protection Mechanism.

Horizontally, the Action is designed to remain flexible enough in its scope to enable quick assistance based on the needs of the Eastern Partners, complementing that provided by EU bilateral assistance, Team Europe initiatives and other donors. It will implement its activities in close coordination with these actors, taking full account of the different needs, ambitions and commitments of the countries. All activities will be fully in line with the Ukraine Relief and Reconstruction Communication³⁰, and will respond to needs resulting from the Russia's war of aggression and its impact on the wider region, as well as those deriving from the ongoing COVID-19 pandemic. To ensure ownership and sustainability of the Action, stakeholders will be closely involved from the earliest possible stage in the design and implementation of activities. Any development of strategic documents, legislation or amendments will be carried out respecting all national procedures, notably those related to fiscal or regulatory impact assessments, public consultations, or inter-ministerial coordination. Fast-track adoption procedures will be avoided to the greatest extent possible. Any manual/guidelines will be mainly developed by the beneficiary institutions and will be designed to be accessible and practical, allowing them to be regularly reviewed and updated by the beneficiaries without further external support. Any guidelines or procedures developed under this Action will not contradict any legal provision of the country.

³⁰ https://ec.europa.eu/info/sites/default/files/ukraine-relief-reconstruction_en.pdf

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To support the green transition, enhance decarbonisation, boost energy security and increase resilience to the effects of climate change in the six Eastern Partnership countries	<p>1 Level of GHG emissions reported to UNFCCC.</p> <p>2 SDG 11/EU RF 2.19 ** Number of EU supported countries and cities with climate change and/or disaster risk reduction strategies: (a) developed, (b) under implementation</p> <p>3 Volume of additional sustainable investments, mobilised through innovative finance instruments such as green bonds (EUR) *</p> <p>4 Support the green reconstruction of Ukraine</p>	<p>1 Latest available data on GHG emissions per country at the start of the action (2022)</p> <p>2 Climate adaptation and/or disaster risk reduction planning insufficiently developed at the national, and sub-national levels (2022)</p> <p>3 N/A</p> <p>4 To be defined during the inception phase</p>	<p>1 Level of GHG emissions are on track to meet targets included under NDCs and other international commitments (2027).</p> <p>2 Climate adaptation and/or disaster risk reduction plans fully developed on the national level and under implementation in all six countries (2027).</p> <p>3 N/A</p> <p>4 To be defined during the inception phase</p>	<p>1 National Communications to the UNFCCC; national reports on the implementation of the Paris Agreement, national sustainable development strategies/plans/reports</p> <p>2 National and sub-national adaptation and/or disaster risk reduction plans, number of climate projects launched under these plans.</p> <p>3 Project reports</p> <p>4 EU, UN, IFI and other assessments, project reports</p>	<i>Not applicable</i>
Outcome 1	1 Countries' capacity to adequately measure and reduce national emissions, mobilise green financing, and adapt to the impact of climate change increased, and	1.1 Finalised nationally determined contributions and national mid-century low-emissions strategies communicated to the UNFCCC	<p>1.1 5 updated NDCs / 1 LT-LEDs (2022)</p> <p>1.2 latest national</p>	<p>1.1 6 updated NDCs and LT-LEDs (2027)</p> <p>1.2 Implementation is on track to meet</p>	1.1 & 1.2 National reports on the implementation of the Paris Agreement, national sustainable	Factors outside the project's control that may impact the outcome-impact linkage, such as continued

	implementation of the climate policy framework advanced	<p>1.2 Level of implementation of nationally determined contributions and national mid-century low-emissions strategies</p> <p>1.3 Level of institutional capacities to elaborate and implement climate change policy (institutional capacity scorecard/baseline, mid-term and completion surveys)</p> <p>1.4 Level of alignment with the EU acquis as provided by bilateral agreements with EU</p> <p>1.5 Number of National Adaptation plans/roadmaps finalised</p> <p>1.6 Support to the green post-war reconstruction of Ukraine in line with the green and digital agenda</p>	<p>reporting to UNFCCC (2022)</p> <p>1.3 Final assessment of the EU4Climate project (2022)</p> <p>1.4 Final assessment of the EU4Climate project (2022)</p> <p>1.5 Final assessment of the EU4Climate project (2022)</p> <p>1.6 to be defined</p>	<p>national 2030 targets (2027)</p> <p>1.3 50% increase in capacities from baseline (2027)</p> <p>1.4 High level of alignment (2027)</p> <p>1.5 6 NAPs, (2027)</p> <p>1.6 To be defined</p>	<p>development strategies/plans/reports, national data on emissions</p> <p>1.3 Project reports, reporting from EU Delegations</p> <p>1.4 Project implementation reports, Energy Community assessments</p> <p>1.5 Project implementation reports, national adaptation plans/roadmaps</p> <p>1.6 Project implementation reports, EU Delegation reporting</p>	<p>political, social and economic stability in the region, are favourable for implementation.</p> <p>The hostilities cease and the security situation in Ukraine is stable enough to allow for implementation.</p>
Outcome 2	Benefits of climate adaptation demonstrated through specific projects	<p>2.1 Number of cities with climate adaptation strategies and demonstration projects, including on healthy ecosystems and biodiversity, under implementation with EU support **</p>	<p>2.1 0</p>	<p>2.1 10</p>	<p>2.1 Project reporting</p>	<p>Interest to apply</p> <p>Availability of service providers</p> <p>Good understanding of stakeholder needs</p>
Outcome 3	Credible regulatory frameworks on green financing established in line with EU norms and bond	<p>3.1 Volume of bonds issued with EU support (revenue mobilised through green bonds issuance)</p>	<p>3.1 TBD</p> <p>3.2 4</p>	<p>3.1 Double</p> <p>3.2 5</p>	<p>3.1 – 3.2 Project reporting, international statistics</p>	<p>Regulatory proposals adopted timely and without being altered</p>

	issuance diversified and scaled-up	3.2 Number of countries issuing bonds				Demand for bonds Sufficient fiscal decentralisation Positive trends in the bond market No drastic change in the economic context
Outcome 4	4 Legislative and regulatory frameworks of the energy sector and their implementation strengthened, contributing to decarbonisation, energy security and improved market functioning	<p>4.1 New/amended legislation and regulations adopted and in force, in line with the EU <i>acquis</i> under bilateral agreements with the EU and the Energy Community Treaty (for Georgia, Moldova and Ukraine)</p> <p>4.2 Progress in the ENTSO-E post-synchronisation process of Ukraine and Moldova</p> <p>4.3 Functioning coordination mechanisms to ensure supply of donations for the functioning of Ukrainian critical energy infrastructure</p> <p>4.3 Number of reported data sets under the adapted Governance Regulation per country (for Georgia, Moldova and Ukraine)</p>	<p>4.1 EU4Energy assessment (2022)</p> <p>4.2 EU4Energy assessment (2022)</p> <p>4.3 Ad-hoc coordination mechanisms exist but lack of funding (2022)</p> <p>4.4 0 (2022)</p>	<p>4.1 High level of alignment (2027)</p> <p>4.2 The post-synchronisation process between UA/MD and ENTSO-E is completed (2027)</p> <p>4.3 Coordination Mechanisms are fully operational and staffed in line with existing needs (2027)</p> <p>4.4 3 (2027)</p>	<p>4.1 Project implementation reports, Energy Community Secretariat assessments</p> <p>4.2 & 4.3 Project implementation reports, Energy Community Secretariat assessments</p> <p>4.4 European Environmental Agency data (Reportnet 3)</p>	

<p>Output 1 related to Outcome 1</p>	<p>1.1 Climate change mitigation policy frameworks updated and implementation advanced</p>	<p>1.1.1 Number of finalised updated NDCs and NDC implementation roadmaps</p> <p>1.1.2 Number of finalised national long-term LEDS</p> <p>1.1.3 Number of finalised sectoral mainstreaming plans</p> <p>1.1.4 Number of legal acts and technical documents supporting their implementation drafted</p> <p>1.1.5 Number of training events scheduled</p>	<p>1.1.1 EU4Climate final report baseline (2022)</p> <p>1.1.2 1 – Ukraine (2022)</p> <p>1.1.3 EU4Climate final report baseline (2022)</p> <p>1.1.4 EU4Climate final report baseline (2022)</p> <p>1.1.5 EU4Climate final report baseline (2022)</p>	<p>1.1.1: Updated NDCs and 6 implementation roadmaps (2027)</p> <p>1.1.2 6 (2027)</p> <p>1.1.3 At least 2 per country (2027)</p> <p>1.1.4 at least 12 (2027)</p> <p>1.1.5 At least 6 per country (2027)</p>	<p>1.1.1 National reporting to UNFCCC under the Paris Agreement Institutional capacity assessment reports</p> <p>1.1.2 National reporting to UNFCCC under the Paris Agreement Institutional capacity assessment reports</p> <p>1.1.3 Project reporting</p> <p>1.1.4 Project reporting</p> <p>1.1.5 Project reporting</p>	
<p>Output 2 related to Outcome 1</p>	<p>1.2 MRV and carbon pricing systems established and operational</p>	<p>1.2.1 Number of operational MRV systems in line with the Paris Agreement and the relevant parts of the EU <i>acquis</i></p> <p>1.2.2 Number of carbon pricing systems (ETS, carbon tax) operational in line with the Paris Agreement and the relevant parts of the EU <i>acquis</i></p>	<p>1.2.1 EU4Climate final report baseline (2022)</p> <p>1.2.2 (2022)</p>	<p>1.2.1 6 (2027)</p> <p>1.2.2 6 (2027)</p>	<p>1.2.1 National reporting, project reports</p> <p>1.2.2 National reporting, project reports</p>	
<p>Output 3 related to Outcome 1</p>	<p>1.3 Alignment with and implementation of the climate-related EU <i>acquis</i> included in bilateral agreements strengthened</p>	<p>1.3.1 Number of legislative acts and policy implementation tools drafted</p> <p>1.3.2 Level of alignment with the relevant EU <i>acquis</i> included in bilateral agreements with the EU (ex. on MRV, ETS, methane, ozone depleting substances, F-</p>	<p>1.3.1 EU4Climate final assessment (2022)</p> <p>1.3.2 low/medium level of alignment with</p>	<p>1.3.1 At least 20 legal acts or policy implementation tools drafted</p> <p>1.3.2 High level of compliance with the EU <i>acquis</i> (2027).</p>	<p>1.3.1 Project reporting</p> <p>1.3.2 National biennial transparency reports to UNFCCC, project reports, reporting from EU Delegations</p>	

		gases), and European best practices.	the EU <i>acquis</i> (2022)			
Output 4 related to Outcome 1	1.4 National adaptation and disaster risk reduction planning updated and its implementation advanced, including on mainstreaming adaptation planning in priority sectors	1.4.1 Number of national Adaptation Plan (NAP) and/or Disaster Risk Reduction (DRR) Plan roadmaps, institutional and coordination frameworks and processes developed. 1.4.2 Degree of implementation of national Adaptation Plan (NAP) roadmaps, institutional and coordination frameworks and NAP processes. 1.4.3 Number of sectoral adaptation plans developed	1.4.1 EU4Climate final report baseline (2022) 1.4.2 Low or very low level of implementation 1.4.3 EU4Climate final report baseline (2022)	1.4.1 An implementation framework for NAPs and DRR Plans exist in all 6 countries 1.4.2 At least 2 activities under NAPs and DRR plans supported in each country 1.4.3 Sectoral adaptation plans exist in priority sectors (ex. energy, agriculture) in each country	1.4.1 - 1.4.3 Project reporting, national reporting on climate adaptation and DRR	
Output 5 related to Outcome 1	1.5 Regional capacity building and sharing of best practices promoted	1.5.1 Number of workshops, trainings, exchanges, study visits organised	1.5.1 EU4Climate final assessment (2022)	1.5.1 At least 6 events organised (2027)	1.5.1 Project reporting	
Output 6 related to Outcome 1	1.6 Support to the green post-war reconstruction of Ukraine in line with the green and digital agenda .	1.6.1 Number of strategies, technical documents, capacity building events completed.	1.6.1 0	1.6.1 To be determined	1.6.1 Project reporting	The hostilities cease and security situation in Ukraine is stable enough to allow for implementation.
Output 1 related to Outcome 2	2.1 Up to 10 demonstration projects including on healthy ecosystems and biodiversity, established showing the benefits of climate adaptation	2.1.1 Number of cities with SECAPs including concrete climate adaptation projects 2.1.2 Number of climate adaptation pilot projects that met targets at least at 90%	2.1.1. 0 (2022) 2.1.2 N/A (2022)	2.1.1 10 (2027) 2.1.2 10 (2027)	2.1.1 & 2.1.2 Project reporting	Availability of technical expertise Availability of co-financing

						Limited exposure to corruption
Output 2 related to Outcome 2	2.2 Demonstration projects have proven to have a potential for replication in other municipalities	2.2.1 Number of projects with a demonstrated potential for replication in other municipalities.	2.2.1 (2022) N/A	2.2.1 At least 9 (2027)	2.2.1 Project reporting	
Output 3 related to Outcome 2	2.3 Relevant capacity building is provided to the municipal climate adaptation and energy managers	2.3.1 Number of workshops, trainings, exchanges, study visits organised.	2.3.1 (2022) N/A	2.3.1 At least 5 (2027)	2.3.1 Project reporting	
Output 1 related to Outcome 3	3.1 Policy dialogue and training carried out for raising awareness about sustainable finance	3.1.1 Number of people reached 3.1.2 Number of communication products	3.1.1. 0 3.1.2. 0	3.1.1 200 3.1.2.12	3.1.1 & 3.1.2 Project reporting	Understanding of stakeholder needs
Output 2 related to Outcome 3	3.2 Strengthened or developed national regulatory frameworks for green financing	3.2.1 Number of laws developed or amended with EU support 3.2.2 Number of countries that made their legislation fully compatible with the use of EU standards 3.2.3 Number of countries that aligned their technical guidelines with EU norms 3.2.4 Number of by-laws and technical guidelines (including those guiding the relevant environmental appraisal systems) developed with EU support	3.2.1 0 3.2.2 0 3.2.3 0 3.2.4 0	3.2.1 3-6 3.2.2 3 3.2.3 3 3.2.4 12	3.2.1 – 3.2.4 Project Reporting	Understanding of legislative processes Availability of issue-specific legal expertise Availability of international experts
Output 3 related to Outcome 3	3.4 Issuance-specific support provided with a focus on climate adaptation bonds	3.3.1 Number of schemes prepared on a pilot basis, total and for the domestic capital market	3.3.1 0 3.3.2 0	3.3.1 5/1 3.3.2 10	3.3.1 & 3.3.2 Project reporting	Availability of technical expertise Adequate mandate of issuers

		3.3.2 Number of issuers that received support for pipeline identification				Legal preconditions in place
Output 4 related to Outcome 3	3.5 Surveys carried out to identify and increase investor demand	3.4.1 Number of survey rounds 3.4.2 Number of potential investors surveyed	3.4.1 0 3.4.2 0	3.4.1 At least 2 3.4.2 At least 20	3.4.1 & 3.4.2 Project reporting	Availability of service providers Interest to take part
Output 1 related to outcome 4	4.1 Transposition and implementation of the energy acquis strengthened	4.1.1 Number of legislative acts and policy implementation tools drafted in line with the Energy Community Treaty/Association Agreements/DCFTAs (for Georgia, Moldova and Ukraine). 4.1.2 Support to implementation of the Energy Community decarbonisation roadmap and the 2030 decarbonisation targets (once adopted), with a focus on the energy sector	4.1.1 EU4Energy assessment (2022) 4.1.2 To be set by the ongoing study on 2030 targets (2022)	4.1.1 20 legal acts or policy implementation tools drafted (2027) 4.1.2 2030 targets on track to being met (2027)	4.1.1 & 4.1.2 Mission and meetings reports of the implementing partners, Sectoral assessments, Project reports, Monitoring reports, Official and available international and national statistics;	
Output 2 related to outcome 4	4.2 Assistance provided to Ukraine and Moldova in the ENTSO-E post-synchronisation process	4.2.1 Number of legal and regulatory acts drafted to enable UA-EU and MD-EU cross-border trading of electricity	4.2.1 EU4Energy assessment (2022)	4.2.1 The necessary legal and regulatory acts required for UA-EU and MD-EU cross-border trading of electricity are in place (2027)	4.2.1 Project reports, Energy Community reports	
Output 3 related to outcome 4	4.3 Assistance provided to Ukraine to coordinate donor assistance to maintain and operate critical energy infrastructure	4.3.1 Number of shipments to Ukraine facilitated	4.3.1 6 (2022)	4.3.1 30 (2023)	4.3.1 Project reports, Energy Community reports	

Output 4 related to outcome 4	4.4 Technical facilities and support provided to the parties to the Energy Community Treaty for reporting data and information related to climate change mitigation and adaptation, renewable energy, and energy efficiency	4.4.1 Number of finalised data sets per country and reporting obligation 4.4.2 Establishment of Lead Reporter registry 4.4.3 Quality of data submitted (proxy indicator for capacity building of administrations)	4.4.1 0 (2022) 4.4.2 0 (2022) 4.4.3 N/A	4.4.1 3 (2027) 4.4.2 1 (2027) 4.4.3 Administrations can perform data collection independently (2027)	4.4.1 & 4.4.2 Project reporting, European Environmental Agency data (Reportnet 3)	
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4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this Action, it is not envisaged to conclude a financing agreement.

4.2. Indicative Implementation Period

The indicative operational implementation period of this Action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³¹.

4.3.1. Indirect Management with Pillar-assessed Entities

This Action may be implemented in indirect management with one or several pillar assessed entities. This implementation entails carrying out activities identified in section 3.

The envisaged entity (ies) will be selected based on the following specific criteria:

- Excellent logistical and management capacity (human resources, organisational set-up, etc.);
- Proven long-term and diverse experience, established procedures and tools for channelling assistance in a sustainable manner as evidenced by achievements within previous similar actions/projects;
- Sound knowledge of the Eastern Partnership countries and the regional context;
- Reputation and credibility among beneficiaries;
- Positive track record of promoting EU visibility when working with the EU and/or its Member States in the Eastern Partnership countries context.

In addition, the following specific criteria shall be applied:

Under Outcome 1 of the Action:

- Proven strong thematic expertise in formulating and implementing policies on climate mitigation (ex. on NDCs, LT-LEDS, MRV systems, carbon pricing, implementation of the relevant EU *acquis*) and climate adaptation, with solid knowledge of specific EU and international legal requirements and standards.

Under Outcome 2 of the Action:

- Proven expertise in formulating and implementing high-quality projects on climate adaptation, with solid knowledge of specific EU and international legal requirements and standards.

³¹ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Capacity to support the partner countries to exercise effective leadership and ownership over the Action and to contribute to their capacity development;
- Capacity (human resources, organisational set-up, etc.) to collect data, analyse it and report on results;
- Good interlocutor for building bridges between projects and policies.

Under Outcome 3 of the Action:

- Proven thematic expertise in sustainable finance, including on specific EU (e.g. the EU Taxonomy Regulation) and international legal requirements and standards;
- Experience of working with the partner countries, including knowledge of and direct contacts with potential green bonds issuers, as well as a good understanding of the incentive frameworks for bond issuance.

Under Output 4.4 related to Outcome 4 of the Action:

- Strong thematic expertise in supporting the monitoring, reporting and verification (MRV) of climate- and energy-related information (ex. on the collection, consolidation, analysis, and quality assurance/control of data and reports), in line with the reporting obligations under the applicable EU *Acquis*.

4.3.2. Direct Management (Grants)

(a) Purpose of the grant(s)

The objective of the grant is to achieve the output 1 of outcome 4 of the action.

(b) Type of applicants targeted

The type of applicants targeted are entities with a strong expertise and knowledge of the energy sector in the EaP partner countries, notably on the transposition and implementation of the adapted EU *acquis* under the Energy Community Treaty, evidence-based policy recommendations and the development of energy regulatory and legislative frameworks.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to an entity with demonstrated and specific expertise, which will be selected on the grounds of their specific degree of technical competencies in the field of transposing and implementing the adapted EU *acquis* under the Energy Community Treaty or high degree of specialisation, strong proven operational experience in the EaP countries and in Eastern Partnership policy, and in implementing similar actions/projects with the contracting parties to the Energy Community Treaty. The policy and context for implementing the EU *acquis* under the Energy Community Treaty in the EaP provides for a limited number of highly specialised and significantly competent beneficiaries in the highly specific area and overall regional context.

The recourse to such a direct award will be subject to fulfilling the conditions defined in Art. 195 (1) point (f) of the Financial Regulation and will be considered on a case-by-case basis in the light of these requirements.

The implementing entity/consortium of entities will be selected using the following criteria:

- Demonstrated expertise in transposing and implementing the adapted *acquis* under the Energy Community Treaty;
- Sound knowledge of the Eastern Partnership countries and the regional context;
- Proven experience in implementing similar actions/projects within the contracting parties to the Energy Community Treaty.

(d) Exception to the non-retroactivity of costs

The Commission authorises that the costs incurred may be recognised as eligible for activities included under output 3 related to outcome 4, assistance to Ukraine to determine and coordinate the supply of fuel, equipment and repair material, as of 01/07/2022 because of an urgent need to ensure the seamless flow of such resources to Ukraine to ensure the functioning of the electricity and gas grids in the emergency situation caused by the unjustified and unprovoked Russia’s war of aggression. This is necessary to meet the immediate needs of the distressed Ukrainian population and to ensure the functioning of Ukrainian critical energy infrastructure.

4.3.3. Changes from indirect to direct management mode due to exceptional circumstances

Due to circumstances outside of the Commission’s control or in case no compliant pillar assessed entity can be identified, the alternative preferred implementation modality to indirect management will be direct management as follows:

(a) Purpose of the grant(s)

The objective of the grant is to achieve one or several of the outputs/components under outcomes 1-3 of the action.

(b) Type of applicants targeted

The type of applicants targeted are entities with strong expertise and knowledge in formulating and implementing policies and/or projects on climate mitigation, climate adaptation and/or sustainable finance, as applicable to each component, and that possess sound knowledge of the Eastern Partnership countries and the regional context.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this Action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Indirect management with pillar assessed entities	
Outcome 1	8 000 000.00
Outcome 2	7 000 000.00
Outcome 3	2 000 000.00
Output 4 related to Outcome 4	1 000 000.00
Grant - Direct Management	
Outputs 1-3 related to Outcome 4	3 717 000.00

Indicative Budget components	EU contribution (amount in EUR)
Evaluation – cf. section 5.2 Audit – cf. section 5.3	will be covered by another decision
Totals	21 717 000.00

4.6. Organisational Set-up and Responsibilities

An oversight mechanism shall be established to ensure coordination and complementarity of the different activity streams within the Action. It will comprise representatives of the European Commissions to ensure strategic guidance of the actions, with DG NEAR as contracting authority and DG CLIMA, DG FISMA, DG ENER and DG ENV for thematic guidance, as well as implementing partners and other stakeholders as appropriate. The steering committee will meet twice a year and additionally on a case-by-case basis if such a necessity arises. Performance monitoring and reporting, including in terms of visibility obligations, of the Action will be undertaken in accordance with the signed agreement.

In relation to the demonstration projects under Outcome 2, the implementing partners will ensure that regular exchanges and consultations where appropriate with relevant national and international bodies, EUDs and other Commission services (geographical units/desks, Support Group for Ukraine, etc.) are carried through a technical coordination mechanism. This will ensure that the selection of demonstration projects and implementation of the action is fully aligned with the national objectives. This will also help strengthen project coordination processes to avoid risk of duplication of financing and overlap of activities, create synergies and complementarity between different actions and initiatives. As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission will be informed and may, where relevant, participate in the abovementioned technical coordination mechanism.

Overall, the implementing partners will also manage the Action in close cooperation with the main stakeholders, counterpart institutions, national regulatory institutions and administrations. They shall closely coordinate with the relevant EU Delegations in consultation with DG NEAR.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner(s) shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Performance measurement will be based on the intervention logic and the logframe matrix, including its indicators.

Internal monitoring:

Each of the project activities is related to specific outcomes/outputs and equipped with quantified indicators and deliverables. Throughout the implementation, the achieved results will be checked against original activity plans and project deliverables set as milestones. Indicator-based reporting will be performed based on the logframe. Relevant indicators will have to be disaggregated by country, geographic unit, age group, and gender. Where feasible, data specific for most vulnerable groups should be included.

The implementing partners will be responsible for the day-to-day execution and monitoring of the activities. In case of discrepancies, the project team will propose and introduce corrective measures. The normal procedure for eliminating discrepancies will be (a) recognition of discrepancy, (b) estimation of the level of discrepancy and potential impact (time, quantity and quality wise), (c) definition of reasons (internal and external), (d) preparation of a contingency plan (responsibilities, activities), (e) implementation of a contingency plan and (f) review.

DG NEAR will be regularly updated on progress made and any issues encountered. EU Delegations in beneficiary countries will be systematically consulted and informed of annual project work plans and on the progress of any bilateral activity within the project.

DG FISMA, DG CLIMA, and DG ENV and EU Delegations in beneficiary countries will be regularly consulted on thematic issues. They will be invited to participate in steering committee meetings.

Regular internal reporting will be established at the onset of the project with all project stakeholders and will contribute to the overall project evaluation reporting. While the monitoring will be a constant process, at the key milestones of the project, internal evaluation will be implemented.

The project will be subject to the internal monitoring procedures of the implementing partners. The project might be object of result-oriented monitoring (ROM) by the European Commission.

5.2. Evaluation

Having regard to the importance of the Action, a final evaluation may be carried out for this Action or its components via independent consultants, as appropriate.

Any evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the complexity and the various topics covered by the Action.

The Commission shall inform the implementing partner at least 3 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions, to advertise the European Union's support for their work to the relevant audiences.

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the [Communication and Visibility Requirements of 2018](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Any actions related to communication and visibility will be coordinated with the strategic communication actions of the EU Delegations, to ensure coherence of narrative and message, as well as horizontal strategic communication.

For the purpose of enhancing the visibility of the EU and its contribution to this Action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the Action and its objectives as well as on EU funding of the Action should be measured.

Implementing partners shall keep the Commission and the EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall Action to the relevant monitoring committees.