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Analysis of the recovery and resilience plan of the Netherlands

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) (ST 12275/22 INIT; ST 12275/22 INIT ADD 1) of 4 October 2022 on the approval of the assessment of the recovery and resilience plan for the Netherlands

{COM(2023) 574 final}

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1. EXECUTIVE SUMMARY

In 2022 the Dutch economy was hit by high inflation due to strongly rising energy prices and a high reliance on fossil fuels. In light of these challenges, in particular related to the Netherlands' low share of renewable energy, the country submitted a modified Recovery and Resilience Plan (RRP) along with a REPowerEU chapter on 6 July 2023. The Netherlands proposed modifications to its RRP pursuant to two legal bases. Firstly, in accordance with Article 21(1) of Regulation (EU) 2021/241, the Netherlands considered the RRP to be partially no longer achievable due to objective circumstances and made a reasoned request to the Commission to make a proposal to amend the Council Implementing Decision. Secondly, in accordance with Article 21c of Regulation (EU) 2021/241, the Netherlands included a REPowerEU chapter in its national RRP. In addition, the Netherlands also notified the Commission that it had updated its audit and control chapter to reflect the ongoing work to streamline the monitoring, implementation and audit set-up.

The modifications submitted by the Netherlands under Article 21(1) of Regulation (EU) 2021/241 concern ten measures. The Netherlands has requested to amend nine measures of the initial plan and to introduce one new measure. In addition, the submitted plan rectifies clerical errors in four measures. The amendments include removing a measure that was no longer achievable and its replacement by a new measure, postponing the achievement of targets and reductions of intermediate targets while keeping the total ambition constant, replacing targets that are not fully achievable with better alternatives and the reduction of targets due the impact of labour shortages and/or increased costs.

The REPowerEU chapter contains measures to help address the energy related challenges that the Netherlands is currently facing. The proposed measures contain a scale-up of the existing energy efficiency subsidy 'Investment subsidy for sustainable energy and energy savings' from component 3 of the existing plan. The proposed chapter also includes a reform aiming to tackle challenges that the Dutch energy markets are facing. The reform aims to facilitate investments into grid infrastructure, tackle congestion on the Dutch electricity grid and to accelerate permitting procedures for renewable energy projects. Both measures contribute to the REPowerEU objective of increasing the share and accelerating the deployment of renewable energy, while the latter measure also contributes to addressing energy transmission and distribution bottlenecks. By contributing to an increase in the share of renewable energy in the country's energy mix and by addressing congestion on the electricity grid, the chapter is in line with the country-specific recommendations on energy (CSRs 4 in 2022 and 2023). All measures in the REPowerEU chapter have a cross-border or multi-country dimension or effect.

Based on the assessment of the submitted modification and the REPowerEU chapter, the Netherlands' modified plan receives an A-rating on all criteria, except for costing, where the plan receives a B-rating (unchanged from the original plan assessment).

(1) Balanced Response	(2) CSRs	(3) Growth, jobs…	(4) DNSH	(5) Green target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence	(12) REPowerEU	(13) Cross-border
A	A	A	A	A (55%)	A (26%)	A	A	B	A	A	A	A

2. OBJECTIVES OF THE MODIFICATION OF THE PLAN

In 2022, Russia's invasion of Ukraine led to a surge in energy and commodity prices in the Netherlands and the EU as a whole. Inflation in the Netherlands reached 11.6% in 2022 and was among the highest in the EU. Thanks to robust employment growth, an increase in wage growth and extensive measures taken by the government to support households' purchasing power, consumption remained strong and the economy grew significantly at 4.3% despite very high inflation. The 2023 Country Report for the Netherlands identified challenges related to the housing market, labour market segmentation as well as renewable energy deployment and the transition to sustainable agriculture. The low share of renewable energy in the Netherlands' energy mix is of particular concern in light of strongly rising prices for fossil fuels and their lacking security of supply over 2022. Supply chain disruptions, a very tight labour market as well as restrictions due to excessive nitrogen emissions have also impacted the Dutch economy over the past year.

Pursuant to Article 21(1) of the RRF Regulation, the Netherlands has justified the modification of nine measures and the introduction of one new measure due to objective circumstances. Among other reasons, the Netherlands invokes technological progress, increased costs due to high energy prices, higher interest rates, persistent wide-spread labour shortages and better alternatives as objective circumstances that require modifications to a limited set of measures.

The Netherlands' modified recovery and resilience plan adds a REPowerEU chapter to the original plan pursuant to Article 21(c) of the RRF Regulation and is a strong response to the geopolitical and energy challenges that the European Union has faced since the end of 2021 and beginning of 2022. The amendment of the RRF Regulation provides for additional support for reforms and investments helping to phase out imports of Russian fossil fuels and providing clean, affordable and secure energy to households and businesses across Europe. The modifications proposed under the plan and the newly integrated REPowerEU chapter are following the country specific recommendations for the Netherlands presented in the context of European Semester 2022 and 2023 cycles.

The main elements of the amended RRP and REPowerEU chapter are listed below by component:

<u>**Component 1 (Promoting the green transition):**</u>

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend the measure C1.1 R1 'Energy taxation reform'.

The Netherlands proposes to specify that the changes made to the tariffs on the use of gas and electricity shall be done in real terms. Due to high inflation, the yearly indexation of the aforementioned tariffs could for a significant degree off-set the intended impact of the original measure. Requiring that the adjustments to the tariffs shall be done in real terms prevents this and ensures that at least the original level of ambition in terms of making the use of gas more expensive and the use of electricity cheaper is achieved. With this change, the Netherlands proposes the amended measure as a manifestly better alternative in the way of monitoring than the measure in its original form.

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend two of the targets for measure C1.1 I3 ‘Inland waterway energy transition, project Zero Emission Services (ZES)’.

The Netherlands proposes that the unit of measure for target 24 is changed from the number of Modular Energy Containers (MECs) to the realised capacity in terms of kWh. Due to technological advancements, the capacity of the MECs has increased from 2 to 2.9 kWh per module. This means that fewer MECs are needed than originally envisaged (75) to achieve the desired capacity of 150 kWh. The target is proposed to be changed to 150 kWh to reflect this, leaving the overall level of ambition for this target the same.

The Netherlands proposes that the unit of measure for target 26 is changed from the number of ships converted to be emission free to the total tonnage transported by converted emission free ships. Additionally, NL proposes to reduce the total tonnage to be converted to zero emission electric propulsion due to higher than anticipated price increases for ship components. Initially, it was envisaged to convert standard-sized container ships to be emission-free. Due to changing demand for the subsidy, the Netherlands argues that ships of various different formats and sizes may be converted to be emission-free. Tracking the total tonnage is therefore a more suitable measure than the number of ships. The target is therefore proposed to be changed from the number of emission-free ships (45) to the total loading capacity (TEU) of emission-free ships (6161 TEU).

Component 2 (Accelerating the digital transformation):

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend three of the targets for measure C2.2 I3 ‘Intelligent roadside stations (iWKS)’.

The Netherlands proposes to reduce the number of roadside stations to be installed under targets 55 and 56 and to delay targets 56 and 57, while keeping the overall ambition of the measure constant. The installation of roadside stations has been delayed due to higher material costs, increased delivery times and lack of specialist staff. According to the proposal by the Netherlands, 152 roadside stations will be installed by Q4 2023 instead of 591 under target 55. Target 56 is moved from Q4 2024 to Q4 2025 and the cumulative number of roadside stations reduced to 953. Target 57 with an unchanged cumulative target of 1906 roadside stations is moved from Q4 2025 to Q2 2026.

Component 3 (Improving the housing market and making real estate more energy efficient):

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend the measure C3.1 I1 ‘Unlocking new construction projects’.

The Netherlands proposes to remove the first target of the measure, reduce the number of construction starts to be achieved under targets 77 and 78 and to increase target 79. The cumulative ambition of the measure to achieve 100 000 construction starts by Q2 2026 remains the same. Due to increased construction costs, high interest rates as well as restrictions to construction activity due to environmental regulation related to excessive nitrogen emissions, the Netherlands argues that construction progresses slower than anticipated at the time of the submission of the plan. Target 77 is therefore proposed to be changed from a cumulative target of 42 000 construction starts to 10 000 and target 78 from a cumulative target of 71 000 to 31 000. The remaining 69 000 construction starts are therefore expected to be achieved under target 79.

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend the measure C3.2 I2 'Investment subsidy for sustainable energy and energy savings'.

The Netherlands proposes to remove the reference to 'owners of real estate' to allow a broader group of applicants to benefit from the subsidy and to add the installation of electric stoves to the list of eligible interventions from 2023 onwards. With these two changes, the Netherlands proposes the amended measure as a manifestly better alternative than the measure in its original form. The proposal by the Netherlands foresees the same target of 225 000 interventions by Q1 2026 as the original measure.

Component 4 (Strengthening the labour market, pensions and future-oriented education):

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend the measure C4.1 I1 'NL continues to learn'.

The Netherlands proposes to lower the target for the creation of sectoral pathways. Due to persistent wide-spread labour shortages, there was an unexpected drop in the demand for trainings to prevent unemployment in specific sectors. The unforeseen tightness in the labour market following the COVID-19 crisis is widespread across sectors, particularly in those sectors where the scheme (notably the creation of sectoral pathways) was foreseen to be able to help to address unemployment. Therefore, the Netherlands has requested to lower the target from 30 to 21 sectoral pathways.

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend the measure C4.1 R3 'Reform of the second pillar of the pension system'.

The Netherlands has proposed to introduce an additional target to ensure that a binding decision, i.e. approved by the supervisor, will be taken on the transfer of the pension assets of at least 66% of policy holders to the new pension system. The aforementioned binding decisions would not cover all policy holders in the second pillar pension system due to bottlenecks in the implementation of the pension reform resulting from limited administrative capacity. In particular, the Netherlands argues that an extension of the transitional period to beyond end of 2026 is needed because a new survey shows that pension funds are expected to transition to the new system around the same period, mostly in 2026, leading to an unforeseen peak in workload for the bodies responsible for assisting pension funds in the implementation of the reform.

The Netherlands has proposed to remove the 'Regional Mobility Teams' measure from its RRP, based on Article 21 of Regulation (EU) 2021/241, and to replace it with a new measure through which an up and reskilling budget is offered to unemployed persons with a weak labour market position. Contrary to what was expected when the original scheme was set up, the labour market situation quickly recovered from the initial deterioration at the start of the COVID-19 pandemic. This led to a lower-than-expected take-up of services by employment agencies under the Regional Mobility Teams scheme. The Netherlands has proposed that the remaining resources freed up by this removal are used for a new measure. This new measure aims to increase re-employment of persons who receive temporary unemployment benefits and who have a weak labour market position with a high risk of long-term unemployment. Under this measure, funding is provided to the Netherlands' Employment Insurance Agency (UWV). The UWV will select the people entitled to receive up- and reskilling based on a questionnaire which identifies whether a person has a weak labour market position as well as on UWV counsellor's assessment of the needs of the unemployed. Agreements have been made in various sectors between UWV and employers to enable the participants to match employers' needs with the targeted up and reskilling. This alternative measure has a permanent character and can be expected to support persons at the margin of the labour market in a more structural and targeted way than the scheme it replaces, which was a temporary one, open for both employed and unemployed persons.

Component 5 (Strengthening public health care and pandemic-preparedness):

Based on Article 21 of Regulation (EU) 2021/241, the Netherlands has proposed to amend the C5.1 I1 measure 'Temporary additional human resources capacity for care in times of crisis'.

The Netherlands has proposed to replace the 'extra hands in care' and 'coronajobs' schemes by a more effective scheme to structurally address labour shortages in the health care sector. Through vocational education and 'on the job training', the scheme aims to increase the number of healthcare staff recruited and to reduce the outflow of care workers. This alternative measure can therefore be expected to address the labour shortage in the healthcare sector in an even more structural way than the measures it replaces, which was focused on temporary recruitment of health and support staff during crisis times. The alternative scheme in addition aims to stimulate regional cooperation between healthcare institutions in addressing labour shortages.

The proposed target for the new scheme consists of 8325 individuals who started the programme for vocational education and on the job training in 2023-2024. In addition, to prove the structural character of the scheme, the Netherlands has proposed a milestone for the adoption by Q4 2024 of a new framework, permanently embedding training in the healthcare sector in a larger programme to address labour shortages in the sector.

Component 8 (REPowerEU):

Under the REPowerEU chapter and based on Article 21c of Regulation (EU) 2021/241, the Netherlands has proposed measures for one scaled-up investment and one new reform:

Investment 8.1 'Investment subsidy for sustainable energy and energy savings': The objective of this measure is to scale-up the existing measure of the same name in component 3. It subsidises energy efficiency interventions of homeowners and small businesses. The eligible interventions are the installation of (hybrid) heat pumps, solar water heaters and electric cooking installations as well as connections to the heat grid and insulations. The goal is to incentivise households and small businesses to reduce their dependency on natural gas and reduce overall energy demand in the Netherlands.

Reform 8.2 'Energy market reform package': The reform aims to tackle congestion on the Dutch electricity grid and to achieve the climate neutrality of energy systems. It has three sub-parts. The first sub-part contains specific actions taken under the National Action Programme Grid Congestion. These include changes to the electricity grid rules allowing greater flexibility for market participants in the allocation of grid capacity. Another element of this sub-part is the completion of provincial electricity grid investment programmes. These programmes are intended to prioritise energy infrastructure projects at the provincial level. Under the second part, the government commits to adapting the framework within which network operators prioritise their investments to ensure that those investments into the electricity grid are made that are most needed to reduce congestion (taking into account the provincial infrastructure programmes drawn-up under the first sub-part). The third sub-part contains a modification of the Environment and Planning Act, with the aim of accelerating judicial procedures dealing with appeals against permitting decisions by government bodies.

The measures presented under the REPowerEU chapter are consistent with the REPowerEU objectives set out in the RRF Regulation. 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) (boosting energy efficiency in buildings and critical energy infrastructure, decarbonising industry, increasing the production and uptake of sustainable biomethane and of renewable or fossil-free hydrogen, and increasing the share and accelerating the deployment of renewable energy) and (e) (addressing internal and cross-border energy transmission and distribution bottlenecks, supporting electricity storage and accelerating the integration of renewable energy sources, and supporting zero-emission transport and its infrastructure, including railways) of that Regulation. The energy efficiency subsidy scheme substantially reduces the financial burden for subsidy applicants to reduce their energy demand and allows for a broad set of energy saving interventions. The energy market reform package aims to address the issue of grid congestion in the short term and climate neutrality of the energy systems in the longer term and addresses country-specific recommendations made in 2022. Making the allocation of grid capacity more flexible is expected to have a direct impact on energy transmission and distribution bottlenecks in the Netherlands as well as accelerating the integration and deployment of renewable energy sources. The latter will also be supported by the acceleration of permitting procedures for renewable energy projects as well as a better prioritisation of grid investments.

Other elements not covered by assessment criteria

The description of the administrative organisation, gender equality, security self-assessment and communication as reflected in the previous Staff Working Document (2022) 292 remains valid.

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU[1]. When State aid is present and it requires notification, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by the Netherlands in the recovery and resilience plan cannot be deemed a State aid notification. In as far as the Netherlands considers that a specific measure contained in the recovery and resilience plan entails de minimis aid or aid exempted from the notification requirement, it is the responsibility of the Netherlands to ensure full compliance with the applicable rules.

Table 1: new and modified components and associated costs.

Component	Status	Costs (EUR million)
C1: Promoting the green transition	Modified	1836.3
C2: Accelerating the digital transformation	Modified	1071.8
C3: Improving the housing market and making real estate more energy efficient	Modified	1387.3
C4: Strengthening the labour market, pensions and future-oriented education	Modified	241.2
C5: Strengthening public health care and pandemic preparedness	Modified	171.7
C8: REPowerEU	New	735.0

3. SUMMARY OF THE ASSESSMENT OF THE PLAN

3.1 Comprehensive and adequately balanced response to the economic and social situation

The Netherlands' modified plan along with the REPowerEU chapter includes a balanced set of reforms and investments contributing to the Union's economic, social and territorial cohesion by referring to the six pillars of Article 3 of the Regulation (EU) 2021/241. The modification of the plan along with the REPowerEU chapter only impacts the assessment of the

[1] Annex to the Communication to the Commission of 9 March 2023 on the Approval of the content of a draft for a Commission Regulation amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty; available at: https://competition-policy.ec.europa.eu/system/files/2023-03/GBER_amendment_2023_EC_communication_annex_0.pdf

contribution of the plan to pillar 1 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's 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 the RRF Regulation, as reflected in Staff Working Document SWD(2022) 292 final. Regarding the green transition pillar, the Netherlands' modified RRP along with the REPowerEU chapter addresses green challenges in particular under Component 1 (Promoting the green transition), Component 3 (Improving the housing market and making real estate more energy efficient) and Component 8 (REPowerEU).

The measures in the REPowerEU chapter contribute to the attainment of the Union's 2030 climate targets and the objective of EU climate neutrality by 2050 by contributing to significant energy demand reductions and the deployment of renewable energy. The energy efficiency subsidy 'Investment subsidy for sustainable energy and energy savings' from component 3.2 has been expanded substantially under the REPowerEU chapter and is expected to reduce energy demand by 30% on average. The energy market reform package includes actions to accelerate and facilitate the deployment of renewable energy in the Netherlands.

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Taking into consideration all reforms and investments envisaged by the Netherlands, its modified RRP continues to represent, to a large extent, a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of the Netherlands into account. This would warrant a rating of A under the assessment criterion 2.1 in Annex V to the RRF Regulation.

Table 2: Coverage of the six pillars of the Facility by the new or modified RRP components

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
C1: Promoting green transition	●		●			
C2: Accelerating digital transformation	○	●	●	●	○	○
C3: Improving the housing market and sustainably built environment	●			●	●	
C4: Strengthening the labour market, pensions		○	●	○	●	●

and future-oriented education						
C5: Strengthening the public health sector and pandemic preparedness		●			●	
C8: REPowerEU	●					

Key: "●" investments and reforms of the component significantly contribute to the pillar; "○" the component partially contributes to the pillar

3.2 Link with country-specific recommendations and the European Semester

Overall, the Netherlands' modified RRP represents a comprehensive and adequate response to the economic and social challenges faced by the Netherlands. By replacing and modifying a small number of measures and introducing a new reform and a scaled-up investment, the modified plan continues to address all or a significant subset of challenges identified in the relevant country-specific recommendations (CSRs).

The modified RRP takes into account country-specific recommendations formally adopted by the Council prior to its submission. It continues to address the 2022 country-specific recommendations. The 2023 CSRs on energy were taken into account in the proposed modifications, in particular by expanding the energy efficiency subsidy from component 3.2 and by addressing distribution bottlenecks in the Dutch electricity grid through an energy market reform package in the REPowerEU chapter.

The 2022 CSRs for the Netherlands covered several policy areas. The Netherlands was recommended to reduce distortions in the housing market which is characterised by its long-standing bias towards debt-financed home ownership and inelastic supply contributing to high prices and high rents on the private rental market. The Netherlands was also recommended to implement its pension reform. On the labour market, the Netherlands was recommended to reduce the incentives for flexible types of employment, improve the position of self-employed without employees, reduce labour shortages and improve up- and reskilling, in particular of those at the margins of the labour market. Lastly, the Netherlands was recommended to reduce its reliance on fossil fuels by increasing the share of renewable energy and boosting network infrastructure investments and to facilitate the transition to sustainable agriculture and transport.

The modifications of measures in components 1, 2, 3 4 and 5 do not materially change their contribution to addressing a significant subset of the challenges identified in the relevant CSRs. Despite delays to the implementation of some of the measures, the overall ambition of most of the modified measures remains the same. The modification of component 4, through the introduction of an up- and reskilling budget for unemployed persons with a weak labour market position, addresses the 2022 CSR 3 on strengthening up- and reskilling opportunities, notably for those at the margins of the labour market. The new element on vocational education and 'on the job training' under component 5 in the amended health care measure is expected to facilitate an increase in the number of staff recruited. It is set to address the labour shortage in healthcare in a more structural way, thereby reinforcing the contribution to the fulfilment of CSR 3 in 2022 on labour shortages in health care and up- and reskilling opportunities.

New measures included in the REPowerEU chapter of the Dutch plan expand public investment for the green transition and contribute to reducing energy demand and tackling congestion on the electricity grid. Under the REPowerEU chapter, investments into energy efficiency in buildings are expanded significantly, more than doubling the energy efficiency interventions foreseen in the original plan. This is expected to further reduce energy demand and reliance on fossil fuels in the Netherlands, contributing to address CSRs 4 of 2022 and 2023. These CSRs are also expected to be addressed by the energy market reform package through a facilitated deployment of renewables, enhanced framework conditions for investments into electricity grids, improvements to permitting procedures for renewable energy projects, as well as changes to the rules governing capacity allocation of the electricity grid, contributing to reducing congestion.

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Taking into consideration the reforms and investments envisaged by the Netherlands, its modified recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and the modified recovery and resilience plan represents an adequate response to the economic and social situation of the Netherlands. This would warrant a rating of A under criterion 2.2 in Annex V to the RRF Regulation.

3.3 Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence

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The nature and extent of the proposed modifications to the Netherlands' recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the plan's impact on the growth potential, job creation, and economic, social and institutional resilience of the Member State, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union, as reflected in the previous SWD (2022) 292.

3.4 The principle of 'do no significant harm'

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The nature and extent of the proposed modifications to the Netherlands' recovery and resilience plan do not have a material impact on the previous assessment (rating of A) that no measure for *the implementation of reforms and investment projects included in the plan is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'), as reflected in the previous SWD* (2022)292.

3.5 Green transition

Both measures in the REPowerEU chapter are expected to significantly contribute to the green transition, or to addressing the challenges resulting therefrom, as well as to the achievement of the Union 2030 climate targets while complying with the objective of EU climate neutrality by 2050.

One investment will subsidise energy efficiency improvements in the built environment, such as insulation measures, the installation of solar boilers, heat pumps and electric cooking installations and connections to the heat grid. These interventions have the objective of reducing primary energy demand by 30% on average. This measure is a scale up of an existing measure in component 3 of the existing plan, which thanks to the REPowerEU chapter, more than doubles the total number of interventions. It thereby provides a significant contribution to reducing emissions stemming from the built environment in the Netherlands, which in total accounted for 15% of greenhouse gas emissions in the Netherlands in 2021.[2] In addition to increasing the target of the measure, the modified plan also broadens the scope of the measure. Both for the existing part of the measure as well as the scaled-up part electric stoves are added to the list of eligible interventions and the subsidy is no longer restricted to property owners, but also associations of owners and small businesses.

The reform in the REPowerEU chapter is expected to facilitate the integration of energy from renewable sources into the system, a metric on which the Netherlands is lagging the rest of the EU. As the Dutch electricity grid is heavily congested in some regions of the country, more flexibility to reallocate capacity and incentives to reduce capacity demand are expected to alleviate congestion to some degree. The reform also includes better prioritisation and coordination of energy infrastructure investments, also at regional level. Lastly, permitting procedures for renewable energy projects are expected to contribute to an accelerated take up of renewable energy in the country, directly contributing to the green transition.

Climate target

On the basis of the assessment guidelines provided for in sub-criterion 5b, the measures in the modified RRP (including the REPowerEU chapter) supporting climate change objectives account for 54,9% of the plan's total allocation (i.e. above the 37% required), based on the methodology for climate tracking set out in Annex VI to Regulation (EU) 2021/241. Additionally, the proposed measures within the REPowerEU chapter supporting climate change

[2] Source: Statistics Netherlands

objectives account for 100% of the chapter's total allocation (i.e., more than the 37% required), based on the methodology for climate tracking set out in Annex VI of that Regulation. The only investment of the chapter, a subsidy for energy efficiency improvements in the built environment, fully accounts for this contribution.

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Taking into consideration the assessment of all the measures envisaged, the modified recovery and resilience plan, including its REPowerEU chapter, is expected, to a large extent, to make a significant contribution to the green transition or to address the challenges resulting from it and ensures that at least 37% of its total allocation contributes to the climate target. At least 37% of the total estimated costs of the REPowerEU chapter contribute to the climate target. This would warrant a rating of A under criterion 2.5 of Annex V to the RRF Regulation.

3.6 Digital transition

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The nature and extent of the proposed modifications to the Netherlands' recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the contribution of the plan to the digital transition and to the digital target, as reflected in the previous SWD (2022)292.

3.7 Lasting impact of the plan

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The nature and extent of the proposed modifications to the Netherlands' recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the lasting impact of the measures proposed by the Netherlands, as reflected in the previous SWD (2022)292.

3.8 Milestones, targets, monitoring and implementation

The modification of the Netherlands' recovery and resilience plan also includes a limited update of the monitoring and implementation framework to reflect the ongoing work to further streamline the monitoring and implementation set-up. Most of the aspects of the set-up, which relies on a decentralised system of intermediary declarations, remain the same and modifications are limited. The Programme Directorate for the RRF in the Ministry of Finance remains the coordinating body which prepares general guidelines which define how milestones and targets are to be reported and accompanied by additional evidence. In addition, these guidelines will also be included in the government budget regulation which will be updated each year instead of in a model annex. The RRP measures remain integrated into the internal control cycle of the various ministries involved in the implementation of the RRP and will be included in their annual reports, but they will not be included as a separate appendix in their annual reports.

These changes have no impact on the milestone which had already been included in the plan on the development of a central reporting tool nor on the milestones related to the legal mandate of the coordinating and audit body. Overall, the nature and extent of the proposed modification do not have a material impact on the previous assessment.

The milestones and targets of the modified Dutch recovery and resilience plan enable an adequate monitoring of the plan's implementation. The milestones and targets contain the key elements of the measures and thus are relevant for the implementation of the proposed changes. The monitoring milestones and targets appear comprehensive and clear to ensure that their completion can be traced and verified. In addition, the Netherlands has described the relevant verification mechanisms, data collection systems and responsibilities sufficiently. They can also be qualified as clear, robust and effective to ensure effective completion of milestones and targets.

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The arrangements proposed by the Netherlands in its modified recovery and resilience plan are expected to be adequate to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators. This would warrant a rating of A under the assessment criterion 2.8 of Annex V of the RRF Regulation.

3.9. Costing

The Netherlands has provided individual estimated costs for all the new measures that entail a cost in the recovery and resilience plan, including the REPowerEU chapter. The Netherlands has also provided individual justifications for all the measures whose modifications entailed a change in the cost estimates or related target including on the proportionality of the relevant amendments.

The cost information provided by the Netherlands is generally detailed and well substantiated. The Netherlands provided detailed estimates and assumptions on costs using the standard template table, which was intended to summarise the key information and evidence on costing. Moreover, the Netherlands submitted separate documents including more elaborate descriptions of the methodology underlying the cost calculations. Lastly, the Netherlands submitted a dedicated file outlining the key drivers and changes in the costs of the amended measures and their proportionality.

The assessment of the cost estimates and inherent supporting documents shows that the majority of the costs of the new measures are well justified, reasonable, plausible and do not include costs covered by existing or planned EU financing and are commensurate to the expected economic and social impact of the envisaged measures. Moreover, the changes in the costs estimates of the amended measures are justified but not always proportional to the change in target.

Reasonable costs

Overall, the assumptions used by the Netherlands to estimate the costs of the new measures, including those in the REPowerEU chapter, provide a reasonable explanation of the key cost drivers of the measures. The calculations are generally clearly spelled out allowing to identify the methodology used, even if for a small number of measures this information is not as detailed. Nevertheless, there is no evidence that would allow doubting the costing estimates provided.

The new measures included in the Dutch recovery and resilience plan, including those in the REPowerEU chapter, comply with the eligibility criteria set out in the RRF Regulation. All costs are incurred for reforms and investments after February 2020 and after February 2022 for the measures in the REPowerEU chapter. Value-added tax (VAT) is not included in any of the cost estimates.

The reasonability of the costs of the amended measures have changed from the initial assessment of these measures, as the changes in the cost estimates were duly justified but not always fully proportional to the change in target. In the case of measures being amended under Article 21(1) of Regulation (EU) 2021/241 for cost-related reasons, sufficient information has been provided to justify the objective circumstances of the changes in the cost estimates or related target. In this context, the reasonability of the cost estimates, taking into account the new measures, including those in the REPowerEU chapter, and the amended measures, has been established to a medium extent.

Plausible costs

The amount of the estimated costs of new measures, including those in the REPowerEU chapter, is in line with the nature and type of the envisaged reforms and investments. For most of these measures, the Netherlands provided supporting documents and links to online sources to substantiate the cost estimates, including explanations of how past projects relate to the cost estimates of the new measures.

The plausibility of the costs of the amended measures has changed from the initial assessment of these measures, as the changes in the cost estimates for all of them are duly justified but not always fully proportional to the change in target. Sufficient information has been provided to justify the objective circumstances of the changes in the cost estimates or related target.

Considering the limitations of an ex-ante assessment of cost estimates, the amounts proposed for financing were deemed appropriate and seen as establishing the plausibility of the cost estimates to a medium extent.

No double funding

The Netherlands has indicated for each individual new measure, including those in the REPowerEU chapter, that the costs to be financed by the RRF will not be funded at the same time by other Union funding sources. Furthermore, the set-up to prevent, detect and correct double funding has not been altered by the modification of the plan.

Commensurate and cost-efficient costs

The total cost of the modified Dutch recovery and resilience plan is commensurate to the expected social and economic impact of the envisaged measures. The plan is expected to effectively address a significant subset of challenges identified in the country-specific recommendations (CSRs). The main objectives of the plan are to foster the twin transition, improve the Netherlands' growth potential, job creation and economic, social and institutional resilience, thereby reducing vulnerability to shocks. The plan contributes to strengthening social cohesion and social protection and to the implementation of the European Pillar of Social Rights. The plan enhances the economic, social and territorial cohesion and convergence within the Union. The economic and social impact of the plan in combination with the positive cost assessment, indicates that the cost is in line with the principle of cost-efficiency.

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The justification provided by the Netherlands on the amount of the estimated total costs of the modified recovery and resilience plan is to a medium extent reasonable, plausible, in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

The Netherlands provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the modified recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing.

This would warrant a rating of B under the assessment criterion 2.9 of Annex V to the RRF Regulation.

3.10 Controls and audit

The control system and arrangements proposed in the RRP of the Netherlands are based on robust processes and structures used in the existing national framework. Actors and their roles and responsibilities for the performance of the internal control tasks are clearly described in the RRP. A dedicated Programme Directorate for the Facility in the Ministry of Finance is planned to be assigned as the coordinating body and as such has the responsibility for the protection of the Union's financial interests. Via intermediary-declarations, implementing bodies such as ministries, agencies or consortia are to confirm the protection of the Union's financial interest and the validity of the reported data on milestones and targets. Those intermediary-declarations are to be verified and signed by the financial economic affairs directorates of each ministry. The audit authority 'auditdienst rijk', an independent service within the Ministry of Finance, is to carry out regular audits of the management and control systems, including substantive testing.

The modification of the Netherlands' recovery and resilience plan also includes an update of the control and audit framework to reflect the ongoing work in the Netherlands to further streamline the relevant processes. It includes an update of the procedure for preventing double funding, notably with regards to the use of Arachne. Arachne will not be mandatory. If a policy department chooses not to use Arachne, it is obliged to use an alternative method to avoid the risk of conflict of interest or non-compliance with State aid rules or the operational, administrative and financial capacity of companies to carry out operations co-financed by the European Union. Concerning the declaration on the absence of double funding signed by the relevant policy department, this will be covered in the management declarations that will be signed at measure level. Therefore, to avoid duplication a separate declaration per policy directorate on double funding has been removed. Other procedures related to double funding and more broadly the protection of the financial interest of the European Union remain in place and are considered adequate and robust as reflected in the previous SWD (2022) 292. The chapter also includes additional clarifications on how compliance with applicable Union and national law will be ensured. In addition, several references have been added in relation to CEDAR (Central IT repository for which a separate milestone has been included in the original plan) and the central collection of data for monitoring of the achievement of milestones and targets, as well as data related to art. 22(2), point (d) of the RRF Regulation in line with the original milestone description.

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The arrangements proposed by the Netherlands in the modified recovery and resilience plan to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility, including the arrangements aimed to avoid double funding from the Facility and other Union programmes, are assessed to be adequate. This would warrant a rating of A under the assessment criterion 2.10 of Annex V to the RRF Regulation.

3.11 Coherence

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The nature and extent of the proposed modifications to the Netherlands' recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the coherence of the actions proposed by the Netherlands, as reflected in the previous SWD(2022)292.

3.12 REPowerEU

The REPowerEU chapter measures directly contribute to the deployment and integration of renewable energy sources. As a result, they help reduce reliance on fossil fuels and contribute to increasing energy security and diversification of the Union's energy supply.

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 the Netherlands' annual event on the implementation of the Dutch 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. The energy market reform package has been developed in cooperation with a citizen's council that adopted a number of recommendations to the government on the development of energy markets in the Netherlands.

Investment 8.1 subsidises several interventions to improve energy efficiency in the built environment (open to households, landlords and small businesses). The eligible interventions to be subsidised under the measure are insulation interventions, heat pumps, solar boilers, connection to the heat grid as well as electric cooking installations. These interventions are expected to decrease energy demand and contribute to the electrification of heat generation, thereby supporting the decarbonisation of the Dutch energy generation and the uptake of renewable energy. The investment is expected to have a lasting impact due to the longevity of the subsidised installations and their long-term impact on energy demand. Contrary to the original part of the measure in component 3, the scaled-up part has two intermediate targets which ensures that a large part of the interventions is finalised already in 2022, 2023 and 2024. The investment is a scale-up of an existing measure in component 3. The Netherlands also explained that it is also coherent with other policy efforts by the Netherlands not included in the RRP.

Reform 8.2 is a package of actions to help reduce congestion on the Dutch electricity grid and facilitate the decarbonisation of energy production. The reform consists of three sub-parts. The first part contains a national action programme to tackle grid congestion. The rules governing grid capacity allocation on the Dutch electricity code are amended to allow more flexibility to market participants to reallocate capacity as well as incentives to reduce demand for capacity. Additionally, provinces are expected to draw up provincial infrastructure investment programmes. These programmes are intended to prioritise investment plans by grid operators. Under the second part, the Netherlands commits to setting up a framework to prioritise investments into the electricity grid by grid operators. This framework ensures that national as well as provincial infrastructure investment programmes (drawn-up under the first sub-part) are the basis for prioritising investments by grid operators. This is expected to accelerate those investments that are necessary to address congestion of the grid in some regions of the country. The framework will enter into force in 2023 by means of ministerial decree and will be anchored in law more permanently with entry into force of the 'Energy law', which is included as a reform in component 1. Lastly, the measure foresees changes to the Dutch environmental and planning law simplifying legal procedures in administrative cases dealing with renewable energy projects. The changes to the law are expected to shorten the duration of such cases and therefore contribute to the quicker deployment of renewable energy in the Netherlands. Overall, the reform package is a coherent set of actions that tackle grid congestion and the low share of renewables in the Dutch energy mix from different angles – with both short-term legal modifications to speed up investments as well as the formulation of long-term strategies with concrete steps. It also complements the existing measure 'Energy law' in component 1 as it anticipates some of its elements and includes actions that support the objectives of the law.

While the above-mentioned reforms do not directly tackle energy poverty, the Netherlands has explained that a number of national measures have been taken in 2022 and 2023 to cushion the impact of energy price increases for households and businesses that are coherent with the REPowerEU objectives and complementary to the measures contained in the chapter.

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Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the chapter is expected, to a large extent, to contribute effectively to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and energy efficient, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030. This would warrant a rating of A under criterion 2.12 of Annex V of the RRF Regulation.

3.13 Cross-border or multi-country dimension or effect

All measures in the REPowerEU chapter and therefore 100% of its estimated costs have a cross-country or multi-country dimension or effect. As described in detail above, the measures in the REPowerEU chapter will directly contribute to the integration of renewable energy sources and the reduction of energy demand. As a result, they contribute to reducing the dependency on fossil fuels and secure energy supply in the Union as a whole and can therefore be considered as having a positive cross-border effect in line with the Commission's guidance in the context of REPowerEU.[3]

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Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the measures in the chapter are expected, to a large extent, to have a cross-border of multi-country dimension or effect. This would warrant a rating of A under criterion 2.13 of Annex V of the RRF Regulation.

REPowerEU measure	**Costs (EUR million)**	**Contribution to the target in %**
Investment subsidy for sustainable energy and energy savings	735	100%
TOTAL:	735	100%

[3] Commission Notice Guidance on Recovery and Resilience Plans in the context of REPowerEU 2023/C 80/01, pages 21-22

ANNEX: Climate tracking and digital tagging

(Sub)-Measure ID	(Sub-)Measure Name	Cost (EUR mln)	Climate		Digital*	
			Int. Field	Coeff. %	Int. Field	Coeff. %
P1.1I1-1	Offshore wind – ensuring shipping safety	260	074	100%		
P1.1I1-2	Offshore wind – electric (re-)charging points at sea and in the quay	60	077	100%		
P1.1I1-3	Offshore wind – strengthening and protecting the North Sea ecosystem	131	050	40%		
P1.1I1-4	Offshore wind – proper integration of the power connection to land	243	050	40%		
P1.1I2-1	Green power of hydrogen – demonstration facilities	30	032	100%		
P1.1I2-2	Green power of hydrogen – research programme	34	022	100%		
P1.1I2-3	Green power of hydrogen – human capital agenda	5	01	100%		
P1.1I3	Inland waterway energy transition, project ZES	56	074	100%		
P1.1I4-1	Aviation in transition – development and modification, in-flight testing and demonstration of components and systems in flight technology demonstrators based on	10	022	100%		

(Sub)-Measure ID	(Sub-)Measure Name	Cost (EUR mln)	Climate		Digital*	
			Int. Field	Coeff. %	Int. Field	Coeff. %
	hydrogen combustion					
P1.1I4-2	Aviation in transition – floating vision	19	027	100%		
P1.2I1	Nature programme	714	049	40%		
P1.2I2	Aid scheme for the rehabilitation of pig farms	275	049	40%		
P2.1I1	Quantum Delta NL	264			021quater	100%
P2.1I2-1	AiNed and applied AI learning communities – development of highly specialised AI support services	44			021ter	100%
P2.1I2-2	AiNed and applied AI learning communities – development of digital skills	16			108	100%
P2.1I3	Digitalisation education impulse	209			012	100%
P2.1I4	Digital Infrastructure Logistics (DIL)	36	084bis	40%	084bis	100%
P2.2I1	European Rail Traffic Management System (ERTMS)	149	071	40%	071	100%
P2.2I2	Safe, smart and sustainable mobility	55	076bis	40%	076bis	100%
P2.2I3	Intelligent Roadside Stations (IWKS)	129	063bis	40%	063bis	100%
P2.3I1	Groundbreaking IT (GrIT)	94			011	100%
P2.3I2	Digitalisation of the criminal justice chain	75			011quater	100%

(Sub)-Measure ID	(Sub-)Measure Name	Cost (EUR mln)	Climate		Digital*	
			Int. Field	Coeff. %	Int. Field	Coeff. %
P3.1I1	Unlocking new construction projects – removal of bottlenecks	109	048	40%		
P3.1I1	Unlocking new construction projects – reducing nitrogen deposition	3	049	40%		
P3.1I1	Unlocking new construction projects – climate change adaptation	191	037	100%		
P3.2I1	Subsidy scheme for sustainability of public sector real estate	225	026bis	100%		
P3.2I2	Investment subsidy for sustainable energy and energy savings (ISDE)	624	025bis	100%		
P4.2I1	National Education Lab AI	36			012	100%
P4.2I5	Laptops and tablets for online and hybrid education to combat and mitigate learning losses	24			012	100%
P5.1I3	SET COVID-19	50			013	100%
P5.1I4	Health Research Infrastructure (HRI)	22			013	100%
P8.I1	Scaled-up measure: Investment subsidy for sustainable energy and energy savings (ISDE)	735	025bis	100%		

** Reforms and investments in the REPowerEU chapter are not taken into account when calculating the plan’s contribution to the digital target requirement set by Regulation (EU) 2021/241*