



Deliverable 7 – Summary report from seminars on Exchange of good practices

Draft

REFORM/SC2022/063

DO NO SIGNIFICANT HARM (DNSH) GUIDELINES FOR IM-
PLEMENTING THE GREEN TRANSITION IN FINLAND

28.2.2024



The project is funded by the European Union via the Technical Support Instrument and is carried out in cooperation with the Directorate General for Structural Reform Support of the European Commission.

Table of contents

1	Introduction	2
1.1	DNSH in Finland project.....	2
1.2	Objectives and structure of the report.....	2
2	DNSH today webinar	3
2.1	Programme for the Webinar	3
2.2	Discussion memo from the webinar	4
3	Final Seminar of DNSH in Finland	5
3.1	Programme for the seminar.....	5
3.2	Discussion memo from the seminar.....	7
4	Lessons learned and takeaways	11
	Annex 1: Presentations of DNSH Today webinar.....	13
	Annex 2: Presentations of DNSH in Finland project final seminar	13

1 Introduction

1.1 DNSH in Finland project

This DNSH in Finland project, funded by the Technical Support Instrument (TSI) of the European Commission, provides guidance to Finnish public authorities on the implementation of the “Do No Significant Harm” (DNSH) principle in public funding programme decisions, and to funding applicants on how to follow the principle in their funding applications. The project contributes to the implementation of the European Green Deal by providing the Commission services, other EU Member States, as well as the wider community of DNSH practitioners with lessons learned from a variety of pilot test cases and clear DNSH guidelines.

The project started in July 2022 and runs until April 2024.

The main direct Finnish beneficiaries of the TSI project are the Ministry of the Environment, together with the Ministry of Agriculture and Forestry, the Ministry of Economic Affairs and Employment and the Ministry of Finance. In addition, the indirect beneficiaries include state agencies and regional environment authorities.

This report summarises results for Deliverable 7 (D7): Summary report from seminars on Exchange of good practices.

1.2 Objectives and structure of the report

This report documents the meeting agenda, seminar materials, PowerPoint presentations and key messages from the presentations and discussions of two final seminars organized within the context of the DNSH in Finland project. The report includes the key takeaways and lessons learned during the entire project based on final seminar discussions.

The report has two main chapters, one for each seminar. Both chapters include the seminar’s agenda, statistics of participation and memo-style transcription of discussions held during the seminar sessions. After the two main chapters, a concluding chapter grasps the key learnings and recommendations for further development and rollout of the DNSH principle in Finland and other EU Member States.

Annexes 1 and 2 include the PowerPoint presentations used during the final seminars. These are provided as separate files.

2 DNSH today webinar

The first final seminar was held in webinar format on Friday 1st December 2023 with a focus on presenting the results and key learnings from the three pilots and ad-hoc support provided as part of Deliverable 6 (D6). The target audience was mostly the central government services of Finland such that advertisement for the webinar was done through the government intranet mainly.

The event had 59 participants from several different ministries and also representatives from other EU Member States, notably Belgium, Spain and Czechia.

The webinar was not recorded but materials for it were distributed for the participants. The materials can also be found from Annex 1.

2.1 Programme for the Webinar

Programme for the DNSH today webinar 01.12.2023

10.00 Opening words

- Emma Terämä, Ministry of the Environment

10.10 DNSH latest development

- Anna Armengol Torio, European Semester Officer, European Commission

10.30 Lessons learned from the pilots

- What were the pilots – Mari Hjelt, Gaia Consulting
- Finnish Transport Infrastructure Agency (Väylävirasto) - Riina Pursiainen, Gaia Consulting
- Priority Treatment – Juho Korpi Director for Development, Ministry of the Environment
- Hydrogen Sector – Jeanet Benschop, Trinomics

11.10 Facilitated discussion about the future of DNSH

- Siina Lepola-Lång, Ministry of Economic Affairs and Employment
- Barbara Verhoeve – Federal Public Services Health, Food Safety & Environment, DG Environment – DNSH Expertise Centre, Belgium
- Ines Cabrita – Federal Public Services Health, Food Safety & Environment, DG Environment – DNSH Expertise Centre, Belgium
- Richard Juřík – Ministry of the Environment, Czech Republic

11.30 Webinar ends

2.2 Discussion memo from the webinar

No detailed notes from each speaker were made and speakers were able to share their views in a more enclosed meeting.

For the opening segment, Emma Terämä from Ministry of the Environment highlighted how rapidly the DNSH principle got traction within the government during two years of implementation of the DNSH in Finland project. At the start of the DNSH in Finland project, it was not clear where the development of the principle would lead and now it has reached new EU funding instruments and even completely new ways of applying the DNSH principle into new areas, such as the Priority treatment in Finland.

Anna Armengol Torio from the European Commission (SG RECOVER) shared insights from the updated Recovery and Resilience Facility (RRF) DNSH guidelines, which are meant to better cover the addition of InvestEU in the RRF funding. Anna highlighted that this will not change the basic logic of the RRF DNSH guidelines but mostly help national governments to include the different funding mechanisms of RRF into their national plans more sufficiently.

For the three pilot that were covered, the main discussion points that were shared between all three pilots were as such:

- The pilots didn't reveal any major challenges with the guidelines created in the DNSH in Finland project that are aimed at the application Finnish national funding. As a matter of fact, the Finnish DNSH guidelines were created to be completely sector agnostic and highlight the role of programme-level guidance and guidelines, it gives more freedom to implement the principle even in context where DNSH is currently not that deeply integrated such as in the instructions the Transport Infrastructure Agency uses to date.
- The applicants and authorities found the project level assessment guidelines clear both in the case of the priority treatment, that is a version of the simplified assessment, and in the case of the hydrogen sector pilot, for which most likely the details assessment would be required on a project level.
- The pilots only reached large and already established organisations. It remains to be seen, if and how well, the DNSH principle works with both SME's and truly innovative investments.

The discussion between Member States could have been longer in terms of time, since there was even more discussion to be had. This learning was taken into consideration when planning for the longer hybrid seminar of February 2024. Participating Member States were able to share where they are currently in their DNSH implementation journey, and what kind of challenges they have encountered. The participating Member States were interested in the Finnish environmental permitting process and how DNSH has been implemented there through the priority treatment. They also noted that as of now, the programme guidelines are also not something common outside of Finland, but it could be relevant and a way to mainstream DNSH better.

3 Final Seminar of DNSH in Finland

The planning for the official final seminar started already in Spring 2023. Later on in September 2023 it was decided by the Steering Committee to bring the seminar forward from original schedule of mid-March to mid-February 2024. The final seminar was held on 15th of February 2024 in hybrid mode at the Ministry of Finance's conference center.

It was decided that the event would be semi-closed, meaning that participation was based on invitation only, but with the option that invited participants could share the invitation to relevant and interested colleagues within the Finnish government, regional authorities, private sector, the European Commission and other Member States when appropriate. The event has taken place in hybrid mode due to large geographical reach in and outside of Finland. The colleagues from other Member States, those participating in other TSI-funded projects around DNSH implementation and part of the DNSH community, were invited to participate online.

The Invitation was sent to over 500 stakeholders who had some sort of contact point with the project in its two-year implementation period. Some invitees had been contacted very recently in the piloting phase, but many had been the initial contact points during fall of 2022 and had not had any formal participation in the project for a long while. The invitation was also shared in various governmental information channels and distributed to interested parties individually.

In the end, the event had 30 in person participants and 120 online participants with some changes during the event with people joining or leaving the event during its course. On the day of the event there was a national public transport strike, which substantially limited the in-person participation from 60 person registered for live participation, but many of those people were able to join online regardless.

3.1 Programme for the seminar

The programme was agreed to be running for half a day and ending with lunch for the live participants. The programme ought to cover all major lessons learned and development had in the DNSH in Finland project without going into deep in details of the work conducted in the project. The programme was designed to have four distinct parts:

- Opening session with high level speakers from Finland and the Commission
- DNSH at an European level with remarks from the project team, EU Joint Research Center and Governments of Spain and Austria
- Lessons learned from the DNSH in Finland -project segment with presentations from the project team, panel discussions with key stakeholders and a comment interview with the Ministry of the Environment
- Closing remarks session with the steering committee leads from the beneficiary and commission to summarise the project and the day.

The materials were circulated for registered participants and can be found in Annex 2. **Programme for the DNSH in Finland final seminar 15.02.2024**

Session 1: Opening session

- Juhani Damski, Permanent Secretary, Ministry of the Environment
- Mikko Spolander, Director General of the Economics Department, Ministry of Finance
- Natalie Berger, Director, DG Reform European Commission

Session 2: Introduction to DNSH

DNSH in Finland Project

- Mari Hjelt, Gaia Consulting

Presentation on Green transition investments and role of DNSH

- Jeroen van der Laan, Trinomics

Presentation JRC report on DNSH implementation in selected EU funds

- Manuel Beltran Miralles, Scientific Project Officer, Joint Research Center Joint Research Center

Member State reflections

- Lucia Cobo Quintas Subsecretaría – Directora División DNSH Ministerio para la Transición Ecológica y el Reto Demográfico/ Spain
- José Gabriel Head of Climate Team, Ministry of Finance of Austria

Session 3: Lessons learned and future views of applying DNHS principle

Presentation on DNSH governance and guidelines in Finland

- Riina Pursiainen, Gaia Consulting

Comment interview

- Juho Korpi, Director of Development, Ministry for the Environment

Panel discussion about governance and guidance

- Kaj Forsius, Project manager, Finnish Environment Institute - Syke
- Siina Lepola-Lång, Senior Specialist, Ministry of Economic Affairs and Employment

Lessons learned of applying DNSH principle in Finland

- Mari Hjelt, Gaia Consulting

Panel discussion about industry views

- Ulla Heinonen, Director, Confederation of Finnish Industries
- Saara Mattero, Director, Communications and Sustainability, Finnish Climate fund
- Helena Kivi-Koskinen, Manager, Environment, Social & Governance, Hycamite TCD Technologies

Session 4: Final remarks

- Iakovos Dimitriou, Policy Officer, DG Reform European Commission
- Emma Terämä, Chief Specialist, Ministry of the Environment

3.2 Discussion memo from the seminar

Opening session

Welcome word (Juhani Damski – Permanent Secretary of the Ministry of Environment)

Juhani Damski mentioned DNSH is one of the best innovations of the EU of this time. DNSH has coupled the work of the Ministry of Environment to the private sector, investments, and money. It is an incentive to run as fast or faster than the private sector. The strategy of the Ministry of Environment is set around the mindset of the DNSH principle. The DNSH principle is useful to determine if the sectors are meeting the standard of the level playing field.

Opening remarks (Mikko Spolander – Director General of Ministry of Finland)

The strategy of the Ministry of Finance is to stay stable and sustainable for the next generations; taking care of public finance in a sustainable way for a sustainable society and economy. There is the belief structures that allow for change, making available money for biodiversity loss, a sustainable society for future generations should be promoted. It is not a question of a too large investment need, the money just needs to be redirected. The Ministry of Finance promotes cost-effective and fair solutions. DNSH helps to build the institutional frame.

Message from the European Commission (Nathalie Berger) through video.

Session 1: Introduction to DNSH

DNSH in Finland project (Mari Hjelt)

Presentation on Green transition investments and role of DNSH (Jeroen van der Laan)

Member State reflections - Spain – Lucia Cobo Quintas

The DNSH division of the Ministry of Ecological Transition and Demographic Challenge in Spain provides technical advice to ministries on DNSH compliance and green tagging, information, coordination and the supervision of public policies in accordance with Spanish environmental policy and European regulations of the recovery plan, gives training and capacity building for public administrations on DNSH and green tagging, and creates application, execution and monitoring guides for policy implementation in accordance with DNSH and environmental regulations. After this explanation, a presentation was given on several DNSH learnings from the Ministry.

Presentation on JRC findings about DNSH

Member State reflections – Austria – Jose Delgado (Head of climate team in Ministry of Finance)

The Austrian Green Budgeting methodology is geared to generate impact from input. The aim is to analyse and entail all climate and environment related government activities. Instruments include climate tagging, impact assessments, green bonds, the green finance agenda, macro-economic modelling of GHG emissions. After the reflection a question was raised on whether climate-tagging is mostly a question of capacity or technical knowledge, the answer was that the Ministry of Finance in Austria created a climate team for this purpose because it is indeed a matter of resources. The green budget tagging exercise is a first step, building

our system on the shoulders of giants, Commission and OECD. Requires political leadership, talking with people, and resources. People want to introduce instruments, but green budgeting cannot be implemented by one person alone. All key stakeholders in the budgetary cycle need to be involved. Everyone with a control function on the budget side. It gets even more political with the DNSH principle. The principle is key to operationalizing the Green Deal, it is important to our climate and nature goals. It requires involvement, investment from HR and staffing, but the benefits are significant if we want to connect the dots between fiscal policy and budgeting and climate goals.

Hereafter, the question was raised why DNSH is important to the participants. Answers included that DNSH is important for a fair and green future, and that it is a powerful instrument to make sense how public money is used. It is one way to avoid we are using public money to finance the wrong. It is a great tool to highlight different environmental objectives in relation to each other.

Further, among the audience it was asked whether Member States have established a DNSH dedicated authority/institution for the implementation for the DNSH principle at national level. It was concluded that Spain and Belgium have established centralized DNSH services.

Session 2: Lessons learned and future views

DNSH Governance and guidelines – Riina Pursiainen

Comment interview – Juho Korpi – Director of Development of Ministry of Environment

Digital tools will come to assess significant harm, it will be a huge business for accounting and related companies. Certain elements of the DNSH principle are not integrated in a similar way for regulations and funds, this should be streamlined in the future. Climate and biodiversity issues should be looked at from a comprehensive perspective, all six environmental objectives should be included. DNSH is needed to reach our goals. It will also integrate environmental and economic issues. The crises cannot just be solved by budgeting, it should be integrated in all finance (public, private). Third, many Member States are involved in DNSH, DNSH should be involved in decision making, digital solutions also play a role.

Within context of the priority treatment, it is now known that DNSH doesn't take too much time for companies (1-2 weeks), it can be integrated into other assessments related to environment.

Panel discussion about governance and guidance – Siina Lepola-Lang (Senior specialist Ministry of Economic Affairs and Employment) and Kaj Forsius (Project Manager Finnish Environment Institute – Syke)

Regarding the question on how it was to develop the first DNSH guidelines, the panel answered it was challenging due to the tight schedule for developing them. One of the challenging parts was the complexity determine where to draw the line between significant and non-significant harm. This is still a challenge, together with thinking about the whole life-cycle. Determining the significance threshold was particularly complex for the environmental objectives of circular economy and biodiversity. On the other hand, for pollution from industries it is quite straightforward, as with GHG emissions. There is already ground for those thresholds.

The panel found DNSH assessments have been becoming easier due to gained experience, also, discussions with applicants help on how to do the assessments and how to mitigate risks. Again, for the assessments, the life cycle aspect is probably most difficult. You don't know the impact of the project at its beginning. Climate change mitigation is also difficult, looks a lot like adaptation so that can prove difficult for applicants.

It was also concluded that both the programme and project guidelines are very useful. Sometimes, for energy investments, assessments need to be done at project level but for some programmes programme level assessment is enough, for example for desktop research. It also helps applicants when you can determine from the start what projects need detailed assessments. It can also help to determine the relevance of the different objectives.

A question was asked on how to ensure unified assessment results by funding authorities, since the results can be dependent on the person who makes the evaluation. The second question was whether people had thought about post-evaluation. The latter was the case, but it hadn't been part of the project. On unified assessment results, 50% of applicants have to do the assessment again due to lack of information provided for the answers. For example, when someone answers "no", it is important to know why they answered "no". Giving sufficient information for funding authorities is important. The guidelines are also there to ensure equal treatment of applicants. More substance to the base assessment on is important.

Another question was asked, this time about the cases when a project is innovative (which is often the case for RRF projects). Generally, it is more difficult for these types of projects to answer the questions. The consensus was that when there's little information around these projects that are innovative, it is indeed difficult. There then is the need to be innovative in finding answers to the questions. The more specific in the guidelines, the easier it becomes for these assessments.

Finally, there was a question on whether there exists a misconception on the type of information that is required for the assessments. The answer included that when starting guidelines, there was little guidance on DNSH, also on EU level. There is hope for the Commission that there will be further development on how to assess the significance of harm. Building blocks on how to do this, as well as on life-cycle common tools across the EU would help a lot. In addition, there are small companies who don't have experience on environmental permitting. Biggest challenge is doing it for the first time, not so much the information asked.

Lessons learned of applying DNSH principle in Finland – Mari Hjelt

Panel discussion about industry views

Ulla Heinonen – Director of Green growth of Confederation of Finnish Industries EK

Saara Matteredo – Director, communications and sustainability – Finnish Climate Fund

Helena Kivi-Koskinen – Manager ESG Hycamite TCD Technologies LTD

The first question was how the EU Taxonomy is progressing for the industry. The panelists mentioned they welcome the EU Taxonomy and the idea of including also climate change and biodiversity. Investments need to be geared towards the green transition. The Taxonomy is also perceived to be a learning process. It can't be spread it out to all sectors simultaneously, but things are in motion DNSH is also perceived to be trying to combine complex

regulation in a simple and holistic form for the first time. But there are challenges, for example, for hydrogen, the EU Taxonomy does not define all innovative activities.

Then, on whether the DNSH framework is useful or just adding a complex layer, it was concluded that what is good about the DNSH principle, is that it identifies what can be environmentally positive. It is complex because new things seem complex, but it generates positive impact because it teaches companies how to generate positive impact. Of course, it does need money and time. However, there are also other frameworks companies need to cope with. The administrative burden shouldn't become too large. DNSH gives valuable information, but there do exist some doubts on how it can be integrated with other frameworks. In general, processes should be interchangeable and used side by side.

There were some different responses on the question on whether DNSH should be integrated in all public funding investment processes. On the one hand, the hidden value of sustainability in companies should become more visible. On the other hand, there exists hesitance to include DNSH in all funding. It useful, though, to further classify what is considered green, but to make these considerations mandatory for the financial sector, the regulation needs to be incredibly clear and air tight. It isn't that yet.

There was a final question from the audience on when other technologies in energy production, such as nuclear energy, will be subject to EU funding and needing to do a DNSH assessment, how likely it is the technologies will receive funding. The answer was that in general, when using DNSH in public funding, it can be a limiting factor. This goes for every type of activity or funding. Related, all instruments have their own exclusions, there is not always a direct link with the EU Taxonomy or public funding besides Article 17. There's exclusions, exceptions to exclusions, each instrument has their own conditions, etc..

Session 3: Final remarks

Final comments from the Commission about the results – Iakovos Dimitriou (DG REFORM)

Final words from Finland about the results of the project – Emma Terämä

4 Lessons learned and takeaways

The DNSH in Finland project explored the future use of DNSH principle in various contexts in addition to developing national DNSH guidelines for using the principle within national public funding programmes. Both final seminars showed enthusiasm and curiosity towards the principle. As Permanent Secretary of Ministry of Environment Juhani Damski pointed out in his opening remarks: “*DNSH is one of the best innovations of the EU of this time*”.

Seminars pointed out various use cases and experiments with the DNSH principle also beyond EU and national public funding programming only. In addition to the pilot use cases conducted as part of this project, the seminar included examples from Austria and Spain to extend the use and role of DNSH within green budgeting and with green bonds. These examples created a lot of interest among the participants in both final seminars. Further experiments, collecting lessons learned over longer time, and sharing experiences are needed across Member States.

Origins of DNSH principle lay within EU Taxonomy Regulation. Seminar discussions emphasized that private sector has started steps to take Taxonomy alignment into use and thus DNSH principle is embedded in many of the “usual” business processes. But the work is in the beginning. Industry panelists in the final seminar had a positive attitude towards the DNSH principle. It is a useful holistic framework for a complex world. It was also pointed out that the DNSH principle makes the hidden environmental value companies are creating visible. However, it is not the only framework that private sector uses for environmental work, and cautiousness is needed to make sure that administrative burden and costs are not too high.

The increasing use of the DNSH principle within EU funding under the current and upcoming Multiannual Financial Framework (MFF) ensures that there is a growing interest towards applying the DNSH principle as a green transition mainstreaming tool. At the start of the DNSH in Finland project in 2022, the practical experiences among Managing Authorities had been with RRF mainly. Over the past two years, the DNSH principle has been or will be extended to various other EU funds, such as the Social Climate Fund (SCF). JRC representatives presented the latest information and developments from the EU side, showing that at the moment a lot of divergences exist at multiple levels with guiding principles, approaches and steps for assessment. There will be an increased number of actors involved. These status updates were of high interest for the seminar participants.

The DNSH in Finland project developed tailored national DNSH guidelines, for the use within Finnish national public funding programmes, and seminar discussions valued the work that has been done. Programme DNSH guidelines in particular are a useful and valuable result from the project, which help to focus the attention to projects that have potentially highest risks. All DNSH guidelines and instructions delivered take the work ahead and help both managing authorities and applicants. There will still be work with further guidelines after the closure of this TSI project, when it comes to sector-specific guidance for instance. Most difficult environmental objectives are the ones not covered by environmental permitting

processes. In the discussions it was also highlighted that innovative projects create challenges, as these aren't covered by the EU Taxonomy to date. The DNSH criteria under the EU Taxonomy is geared towards existing technologies mainly. The DNSH principle should therefore not stop or hinder the development of new solutions needed for the green transition. Seminar discussions also pointed out that the monitoring and verification practices are underdeveloped at the moment and should require clear guidance in the future.

When the use of DNSH principle is extended, also the need for training and capacity building increases. In the seminar discussions it was highlighted that this requires also managing mindset transitions - political leadership, information sharing and training, and resources. Different national and EU level knowledge hubs are needed.

Main questions for future:

- Need to develop further common methodologies for DNSH application. There is a high risk of different Member States developing their own instructions and assessment methodologies towards different directions.
- High need for further development of detailed instructions and examples for high priority sectors. Especially instructions are needed for helping companies with lower capabilities, e.g. SMEs, to do high quality assessment work efficiently.
- Need for capacity building and information sharing as well as ex-post evaluations of using the DNSH principle in different contexts.

Annex 1: Presentations of DNSH Today
webinar

Annex 2: Presentations of DNSH in Finland
project final seminar