



Recovery and Resilience Plan Finland

Budget

The aim of the Government is reducing carbon emissions and fostering ecological sustainability. Finland will receive **€2.1 billion** grants from the EU's Recovery and Resilience Facility **during 2021–2023**. The package is forecast to increase Finland's GDP by 0.5% between 2021 and 2023.

A large share **is earmarked for fostering the transition to a low-carbon economy**, in which Finland is using almost €1.1 billion, 50 % of the package. The country's contribution to the package will be around 6.6 billion euros during the years 2028-2058.¹

The Ministry of Finance is responsible for the implementation of the RRF in Finland as well as for Finland's Sustainable Growth Programme.

Sustainable Growth Programme

Finland's preliminary Recovery and Resilience Plan was published on 15 March 2021. The Plan forms part of the Sustainable Growth Programme for Finland.

For the Sustainable Growth Programme, the **Government is selecting investment projects and reforms that can achieve a long-term positive impact**. The aim is to promote structural adjustment of the economy through particular packages of measures.

The preparatory work is focusing on major packages **with a significant impact** rather than distributing resources among projects that are too small and have too little impact. The reforms will be aimed at encouraging private investment and supporting systemic solutions.

Structure

Finland's Recovery and Resilience Plan is centred around four priorities: Green transition, Digitalisation, Employment and skills and Health & social services.

¹ <https://vm.fi/en/-/sustainable-growth-programme-s-reforms-and-investments-to-start>

Affordable housing investments could be supported under the Green transition priority which represents a total of **€695 million budget at current prices**.²

The Sustainable Growth Programme will bring forward solutions that can reduce emissions both in Finland and worldwide. Finland aims to achieve carbon neutrality by 2035 and to halt the decline in biodiversity by 2030. Renewable energy sources account for more than 40% of final energy consumption in Finland. By 2030, the national energy and climate strategy aims to increase the **use of renewable energy so that its share of final energy consumption is more than 50 %**.³

The key goals include making Finland a **world leader in the hydrogen and circular economies**, and in **emission-free energy systems and other climate and environmental solutions**. The aim is also to **improve energy efficiency and accelerate the transition to fossil-free transport and heating**. The measures to achieve these goals will include action to mobilise as much green transition investment as possible.

Putting into effect the low-carbon roadmaps for industrial sectors will be a significant component of the overall package. Annual greenhouse gas emissions are estimated to decrease by 6% each year. **Green transition would be the largest single climate investment that Finland has ever made.**

‘Green transition’ projects focus on areas such as:

- clean energy production, including solar power, offshore wind energy, biogas and waste heat recovery
- industrial circular economy solutions and low-emission innovations, e.g. investments in hydrogen technology and circular economy demonstration plants
- accelerating the uptake of environmental solutions and **the switch from oil heating in the real estate and construction sector**
- **Energy efficiency, renovation and self-production of buildings**, Low-carbon solutions for communities and transport
- support for the charging infrastructure for electric vehicles (€ 8.5 million in residential buildings that enables for the installation of an estimated 10,000 charging points)
- **nature-based solutions**, such as gypsum treatment of arable land to reduce the nutrient load in the Baltic Sea.

Financial support will be **available to households for adopting new technological solutions**. Support will also be available for businesses, **municipalities** and parishes.

Details about the upcoming programmes

Buildings account for about 32% of Finland's energy consumption.⁴ The long-term goal is to phase out oil heating by the beginning of 2030 and to **reduce carbon dioxide emissions** from the building stock **by 90% between 2020 and 2050** (as stated in the Finnish long-term renovation strategy 2020-2050).

Reforms:

² <https://vm.fi/en/green-transition>

³ Page 28, Finnish Plan, June 2021

⁴ Page 70, Finnish Plan, June 2021

- **Reform of the Land Use and Building Act by 2024⁵**

This reform will provide guidance for low-carbon construction and to make comprehensive provision for the digitalisation of information and interoperability throughout the construction life cycle. The law **also includes the power to issue regulations later on the climate assessment of a building**, the description of materials and the limits of the carbon footprint.

It will create a new framework for building construction and will consist of associated **large-scale data needs**, which are linked to real-time information on building products and their environmental labelling.

- **A programme of measures to phase out fossil oil for heating by 2030**

The used instruments will be subsidies and grants, taxes and tax incentives, information guidance, regulatory guidance, energy efficiency contracts, public procurement and financial instruments.

→ Investments:

- **Support the replacement of building heating systems from fossil oil to low-carbon energy efficient heating (€70 million)**

The total investment required to move away from oil heating in buildings is €2 billion. The Recovery Instrument will accelerate the phase-out of oil heating, **especially in small houses**.

A grant scheme was introduced in the autumn of 2013. This support has attracted a lot of interest from owners of detached houses. The EU stimulus funding will continue to support this initiative.

The existing support scheme will allow for a rapid implementation. In autumn 2020, a subsidy scheme was also introduced for municipal buildings.⁶

For residential buildings, the grant is intended **for owners**. The requirement is for a permanent residential use and the replacement of oil heating with another heating system. The grant amounts to €4 000 for air-to-water heat pumps, geothermal heat pumps and district heating and €2 500 for other approved heating systems. The average investment cost based on applications has been €11 800 (for the €4 000 grant) and €6 600 (for the €2 500 grant).

For municipalities and associations, subsidy could be granted as a percentage of 20-25%. Buildings are larger in size, and the investment cost has so far been €115 000. In addition, information guidance on the transition away from oil heating is provided for Municipalities nationwide. For residential buildings, terraced houses and apartment blocks, including **social rented housing, are eligible for a separate national energy grant scheme for energy efficiency improvements**, which may include the abandonment of oil heating.

- **Low-carbon built environment programme (€40 million) 2021-2025**

Planned measures include:

⁵ Page 73, Finnish Plan, June 2021

⁶ Page 75, Finnish Plan, June 2021

- Establishing a network of change agents to **share knowledge and skills** and design of joint projects for Finnish companies seeking to export low-carbon solutions (at least €4 million)
- Launching a **support programme for R&D** and innovation to accelerate investment (at least €32 million)
- Developing a **knowledge base and assessment tool** to support climate solutions and low carbon technologies (at least €4 million)
- Development and coordination of **design and planning support schemes** for the export of Finnish products to the developing countries (at least €2 million).

The support programme will be implemented using, where appropriate, the good practices identified in the previous KIRA-digi pilot programme.

Target group: companies and communities in the real estate and construction sector and Research institutes.

Circular economy

Circular economy is mentioned under the Environmental sustainability and Nature-based solutions Component, among other priority areas like reforestation and water protection. **Reforms include a Nature protection legislation and the Strategic promotion of the circular economy.**

The latter was started in 2021, when the Government made a decision in principle to promote a circular economy. The decision outlines 18 key measures that various ministries have committed to promoting. The Ministry of the Environment has begun preparations for a **low-carbon circular economy agreement** targeting municipalities, businesses and other willing communities. Participants may voluntarily commit to achieving the resource objectives of the circular economy program, increase the use of recycled materials, and promote a carbon-neutral circular economy society.

The Recovery Plan highlights two big investments: the Gypsum treatment of fields and nutrient recycling (€20 million) and **Climate-resilient measures in the land use sector (€10 million)**. This full amount will be supported under the RRF.

As for the reuse & recycling of key materials, they are mentioned under Green transition and investment support will be given to accelerate the recycling of industrial by-streams and other key materials (e.g. battery materials, **plastics**, electronic equipment, **construction and demolition materials**). Funding will be targeted at commercial plant investments, pilot and demonstration projects, the introduction of new technologies in existing processes, and digital platforms for reuse and recycling. The total budget is €110 million, of which €30 million will go for the bioeconomy and €30 million for circular economy solutions in the battery sector.

Digitalisation

Development of an apartment information system (€14 million)⁷

The housing information system-built until 2025- solves the **registration challenge of housing company loans**. The share of housing company loans in total household debt has

⁷ Page 126-127, Finnish Plan, June 2021

increased in recent years, and is estimated to be **as high as consumer credit**. There is currently no a central register, but only in the accounts of housing companies. Housing loans are to be collected in the housing information system and transmitted to the positive credit information register. The establishment of a positive credit register is included in the EU Council's 2019 country-specific recommendations. A positive credit register is critically dependent on the development of an apartment information system.

→ Objectives

Interoperable data can be used **to build e-services and automate decision-making**. The reform will **improve consumer protection in the housing market, competition in the property management sector and provide information on the financial and economic performance of housing**. The housing information system will allow the creation of a **positive credit record**, which will enable consumers to benefit from a fairer treatment in credit granting situations.

The information content will be complemented by the information of the landlord's certificate for housing and credit purposes, for which a standard will be developed. The Housing Information System will be in accordance with the general standards for the security of public authorities.

Target group of the reform: Housing associations, shareholders, companies and credit institutions.

Link to the European Semester

In the 2020 country-specific recommendations, the EU Council recommended that Finland should foster economic recovery, **focus investment on the green economy**, and transition, in particular clean and efficient energy production and use, **sustainable and efficient infrastructure**, and research and development.

That is why the deployment of future-proof, clean technologies are prioritised in the Plan, such as the development and use of renewable energy sources and modernised networks.⁸

Consistency with the NECP

The measures in the plan are aligned with the NECP for 2021-2030, especially with respect to its targets on reducing GHG emissions and on achieving carbon neutrality by 2035.

Based on Finland's projections and the Commissions' estimation, existing and planned policies and measures, together with the indicated use of flexibilities, could be **sufficient for Finland to meet its target**. If implemented, the additional policies planned may yield significant emission reductions, which are particularly needed in transport; a smaller impact is expected in the buildings sector.⁹

However, in terms of achieving climate neutrality by 2035, **substantial investment in electricity networks and in the energy efficiency of buildings will be required**.

⁸ Page 31, Finnish Plan June 2021

⁹ Page 12, Assessment of the European Commission about the Finnish Plan
https://ec.europa.eu/info/sites/default/files/swd-2021-284_en.pdf

The Long-Term Renovation Strategy 2020-2050 has a strong focus on the decarbonisation of buildings. Measures included in this strategy include new legislation to support the implementation of energy efficiency policies, update of the Energy Performance Certification scheme. Further measures include subsidies to support and stimulate deep renovation, the promotion of smart energy systems, demolition of unused buildings, and accessible funding allocated to energy efficiency building renovation.

For a green recovery, says the European Commission, **Finland should invest more in making the transition to a circular economy**.¹⁰



¹⁰ Page 14, Assessment of the European Commission about the Finnish Plan
https://ec.europa.eu/info/sites/default/files/swd-2021-284_en.pdf