



Is enough EU money going towards the green and just transition?

An overview of cohesion funds
allocation for 2021-27



Table of Contents

Introduction.....	3
1. The investment gap in NECPs.....	3
2. The importance of EU funds to bridge the investment gap.....	4
3. The MFF green investment tool.....	5
4. Main findings.....	5
5. Conclusions.....	7

Introduction

When it comes to the green and just transition, it is [clear](#) that the EU and its Member States are facing a significant **investment gap**.

The EU cannot achieve its 2030 climate and energy targets – let alone align with a 1.5°C compatible pathway – without **mobilising a significant amount of additional investments**. While there is no univocal methodology for estimating investment needs, all available studies agree that such a gap exists. According to European Commission [estimates](#), an average of €360 billion of additional investments is needed per year between 2021 and 2030 to achieve the EU's 2030 targets (compared to the 2011-2020 period). Even more would be needed to align with a 1.5°C compatible pathway, which would allow the EU to [save](#) at least €1 trillion by 2030.

EU-wide investment needs for the transition may be difficult to assess in detail. But is there a way to assess how much money is already going towards climate action and a just energy transition?

1. The investment gap in NECPs

National Energy and Climate Plans, or NECPs, could potentially be a useful instrument to assess how much money is or will be allocated to climate action and a just energy transition at the national level. In their NECPs, Member States are not only expected to provide an overview of investments needed to deliver the whole plan; they are also expected to detail investment needs and sources of financing for each policy and measure planned to deliver the respective national contributions to the EU-wide 2030 targets.

Unfortunately, **the final updated NECPs** – most of which were submitted in the second half of 2024 – **do not provide substantial information on the matter**. While the quality and level of detail differ across plans, they overall [fail](#) to offer a clear and comprehensive overview of currently available sources of financing – both public and private – as well as of investments planned to implement the additional policy and measures put in place towards 2030. A majority of NECPs assume that most investments will come from the private sector, but they largely fail to provide an estimate to quantify them or a comprehensive strategy to mobilise and allocate them. In relative terms, more information is available on public sources of financing. This is especially the case when the public investment comes from EU funds. Nonetheless, the picture remains extremely incomplete.

This prevents the current NECPs from being a useful tool for the EU and its Member States and from identifying and filling current and future investment gaps, i.e. how much additional

public and/or private money should be channeled towards which policy initiative or sector of the economy.

2. The importance of EU funds to bridge the investment gap

The current NECPs fail to provide a comprehensive answer, but it is still possible to look for a partial one. For instance, it is possible to monitor green investments allocated as part of the EU's Multiannual Financial Framework (MFF).

What is the Multiannual Financial Framework?

The Multiannual Financial Framework (MFF) is the European Union's long-term budget running over a 7-year period. It sets out how much money the EU can spend each year and what it should be spent on. For the current period (2021–2027), the EU has agreed to spend around €1.074 trillion, plus an additional €750 billion from a temporary recovery off-budget instrument called Next Generation EU (NGEU), allocated for the COVID-19 pandemic recovery. In current prices, the total size of the current MFF is €2.018 trillion (€1.211 trillion of the main MFF pot and €0.807 trillion of NGEU).

MFF funding instruments don't mandate every detail of spending, but set the broad parameters and priorities, such as the amount that goes to farming, regional development, research, or climate action.

While **EU funds** only represent a fraction of the required investments – a majority of which will need to come from the private sector – they still play a major role in driving the transition. 30% of MFF allocations and 37% of Next Generation EU (NGEU) allocations need to be spent – at least theoretically – on the green transition.

Within the MFF, the two most relevant funds for green investments are NGEU and the Cohesion policy funds – such as the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund.

With NGEU [coming to an end](#) in 2026, **cohesion policy funds will become crucial for financing the large green investment gaps** for achieving 2030 targets. Within the MFF, in fact, **cohesion policy funds are [quantitatively](#) one of the most important EU budget financial instruments for financing the climate and energy transition**. As self-standing instruments, the European Regional Development Fund and the Cohesion Policy Fund represent a large proportion of the total regular MFF funds available for financing the green transition in Member States and regions. In many EU countries, notably in Central and

Eastern Europe and Southern Europe, they represent a **very large share of total public investments for climate and energy**.

But exactly how much of the cohesion policy funds is being allocated and invested for the green and just transition? The **MFF green investment tool**, developed by CAN Europe, attempts to answer that question.

3. The MFF green investment tool

The **MFF green investment tool** explores in detail how much of cohesion policy funding is being mobilised **by Member States and EU regions for financing the green and just transition** in their cohesion policy spending plans. The tool covers all 27 EU Member States and is organized around six different categories: (1) renewable energy supply, (2) greening production & R&D, (3) energy efficiency, (4) clean transport, (5) biodiversity and (6) circular economy. Each of these categories is further divided into sub-categories to provide a more granular assessment of the type of investments being made in each country. The goal is to monitor the extent to which EU funds are allocated for the green transition, and in which sectors of the economy, to monitor the alignment of spending plans with EU green objectives.

The tool also monitors the amount of **cohesion funding allocated for fossil fuel-related infrastructures** – at least those that can be accounted for with existing data. This is not a full picture of all fossil fuel-related investments: some gas-related investments (e.g. household-level gas boilers, “blue hydrogen”) cannot be accounted for due to data limitations. Future refinements of the tool will consequently aim to capture climate-harmful investments in a more granular way.

In the future, the MFF green investment tool will be expanded to include (1) other EU budget instruments that play an important role in specific sectors of the green transition in Member States, such as the Connecting Europe Facility; (2) off-budget instruments such as ETS funds (Modernisation Fund, Innovation Fund); (3) climate adaptation investments which for the moment are not included among the tool’s categories; (4) potential changes to the spending plans as a result of the mid-term cohesion policy review.

4. Main findings

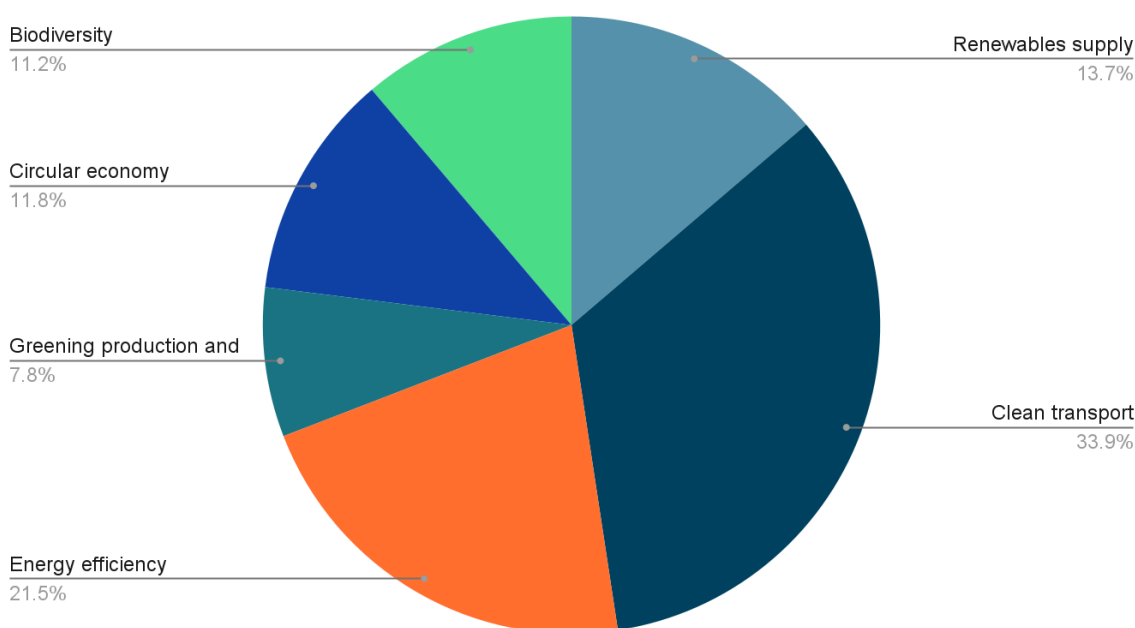
According to the MFF green investment tool,

- **For the 2021-27 period, the cohesion policy spending plans of the EU-27 allocated a total of €130.7 billion (0.1307 trillion) to the green transition.** These figures include

the contributions of cohesion policy funds to climate mitigation, biodiversity protection and restoration, and circular economy targets. This number does not include climate adaptation investments.

- The largest shares of these €130.7 billion have been allocated to **clean transport** (33.9%) and **energy efficiency** (21.5%) (see Figure 1). However, significant **discrepancies exist across countries**. For instance, some countries allocated a considerable share of their green transition money to clean transport (Poland, for instance, up to 48%), while some others did not allocate any money for it at all (e.g. the Netherlands). A similar discrepancy exists for energy efficiency (for instance, Ireland spent 77.6% of its green transition money on it, compared to Denmark's 0%). **Significant differences also exist in the type of investments** made within each category (e.g. private versus public mobility).

Figure 1 | Cohesion funds (2021-27) currently allocated for the green transition (%)

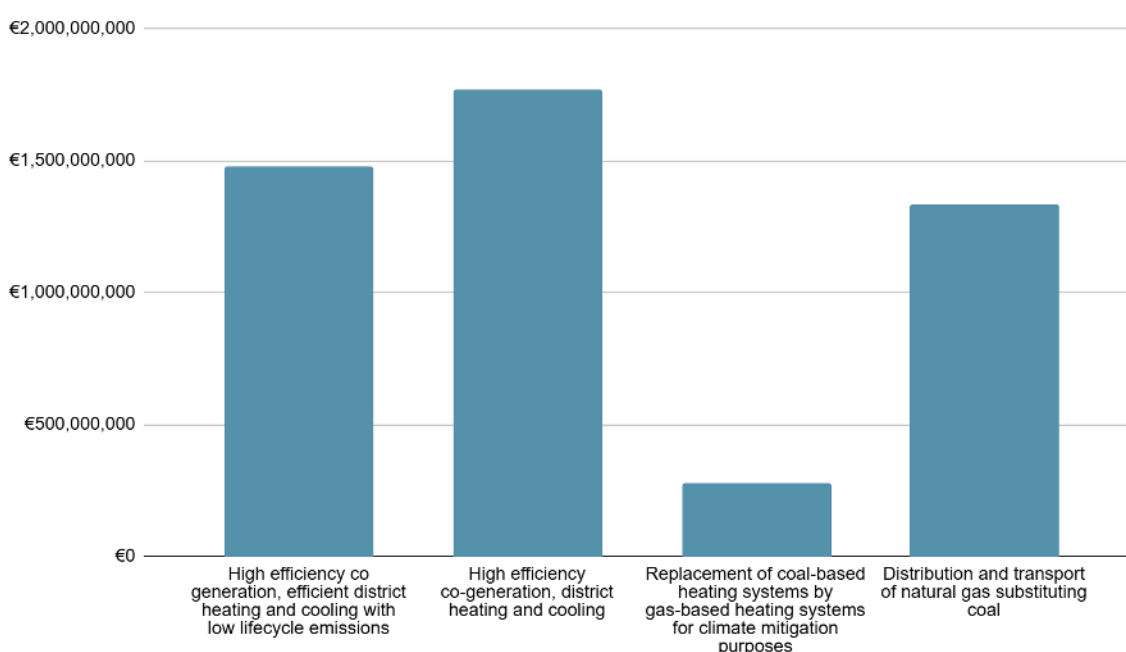


- **A considerable share of cohesion funds is still going towards fossil fuels.** According to the data gathered by the MFF tool – which, as explained above, is not exhaustive – at least €4.85 billion of cohesion funds are being allocated to fossil fuels-related infrastructure (Figure 2). This figure is not homogeneous: **discrepancies exist across countries**. A handful of countries (e.g. Austria, Portugal, Sweden) have not seemingly financed fossil fuel-related infrastructure via their cohesion policy.
- **This is in sharp contrast to the EU 2030 climate and energy objectives**, and confirms a worrying trend. Despite a tightening of fossil fuel infrastructure eligible for finance in the 2021-27 MFF, compared to the 2014-20 MFF, midstream and downstream

fossil gas investments can still be financed in key EU financial instruments. Furthermore, instead of a further tightening of conditions for financing fossil fuel projects, the [introduction of RepowerEU](#) resulted in **widening the scope of eligible investments** by including LNG-related infrastructure that was previously ineligible in the Recovery and Resilience Facility (RRF).

- This confirms that the repeated **pledges to [phase out fossil fuel subsidies](#) in the EU by 2025 are currently not reflected in the EU budget.**

Figure 2 | Cohesion funds (2021-27) allocated for fossil fuel infrastructure (billion €)



5. Conclusions

To recap and conclude:

- Both public and private investments need to increase substantially for the EU to meet its 2030 climate and energy targets.
- It is difficult to pin down exactly *how much money*, especially at a national level. Updated NECPs largely fail to provide a clear overview of investment needs to implement planned policies and measures, as well as available sources of financing, both public and private.
- While only being a fraction of total investment needs, the EU budget represents a substantial source of public financing for the green transition, notably in CEE and SE.

- Cohesion policy and NGEU are the most relevant funds for the transition. Across Member States, there are considerable variations in terms of how much and in which sectors these two funds are allocated to the green transition.
- **Despite improvements compared to the 2021-27 period, not enough of the current EU budget is going towards the green transition, while too much of it is still being allocated for fossil fuels-related infrastructure. Overall, a very substantial investment gap remains.**

What should EU institutions and Member States do to fill the investment gap?

- **Member States** should conduct a thorough assessment of investment needs and available resources to implement their updated **NECPs** and, on that basis, develop a comprehensive strategy to mobilise the public and private investments needed to contribute to the EU 2030 climate and energy targets.
- **Member States** should also make better use of public resources already available, including EU funds. This includes shifting public finances (such as cohesion funding) away from **fossil fuels** and other false solutions, and redirecting them towards the socially just green transition. To mobilise further national public resources, they should develop time-bound plans for phasing out fossil fuel subsidies.
- **The EU institutions** should significantly strengthen the text of the **mid-term review of cohesion policy**, currently under negotiation. The current text risks enlarging the green investment gap, as it weakens thematic concentration requirements, allows combined calculations across funds for climate spending targets, and amends key provisions of the ERDF and the JTF.
- **The EU institutions** should significantly improve the recently published **proposal for the next EU budget** (the MFF for the 2028-2034 period) in order to close the investment gap. The proposal should (1) feature a 50% green mainstreaming target for tackling all environmental objectives; (2) include clear safeguards such as the 'Do No Significant Harm', currently riddled with exceptions; (3) revise the proposed methodology for tagging green investments, which currently opens the door to risks of greenwashing and loopholes for fossil fuel subsidies; (4) keep guarantees for the just transition, now endangered by the scrapping of the Just Transition Fund.



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