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Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Council Implementing Decision (EU) (ST 12532/21 INIT; ST 12532/21 ADD 1) of 3 November 2021 on the approval of the assessment of the recovery and resilience plan for Estonia

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amending Council Implementing Decision (EU) (ST 12532/21 INIT; ST 12532/21 ADD 1) of 3 November 2021 on the approval of the assessment of the recovery and resilience plan for Estonia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1], and in particular Article 20(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Following the submission of the national recovery and resilience plan ('RRP') by Estonia on 18 June 2021, the Commission has proposed its positive assessment to the Council. The Council approved the positive assessment by means of the Council Implementing Decision of 3 November 2021[2].

(2) Pursuant to Article 11(2) of Regulation (EU) 2021/241, the maximum financial contribution for non-repayable financial support of each Member State should be updated by 30 June 2022 in accordance with the methodology provided therein. On 30 June 2022, the Commission presented the results of that update to the European Parliament and the Council.

(3) On 9 March 2023, Estonia submitted a modified national RRP, including a REPowerEU chapter in accordance with Article 21c of Regulation (EU) 2021/241, to the Commission.

(4) The modified RRP also takes into account the updated maximum financial contribution in accordance with Article 18(2) of Regulation (EU) 2021/241 and includes a reasoned request to the Commission to amend the Council Implementing Decision of 3 November 2021 in accordance with Article 21(1) of Regulation (EU)

[1] OJ L 57, 18.2.2021, p. 17.
[2] ST 12532/21 INIT; ST 12532/21 ADD 1

2021/241 considering the RRP to be partially no longer achievable due to objective circumstances. The modifications to the RRP submitted by Estonia concern 22 measures.

(5) On 12 July 2022, the Council addressed recommendations to Estonia in the context of the European Semester. In particular, the Council recommended Estonia to expand its public investment for the green and digital transition and for energy security, including by making use of the Recovery and Resilience Facility, REPowerEU and other EU funds. The Council also recommended strengthening social protection, including by extending the coverage of unemployment benefits, in particular to those with short work spells and in non-standard forms of work. It also recommended improving the affordability and quality of long-term care, in particular by ensuring its sustainable funding and integrating health and social services. Furthermore, the Council recommended Estonia to reduce overall reliance on fossil fuels and diversify imports of fossil fuels by accelerating the deployment of renewables, including through further streamlining of permitting procedures, ensuring sufficient capacity of interconnections and strengthening the domestic electricity network. The Council recommended Estonia to increase energy efficiency, including of buildings, to reduce energy consumption. Additionally, the Council called on Estonia to intensify efforts to improve the sustainability of the transport system, including through electrification of the rail network and by increasing incentives to encourage sustainable and less polluting transport, including the renewal of the road vehicle stock. Having assessed progress in the implementation of the 2019, 2020 and 2021 country-specific recommendations at the time of submission of the modified national RRP, the Commission finds that some progress was achieved with respect to the recommendation to strengthen social protection. Limited progress has been achieved with respect to the recommendation to reduce overall reliance on fossil fuels.

(6) The submission of the modified RRP followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The summary of the consultations was submitted together with the modified national RRP. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the modified RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

Updates based on Article 18(2) of Regulation 2021/241

(7) The modified RRP submitted by Estonia removes three measures to take into account the updated maximum financial contribution. Estonia has explained that, because the maximum financial contribution for Estonia decreased from EUR 969 299 213[3] to EUR 863 271 631,[4] it is no longer possible to finance all the measures of the original Estonian RRP. Estonia has explained that certain measures should be removed due to

[3] This amount corresponds to the financial allocation after deduction of the Estonia's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

[4] This amount corresponds to the financial allocation after deduction of the Estonia's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

the decrease in the allocation and taking into account the cost increases and supply chain disruptions affecting the implementation of those measures.

(8) The modified RRP no longer contains certain measures under component 5 (sustainable transport) and component 6 (healthcare and social protection). This concerns measure 5.2 (investment: Construction of a section of the westbound Tallinn-Rohuküla railway), measure 5.3 (investment: Construction of the Rail Baltic multimodal joint terminal in Tallinn) and measure 6.5 (investment: Capacity building for multipurpose medical helicopters). Measure 5.2 consists of the construction of a section of the westbound Tallinn-Rohuküla railway. Measure 5.3 consists of the construction of the Rail Baltic multimodal joint terminal in Tallinn, a part of a greenfield rail transport infrastructure project that is part of the North Sea–Baltic Corridor of the Trans-European Transport Networks (TEN-T). Measure 6.5 consists of the purchase of two multifunctional medical helicopters, including ancillary equipment, maintenance supplies and initial training of personnel needed to operate the helicopters, as well as the construction of landing bases and landing sites at emergency medical centres. The description of these measures and their associated milestones and targets should therefore be removed from the Council Implementing Decision of 3 November 2021.

Amendments based on Article 21 of Regulation 2021/241

(9) The amendments to the RRP submitted by Estonia because of objective circumstances concern 19 measures.

(10) Estonia has explained that two measures are no longer achievable because of the implications of Russian aggression against Ukraine. Due to the latter, it was decided to add a bunker (underground floor) to the hospital that was planned to be built under measure 6.2 (investment: Establishment of the Northern Estonia Medical Campus). Such addition to the construction would further increase the costs, in addition to the ones resulting from high inflation and disruption of supply chains, and delay the construction works beyond 2026. This also entails the removal of the Northern Estonia Medical Campus. This concerns, respectively, milestones and targets with sequential numbers 99 to 105 of measure 6.2 (investment: Establishment of the Northern Estonia Medical Campus). Furthermore, Estonia has explained that the name of milestone with sequential number 94 of measure 6.1 (reform: A comprehensive change in the organisation of health care in Estonia) under component 6 (Healthcare and social protection) needed to be modified because, with the removal of the Northern Estonia Medical Campus, it was no longer necessary to modify the relevant legislation to include the Campus in the list of hospitals. In addition, Estonia has also explained that not all the elements of the milestone with sequential number of 96 of this same measure 6.1 (reform: A comprehensive change in the organisation of health care in Estonia) under component 6 (Healthcare and social protection) can be achieved within the indicative timeline. The delay is due to the necessity to give priority to the legislative work and issuing guidance to nurses who provided support to refugees from Ukraine and only concerns the establishment of a new reimbursement system for nurses. The amendments to the reimbursement system for doctors and pharmacists are not affected by this delay. Therefore, the milestone with sequential number 96 has been split into two milestones and the establishment of the reimbursement system for nurses postponed to Q2 2024. On this basis, Estonia has requested to amend two

milestones in measure 6.1 and remove the aforementioned milestones and targets from measure 6.2 and the Council Implementing Decision should be amended accordingly.

(11) Estonia has explained that three measures are no longer achievable at the cost estimated in the original RRP because high inflation and supply chain disruptions have increased the estimated costs of the measures considerably. Inflation was high throughout 2022 and peaked in August 2022 with the harmonised index of consumer prices growing by 25.2%, compared to August 2021. High inflation has been mainly caused by energy prices, which increased notably due to Russia's aggression against Ukraine. However, other prices have also increased fast. For example, growth in construction prices accelerated significantly in 2021 mainly due to supply disruptions of building materials, and price growth accelerated even further in the first quarters of 2022 due to shortages of building materials and labour force in relation to the Russian aggression against Ukraine. According to Estonia, this has made it impossible to procure certain large-scale investments that were included in the original RRP at the prices forecast in 2020. This concerns milestones and targets with sequential numbers 74 and 75 of measure 4.5 (investment: Programme to strengthen the electricity grid to increase renewable energy production capacity and adapt to climate change (such as protection against storms)), milestones and targets with sequential numbers 76 and 77 of measure 4.6 (investment: Programme to boost energy production in industrial areas) and milestones and targets with sequential numbers 78 and 79 of measure 4.7 (investment: Pilot Energy Storage Programme) under component 4 (Energy and energy efficiency). On this basis, instead of decreasing the goals of the corresponding targets compared to the original plan, Estonia has retained those measures in the plan by compensating their increased estimated costs through resources freed up by the removal of other measures under Article 21 of Regulation 2021/241. The description of these measures and their associated milestones and targets remains unchanged.

(12) Estonia has explained that one measure is no longer achievable within the timeline nor at the costs estimated in the original RRP because high inflation and supply chain disruptions have caused delays in construction works and increased the costs of the measure considerably. This concerns target with sequential number 91 of measure 5.4 (investment: Construction of the Tallinn Old Port tram line) under component 5 (Sustainable transport). On this basis, Estonia has requested to extend the implementation timeline and to use the resources freed up by the removal of other measures under Article 21 of Regulation 2021/241 to cover the price increases of this measure and the Council Implementing Decision should be amended accordingly.

(13) Estonia has explained that two measures are no longer achievable because of a significant rise in wage costs and labour shortages in the IT sector. This concerns target with sequential number 6 of measure 1.2 (investment: Development of e-construction) and targets with sequential numbers 8 and 9 of measure 1.3 (investment: Development of digital waybills services) under component 1 (Digital transformation of enterprises). On this basis, Estonia has requested to decrease the corresponding targets of these two measures, compared to the original RRP and the Council Implementing Decision should be amended accordingly.

(14) Estonia has explained that four measures are no longer achievable because supply chain disruptions, unexpected problems, delays with procurements and procedures have led to a delay in the implementation of the measures. This concerns target with sequential number 61 of measure 3.8 (investment: Construction of very high capacity

broadband networks) under component 3 (Digital state). On this basis, Estonia has requested to extend the implementation timeline of this target. In the case of one investment, in addition to the reasons mentioned above, Estonia has explained that the milestone with sequential number 42 of measure 2.7 (investment: Creating opportunities for the uptake of renewables-based green hydrogen technologies) under component 2 (Accelerating the green transition in enterprises) is no longer achievable within the timeline because Estonia has to re-design its call for proposals based on the final content of the amendment to the General Block Exemption Regulation (GBER), which was approved after Estonia designed the original call for proposals. On this basis, Estonia has requested to extend the implementation timelines of this milestone. In the case of one reform and one investment, in addition to the reasons mentioned above, the administrative workflow has been disrupted because of the need to quickly integrate the people fleeing the war in Ukraine. This concerns target with sequential number 14 of measure 1.4 (reform: Skills reform for the digital transformation of businesses) under component 1 (Digital transformation of enterprises) and target with sequential number 26 of measure 2.2 (investment: Green skills to support the green transition of enterprises) under component 2 (Accelerating the green transition in enterprises). On this basis, Estonia has requested to extend the implementation timeline of these two targets and to change the name of the IT platform for the registration of the training activities related to measure 1.4. The Council Implementing Decision should be amended accordingly.

(15) Estonia has further requested to use the remaining resources freed up by the removal of measures under Article 21 of Regulation 2021/241 to increase the ambition of two measures and to include five new measures in the modified RRP. In one case, the increased ambition takes the form of increased targets. This concerns targets with sequential numbers 35 and 36 of measure 2.5 (investment: Deployment of resource-efficient green technologies) under component 2 (Accelerating the green transition in enterprises). On this basis, Estonia has requested to increase the aforementioned targets. In another case, the increased ambition takes the form of an additional target. This concerns target with sequential number 69a of measure 4.3 (investment: Support for the renovation of small residential buildings) under component 4 (Energy and energy efficiency). On this basis, Estonia has requested to add the target of this measures to the plan. The inclusion of five new measures concerns milestones and targets with sequential numbers 43a, 43b and 43c of measure 2.8 (investment: Supply security investment support) under component 2 (Accelerating the green transition in enterprises), milestones with sequential numbers 80a, 80b and 80c of measure 4.8 (investment: Boosting offshore wind farms development) under component 4 (Energy and energy efficiency), milestones and targets with sequential numbers 84a and 85a of measure 5.2.a (investment: Multifunctional work vessel) and milestones and targets with sequential numbers 86a and 87a of measure 5.3.a (Investment: Construction of the Rail Baltic viaducts) under component 5 (Sustainable transport) and milestones and targets with sequential numbers 99a and 100a of measure 6.2.a (Construction of TERVIKUM) under component 6 (Healthcare and social protection). On this basis, Estonia has requested to add the milestones and targets of these five measures to the plan and the Council Implementing Decision should be amended accordingly.

(16) The Commission considers that the reasons put forward by Estonia justify the update pursuant to Article 18(2) of Regulation (EU) 2021/241 and the amendment pursuant to Article 21(2) of that Regulation.

Corrections of clerical errors

(17) One clerical error has been identified in the text of the Council Implementing Decision of 3 November 2021 affecting two targets in one measure. The Council Implementing Decision should be amended to correct this clerical error that does not reflect the content of the RRP submitted to the Commission on 18 June 2021, as agreed between the Commission and Estonia. This clerical error relates to targets with sequential numbers 39 to 40 of measure 2.6 (investment: Green Fund) under component 2 (Accelerating the Green Transition in Enterprises). These corrections do not affect the implementation of the measure concerned.

The REPowerEU chapter based on Article 21c of Regulation 2021/241

(18) The REPowerEU chapter includes one scaled-up reform and two new investments. Reform 8.1 aims at facilitating the deployment of renewable energy sources. In particular, building on reform 4.4, the reform will identify suitable areas for deploying wind energy, streamline the permitting framework for renewable energy projects with a focus on wind energy and build up capacity in permitting authorities. Investment 8.2 aims at increasing the capacity of the electricity distribution network to increase the access of renewable energy production facilities to the network. Investment 8.3 has two aims. Firstly, it aims at creating the necessary regulatory, organisational and financial conditions to increase the production and use of sustainable biogas and sustainable biomethane. Secondly, investment 8.3 aims at increasing the installed capacity of production of sustainable biomethane. The contribution of the REPowerEU measures to deploying renewable energy sources should assist in overcoming energy supply shortages and therefore reducing the risk of high energy prices. This should benefit all consumers including the most vulnerable ones. Estonia has also reported to be using resources from its national budget to fund targeted measures addressing energy poverty.

(19) The Commission has assessed the modified RRP including the REPowerEU chapter against the assessment criteria laid down in Article 19(3) of Regulation 2021/241.

Balanced response contributing to the six pillars

(20) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned.

(21) The Commission considers that the modification of the plan along with the REPowerEU chapter only impacts the assessment of the contribution of the RRP to the first pillar on the green transition. For the other pillars, the nature and extent of the proposed modifications to the RRP do not have an impact on the previous assessment of the plan representing to a large extent a comprehensive and adequately balanced response to the economic and social situation, and on its appropriate contribution to all six pillars referred to in Article 3 of Regulation (EU) 2021/241. The modification will continue strengthening the country's health and economic, social and institutional

resilience, as described in the fifth pillar. In particular, the replacement of the Estonian Northern Medical Campus with the TERVIKUM will contribute to improving the resilience and accessibility of the healthcare system in Estonia. For the sustainable transport component, the new measures such as construction of Rail Baltic viaducts and a multifunctional work vessel will continue to address the shift to more sustainable transport under the green pillar and improving transport connectivity under the fourth pillar on social and territorial cohesion similarly to what the previous measures on construction of Rail Baltic multimodal joint terminal and construction of a section of the westbound Tallinn-Rohuküla railway would have contributed.

(22) Regarding the first pillar, Estonia's modified RRP along with the REPowerEU chapter includes additional measures to address green challenges, in particular under component 2 (Green transition of enterprises), component 4 (Energy efficiency), component 5 (Sustainable transport) and component 8 (REPowerEU chapter).

(23) Green transition related challenges are addressed under a new investment 2.8 in component 2 that aims to support the transition of industrial companies from fossil energy to alternative energy sources. The eligible alternative energy sources are wind, solar, sustainable biogas and geothermal energy, electrification and connection to efficient district heating systems. The fuel switch will have a positive effect in the context of climate change mitigation, energy security and affordability.

(24) An important effort is made by the measure aiming at boosting offshore wind farms development under component 4 that contributes to develop renewable energy resources and thereby increases the share of renewable energy in Estonian energy mix. The construction of new renewable energy production facilities will help to switch to climate-neutral energy production and decrease reliance on fossil fuels.

(25) The newly added sustainable transport measures under component 5 contribute to developing greener transport modes and to increasing the share of climate-friendly transport modes, mainly with the help of rail and maritime transport. The construction of five Rail Baltic viaducts will contribute to the development of a new electrified railway connection, while a new low-emission multifunctional vessel will, among other uses, contribute to protection of biodiversity. These investments will help Estonia to foster a shift to more climate-friendly transport modes and contribute to long-term emission reduction in the transport sector.

(26) The measures in the REPowerEU chapter contribute to achieving the Union's 2030 climate targets and the objective of EU climate neutrality by 2050 as they aim to incentivise uptake of renewable energy. More precisely, under component 8, Estonia intends to take measures that will facilitate the deployment of renewable energy sources, increase the access of renewable energy production to the electricity distribution network and increase the production and uptake of sustainable biomethane. Four out of the five new measures in the modified plan and all three measures in the REPowerEU chapter are expected to significantly contribute to the green transition, including biodiversity, or to addressing the challenges resulting therefrom.

Addressing all or a significant subset of challenges identified in country-specific recommendations

(27) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Estonia, including fiscal aspects thereof, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester. In particular, the modified RRP takes into account the energy- related country-specific recommendation of 2022.

(28) The modified RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Estonia by the Council in the context of the European Semester in 2022. In particular on energy, the Council recommended to reduce the overall reliance on fossil fuels and diversify imports of fossil fuels by accelerating the deployment of renewables, including through further streamlining of permitting procedures, ensuring sufficient capacity of interconnections and strengthening the domestic electricity network. The new investments and reforms aim to increase energy security, facilitate offshore wind deployment, increase the capacity in the distribution network, streamline permitting procedures for renewable energy projects and stimulate the production and use of sustainable biomethane. As a result, the measures should help to reduce the overall reliance on fossil fuels by accelerating the deployment of renewables as recommended to Estonia in the country-specific recommendations of 2022. The modified RRP has also increased the ambition in achieving higher targets in investing in renovation of small residential buildings and in deploying resource-efficient green technologies in line with the country-specific recommendation of 2022. Estonia has also been addressing the challenges to diversify imports of fossil fuels and to ensure sufficient capacity of interconnections without resources from the RRP. Regarding the diversification of imports of fossil fuels, Estonia's efforts have enabled it to stop buying Russian gas by cooperating for instance with Finland to put in place a floating storage and regasification unit. Regarding interconnection capacity, Estonia continues its efforts to synchronise its electricity network with the EU electricity network. The sustainability of the transport system will be improved by the investment in the Rail Baltic viaducts and a multifunctional vessel in line with the country-specific recommendation of 2022 on low-emission transport. The construction of TERVIKUM (a new health centre in the city of Viljandi) will promote the provision of health and social services in an integrated way. This will help to address the country-specific recommendations on improving the provision of health and social services in an integrated way.

(29) The RRP provides a basis for further reforms in the social and healthcare sectors in order to address health workforce shortages, improve the quality of and access to long-term care for all people with care needs, broaden the coverage of unemployment benefits and reduce the gender pay gap, in particular by increasing wage transparency. The measures included in the RRP to address the decarbonisation of the economy are mainly related to investments. In terms of reforms, the concrete actions to phase out oil shale are expected to be set out in the National Development Plan of the Energy Sector only at the end of 2025.

(30) The recommendations related to ensuring that the growth of nationally-financed current expenditure is in line with an overall neutral policy stance, taking into account

continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine is to be considered to fall outside the scope of Estonia's RRP, notwithstanding that Estonia is projected to continue using the non-repayable support from the Recovery and Resilience Facility in 2023 to finance additional investment in support of the recovery.

Do no significant harm

(31) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in this RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[5] (the principle of 'do no significant harm').

(32) The modified plan assesses compliance with the 'do no significant harm' principle following the methodology set out in the Commission's technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C58/01). The assessment is done systematically for each modified reform and investment following the two-step approach. The assessment concludes that for all modified measures, there is either no risk of significant harm or, where a risk is identified, a more detailed assessment is performed demonstrating the absence of significant harm. Estonia has reported on the detailed assessment for the new measures, including those in the REPowerEU chapter. None of the measures in the REPowerEU chapter required a derogation from the 'do no significant harm' principle. Where needed, the requirements of the 'do no significant harm' assessment are enshrined in the design of a measure and specified in a milestone or target of this measure. Based on the information provided, it can be concluded that no measure does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852.

Contribution to the REPowerEU objectives

(33) In accordance with Article 19(3), point (da), of and Annex V, criterion 2.12, to Regulation (EU) 2021/241, the REPowerEU chapter is expected to effectively contribute to a large extent (Rating A) to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030.

(34) The implementation of the measures included in the REPowerEU chapter are expected to contribute notably to supporting the objectives in Article 21c(3), points (b) and (e) of Regulation (EU) 2021/241. The reform on permitting of renewable energy projects and a measure on sustainable biomethane contributes to objective 21(c)(3)(b) of that Regulation, that is, diversification of the Union's energy supply by increasing the share and accelerating the deployment of renewable energy and increasing the production and uptake of sustainable biomethane. The investment on the electricity

[5] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

network addresses objective 21(c)(3)(e) of that Regulation, that is, on the necessary reduction of dependence on fossil fuels before 2030 by improving internal transmission and removing distribution bottlenecks and accelerating the integration of renewable energy sources.

(35) The REPowerEU measures are coherent with Estonia's policy framework aimed at reducing greenhouse gas emissions and increasing the share of renewable energy sources. The measures also reinforce those included in the original RRP on energy storage, strengthening the electricity network and promoting renewable energy in industrial areas as they will eventually result in increasing shares of renewable energy.

(36) The REPowerEU measures have therefore a very strong focus on the deployment of renewable energy sources and their integration into the electricity network which will allow Estonia to increase the share of domestic energy sources in its energy mix. This will reduce the need for importing fuel sources and therefore increase the country's energy security.

Measures having a cross-border or multi-country dimension or effect

(37) In accordance with Article 19(3), point (db), of and Annex V, criterion 2.13, to Regulation (EU) 2021/241, the measures included in the REPowerEU chapter are expected to a large extent (Rating A) to have a cross-border or multi-country dimension or effect. Within the meaning of the amended Regulation (EU) 2021/241, all three measures in the REPowerEU chapter and therefore 100% of its estimated costs, have a cross-country or multi-country dimension or effect. The measures in the REPowerEU chapter will directly contribute to the production and integration of renewable energy sources into the network. As a result, they will contribute to reducing the dependency on fossil fuels and to reducing energy demand and are therefore considered as having a positive cross-border effect, as established in the Commission's guidance in the context of REPowerEU.

Contribution to the green transition including biodiversity

(38) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 59.4% of the recovery and resilience plan's total allocation and 77.6% of the total estimated costs of measures in the REPowerEU chapter calculated in accordance with the methodology set out in Annex VI to that Regulation. In accordance with Article 17 of Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(39) In addition to the measures in the green transition in enterprises, energy and energy efficiency and sustainable transport components included in the original Estonian RRP, the modified RRP extends measures on energy efficiency, energy storage and reinforcing the electricity network. With the new measures, Estonia puts emphasis on removing barriers for wind energy deployment and incentivises uptake of renewable energy sources by companies. The addition of an investment into a multifunctional

pollution-control vessel also prioritises biodiversity, which was not explicitly covered in the original plan.

(40) Regarding the contribution of the measures of the REPowerEU chapter in Estonia's RRP to achieving the 2030 climate targets and the objective of EU's climate neutrality by 2050, they aim to incentivise uptake of renewable energy more broadly on one hand and to develop production of sustainable biogas and sustainable biomethane of local resources more specifically on the other. More precisely, under component 8 Estonia has foreseen measures that will facilitate the deployment of renewable energy sources, increase the access of renewable energy production to the electricity distribution network and increase the production and uptake of sustainable biomethane in line with Directive (EU) 2018/2001.

(41) These measures will have a lasting impact by accelerating the phase out of fossil fuels towards a durable renewable energy system in Estonia. They will considerably reduce the greenhouse gas intensity of the energy used in Estonia and by that contribute to the attainment of the 2030 climate targets and the objective of the Union climate neutrality by 2050.

(42) Given the decreased maximum financial contribution of Estonia's RRP and the inclusion of new measures incentivising green transition, the climate contribution of the plan has increased from 41.5% to 59.4%.

Contribution to the digital transition

(43) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the modified RRP contains measures that contribute to a large extent to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 24.1% of the of the modified RRP's total allocation, calculated in accordance with the methodology set out in Annex VII of that Regulation.

(44) The positive assessment of the contribution to the digital transition provided in the Council Implementing Decision of 3 November 2021 remains valid. The modified recovery and resilience plan entails small modifications to four measures regarding the digital transition and does not include new measures that contribute to the digital transition.

(45) Given the decreased maximum financial contribution of Estonia's RRP, the digital contribution of the plan, excluding the REPowerEU chapter in accordance with Article 21c(5), has increased from 21.5% to 24.1%.

Monitoring and implementation

(46) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP including the REPowerEU chapter are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.

(47) The nature and extent of the proposed modifications to Estonia's recovery and resilience plan do not have an impact on the previous assessment of the effective

monitoring and implementation of the recovery and resilience plan. The milestones and targets that accompany the modified measures, including those in the REPowerEU chapter, are clear and realistic and the proposed indicators for those milestones and targets are relevant, acceptable and robust.

Costing

(48) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the modified RRP including the REPowerEU chapter on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(49) According to the information provided, the assessment of the cost estimates for the new investments and the REPowerEU measures show that most of the costs are reasonable and plausible even though the evidence shows varying degrees of details and depth of calculations. In some cases, details on the methodology and assumptions used to make the cost estimates were limited, partly due to the novelty of the measures, or less clear preventing an A rating under this assessment criterion. Furthermore, the changes in the cost estimates for amended measures were justified and proportional and as such the reasonability and plausibility of these cost estimates were not altered compared to the original RRP. Finally, the estimated total costs of the modified RRP are in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact.

Coherence of the RRP

(50) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter, includes to a medium extent (Rating B) measures for the implementation of reforms and public investment projects that represent coherent actions.

(51) The modifications to the RRP display coherence within each component and show thematic interlinkages and synergies between the different components, in particular those related to the green transition and the newly added REPowerEU chapter. The measures in the REPowerEU chapter have further improved coherence by reinforcing measures in the original RRP on energy storage, strengthening the electricity network and promoting renewable energy in industrial areas. In particular, the REPowerEU measures consist of a reform and investments that aim to increase the production and integration of renewable energy sources. The measure to support energy-efficient renovations in private residences has also been extended significantly compared to the original RRP. The new investment to boost offshore wind development is closely linked to existing measures to increase the share of renewable energy and should result in removing the height restrictions on wind turbines in the Gulf of Riga and three islands, therefore unlocking Estonia's offshore wind potential. The new investment in health infrastructure ensures that improved access to health care, as envisaged in the original RRP, is still ensured. At the same time, some of the limitations related to coherence of the original plan have not been addressed. The modified plan overall remains stronger on investments than on reforms and the social dimension of the plan has not been strengthened. Concrete actions to phase out oil shale are not included in the RRP and only expected to be set out in the National Development Plan of the

Energy Sector at the end of 2025 and broader reforms, such as green taxation, have not been added.

Any other assessment criteria

(52) The Commission considers that the modifications put forward by Estonia do not affect the positive assessment of the RRP set out in the Council Implementing Decision of 3 November 2021 regarding the relevance, effectiveness, efficiency and coherence of the RRP against the assessment criteria laid down in Article 19(3), points (c), (g), and (j).

Consultation process

(53) During the preparation of the modified RRP including the REPowerEU chapter, Estonia benefited from support through Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (Project title "Support to REPowerEU"). In the context of the preparation of the report, which provided input for the design on measures under REPowerEU, stakeholders were inclusively involved.

(54) In the implementation of the modified plan including the REPowerEU chapter, the stakeholders are consulted for the adoption of the relevant implementing acts for each measure as well as regularly updated on the progress of the implementation of the plan in Estonia's annual event on the implementation of the Estonian RRP. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the modified RRP including the REPowerEU chapter.

Positive assessment

(55) Following the positive assessment of the Commission concerning the modified RRP including the REPowerEU chapter, with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, the reforms and investment projects necessary for the implementation of the modified RRP including the REPowerEU chapter, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the modified RRP including the REPowerEU chapter in the form of non-repayable financial support should be set out.

Financial contribution

(56) The estimated total cost of the modified RRP including the REPowerEU chapter of Estonia is EUR 953 330 000. As the amount of the estimated total costs of the modified RRP including REPowerEU chapter is higher than the updated maximum financial contribution available for Estonia, the financial contribution calculated in accordance with Article 11 allocated for Estonia's modified RRP including the REPowerEU chapter should be equal to the total amount of the financial contribution available for Estonia's modified RRP including the REPowerEU chapter. This amount is equal to EUR 953 184 800.

(57) Pursuant to Article 21a(5) of Regulation (EU) 2021/241, on 28 February 2023 Estonia submitted a request for the allocation of the revenue referred to in Article 21a (1) of that Regulation, shared between Member States on the basis of the indicators set out in the methodology in Annex IVa to Regulation (EU) 2021/241. The estimated total costs of the measures referred to in Article 21c(3), points (b) to (f) included in the REPowerEU chapter is EUR 90 040 000. As this amount is higher than the allocation share available for Estonia, the additional non-repayable financial support available for Estonia should be equal to the allocation share. This amount is equal to EUR 83 297 553.

(58) Additionally, in accordance with Article 4a of Regulation (EU) 2021/1755, on 28 February 2023 Estonia submitted a reasoned request to transfer all its provisional allocation from the resources of the Brexit Adjustment Reserve to the Facility, amounting to EUR 6 615 616. That amount should be made available to support the reforms and investments in the REPowerEU chapter as additional non-repayable financial support.

(59) The total financial contribution available to Estonia should be EUR 953 184 800.

REPowerEU Pre-financing

(60) Estonia has requested the following funding for the implementation of its REPowerEU chapter: transfer of EUR 6 615 616 from the provisional allocation from the resources of the Brexit Adjustment Reserve, and EUR 83 297 553 from the revenue from the Emissions Trading System under Directive 2003/87/EC of the European Parliament and of the Council.

(61) For those amounts, pursuant to Article 21d of Regulation (EU) 2021/241, on 9 March 2023 Estonia requested pre-financing of 20% of the funding requested. Subject to available resources, that pre-financing should be made available to Estonia subject to the entry into force of, and in accordance with an agreement to be concluded between the Commission and Estonia pursuant to Article 23(1) of Regulation (EU) 2021/241 (the 'financing agreement').

(62) Council Implementing Decision of 3 November 2021 on the approval of the assessment of the recovery and resilience plan for Estonia should therefore be amended accordingly. For the sake of clarity, the Annex to that Implementing Decision should be replaced entirely.

HAS ADOPTED THIS DECISION:

Article 1

Implementing Decision (EU) of 3 November 2021 on the approval of the assessment of the recovery and resilience plan for Estonia is amended as follows:

(1) Article 1 is replaced by the following:

“Article 1

The assessment of the modified RRP of Estonia on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.";

(2) In Article 2, paragraphs 1 and 2 are replaced by the following:

"1. The Union shall make available to Estonia a financial contribution in the form of non-repayable support amounting to EUR 953 184 800[6]. That contribution includes:

1. an amount of EUR 759 545 893 that shall be available to be legally committed by 31 December 2022;

2. an amount of EUR 103 725 738 that shall be available to be legally committed from 1 January 2023 until 31 December 2023;

3. an amount of EUR 83 297 553[7], in accordance with Article 21a(6) of Regulation (EU) 2021/241, exclusively for measures referred to in Article 21c of that Regulation, with the exception of measures referred to in Article 21c (3), point (a);

4. an amount of EUR 6 615 616, transferred from the Brexit Adjustment Reserve to the Facility.

2. The Union financial contribution shall be made available by the Commission to Estonia in instalments in accordance with the Annex to this Decision. An amount of EUR 126 008 898 shall be made available as pre-financing in accordance with Articles 13 of Regulation (EU) 2021/241.

An amount of EUR 17 982 634 shall be made available as pre-financing in accordance with Article 21d of Regulation (EU) 2021/241. That pre-financing may be disbursed by the Commission in up to two payments.

The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.";

(3) The Annex is replaced by the text in the Annex to this Decision:

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6 This amount corresponds to the financial allocation after deduction of the Estonia's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

7 This amount corresponds to the financial allocation after deduction of Estonia's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241.

Article 2

This Decision is addressed to the Republic of Estonia.

Done at Brussels,

For the Council
The President