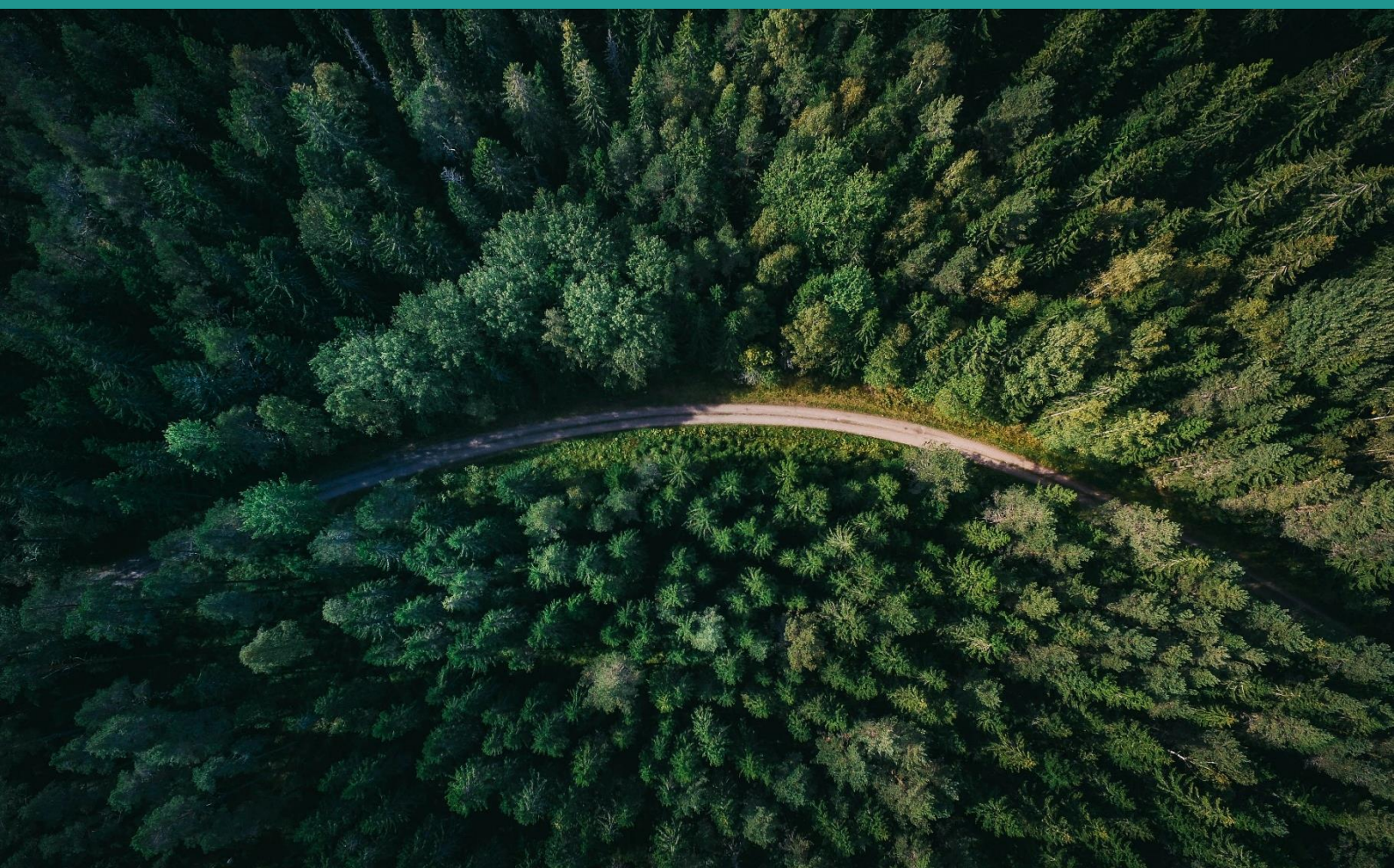


Do No Significant Harm (DNSH) Guidelines for Implementing the Green Transition in Finland

Deliverable 8 – Final report

Technical Support Instrument

Supporting reforms in 27 Member States



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Executive summary

The Do No Significant Harm (DNSH) -principle has in few short years been mainstreamed from being only one part of the EU's financial Taxonomy into being integral part of EU's public funding. As the DNSH principle finds its way into more and more EU funding instruments, so do its contact points with different national funding authorities and applicants.

The DNSH in Finland project, funded by the Technical Support Instrument (TSI) of the European Commission, provided guidance to Finnish public authorities on the implementation of the DNSH principle in public funding decisions, and to funding applicants on how to follow the principle in their funding applications. The overarching goal was to investigate, if and how Finland could include the principle into national funding also beyond EU funding. Main products from the project were two sets of guidelines for DNSH principle in national funding: programme and project level guidelines. The programme guidelines provide a novel way of incorporating DNSH into organisation level planning and enables authorities design funding programmes to be DNSH compliant from the start without necessarily incorporating project level DNSH assessments. The developed project level assessments then serve as a way to target the assessment into projects that most require the assessment.

When the project started in 2022, Finland, as well as all other EU Member States, were in the middle of the start with the Recovery and Resilience Facility (RRF) funding, which to date has been the biggest exposé of DNSH into various funding authorities and applicants. Since starting the project, also numerous Cohesion Policy instruments and completely new instruments have adopted DNSH into their funding criteria. The project has been able to assess how the government and funding authorities implemented DNSH in their funding programmes in the inaugural phases of DNSH. The project has been able to reach hundreds of civil servants and industry representatives within Finland and other Member States and gain insights directly from the commission.

The timing of the DNSH in Finland project provided positive but also challenging implications to the project. On the one hand, there was much freedom in designing the national guidelines to fit its purpose. On the other hand, most people who partake in the development of guidelines and late in trainings, had a hard time separating the RRF guidelines and the national guidelines created in the project. Due to both EU Taxonomy and DNSH principle being continuously developed during the course of the project, the needs for the guidelines also changed continuously. There is also still a lot of topics that need a lot more attention in order to make DNSH a principle that could be applied into different types of funding or other contexts. Further training and information sharing is needed.

Overall, the project met its targets and produced in a flexible manner a wide variety of information about green transition and how DNSH can support it. An example is the launch of the priority treatment in environmental permitting in Finland, that changed some of the priorities within the project. Project participated in developing instructions how to take the DNSH principle into account in providing the priority status. This national new process provided an interesting example of using DNSH principle also in other contexts. In the future, further similar experimentations and lessons learned from these are needed.

1 Project overview

1.1 Project context

As part of its contribution to the 2050 climate neutrality target at European level, as part of the European Green Deal (EGD), Finland has set itself the ambitious target to be carbon-neutral by 2035 and to be the world's first fossil-free welfare state. Reaching this goal requires bold actions and large investments in various sectors.

Finland's Recovery and Resilience Plan (RRP) with the funding coming from the EU's recovery package "Next Generation EU" and the Recovery and Resilience Facility (RRF) in particular, has allocated about 50% of the total RRF funds to support the domestic green transition in Finland. For Finland, the reforms and investments contained in their RRP were deemed to be DNSH-compliant. At the time of the start of the project in 2022, the practical governance structures and existing national guidelines for DNSH were built up for implementing RRP.

The DNSH principle should be seen more broadly as a useful tool to ensure that the reforms and investments are in line with EU and national climate and environmental targets. Next to the DNSH objectives, criteria and their interpretation, there are still a lot of technical and operational questions and issues to be solved. An important new initiative in Finland, which increased the need for DNSH related capacity building and training, was the new temporary law that would give a priority order in the environmental permitting processes for selected green transition investments that take into account the DNSH principle (so called Priority Treatment)¹. This new initiative was in a planning phase at the start of the project in 2022, but got supported by the project in developing guidelines for its implementation.

As outlined in the Request for Services (RfS), Finland intends to increase its administrative capabilities and knowledge on the application of the DNSH principle by drawing inspirations notably from the DNSH assessments conducted in the context of the RRF, as well as from the actions by national authorities to apply DNSH principles on a voluntary basis (e.g., Finnish Climate Fund).

1.2 Presentation of the Beneficiary Authority

The Ministry of the Environment is the main Finnish beneficiary. The project is also participated by the Ministry of Agriculture and Forestry, Ministry of Economic Affairs and Employment as well as Ministry of Finance. In addition to the representatives from these ministries, Business Finland and State Treasury representatives participated in the Steering Committee work and Climate Fund representatives were consulted as advisors. Over the course of the project state aid and regional authorities as well as private sector representatives participated in the work. Piloting phase projects was completed in a close collaboration with the

¹ <https://avi.fi/vihrea-siirtyma-2023-2026>

Regional State Administrative Agencies, Finnish Transport Infrastructure Agency, and Hydrogen cluster Finland.

1.3 Project objectives

Project title	Do No Significant HARM (DNSH) Guidelines for Implementing the Green Transition in Finland
Overall objectives	<ul style="list-style-type: none"> • Finnish public sector authorities have good comprehension of the orientation of public funds towards climate and environmental objectives and understanding of DNSH values (at which points the harm becomes significant) requires clear guidelines, materials, and efficient data and monitoring systems. Long term impacts are visible in, e.g., clear progress towards reaching national climate targets. • There is increased capacity in all relevant funding /public sector organisations to integrate the DNSH principle into public investments in Finland. Long term impacts are reached when all funding organisations have integrated the DNSH principle to be part of their normal processes and basic training. • Project will contribute to the implementation of the European Green Deal. Long term impacts are measured by the progress in which EU Member States take the guidelines and lessons learned ahead.
Main Tasks	<ul style="list-style-type: none"> • Evaluate current and planned investments against EU climate targets, identify investment gaps in key sectors, and develop public sector strategies to accelerate investment and close these gaps. • Review the application of the DNSH principle in EU and national funding, assess the alignment with environmental laws, identify EU best practices, and create tailored DNSH guidelines for implementation in Finnish national funding. • Map DNSH monitoring obligations, determine necessary reporting data for investment managers and beneficiaries, analyse data management, and develop recommendations with stakeholder involvement. • Develop training and awareness materials for those managing public investments and beneficiaries, conduct awareness activities, and deliver at least six hands-on training sessions for capacity building. • Provide sector-specific support for piloting DNSH guidelines in 3-5 investments, develop tailored training materials, revise guidelines based on pilot feedback, and recommend strategies for scaling up pilots. • Create two awareness raising final seminars for relevant stakeholders in Finland and Europe • Create a final report and communication materials
Deliverables	<p>Deliverable 1: Inception report</p> <p>Deliverable 2: Review report on contribution of selected expenditures to climate and environmental policy targets and further investment needs</p>

	<p>Deliverable 3: Report on DNSH guidelines</p> <p>Deliverable 4: Report on recommendations for data governance structure for DNSH</p> <p>Deliverable 5: Completed trainings sessions, ready to use training and awareness raising materials</p> <p>Deliverable 6: Report on the lessons learned from pilots and recommendations for scale-up</p> <p>Deliverable 7: Seminar materials and summary report from seminar discussions</p> <p>Deliverable 8: Final report and Communications</p>
Project starting date	26.6.2022
Project duration	21 months (original duration 23 months)

2 Summary of project activities

2.1 Inception phase

Deliverable 1: Inception report (see Annex 1)

The **official project start date was the 26th June 2022 (contract signing date)**, with the kick-off meeting held on 30th June 2022. This was followed by the **submission of the inception report on 22nd August 2022**.

To support the project activities and ensure effective coordination and engagement, a Steering Committee (SC) was established. The role of the SC during the project was to review and provide feedback and suggestions on project activities, workplans, and draft reports. The core members of the SC were composed of representatives of the following stakeholders:

- European Commission (DG REFORM), Ministry of Environment (the main beneficiary of the project), Ministry of Economic Affairs and Employment, Ministry of Finance, Ministry of Agriculture and Forestry, The State Treasury and Business Finland
- The Steering Committee was supplemented with several observers: SG RECOVER, JRC, DG CLIMA, DG REGIO, DG ENV, Ministry of Foreign Affairs and The Finnish Climate Fund
- For more day-to-day support, a Management Committee (MC) was established that met during the first six months bi-weekly and after that, once a month until the end of the project. Management Committee members were:
 - DG REFORM, Ministry of the Environment, Ministry of Economic Affairs and Employment and the project team

A series of consultations were held between the Steering Committee members and the project team to clarify the scope and approach for specific tasks. The project team also compiled relevant data sources and conducted reviews of material and literature considered relevant to the work. The first Steering Committee meeting was held on 30th August 2022.

The Inception Report (D1) contained a description of the Inception Phase, the project context, the approach of the project and project tasks, the workplan and timetable for the project, as well as project management, governance and quality control procedures. Throughout the project an interactive Howspace platform was used for project management which stores all meeting memos as well as drafts of deliverables. The project platform will be archived at the end of the project but all the materials will remain and accessible if requested (from Gaia Consulting).

A draft of the inception report (D1) was submitted on 22.8.2022. The inception report was approved on 28.9.2022.

2.2 Work package 1 – Review report on contribution of selected expenditures to climate and environmental policy targets and further investment needs

Deliverable 2 Review report on contribution of selected expenditures to climate and environmental policy targets and further investment needs (See Annex 2)

The objective for Deliverable 2 (D2) was to provide the Finnish public sector authorities with a good comprehension of the contribution of public funding programmes towards the country's climate and energy targets, assess their role in closing sectorial investment gaps, and track their consistency with the Taxonomy Regulation, including the DNSH principle. In the end, the D2 work concentrated around detailed analysis on two sectors for the green transition in Finland: Hydrogen and Mire restoration sectors. In addition, a MS Excel based tool was provided for the public authorities in the form of a dashboard in order to allow continuous tracking of relevant progress of sectors in terms of committed and expected investments against national climate and energy targets. It was decided to present the MS Excel tool in a workbook format, complemented by an instructions manual, as at the time of conducting the D2 work quite some significant data gaps were observed which hindered the team in making a complete assessment at that time. Instead, the Excel dashboard now serves as a "live" monitoring tool that allows the public authorities to update themselves based on real-time (latest) information.

Deliverable 2 had the following tasks:

- Finalising the selection of sectors (including scoping workshop)
 - The workshop that included members from the Steering Committee, the observers and additional technical experts from Steering Committee represented organisations was held on 17.10.2022

- Follow up discussions were held after the workshop to end up in the two final sectors: Hydrogen and Mire restoration
- Assessment of current expenditure and planned investments against the EU Taxonomy, and EU and national climate and energy targets
- Assessment of the investment gap in key sectors and contribution of planned public investments in the key sectors.
- Assessment of potential public sector interventions to accelerate investments and close the investment gaps of key sectors

The first submission of the report and its annexes was 28.4.2023 and revised version taking into consideration the comments from the Steering Committee was submitted 23.5. The Deliverable 2 report was approved on 9.6.2023.

2.3 Work Package 2 – National Guidelines and trainings

Deliverable 3 Report on DNSH guidelines (See Annex 3)

Deliverable 3 (D3) was the most significant part of the project since it included developing the national DNSH guidelines for Finland that the rest of the project would further develop and ultimately would be the final output of the entire project. On top of developing the actual DNSH guidelines (delivered as an Annex to the D3 report), Deliverable 3 included several other tasks:

- Review DNSH applicability for national and EU level funds and programmes
- Analyse coherence of EU and national environmental legislation
- Identify and review best practices in the EU
- Identify and review existing DNSH guidelines/mechanisms in Finland
- Analyse how to best govern the implementation of the DNSH guidelines
- Develop tailored draft guidelines for the application of the DNSH principle
 - This task included creating two sets of guidelines created for the Finnish national funding purposes. Guidelines for programme design and programme level assessment and project level assessment guidelines with separate assessments for simplified and detailed assessments. A project screening questionnaire was added to aid authorities to designate projects to either simplified or detailed assessment based on the project if no unified decision about the level of assessment was made at the programme level.
 - In 2022 Finland started planning of the new Priority Treatment process that gives a priority to certain green transition projects in environmental and water permitting process. To get the priority status, the applicants need to take into account the DNSH principle. Project Team participated in the task force

developing the overall instructions and developed DNSH related guidelines. The Priority Treatment law came into force 1.1.2023.

The D3 report included a detailed analysis of the current situation of DNSH implementation in Finland at the time of writing the report in late 2022 and early 2023. It also includes recommendations for future development.

The different DNSH guidelines were discussed in Steering Committee and Management Committee meetings on 8.12.2022; 8.3.2023; 16.5.2023, and 9.6.2023.

The first draft of Deliverable 3 was submitted for the Steering Committee on 31.3.2023. The second version of the DNSH guidelines was circulated for the Steering Committee on 23.5.2023 and the final version was approved on 9.6.2023.

Deliverable 4 Report on recommendations for data governance structure for DNSH (See Annex 4)

The scope and purpose of Deliverable 4 was to focus on data management and reporting issues related to DNSH. There are many links between this report and the D3 report on DNSH guidelines, which also includes analysis and guidance on monitoring, reporting and implementation practices. The main report on D3 also includes recommendations on the governance of DNSH linked to data and monitoring issues.

The initial task for D4, as defined in the RfS, was to assess the feasibility and draft recommendations for the establishment of a common database for the collection of relevant data and to co-develop technical requirements for the database. Since the publication of the RfS, the needs of the Finnish authorities for such a common database changed, and therefore D4 got rescoped together with the Management Committee. An important development is the major on-going renewal of the national state aid model for government grants², which has been considered when drafting future recommendations.

The tasks of Deliverable 4 included:

- Mapping of DNSH related monitoring obligations
- Identify the minimum level of data needed for reporting purposes from 1) entities managing public investments and 2) project implementers/grant beneficiaries
- Analyse how to best govern and steer the collection and management of data
- Create recommendations and also engage key stakeholders to co-development in the design and testing of the recommendations

The work was done in close cooperation with Business Finland, the State Treasury and Ministry of Finance who were identified as the key stakeholders.

It was concluded that the largest interest for DNSH data lies in the most sensitive, company specific data that is not being able to be shared. This would imply that only the most non-

² <https://vm.fi/valtionavustustoiminnan-kehittaminen>

relevant parts of DNSH data, meaning did the project pass or not pass the DNSH assessment, could be shared on the joint open data platform. In the end it was not recommended that such a platform would be created.

It was also concluded that Finland (Ministry of Finance having the main responsibility) is in the middle of a major renewal of all state aid operations and integrating them all into one operating system covering all phases from call to final payments. It was noted that there has so far not been any shared environmental conditions or criteria for state aid, since the sectors and beneficiaries of the aid are so different amongst each other, but that the renewed platform could serve as a way to pilot if DNSH objectives could serve as the common environmental criteria for all state aid in the future. It was also noted that the location of national DNSH guidelines could be in this platform after the closure of this TSI project.

The Deliverable 4 report was submitted for the Steering Committee on 31.5.2023 and approved on 1.9.2023.

Deliverable 5 Completed trainings sessions, ready to use training and awareness raising materials (See Annex 5)

The objective of Deliverable 5 was to organise training and capacity building sessions for Finnish authorities on the different national DNSH guidelines created within the context of the project, as well as to create awareness among the relevant industries and prospective project proponents that could be impacted by DNSH requirements when applying for national funding moving forward.

The tasks within Deliverable 5 were as follow:

- Develop training and awareness raising material for 1) authorities managing public investments and 2) project implementers / grant beneficiaries
- Awareness raising communication activities
- Conducting at least 6 hands-on capacity building training sessions

The trainings needs were first identified already during Deliverable 3, when all the public authorities dealing with DNSH were asked if they would be interested in the trainings. The ones who responded positively were contacted with further inquiries about their training needs and the request to register to the trainings later during summer 2023.

Based on the feedback and needs of the potential participants, it was decided that the trainings were organised as a module training instead of having full training days. This would enable more people to participate, make the trainings more accessible and encourage learning between the trainings. Some parts of the modules were meant for all interested and some had specialized target groups.

Trainings were organised in teams as webinars and the modules also used interactive Howspace learning platform.

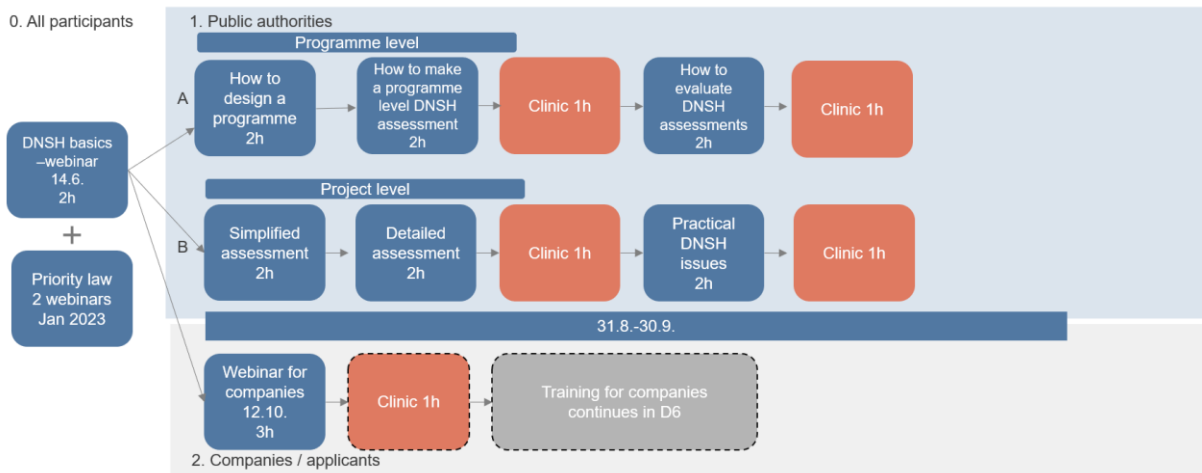


Figure 1: Module format of the trainings

Table 1: Participants in each parts of training

Module	Dates	Participants
The DNSH basics webinar	14.6.2023	Registered: 316 Participated live: 270 On top of this, the recording is freely available
The priority treatment information seminar and trainings	Seminar: 12.12.2022 Trainings: 18.1.2023 23.1.2023	Approximately 300 attendees totally
Programme level trainings	30.8.2023 6.9.2023 20.9.2023 Clinics: 13.9.2023 27.9.2023	Programme level training, registered 22 Training 1 participants: 19 Training 2 participants: 14 Training 3 participants: 15 For each clinic 5-10 participants
Project level trainings	31.8.2023 7.9.2023 21.9.2023 Clinics: 14.9.2023 27.9.2023	Project level training, registered 57 Training 1 participants : 48 Training 2 participants : 41 Training 3 participants : 32 For each clinic, 10-20 participants

Applicant webinar	12.9.2023	Registered: 10 Participated: 4 No registered participants to separate clinic
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The summary report of Deliverable 5 included all used training materials and summary of the feedback as well as future recommendations. Howspace pages can be reactivated at any time if there are future needs for trainings to use the platform.

The Deliverable 5 report with annexes was submitted to the Steering Committee 31.10.2023 and approved on 15.12.2023.

2.4 Work Package 3 – Piloting and Final seminars

Deliverable 6 – Report on the lessons learned from pilots and recommendations for scale-up (See Annex 6)

The aim of Deliverable 6 (D6) piloting phase was to provide tailored and hands-on support to the selected public authorities and stakeholders through dedicated pilots in the application of the DNSH guidelines prepared in Deliverable 3 (D3) of the project and draw recommendations based on the lessons learned from these pilots. The aim was also to provide updates to the national DNSH guidelines developed in D3 based on the latest updates of the Commission’s technical guidance towards the DNSH application under the RRF as well as feedback and comments during the training and capacity building sessions as part of Deliverable 5 (D5). It was originally foreseen during the inception phase (as documented in the Inception Report) that the piloting would target selected industrial sectors. Together with the Steering Committee the scope of the piloting was broadened towards the application of the DNSH principle for other use cases, such as the Priority Law. The selected pilots therefore represent different viewpoints and use-cases to DNSH application in Finland.

The deliverable had the following tasks:

- Provide ad-hoc sector specific support in piloting the use of the guidelines on 3-5 pilot investments
- Develop training material tailored for pilot sectors
- Revise guidelines and recommendations for data collection systems based on lessons learned
- Drawings recommendations on ways to scale up the pilots

The pilots were identified to be:

- The first evaluation of how the priority treatment guidelines have worked over the first 9 months of implementation

- The Finnish Transport Infrastructure Agency to investigate how DNSH could be implemented at an organisation level. Both project and investment programme level instructions were investigated
- Hydrogen Sector to cover specific DNSH related questions on a highly relevant and growing sector that is yet to have sector specific guidance. Project level guidelines were investigated with the pilot.

The pilots were planned during the summer of 2023 together with the pilot beneficiaries and the Steering Committee and they were executed between September and November 2023. A separate report was prepared of each pilot. After the completion of the different pilots by December 2023, the national DNSH guidelines were updated to better include some new learnings from the updated RRF DNSH guidelines, lessons learned during the trainings sessions of D5 and some observations made by the Management Committee. There was no major change to the structure or flow of the DNSH guidelines. The main corrections were to better include both direct and indirect impacts and the need to consider the life cycle of the project. It was also further clarified that these guidelines are not meant for EU funding purposes.

The D6 report, together with the pilot specific reports as annexes, were first submitted to the Steering Committee for official comments on 21.12.2023 and revised versions after comments on 2.2.2024. The main D6 report and the three pilot reports were approved by the Steering Committee 5.2.2024. The updated guidelines (Annex 4 and 5) were accepted in Management Committee 20.3.2024.

Deliverable 7 – Seminar materials and summary report from seminar discussions (See Annex 7)

The objective of this deliverable was to organise two final seminars to disseminate the DNSH guidelines, the piloting work, the lessons learned of the project for relevant stakeholders and allow for peer-learning opportunities with other EU Member States. As the needs and (political) situation in Finland evolved during the project, the scope of the seminars changed accordingly. In the end, one seminar was held as a webinar and one as a hybrid event with live participation in Helsinki. The first seminar was held on 1.12.2023 and it covered mainly the updated RRF DNSH Guidelines and lessons learned from the three pilot cases. The second seminar was held on 15.2.2024 at the Ministry of Finance's conference center in Helsinki and it covered all major lessons learned throughout the project and had many stakeholder voices from Finland the other EU Member States and the Commission services.

- Organise the seminars (planning, identification of participants and speakers, advertisement)
- Develop seminar agendas, materials, identification of experts in close coordination with the beneficiary authority and DG REFORM
- Facilitating the seminars and producing draft communication materials
- Drafting and submitting the reports from seminar discussions and key recommendations

Both events had strong interest and had great participation (webinar with 59 participants, and the seminar round 150 participants for the whole day). Both events featured speakers from multiple member states, high level speakers from the government and the commission and had lively discussion about the current practices and future development of DNSH.

The Deliverable 7 report was submitted for comments on 29.2.2024 and accepted 20.3.2024.

Deliverable 8 – Final report and Communications (This report)

The final deliverable, this report, aims to summarise each deliverable in terms of the main learnings and findings of each working package. It also tracks the changes made to the RfS along the way. Annex 8 contains a table summarising how each deliverable answers to tasks mentioned in the RfS.

The only task of the final report is as follows

- Elaborate final report and communication material (summary presentation and updated project fiche)

The Deliverable 8 report was submitted for comments on 29.2.2024. The report was accepted by Management Committee 20.3.2024 and by European Commission via email on 5.6.2024.

3 Lessons learned and recommendations

Over the course of two years, the topic of green transition, green investments and assessing environmental impacts of different investments have grown exponentially. At the start of this TSI project, DNSH was most relevant in the context of RRF funding and the EU Taxonomy itself. Given that around half of EU's budget is considered to be under DNSH governance until 2027³, and indications on the DNSH principle being considered and incorporated to more EU public funding instruments under the post-2027 EU Multiannual Financial Framework (MFF) and possibly national Finnish funding programmes, it is evident that DNSH is here to stay and will increase in importance as green mainstreaming tool for various applications (e.g. green budgeting).

- After this project ends, Finnish beneficiaries should continue building up the capacity and information sharing among national, regional and local public authorities in order to be prepared for efficiently responding to DNSH principle application and requirements for EU funding opportunities under the next MFF.

³ Joint Research Center 2023, The implementation of the 'Do No Significant Harm' principle in selected EU instruments: <https://publications.jrc.ec.europa.eu/repository/handle/JRC135691>

The TSI project has been able to assess how the Finnish government and national funding authorities have implemented DNSH in their funding programmes in the inaugural phases of DNSH so far. The TSI project has been able to reach hundreds of civil servants and industry representatives within Finland and other EU Member States and gained insights directly from various Commission services. Based on all the knowledge and experiences, the project was able to develop two sets of sector agnostic DNSH guidelines, that can be further developed to serve all types of public funding in Finland and other EU Member States.

The programme DNSH guidelines provide a novel way of incorporating DNSH into organisation level planning and programme design, and enable public authorities to design funding programmes in a way to be DNSH compliant from the start in order to avoid unnecessary DNSH assessments when not really needed. The developed project level DNSH assessments then serve as a way to target the assessment into projects that mainly require the assessment.

- Finnish beneficiaries should ensure that after the trainings and co-development of guidelines, these would be further used and tested with national funding programmes and updated when needed.
- Guidelines to be accessible for variety of users, it should be kept in mind that a logical location for them would be within the future new state aid information system together with other environmental instructions.

Even with all the development and many lessons learned, there remain still many technical and complex questions that need resolving before DNSH can be mainstreamed. Some of the remaining development will require dedicated work from the Commission, some can be done at national or even at an organisation level. Incorporating DNSH into new avenues should always serve a purpose and should not cause undue burden to authorities and applicants. Both parties also require a lot more guidance on making sure each project is evaluated with objective, clear and transparent criteria on what counts a significant harm. Shared methodologies, exclusions lists, and sector specific thresholds are needed for especially sectors outside of Taxonomy since DNSH can be implemented also for activities that do not promote green transition.

- Finland should continue work with selected key sectors to further clarify the sector specific most challenging questions.
- Finland's priority treatment process is an interesting example of applying DNSH in other contexts and these types of experimentations would be welcomed. They also need careful evaluations of their impacts.

Over the **project execution** the following elements were considered the main challenges and potential risks that were solved as the work progressed but could be taken into account in future project planning:

- **Flexibility and adaptation of the work plan.** Since the drafting of RfS, a lot of changes has taken place both in Finland and at the European level around the application and interpretation of the DNSH principle under public budget programmes. This means that also some of the needs were not any more relevant at the time of

the execution of the project and new needs emerged. One of the main topics was the introduction of the law on priority treatment and its link to DNSH that was not foreseen at the time of drafting the RfS. From the beginning of the project there has been great flexibility from Steering Committee and Project Team to adapt the work plan accordingly to overcome changing needs.

- **Delays in decisions and data access.** First work packages contained a lot of practical work but also encountered some delays – decisions to select sectors for D2 work and access to DNSH assessments that contained classified business information. These types of delays are normal with these type of projects and were solved in a pragmatic manner. Lessons learned for future would be to pay more attention to the needs of beneficiaries and leave also more flexibility to change work plan substantially if there is no clear ownership or need for specific tasks.
- **Engagement of large number of stakeholders.** Overall DNSH as a new topic spreads throughout the public funding system which in Finland covers about 90 funding authorities and the project also extended towards environmental permitting processes through the priority treatment. Industry and other funding recipients create additional interest groups. Project did well in getting involved with the necessary and prioritised stakeholders and worked closely in collaboration with beneficiaries to design the work. Project could have done even more with targeted communications. Additional resources or more targeted objectives for the stakeholder engagement work would have enabled to get even more out from the project results.

Annex 1. Inception report

Accepted and public report can be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Annex 2. Review report on contribution of selected expenditures to climate and environmental policy targets and further investment needs

Accepted and public report can be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Annex 3. Report on DNSH guidelines

Accepted and public report can be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Annex 4. Report on recommendations for data governance structure for DNSH

Accepted and public report can be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Annex 5. Completed trainings sessions, ready to use training and awareness raising materials

Accepted and public report can be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Annex 6. Report on the lessons learned from pilots and recommendations for scale-up

Accepted and public report will be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Annex 7. Seminar materials and summary report from seminar discussions

Accepted and public report will be found at the Ministry of the Environment's webpages:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Deliverable 8: Final Report

Annex 8: The list of completed tasks related to Request for Services

Date of modification: 6.6.2024

Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
Deliverable 1: Inception			
Organising the kick-off meeting, delivering a presentation and drafting meeting minutes	Described in the inception report	D1	Completed
Conducting further technical consultative meetings, where need is identified either by the MoE or the contractor	Described in the inception report	D1	Completed
Drafting and submitting the inception report (incl. visual summary fiche).	Done	D1 as a whole	Completed / Accepted
Deliverable 2: Review report on contribution of selected expenditures to climate and environmental policy targets and further investment needs			
Mapping of selected expenditure items (planned investments in principle) in relation to their contribution to the six environmental objectives (defined in the EU Taxonomy), including the verification of how they align with the DNSH principle. Investments and reforms under the RRF have already been assessed and screened and this analysis should be the basis for the task;	Task 2.1.	D2 Chapter 2.2.3 and 2.3.3	Completed
Analysing examples of current and planned investments and investment needs against EU and national climate and energy targets, with the aim to assess whether the current and planned investments are on track to achieve the objectives set out for them	Task 2.2	D2 Chapter 2.2.4 and 2.3.4	Completed
Developing an estimate of the investment gap in the selected sectors with reference to explicit benchmarks to reach climate neutrality of key economic sectors	Task 2.2	D2 Chapter 2.2.4 and 2.3.4	Completed
Identifying most effective public sector intervention targets, co-financing mechanisms and foreseeable resource allocations	Task 2.3	D2 Chapter 2.2.5 and 2.3.5	Completed
Conducting a review of the coherence of legal frameworks to	Task 2.3	D2 Chapter 2.2.5 and 2.3.5	Completed



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Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
support the green transition in the changing operating environment			
Identifying the most pressing needs to accelerate investments and possible remedial action with the highest potential to close the financing gap (if/when identified) contribute to the climate and environmental objectives	Task 2.3, focus will be on climate and energy objectives	D2 Chapter 2.2.5 and 2.3.5	Completed
Drafting and submitting the report	Done	D2 as a whole	Completed / Accepted
Deliverable 3: National DNSH guidelines for application of the DNSH principle			
Reviewing the scope of national and EU funds and programmes to which DNSH guidelines will initially apply (RRF funds, cohesion funds, other EU funds; voluntary application to investments and spending at national level are subject to scoping) and outlining the differences in the requirements for its application	Task 3.1	D3 Main Report: Chapter 2	Completed
Analysing relevant national and EU environmental legislation in order to identify “coherence of legal frameworks” with the DNSH principle as well as the coherence with the DNSH framework of the Taxonomy Regulation and, where relevant, including also the coherence with the technical screening criteria of the Taxonomy Regulation, taking into account feedback from relevant national authorities and other stakeholders	Task 3.2. It has been further clarified with the MC that the task contains the collection of national legislative framework and its applicability for fulfilling DNSH criteria as well as listing on-going relevant forthcoming changes.	D3 Main Report: Chapter 4	Completed
Identifying good practices in relevant EU Member States and gathering of lessons learned from the RRP preparation in Finland	Tasks 3.3 and 3.4.	D3 Main Report: throughout all chapters. The lessons learned and examples from other EU Member States are integrated with relevant places as information boxes.	Completed
Conducting a critical review of existing guidelines/mechanisms for the application of DNSH in the context of the RRF in Finland and in identified good practices in EU	Tasks 3.3 and 3.4	D3 Main Report: Chapters 3 and 6. Chapter 3 contains review and analysis, Section 3.3 summarises the main	Completed



Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
Member States		challenges identified. Chapter 6 builds on these to provide recommendations.	
Analysing how to best govern and steer (by the national authorities) the implementation (by the practitioners) of the DNSH guidelines	Tasks 3.4 and 3.5	D3 Main Report: Chapters 3 and 6.	Completed
Developing 2 sets of guidelines – one for authorities managing public investments and one for project implementers/grant beneficiaries – on the application of the DNSH principle, adapted to the national or EU funds or programme under which it is falling (RRF funds, cohesion funds, other EU funds, investments, other expenditure at national level)	Task 3.5. Here it should be taken into account that the structure of guidelines has changed after the inception phase as approved by the SC. There are 3 main sets of guidelines: 1) separate priority law instructions that contain DNSH related part, 2) programme level guidelines that are targeted to authorities and 3) project level guidelines that are applicable both for funding authorities and grant beneficiaries. It should be noted that most of the content as requested in RfS are covered in programme level guidelines.	D3 Main Report: Chapter 5 and two stand-alone annexes: programme level (Annex 1) and project level guidelines (Annex 2) to the D3 Main Report	Completed
Submission of the draft guidelines	Task 3.5	D3	Completed / Accepted
Deliverable 4: Report on recommendations for data governance structures for DNSH			
Mapping of DNSH related reporting obligations of the different EU funds and programmes (with reference to deliverable 3)	Task 4.1	D4 Chapter 2	Completed
Identifying the minimum level of data needed to report on implementation of the DNSH principle at both levels: 1) entities managing public investments; and 2) project implementers/grant beneficiaries	Task 4.1	D4 Chapter 2	Completed
Analysing how to best govern and steer the collection and management of data towards EU Taxonomy alignment (data sources justifying compliance with DNSH	Tasks 4.1 and 4.2, one should note that part of the governance and steering analysis is the identification of data	D4 Chapters 3 and 4	Completed



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Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
principle and EU Taxonomy Regulation). If a need is identified, the analysis could also cover defining or redefining a list of impact (or pressure indicators) for each of the six environmental objectives	needs. The issue of lists of impact indicators is dealt with in more depth in D3 and D2 due to changes in focus for D4 as agreed with the Steering Committee.		
Engaging with key stakeholders (data users) in the design and testing of the recommendations	Task 4.3, the engagement will focus on the identification of the needs for DNSH related data, the work has not covered the details of technical design as there has not been identified needs that would point to the direction of developing separate national data platforms.	D4 Chapters 5 and 6	Completed
Assessing the feasibility and drafting of recommendations for establishing a common database for relevant data collection	Task 4.2, as agreed at the inception phase, the task will focus on assessing the pre-conditions and on identifying the need for a common database. The result is that there is no need for a common database that would be feasible to initiate.	D4 Chapter 5 and 6	Completed
Co-developing of technical requirements for the database	Task 4.2., as agreed at the inception phase, the task will focus on assessing the pre-conditions and on identifying the need for a common database. Rather than co-developing technical requirements, there is particularly a need to further co-develop and understand the user needs and potential use of the data which will further elaborated in the D5 and D6 with training and piloting	D4 Chapter 5	Completed
Drafting and submitting a report	done	D4	Completed / Accepted
Deliverable 5: Training sessions supported by training and awareness raising material			
Developing capacity building and awareness raising material on the use and application of the	Tasks 5.1 and 5.2. With the Steering Committee approval the structure of	D5 and annexes	Completed

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Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
guidelines, data collection systems and reporting mechanisms for the two stakeholder groups: 1) authorities managing public investments and 2) project implementers/grant beneficiaries. Dedicated contact persons per entity should be trained (“train the trainers” approach)	the trainings was designed to be more modular and consisting of different steps. These modifications were also based on the survey that was completed as part of Task 5.1 in January 2023 to identify needs for trainings.		
Conducting at least 6 hands-on capacity building training sessions of 2 days for approx. 15 - 20 participants each, including video recording.	Tasks 5.2 and 5.3. See above, the training modules were shorter but more of them. Task 5.3 feedback and lessons learned are documented in D5 report.	D5 and annexes	Completed
Drafting and submitting a report	done	D5 as a whole	Completed / Accepted
Deliverable 6: Report on pilot application of guidelines with updated guidelines following the pilot and ad-hoc support			
Providing ad-hoc sector-specific support in piloting the use of the guidelines on 3 – 5 pilot investments (for minimum of 200 expert hours)	Tasks 6.1. and 6.3. During summer 2023 with the Steering Committee it was decided to change the piloting phase so that instead of specific sectors or individual investment cases, the pilots demonstrate the different use cases of DNSH principle. This responded to the beneficiary requests for flexibility and provided ad-hoc support. Workplans for each pilot demonstrate the resource use for pilots exceeding clearly the minimum.	D6 summary report and pilot specific reports in Annexes 1, 2 and 3.	Completed/ Accepted
Developing training material tailored to the pilot sectors	Task 6.2. Reflecting the changed scope for piloting, sector specific training materials were not produced, but the pilot results were communicated to wider audiences in different contexts.	D6 summary report and pilot specific reports in Annexes 1, 2 and 3.	Completed
Revising guidelines and recommendations for data	Task 6.4. The guidelines submitted as part of D3 were revised based on	D6 report Annex 4 and Annex 5	Completed/ Accepted



Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
collection systems based on lessons learned during the pilots	results both from D5 and D6 piloting. A separate change log memorandum lists in detail the specific changes done. One should note that based on results from D4, there is no need to further pursue the recommendations related to data collections systems.		
Drawing recommendations on ways to scale up the pilots, based on the lessons learned. This could entail also recommendations on further integration of the DNSH principle in public financial management systems in Finland.	Task 6.5. After revising the scope of the piloting phase, scaling up in the project refers to the use of DNSH principle in different contexts. The lessons learned from the pilots are reported in the summary report based on the project team analysis work, discussions with beneficiaries and stakeholders participating in the pilots.	D6 Chapter 6	Completed
Deliverable 7: Summary report from seminars on exchange of good practices			
Organising at least two one-day seminars for approx. 50-80 participants each (additional participants may be included in a hybrid or online format)	Task 7.1. With Steering Committee it was decided that other final seminar is a webinar and that was delivered already on 1.12.2023 and reported to the Steering Committee in the meeting 15.12.2023. The Steering Committee also decided that the final seminar 15.2.2023 will be until lunch and not full day.		Completed
Developing the seminar agendas, materials, identification of experts in close coordination with the beneficiary authority and DG REFORM	Task 7.1.		Completed
Facilitating the seminars (of panels, focus groups etc)	Task 7.2.		Completed
Producing draft communication materials for the seminars	Task 7.1.	Communication for the seminars was done in cooperation with the Management	Completed



Task in Request for Services	Task in inception report and agreed modifications	Reference to deliverables	Status
		Committee. Initial posts about the seminar were published on Gaia Consulting's communications channels.	
Drafting and submitting the reports summarising salient discussions points and key recommendations from the seminars	Task 7.3.	D7 report and annex	Completed/ Accepted
Deliverable 8: Final report			
A summary of the activities carried out during the implementation of the project;	Task 8.1	D8 report	Completed
The challenges encountered and the way they were overcome	Task 8.1	D8 report	Completed
The results achieved and the update of the monitoring indicators of project outcomes	Task 8.1	D8 report	Completed
The lessons learned and recommended follow-up actions (what, who and when)	Task 8.1	D8 report	Completed
In addition, the contractor will also prepare a short presentation, using simple and illustrative text (i.e. PowerPoint) and a factsheet (1 to 3 pages) summarising the project's context, objectives, delivered support and achieved results.	Task 8.2	D8 annex 9	Completed/ Accepted
Drafting the report and annexes comprising notably all the other deliverables and the visual project summary fiche.	Task 8.2	D8 annex 10	Completed/ Accepted



Annex 9. Project summary presentation



Do No Significant Harm Guidelines for Implementing the Green transition in Finland

PROJECT SUMMARY PRESENTATION 29.2.2024



REFORM/SC2022/063

DO NO SIGNIFICANT HARM (DNSH) GUIDELINES FOR IMPLEMENTING THE GREEN TRANSITION IN FINLAND

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Content



1. Introduction of the project
 1. Project's Context and Objectives
 2. Delivered Support
2. Achieved results
 1. Creating Guidelines
 2. Lessons learned from applying DNSH principle
3. Final remarks and future needs

Introduction of the project

DNSH in Finland Project

DNSH Guidelines for Implementing the Green Transition in Finland



What is the project about?

- ✓ The DNSH in Finland project runs from June 2022 to April 2024 and aims to **provide guidance to Finnish authorities in implementing the "Do No Significant Harm" (DNSH) principle in public funding.**
- ✓ The project **contributes to the European Green Deal** by providing the Commission, the EU Member States and wider community of DNSH practitioners lessons learned and guidance.

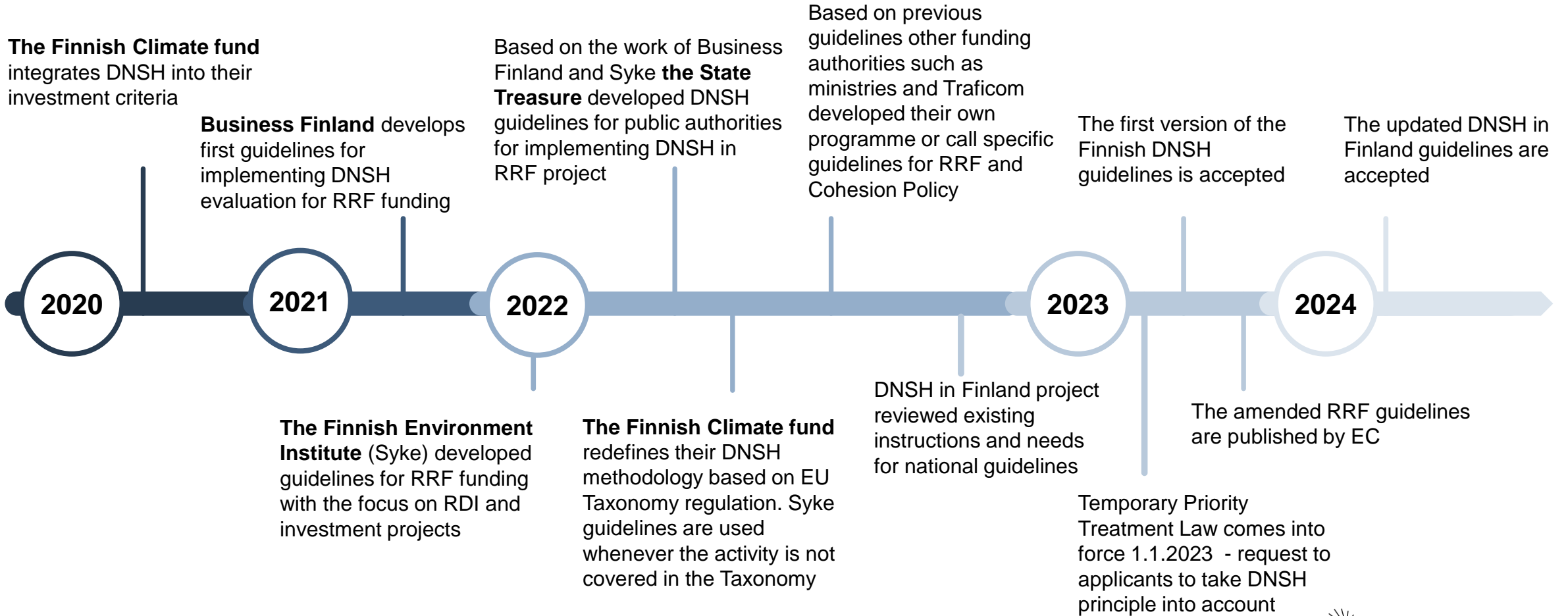


Who is responsible for the project?

- ✓ The Ministry of the Environment is the main Finnish beneficiary. The project is also participated by the Ministry of Agriculture and Forestry, Ministry of Economic Affairs and Employment as well as Ministry of Finance. The project is supported by European Union's Technical Support Instrument (TSI).
- ✓ The project is implemented by Gaia Consulting Oy (Finland), Trinomics BV (Netherlands) and AARC (Ireland)



Development of DNSH Guidelines and Governance in Finland



Summary of project results



06/2022

02/2024

Review of green investment needs in two sectors: **hydrogen economy** and **mire restoration**. Mapping of public funding in these sectors in relation to their contribution to the six environmental objectives.

Analysis of the status in Finland in 2022 of **governance structures regarding DNSH** – main focus on practices that over 30 funding authorities have had to implement RRF funding and needs for developing national guidelines

Development of two sets of DNSH guidelines for national public funding: 1) **programme level guidelines** 2) **project level guidelines** and 3) developing guidelines for **DNSH in Priority Treatment**

Analysis of the DNSH related public funding data flows and the needs for development.

Development of training materials and provision of trainings on DNSH guidelines to over 300 people – open webinars and targeted training programme for public authorities

Three DNSH pilot cases to test the use of DNSH principle in different contexts and collect lessons learned.

1. **Finnish Transport Infrastructure Agency** – mapping their existing guidelines with DNSH principle
2. **Priority treatment** in environmental permitting – lessons learned from the first year of implementation
3. **Hydrogen sector** – special features of applying DNSH principle in the sector

Final seminar today!

All project reports and further information available in:
<https://ym.fi/hankesivu?tunnus=YM036:00/2022>

Achieved results

Background to the DNSH guideline development



In Finland there are about 90 state aid funding authorities under different administrative branches. C.a. 30 of them have been involved in the RRF and had developed their DNSH implementation practices.



Although DNSH assessment from the beginning had simplified and detailed levels, only few projects had undergone the detailed assessment.



Current practices in applying DNSH principle in Finland have focused strongly on project assessments. Programme level evaluations have so far been conducted only in the context of RRF funding in preparing the Finnish RRP.



Based on lessons learned from RRF implementation, it was understood that in order to make DNSH mainstream in Finnish public funding a different approach is needed.

Two separate guidelines were developed



PROGRAMME level DNSH guidelines

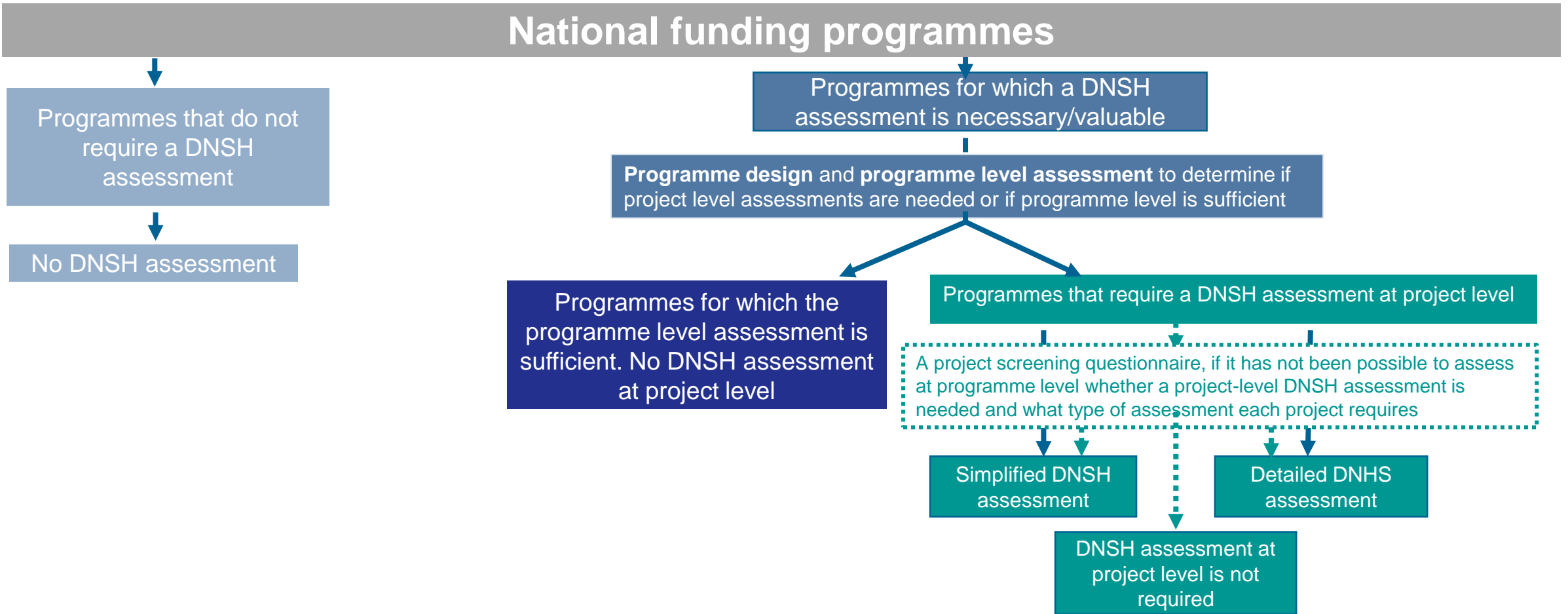
Programme level guidelines provide guidance for authorities on how to design a programme that takes DNSH into account and how to make the DNSH assessment for a whole programme.



PROJECT level DNSH guidelines

Project level guidelines includes **simplified** and **detailed assessment** guidelines for an individual and they can be used by both the applicants and authorities.

DNSH can be implemented differently in different programmes



There are templates and guidelines created for each assessment type



All the assessments follow the same logic where they have main question

“Does the programme/project cause significant direct or indirect harm to THIS DNSH Objective”

And sub-questions that help to answer the main questions. One has to answer all sub questions.

“Does the programme/project increase use of natural resources”

MAIN ASSESSMENT QUESTION		SUB QUESTIONS ON THE ENVIRONMENTAL OBJECTIVE <i>if you answer yes to any sub questions, in order to be DNSH compliant, you have to describe sufficient mitigation actions, or the impact needs to be insignificant.</i>	MITIGATION MEASURES PER ENVIRONMENTAL OBJECTIVE
1	CLIMATE CHANGE MITIGATION Is the project likely to have significant adverse impacts on climate change mitigation? <i>Applicant answer: Yes / No</i> <i>Information and links to third party verified documents</i>	A - Will the project increase greenhouse gas emissions? YES / NO If no, concise justification of answer If yes, describe impact and the mitigation measures	Description of/link to documents supporting the description of mitigation measures
		B - Does the project degrade carbon sinks and/or carbon stocks? YES / NO If no, concise justification of answer If yes, describe impact and the mitigation measures	Description of/link to documents supporting the description of mitigation measures
		C - Does the activity contribute to the use of fossil fuels? YES / NO If no, concise justification of answer If yes, describe impact and the mitigation measures	Description of/link to documents supporting the description of mitigation measures
		D - Any other adverse effect? YES / NO If yes, describe impact and the mitigation measures	Description of/link to documents supporting the description of mitigation measures
<i>Evaluation by funding authority:</i>			

Picture: Example template from detailed assessment. For Simplified assessment and programme level assessment, no mitigation measures are needed

Project completed three pilots of DNSH principle

- Pilots provided insight how DNSH could in practice be used in Finland in different contexts.
- Pilots were also used to test the National Guidelines developed in the project.



Finnish Traffic Infrastructure Agency

- Reviewing existing environmental guidelines of the agency at investment programme and project level – how well is DNSH principle already incorporated in them?
- Recommendations to further develop the agency's guidelines and consider the role of DNSH with big infrastructure projects.



Priority treatment for green transition projects in environmental permitting

- A new legislation on temporary priority treatment for certain green transition investment projects in the permit processing requires applicants to take into account DNSH principle.
- Providing insight how the process has started from applicants' and authorities' point of view.



Hydrogen Sector

- Further insight from on-going hydrogen economy investment projects – what are the special features in fulfilling DNSH requirements?
- Providing a hot topic sector insights on how the criteria are developing.

Key take-aways from pilots



Finnish Traffic Infrastructure Agency

- Four out of six of the DNSH objectives are well covered in the Agency's existing guidelines. Circular economy and climate adaptation were the most underdeveloped areas.
- It is recommended that the Agency strengthens its ability to cover all six environmental objectives in order to have also spill-over benefits for companies involved in projects.



Priority treatment for green transition projects in environmental permitting

- Applicants regarded the priority treatment as a welcomed part of the environmental and water permitting process.
- Initial experience shows that the priority treatment process has generally worked efficiently.
- DNSH covers more objectives than the permitting process. Ideally a DNSH assessment would benefit in influencing the planning and management of investments.



Hydrogen Sector

- Hydrogen sector activities reflect a broad range of economic activities under the EU Taxonomy which leads to an increased need of an understanding of DNSH integration into the whole hydrogen value chain.
- It has been relatively easy to complete DNSH assessments because the principle aligns well with existing business policies, rules, and codes of conduct.

Final remarks and future needs

DNSH is a useful framework that can be adapted to various use cases also beyond public funding



- The DNSH principle can be used as a framework for ensuring that relevant environmental objectives are embedded in a **systematic manner**
- Requests and updates from the use of the DNSH principle **within EU funding** ensure that there is a growing interest towards applying the DNSH principle as a green transition mainstreaming tool.
- There is strong interest towards Finnish Priority Treatment which uses DNSH principle in connection to the environmental permitting process.



Identified challenges that call for further information sharing and experimentation



DNSH IS A COMPLEX STRUCTURE

- Biggest gaps in expert knowledge are with climate and circular economy objectives. Especially in public administration these objectives cause biggest challenges.
- The lack of the definition of significance and lack of clear thresholds across different industrial sectors or complex value chains.

COORDINATION AND EFFICIENCY

- More multiple national use cases – more interpretations and guidelines which may lead the overall picture to get blurred.
- DNSH and environmental permitting processes - there is also a risk of misunderstandings and need for coordination to avoid overlapping processes (same materials and information are used for different purposes at different time slots)



Thank you!

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AARC

gaia
PART OF SWECO

Trinomics 

Annex 10. Updated project communications fiche

Integrating the Do No Significant Harm principle in Finland

Support was provided to Finnish authorities in three interlinked project phases between 2022 and 2024.

Project background

The European Green Deal aims to make Europe climate neutral by 2050, whilst Finland has committed to achieving carbon neutrality by 2035.

The Do No Significant Harm principle (DNSH) has retrieved from the EU Taxonomy, where the principle was mainly intended to be used in private funding, to public funding and even beyond.

Most EU Member States, Finland included, had first experiences with DNSH in the Recovery and Resilience Facility Funding. Since 2021, Finland has started to implement DNSH in various contexts, even in relation to environmental permitting with the introduction of a priority law for green transition projects that have undergone a simplified DNSH assessment. Finland intends to increase its administrative capabilities and knowledge on the application of the DNSH principle in order to mainstream it.

Project results

The project provided guidance to the Finnish authorities on the implementation of the DNSH criteria in national funding decisions. Specific guidelines were created for programme level assessment and programme design. For project level assessment, a designated simplified assessment and detailed assessment guidelines were created.

Training on how to utilise the guidelines was provided for three groups: Programme designers, evaluators of project application and potential applicants.

The guidelines were also piloted in three contexts:

- How the Priority Law's DNSH assessments have worked
- How could the Finnish Transport Infrastructure Agency implement the DNSH guidelines?
- What are the sector-specific questions related to the hydrogen sector

Key results

1

The guidelines produced have proved useful for both authorities and applicants. In particular, programme guidelines provide funding authorities with a way to implement the DNSH principle in a lean and effective way.

2

The guidelines have been piloted in three different contexts, providing support that DNSH can be included in various public funding purposes and even more widely, as in the case of priority treatment for environmental permits.

3

Sector-specific guidelines are needed, including how to define significance, how to consider the whole life cycle of a project, and how to consider indirect impacts caused by the project or programme.

Project team

The project was implemented with the support of AARC Consulting Ltd (Ireland) in partnership with Gaia Consulting (Finland) and Trinomics (The Netherlands).

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