



D6 – Piloting report

Final version

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

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1 Introduction

1.1 DNSH in Finland project

This 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 decisions, and to funding applicants on how to follow the principle in their funding applications. The project will contribute to the implementation of the European Green Deal by providing the Commission services, the EU Member States, as well as the wider community of DNSH practitioners, lessons learned from a variety of pilot test cases and clear DNSH guidelines.

Specific expected impacts of the project are the following:

- Finnish public sector authorities have a good comprehension of the orientation of public funds towards climate and environmental objectives and understanding of the DNSH principle (at which points environmental harm becomes significant) and have clear guidelines, materials, and efficient data and monitoring systems. Long term impacts are visible in, e.g., clear progress towards reaching national climate and energy targets.
- There is an increased capacity to integrate the DNSH principle into relevant funding/public sector organisations in Finland. This requires clear guidelines, and successful training sessions organised with relevant participants who then have the capabilities to take the knowledge ahead in building the capacities further. Long-term impact is achieved when funding organizations can integrate the DNSH principle into their funding procedures and processes when appropriate.
- The project will contribute to the implementation of the European Green Deal. It is required that the results produced within the context of the project are useful for other EU Member States, good practices and lessons learned are shared, and there are clear follow-up plans to take ahead the results. The long-term impact will be shaped by the progress made by the EU Member States in taking forward the guidelines and the lessons learned.

The project started in July 2022, and it will continue until April 2024. The detailed work plan is described in the Inception Report (D1), which was accepted in October 2022. The work is structured around eight deliverables (D1 – D8) divided over three Work Packages.

The main direct Finnish beneficiaries 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 authorities.

This report summarises results from Deliverable 6 (D6).

1.2 Objectives and structure of the report

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 this TSI project and draw recommendations based on the lessons learned from these pilots. The aim was also to provide updates to the DNSH guidelines developed in D3, when needed, 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 D1) 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 in Finland.

This report summarises the results from D6 piloting phase and is structured as follows.

- Chapter 2 describes the selection process and scope of the three pilots as well as short summary of the implementation process.
- Chapters 3, 4 and 5 include summaries of key results from each pilot and Chapter 6 includes a summary of lessons learnt over the pilots. Each pilot is also separately reported. Pilot specific reports on their implementation are in annexes 1, 2 and 3. The annexes also contain the workbooks for each pilot which were approved by the Steering Committee meeting on 1.9.2023.
- Chapter 7 summarises the updates and changes made to programme and project level DNSH guidelines based on the latest Commission DNSH guidance and feedback from the training sessions (D5). The updated DNSH guidelines are included in annexes 4 and 5.

2 Selection and implementation of the pilots

The pilot selection and planning of their implementation was done in spring – summer 2023 in close cooperation with the Management Committee. It was agreed during the Steering Committee in the spring to not start the piloting before September 2023, in order to have sufficient time to finalise the first versions of the DNSH guidelines (D3), have sufficient time for planning the pilots, and to implement them concurrently with the trainings in D5. It was agreed that each of the pilots needs to have an ‘owner’ at the side of the Finnish authorities, in order to have oversight of the pilot’s development and make sure that the pilot results are of the beneficiary’s use. The initial intention was to pilot both the programme and project guidelines with specific stakeholders. However, it was agreed with the Steering Committee that the pilots don’t have to follow the original plan to pilot the DNSH guidelines for specific investment cases or funding programme(-s), but instead to be scoped together with the pilot’s beneficiaries in order to align with and serve their (specific) needs within the broader goals of the project. After the different rounds of consultation with the ‘owners’ of the pilots, in order to refine the exact scope and planned piloting activities, the implementation of the pilots was documented in pilot workbooks for review and acceptance by the Steering Committee during the Committee’s meeting on 1.9.2023. Table 1 summarises the scope, aims and main stakeholders for each of the three pilots. Key results, lessons learned and recommendations from each pilot are presented in the Chapters 3-5 in summary format. The full pilot reports can be found in Annexes 1-3.

After the scoping phase over the summer, the pilots were conducted between September and November 2023 following the agreed schedule in the workbooks (appendices to pilot reports), and completed by early December 2023. The detailed piloting reports have been shared with the main stakeholders involved in each the pilots for commenting, as well with the Steering Committee for informal commenting ahead of the formal submission of this D6 report. The detailed piloting reports have been updated based on the comments received by the project team until 19.12.2023 and final versions are presented Annexes 1-3 of this report.

The pilots have been presented during the online webinar around the latest developments around DNSH in Finland and abroad, being one of the final seminars (Deliverable 7). The webinar was organised on 1.12.2023 with participation of the main pilot stakeholders, the Steering Committee members, the European Commission services as well as government officials from Belgium and Czechia for peer-learning purposes.

Table 1: Summary of pilots

Pilot title	Scope and Objectives	Stakeholders
Pilot 1: Priority treatment for green transition projects	<ul style="list-style-type: none"> Review the developed DNSH guidelines for applying the priority treatment status for selected green transition projects based on the new temporary law. Assess how applicants have experienced the current process for applying for the priority status, whether it has met the objective of an easy and light treatment and whether the companies eligible for the priority treatment can find their way to the application process efficiently enough. 	<ul style="list-style-type: none"> The Ministry of the Environment Regional State Administrative Agencies (AVI): the Regional State Administrative Agencies for Southern Finland, for Eastern Finland, and for Western and In-land Finland (last one observer for the pilot)
Pilot 2: Väylävirasto – Finnish Transport Infrastructure Agency	<ul style="list-style-type: none"> Review existing guidelines of the Finnish Transport Infrastructure Agency against DNSH principle and produce development recommendations. Pilot covered both programme and project level instructions of Väylävirasto. Provide information on how the DNSH principle in general fits into large-scale infrastructure projects. Pilot was scoped to focus on railroad investments and took the One-hour Turku Rail Link as a case study of the new direct railway line from Espoo to Salo via Lohja. 	<ul style="list-style-type: none"> Väylävirasto - Finnish Transport Infrastructure Agency The Ministry of the Environment Turun Tunnin Juna Oy, Ministry of Transport and Communications and Traficom – Finnish Transport and Communications Agency participated in the pilot over the course of the work
Pilot 3: DNSH application to hydrogen projects	<ul style="list-style-type: none"> Provide information on how the DNSH principle fits into hydrogen related economic activities to public and private sector stakeholders with an interest to learn more about potential DNSH applications in Finland. Provide context and narrative around (future) environmental impacts and risks around the hydrogen value chain from production to end-use and life cycle considerations. Present examples and specify the considerations, barriers and challenges faced by companies active in the hydrogen economy when applying the project-level assessment DNSH guidance. 	<ul style="list-style-type: none"> The Ministry of the Environment & Ministry of Economic Affairs and Employment Joint Research Center (JRC) of the European Commission Finnish Climate Fund Hydrogen Cluster Finland

3 Pilot 1: Priority treatment

In April 2022, the Finnish Government proposed a new temporary law to speed up the environmental permitting process for green transition investment projects. The law identifies the sectors that are eligible for requesting priority status in their environmental permitting process and enables priority processing of environmental and water permit applications in Regional State Administrative Agencies (AVIs) in 2023-2026 and in Administrative Courts in 2023-2028. The new law (later Priority Law) came into force on 1.1.2023. According to the law, investment projects seeking for the priority status in permitting should also consider the DNSH principle. With respect to DNSH requirements, the priority law states that DNSH criteria need to be considered, but it does not set specific thresholds for DNSH compliance for the priority status. During autumn 2022, a working group led by the Ministry of the Environment developed specific guidelines for a “light version” of DNSH assessment to be used by AVIs for the Priority Law purposes. The TSI project team participated in developing these specific guidelines and instructions. The details of the Priority Law as well as the specific DNSH guidelines for the purpose of the priority law were presented in the D3 report¹.

The priority treatment pilot examined the efficiency and clarity of the process to apply for the priority status and collected first feedback from applicants and authorities. The main focus of the study was on how applicants perceive the current priority application process and the guidance provided, and whether the processing of priority applications has achieved its objectives of speed and efficiency. The study was based on analysis of the submitted applications for the priority status, on interviews with the Regional State Authority officials and the applicants, and on a workshop held with relevant stakeholders on 8.11.2023.

During summer 2023, eleven (11) companies applied for the priority status of which seven (7) company representatives participated in the project interviews in September and October 2023. Since then more applications have been received with the result that 22 companies had received priority status by October 2023. It is yet too early to analyse the overall impacts and effectiveness of the procedure for actual environmental and water permitting processes.

According to the interviews the applicants regarded the priority treatment as a welcomed part of the environmental and water permitting process. Joint interest is to speed up the green transition permitting processes.

According to the applicants, the requests for the priority status have been handled efficiently and in the majority of cases the information on the granting or refusal of priority was received within a day or two after the request. The majority of the applicants considered the workload involved in completing the DNSH assessment to be reasonable. Based on the interviews, it typically took the applicants between one to two weeks to complete and obtain the DNSH assessment. The assessment was usually done by external consultants contracted by the applicants. Several applicants utilized the environmental impact assessments (EIAs), Natura

¹ Priority treatment Guidelines are also available in [English](#).

assessments as well as prior DNSH assessments (e.g. carried out for the funding applications) for the priority application's DNSH assessment.

From the point of view of operational efficiency, the handling of priority applications and the priority procedure in the permitting process have generally worked well, according to the initial experience of both regional authorities and applicants. The DNSH guidelines for the priority treatment were assessed to be clear and functional. Applicants had also received clear support and instructions from AVIs. The main need for further clarification concerned the specification (and possible extension) of the list on the eligible projects defined in the law and the harmonization of the interpretations of the eligible projects between the different regions. Although too early to analyse in detail, the interviewed companies which had received the priority status felt that the permitting process had then progresses efficiently.

Both regional authorities and applicants raised some potential future challenges on applying the DNSH principle in the priority procedure. The main concerns were the following:

- The potential risks included increased costs for the applicants in the environmental and water permit application processes which already require several background studies. Both the companies and authorities noted that the climate mitigation, climate adaptation and circular economy criteria are not part of the environmental or water permit process and require thus additional expertise, also from authorities, and potential additional work for companies which have not yet done DNSH assessments due to other purposes (for funding applications).
- Regional authorities raised the risk for misinterpretations on the role of the priority treatment so that it would be a guarantee of getting the permit or even already a permit for operations. Mostly these views have come from public audience and media, not from companies applying for the status. Companies also highlighted the need for careful stakeholder consultations so that these misinterpretations can be avoided.
- In the interviews, the question was raised to what extent the assessment of DNSH brings added value to defining priority as compared to the list of eligible projects. However, the DNSH assessment as part of the priority procedure highlights all six environmental objectives, which are not all covered by the environmental protection act and the permitting process. For example, the use of the DNSH principle is a way of verifying the criteria for climate mitigation, climate change adaptation and circular economy impacts, which are not covered by the permitting process.

To mitigate the potential risks raised in the pilot, it is essential to continue clear communication and dissemination of information to the different stakeholders on the priority treatment and the role of the DNSH assessment as a part of it. Ideally, a DNSH assessment carried out under the priority law would not only be a prerequisite for streamlined application processing but would also have wider benefits in terms of influencing the planning and management of investments.

4 Pilot 2: Finnish Transport Infrastructure Agency

The pilot's objectives were as follows:

- To provide information on how the DNSH principle in general fits into large-scale infrastructure projects
- To review existing guidelines of the Finnish Transport Infrastructure Agency and produce development recommendations on how they can be developed to take into account the DNSH principle and whether there any gaps or limitations in their existing guidelines

The pilot went through both investment programme, and investment project guidelines of the Agency at the general planning level (i.e. the project specific technical planning stage was beyond the scope of the pilot). **Investment programme** in the Transport Infrastructure Agency consists of a multi-annual national investment plan with individual projects at different stages of planning waiting on funding decisions. The current investment plan has five themes that the Agency evaluates and monitors continuously as new projects are added to the programme. **Investment projects** in the Agency are either new rail, road, or waterway investments or maintenance projects. In the pilot the focus has been on new investments in the general planning stage which aim to address multiple transport infrastructure related objectives and for which the funding decision has not been made yet. Usually this is the stage where EIAs and other impact evaluations are conducted for the planned investments. It should be noted that in this particular case the assessment of DNSH at project level and programme level are interlinked to the extent that the programme level impacts can be assessed on the basis of information from project specific evaluations. Furthermore one should note that in programme level evaluation the project level data is only a part of the whole set of impacts to be assessed.

The pilot has taken the existing instructions and guidelines of the Agency regarding the DNSH assessment as a starting point and aimed to provide recommendations for improving these guidelines based on the fund-agnostic DNSH guidelines prepared by the project team in D3. The pilot did not aim to fit the D3 guidelines for the Agency's purposes but made a comparative assessment of how the guidelines developed in D3 are applicable to large infrastructure projects upon request of the Transport Infrastructure Agency.

An existing infrastructure project was used as an example for evaluating the Finnish Transport Infrastructure Agency's guidelines: the general plan of Turku One Hour Train Espoo – Salo railway and its environmental impact assessment.

The main and overall conclusion of the pilot is that four out of six of the DNSH objectives are well covered in the Agency's existing guidance documents, instructions, and the example case. The two environmental objectives that at the time of piloting were lacking in both the project level evaluations and investment programme level evaluations were circular economy and climate adaptation. In addition, climate mitigation lacked some parts of the life cycle

assessment even though it was covered across the different guidance documents and assessed in the example case.

With respect to the DNSH objectives mostly lacking in the existing guidelines, it was noted that these themes are present in the Agency’s operations at various levels. For climate adaptation, the Agency had just finished a report on the current practices and possibilities of future work with this theme². It was also discussed in interviews with the Agency’s staff that climate adaptation has in fact always been a core activity in the Agency’s work, but not with that term or as a focus area due to the Agency’s need to prepare and plan for extreme weather conditions. This is not usually highlighted in the planning stages qualitatively, but it is taken into consideration when estimating costs for different project applications and their life cycles. Another factor on why climate adaptation was lacking in the planning stage guidelines is due to the fact that most of the practical work related to climate adaptation and extreme weather conditions takes place later in the life cycle of the project over the maintenance phase that was not included in the scope of the pilot.

The lack of circular economy in the guidance can also be explained by same reasoning of different stage when the objective would be covered. Since the pilot was scoped to only cover the general planning stage of a project, the Agency explained that matters about resources and building materials are traditionally covered after the general planning as a part of more detailed planning, in road and railway plan and construction plan.

Climate mitigation was covered as a topic throughout all assessed documents, but it was limited with regards to life cycle analysis and only covered within context of railways. According to the Agency, they were developing a methodology to include emissions caused by building of railways and roads at the time of piloting to cover whole life cycle emissions.

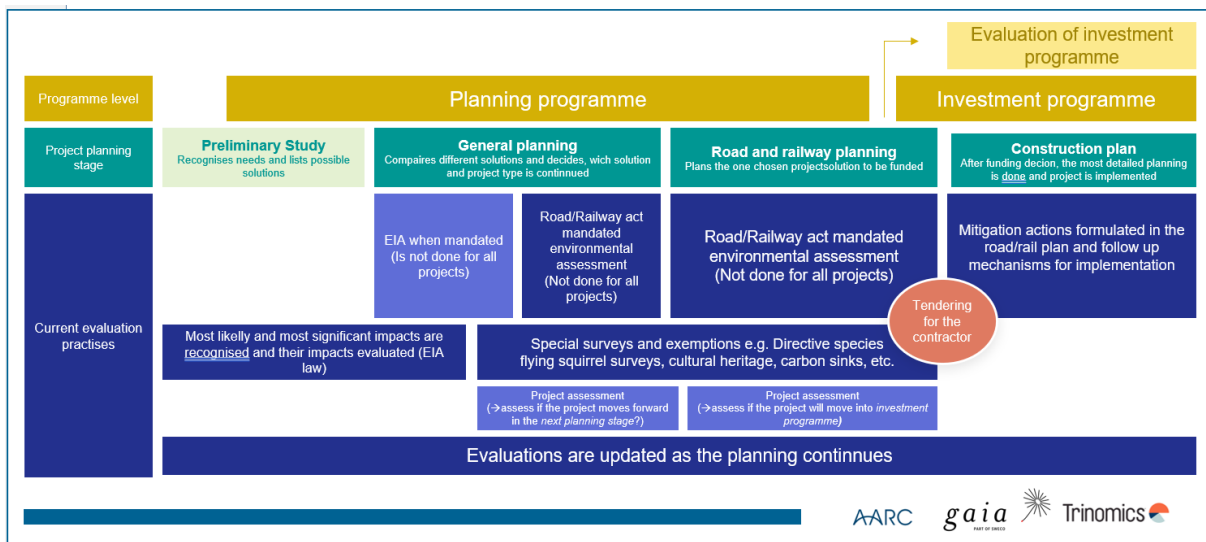


Figure 1 Current evaluation practices in project and programme level

² Ilmastomuutokseen sopeutuminen väylänpidossa: Nykytilaselvitys: <https://www.doria.fi/handle/10024/186931>

At the project level, the guidelines and the assessments had a good coverage of DNSH objectives in those cases where either an EIA or another environmental evaluation is mandated by either railway or roads act, such as the example case of Espoo-Salo rail link. Both, the EIA made for the whole Turku one hour rail link project and the general plan environmental assessment mandated by railroad act covered climate change adaptation, sustainable use and protection of water and marine resources, pollution prevention and control and protection and restoration of biodiversity and ecosystems in various levels of detail, some with more depth than is required by DNSH objectives, some with less detail.

For investment programme level, all but circular economy are cross cutting themes the investment programme evaluates continuously. Majority of the data that the investment programme's evaluation utilizes comes from the project level assessments. It is supplemented with other information sources and the final assessment is based on a holistic specialist assessment. This leaves room for questions on how well the investment programme is able to assess especially climate change adaptation, but also the rest of the objectives, if some of the projects are lacking data to base the assessment.

Even with some uncertainty about how well the Agency can currently evaluate all six environmental objectives, it can be said that projects subject to environmental evaluations cover DNSH objectives significantly better than projects that are not mandated to conduct a separate environmental assessment. In those cases, environmental impacts are covered very lightly and the emphasis on evaluating the project is focused on economic and accessibility issues. The Agency uses a set of standard indicators that currently cover only CO₂ emissions and condition of groundwater. The Agency is currently having a development programme to possibly expand the environmental indicators used in project evaluations.

Use cases for DNSH in the Transport Infrastructure Agency

The pilot resulted in suggesting few different use cases of DNSH principle for the Agency. It is recommended that the Agency strengthens its ability to make an environmental evaluation that covers all six environmental objectives even in the case where there is no EIA or rail/road law mandated environmental assessments. There might be cases where the Agency is part of a larger project case where also private funding and EU funding is being used where either Taxonomy alignment or plain DNSH compliance is needed and in those cases the Agency needs to be able to make their part in the DNSH assessment. They may also need to be able to make a DNSH assessment to their own projects, if there is ever EU funding being used.

Since relevant data comes at different stages of appraisal, one of the suggestions was to make a DNSH check list, that would collect all DNSH relevant assessments into one place. With this the Agency could more easily keep track that all six environmental objectives have been covered and if necessary, enough mitigation actions have been taken to ensure DNSH compliance. This would also be useful in strengthening all project's environmental impact assessments cross the Agency and thus make the investment programme level assessments more comprehensive.

For the investment programme's assessment, the pilot recommends a cautious approach. Since the Agency already has a goal of covering five out of six environmental objectives and

it cannot use the investment programme and its impact assessments purely as an indicator on what projects to choose to receive funding, making a DNSH assessment for the whole programme would not bring added value. However, strengthening the overall environmental assessment on the programme level and making the selection of project more relying of results from project level environmental evaluation results (be it EIA, DNSH or other environmental evaluation), is recommendable.

With regards to using the DNSH guidelines created in the project, the pilot concludes, that the Agency could use project level assessment as the basis for it's DNSH checklist and possibly as the model to assess individual projects. When it comes to the programme level, the pilot suggest that the Agency could utilise the programme design parts of the guidelines in order to conceptualise how the Agency could use DNSH going forward. It does not suggest using the programme assessment part of the guidelines. However, the pilot did not recognise needs to change the actual guidelines based on the pilot.

5 Pilot 3: Hydrogen sector

The purpose of the pilot around the hydrogen sector in Finland was to provide a more in-depth reading about how environmental and DNSH aspects are relevant to the hydrogen value chain specifying the considerations for challenges and opportunities faced when integrating the DNSH principle into hydrogen sector investments. More specifically, the pilot investigated how environmental and DNSH aspects are relevant to the Finnish hydrogen economy and how such considerations are integrated already through existing environmental safeguards in regular business operations by stakeholders active in the hydrogen sector.

Context of the Finnish hydrogen sector and the EU Taxonomy

Within the pilot, a distinction was made between different parts of the hydrogen value chain. This was necessary in order to understand the implications of environmental and climate aspects throughout all facets of the hydrogen sector. The following distinction was included: (renewable) electricity generation & distribution; hydrogen production; hydrogen storage/transport/distribution; hydrogen utilization. For each of the value chain steps, some key environmental impacts were identified. For example, the infrastructure used to store, transport or distribute hydrogen is subject to risks of leakage. Considering the global warming effect of leaked hydrogen is more than ten times stronger than CO₂ emissions, this forms a significant environmental impact in case of hydrogen leakage.³

Moreover, research on the current status of the hydrogen economy in Finland pointed out that even though hydrogen is not yet used on a big scale in Finland, it is still a key driver for the energy transition in Finland. Within this context, several investments and programmes in Finland related to the development of low-carbon hydrogen were identified. Still, there remains a need of substantial investments in the coming years to reach the ambitious targets for becoming a frontrunner on hydrogen production in Europe.

Within the EU Taxonomy there is some guidance on the application of the DNSH principle to hydrogen activities. Specifically, the Annex to the Climate Delegated Act of the EU Taxonomy showcases three types of hydrogen-related economic activities, being the *Manufacture of equipment for the production and use of hydrogen* (hydrogen production, storage/transport/distribution, and utilization), the *Manufacture of hydrogen* (hydrogen production), and *Storage of hydrogen* (hydrogen storage/transport/distribution). DNSH criteria per environmental objective are provided for each of these activities. They mainly center around alignment and compliance with elements of relevant existing regulation (i.e. Water Framework Directive (WFD) for the environmental objective *Sustainable use and protection of water and marine resources*), the performance of EIAs or emissions saving requirements.

Current integration of DNSH in hydrogen projects and considerations

Particular purpose of the stakeholder interviews was to understand the extent to which companies active in the Finnish hydrogen economy are aware of and familiar with DNSH

³ Phys.Org (2023) [New study estimates global warming potential of hydrogen.](#)

assessments, through the RRF experience in particular, and to what extent they have been integrating DNSH requirements already into their business operations. Also, hydrogen companies are reporting under the Taxonomy Regulation and hence have experience with the interpretation of relevant DNSH criteria for a few years already.

The interviews conducted with hydrogen companies for this pilot showcased the integration of environmental and climate aspects in existing practices. DNSH criteria, related to both adverse impacts and risks, are generally well covered by the codes of conduct and existing business environmental policies. In particular, it became clear that EIA documents play an important role in compliance with the DNSH principle for hydrogen companies (i.e. through making references to EIA documents in the DNSH assessment), and together with important other sources such as codes of conduct form an important way in which DNSH aspects can be integrated into existing practices of hydrogen companies in Finland.

For the DNSH assessments that were already carried out by hydrogen companies, notably under the RRF, general consensus was that content-wise the DNSH assessments are not difficult to follow, but already align with existing practices of the companies. In terms of process, the interviewees indicated that DNSH assessments do take administrative efforts due to their vastness, but that it is clear what is asked for and efforts remain relatively limited.

The relative ease around DNSH assessments can be attributed to the already integrated elements in codes of conduct or other business-related environmental risk and safety policies. Also, a portion of the private companies active in the hydrogen economy in Finland already have reporting obligations under the Taxonomy Regulation and hence have some experience in conducting the Taxonomy-alignment assessments outside of the cycle of public funding applications. However, some considerations should be kept in mind for future DNSH assessments, depending on how the application of the DNSH principle will be enhanced or further expanded to other and new national and EU funding programmes:

- **The EU Taxonomy will keep developing over the years**, most importantly in terms of new and further economic activities getting within scope of the current and future Delegated Acts that may directly or indirectly touch upon hydrogen related activities;
- **The hydrogen sector in Finland is meant to scale up a lot** in case the ambitions are realized to play an important role on hydrogen production at the EU level.⁴
- **Given the large potential of green hydrogen production in Finland**, and the favorable conditions for domestic renewable energy production, it could get to a point that there is over-capacity of hydrogen production against current end-users of hydrogen in Finland– mostly transport and chemicals sector – implying hydrogen may eventually be used for other end-using purposes, hence may get within scope of DNSH assessments of other industrial production processes.

⁴ There may be some economies of scale at some point which bring other environmental considerations to the table, when, for instance, there comes a need for a large increase of offshore water use for which desalination capacity needs to be expanded beyond current capacities.

6 Lessons learned and recommendations

Although the pilots were designed on purpose to represent different points of view to the DNSH application within the Finnish context, resulting that the pilots were very different in nature, some common observations and lessons learned can be drawn. These observations are based on the stakeholder discussions during the course of executing the pilots, webinar discussions and analytical work taking into account the project's previous deliverables. Furthermore, these lessons learned were discussed and validated in the Steering Committee meeting in December 2023.

Main cross-cutting lessons learned and recommendations are the following.

- **DNSH principle as a framework is a useful tool that can be adapted and scaled up to novel national use cases beyond public funding.** Priority treatment and Transport Infrastructure Agency pilot cases showed that the DNSH principle can be used as a framework for ensuring that relevant environmental objectives are embedded in a systematic manner and can be a functional tool to enhance and scale up efforts around the green transition in Finland and beyond.
- **There is increasing interest towards DNSH and need to continue information sharing and testing.** Requests and updates from the use of the DNSH principle within EU funding (in particular with a view on the upcoming new Multiannual Financial Framework (MFF) beyond 2027) ensure that there is a growing interest towards applying the DNSH principle as a green mainstreaming tool. This growing interest and curiosity got confirmed through the implementation of the pilots. There is strong interest towards priority treatment and next year (2024) more evidence of the materialized effects on the permitting process which also means that further information sharing is called for. An example of type of events to be organised is that almost 70 participants from traffic and transport administration participated in an additional separate presentation of the pilot results as a part of their strategic development day.
- **DNSH is a complex structure and there are risks related to innovative use of the principle in national contexts.** In the D3 report it was noted that DNSH framework is complex and this came up also with pilots. Pilots highlighted again the challenges of the lack of the definition of significance and lack of clear thresholds across different industrial sectors or complex value chains. When DNSH is linked to environmental permitting and EIAs, there is also a risk of misunderstanding. The “light” version of DNSH was developed for the priority treatment purposes and this may be interpreted to be sufficient for a detailed assessment for EU funding purposes or larger audience interprets this to be already an environmental permit. These challenges may become more numerous if the principle and framework is adapted for multiple national uses. The strict guidelines and rules for applying DNSH may get blurred or too complex when DNSH principle is adapted for other uses.



- **Companies' preparedness to fulfill the DNSH requirements was at a reasonable level.** Pilots provided positive indication of companies' capabilities to fulfill the DNSH assessments. DNSH requirements had already come to table as a part of EU Taxonomy and existing company policies (with, e.g., GHG calculations) provide sufficient base for DNSH assessments. Companies also used expert services for making DNSH assessments. One should note, however, that the analyses within the pilots focused on typical large-scale investment projects (priority treatment, hydrogen investments, and large infrastructure projects) done by larger corporates and frontrunning companies within their sector. The perspectives of SMEs therefore aren't well covered in the pilots (which is inherent to the selection process of the pilots) and most likely their expert knowledge, experiences and views may be different, especially in sectors where anticipated environmental impacts are not significant or non-existent. Although the conclusion of the hydrogen pilot is that the private sector is relatively well equipped to conduct the DNSH assessments for public funding applications, the narrative report around environmental impacts and risks was much appreciated by the sector. It is therefore recommended to conduct similar sector-specific assessments for other key sectors for the green transition as well.
- **Biggest gaps in expert knowledge are with climate objectives (mainly adaptation but to some extent mitigation) and circular economy.** These areas came up as the ones that need further capacity building. One reason for the gap is that in these areas the national environmental legislation is not setting clear targets and obligations. Climate objectives and especially climate mitigation are areas where there are existing tools and, e.g., energy sector companies and larger companies are used to make GHG calculations, but there is large number of sectors and companies where these assessments are not yet requested anywhere else. Especially in administration the climate and circular economy objectives cause biggest challenges since there is lack of resources and needed competencies to make evaluations of DNSH assessments. This same conclusion came up in D3 report where it was highlighted that administration needs more relevant sector and environmental objective specific expertise. This is a theme that should be taken into account in forthcoming Finnish environmental administration reform.
- **EIA and environmental permitting processes** are generally connected to the DNSH as highly relevant sources of information for DNSH assessments. Same materials and information are used for different purposes. The connections and efficient use of existing information should be made very clear and practical (examples from pilots of Transport Infrastructure Agency and Priority treatment).

7 Updated DNSH guidelines

DNSH guidelines developed in D3 were subject to revision based on feedback from the trainings organised as part of D5, feedback from the pilots conducted as part of this D6, as well as latest developments and Commission guidance regarding the DNSH application in EU funds. Generally, the different set of DNSH guidelines were also slightly edited to reflect the situation after the completion of the D3 work in Spring 2023, together with some proof reading. The updated DNSH guidelines are included as Annexes 4 and 5 to this D6 report. The revised and updated DNSH guidelines were sent for informal round of comments to the Steering Committee on 5.12.2023 and discussed during the following Steering Committee meeting on 15.12.2023. All requested changes and summaries of replies to those were collected in a change log memorandum.

Most of the changes were remarks and clarifications that came up during the D5 training sessions organised in August and September 2023. Summary of these changes was provided in D5 report and not repeated here. Most of the change needs identified were technical clarifications to the different templates.

The updated EC Technical guidance on the application of 'do no significant harm' under the RRF (11 October 2023) included some clarifications and updates that were taken into account in the DNSH guidelines prepared by the project team under D3. It is important to keep in mind that the DNSH guidelines prepared under this TSI project are targeting public funding beyond the RRF and by no means does replace existing RRF DNSH guidelines published by the Commission services.

ANNEXES ARE PROVIDED IN SEPARATE FILES

Annex 1: Priority treatment pilot report (in Finnish)

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