

## **PRIVATE COMPANIES DEVELOPMENT PERSPECTIVES IN THE CONTEXT OF THE GREEN TRANSITION**

**Szigeti-Bocoi Mariana\*, Ioan Horga**

\*Babeş-Bolyai University, Cluj-Napoca, e-mail mariana.f.bocoi@gmail.com

### **Abstract**

*The need to protect the environment protection, the climate change and the increasingly dynamic global context have made the green transition a topical issue. At European and Member States level, action has been taken and funding will be provided in various sectors such as green technologies, biodiversity, energy efficiency, building renovation and the circular economy.*

*It is necessary to promote sustainable growth, to decouple economic growth from resource use and focus on the circular economy.*

*The paper presents the financial instrument and the plan of measures addressed to investments in the field of green economy, investments that private companies can implement.*

*There are real opportunities for the businesses to attract funds. Companies need to take environmental issues into account in their actions, prioritizing resource efficiency and competitiveness.*

**Key words:** green transition, circular economy, private companies, investment

### **INTRODUCTION**

The world is in a continuous dynamics, especially in the current context of climate change, of the Covid-19 pandemic and the current technological developments, as a result, the challenges it has to face are increasingly variable. The whole world perceives environmental degradation and the phenomenon of climate change as threatening.

93% of Europeans believe that climate change is a serious problem, and 79% agree that action on climate change will lead to innovation (European Commission, *What is the European Green Deal?*, p. 1).

### **MATERIAL AND METHODS**

In this paper we have tried to present the context of the need for the green transition, starting from the measures and directions set by the European Union, determined by the current world situation, and reaching the national level, which have to act to facilitate the green transition, being supported by the EU through financial instruments.

The instrument we have addressed is the EU NextGeneration recovery plan, in particular the Recovery and Resilience Facility (RRF). We analyzed the National Recovery and Resilience Plan (NNRP) and focused

on reforms and investments that will facilitate the green transition and the circular economy, investments that can be implemented by private companies. It should be noted that companies can be either the direct beneficiary, by implementing the investment within the company, or indirectly, by implementing the investment for public benefit (winning contracts).

The method used is the observation and analysis, and the methodology is qualitative.

#### European context

At EU level, leaders and institutions, Member States' ministers and the European Parliament's political groups have set a number of priorities for the EU's political agenda to 2024, addressing current challenges.

A key document is the EU Strategic Agenda for 2019-2024 which sets out the priority areas and the means by which priorities can be achieved, in order to guide the work of the European Council and other EU institutions. The Strategic Agenda considers 4 priorities (European Council, *A new strategic agenda 2019-2024*, p. 2): protecting citizens and freedoms; developing a strong and dynamic economic base; building a climate-neutral, green, fair and social Europe; promoting European interests and values worldwide.

Building a climate-neutral, green, fair and social Europe is extremely necessary in the context of climate change, technological evolution and globalization. The EU aims to achieve climate neutrality by taking into account national circumstances and social equity. Actions considered a priority by the European Council are related to ensuring that all Member States participate in climate change mitigation through their actions, mobilizing public and private investment, building an efficient circular economy, increasing energy efficiency, accelerating the transition to renewable sources, diversifying supply sources, investing in mobility solutions, improving air and water quality, promoting sustainable agriculture, and others (European Council, *A new strategic agenda 2019-2024*, p. 5).

The strategic agenda proposed by the European Council was also supported by the European Commission, which, through its President Ursula von der Leyen, set out six political priorities: A European Green Deal, A Europe fit for the digital age, An Economy for People, A stronger Europe in the world, Promoting the European way of life and A new push for European democracy (European Parliament, Étienne Basso, *The six policy priorities of the von der Leyen Commission*, p. 4).

The European Green Deal (EGD) aims to transform the EU economy by taking into account the environment, namely in an economy based on efficient use of resources, competitiveness and modernity

(„European Union priorities 2019-2024”, *european-union.europa.eu*). Another important element of the EGD is the economic growth decoupled from resource use. The benefits of the EGD are („A European Green Deal”, *ec.europa.eu*): air, water and soil quality and biodiversity; renovated and energy efficient buildings; healthy food at affordable prices; development of public transport; cleaner energy and state-of-the-art innovative and environmentally friendly technologies; products with a longer shelf life, which can be repaired, recycled and reused; jobs prepared for the future and the formation of skills suitable for the transition; a resilient, competitive industry on the world stage.

The budget for the EU's 2021-2027 Multiannual Financial Framework (MFF) (*Official Journal of the European Union*, L 433 I) and the NextGeneration Recovery Plan (*Official Journal of the European Union*, L 433 I) focuses on, among other things, modernizing traditional policies such as cohesion and common agricultural policy and protecting biodiversity. It is noteworthy that 30% of EU funds will be used for measures to combat climate change, the largest share so far („Recovery plan for Europe”, *ec.europa.eu*).

With regard to the allocation of MFF and NextGenerationEU by areas, the field of natural resources and environment enjoys an allocation of EUR 419.9 billion, the second largest allocation. The two instruments focus on goals such as a greener Europe, the transition to a green economy or a green recovery.

#### NextGeneration Recovery Plan

This Plan is a temporary recovery tool in response to the effects of the Covid-19 pandemic, more exactly to economic and social issues. As the name *NextGeneration* suggests, the tool is strongly focused on the future, long-term effects and future generations.

It consists of several elements: RRF (key element), Recovery assistance for cohesion and the territories of Europe (ReactEU) and allocations for other European programs or funds - Horizon Europe, InvestEU, Rural Development, Just Transition Funds, RescEU („Recovery plan for Europe”, *ec.europa.eu*).

Entered into force on the 19<sup>th</sup> of February 2021, RRF aims to “mitigate the economic and social impact of the COVID-19 pandemic and increase the sustainability and resilience of European economies and societies, as well as to better prepare them for the challenges and opportunities of the green and digital transition” („Recovery and Resilience Facility”, *ec.europa.eu*). To this end, the RRF has made available over EUR 700 billion for reforms and investments in Member States between February 2020 and December 2026.

The RFF will also contribute to the EU's goal of climate neutrality, as far as 2050, and to advancing the digital transition, while stimulating economic growth and job creation. Of the 22 recovery and resilience plans approved so far, Member States have allocated almost 40% of their spending to measures for climate change („Recovery and Resilience Facility”, *ec.europa.eu*).

One of the six main pillars of the RFF is the green transition (*Official Journal of the European Union*, L 57, Art. 3), which we will focus on further. This pillar must be included in the NRRPs.

## **RESULTS AND DISCUSSION**

### National Recovery and Resilience Plan for Romania

In the context of 2019 and 2020 European Semester, the Council of the European Union addressed a number of recommendations to Romania, including the priority direction of investments towards the green transition, especially to sustainable transport, clean and efficient production and use of energy and to environmental infrastructure, taking into account regional disparities (European Commission, *Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan of Romania*).

The Plan addresses the green transition in all sectors of the economy that will be facilitated by elements such as: phasing out coal, decarbonizing road transport, implementing renewable energy, energy efficiency of private and public buildings, implementing charging infrastructure and implementing the circular economy (European Commission, *Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan of Romania*).

Another important aspect is the existence of support measures for private investment that will increase the ability to attract investment, create new companies and jobs (European Commission, *Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan of Romania*).

NRRP is structured on six pillars, and the first pillar is represented by the Green Transition. The green transition aims at reforms and investments in green technologies, biodiversity, energy efficiency, building renovation and circular economy, with the promotion of sustainable growth. This pillar comprises five components: water management; forests and biodiversity protection; waste management; sustainable transport; renovation wave; energy (Ministry of Investments and European Projects, *National Recovery and Resilience Plan*).

Pillar 3 Smart, sustainable and inclusive growth - private sector support, research, development and innovation component. Pillar III considers the potential for growth and sustainable recovery of the EU economy.

Below we will list the proposed reforms and investments on the waste management component that private companies can benefit from (Ministry of Investments and European Projects, *National Recovery and Resilience Plan Budget*, p. 3):

**II. Development, modernization and completion of integrated municipal waste management systems at county level or at city / commune level**

**II.a Establishment of collection centers**

565 centers will be set up by 2024 for the separate collection of household waste, recyclable waste and bio-waste and special waste, such as bulky waste, electrical and electronic equipment, waste batteries, hazardous waste, construction and demolition waste (Ministry of Investments and European Projects, *NRRP. Component C3. Waste management. Milestones, targets, indicators and the monitoring and implementation schedule applicable to the loan*, pp. 4-5).

**II.b Construction of digitized ecological islands**

Nearly 14,000 islands will be established by 2026, which will serve the areas with apartment blocks, ensuring the separate collection of household waste. Such an island will serve at least 200 inhabitants (Ministry of Investments and European Projects, *NRRP. Component C3. (...)*, pp. 5-6)

**II.c Integrated collection centers for urban agglomerations**

15 integrated waste collection centers will be set up by 2026 for the separate collection of household waste, recyclable waste and bio-waste and special waste. It should be noted that these centers will operate in the most populated regions, for example, in the west – Timisoara (Ministry of Investments and European Projects, *NRRP. Component C3. (...)*, pp. 6-8).

**II.d Construction of waste recycling facilities to meet the recycling targets in the circular economy package**

26 separately collected waste recycling facilities will be built by 2026. Private economic operators will benefit from support for investments in such facilities, which will make it possible to reduce the impact of waste on the environment and the population, reduce resource consumption, thus supporting sustainable economic development and the achievement of the recycling targets in the circular economy package ( Ministry of Investments and European Projects, *NRRP. Component C3. (...)*, p. 9).

**I2. Development of infrastructure for the management of manure and other compostable agricultural waste**

At least 254 integrated compostable agricultural waste collection systems (communal and individual platforms, composting equipment, composting station, biogas systems) will be set up by 2026 (Ministry of Investments and European Projects, *NRRP. Component C3. (...)*, pp. 9-10).

**I3. Development of institutional capacities for public monitoring and control for waste management and pollution prevention**

**I3.a Monitoring and control equipment for the National Environmental Guard**

**I3.b Air quality, radioactivity and noise monitoring equipment for the National Environmental Protection Agency**

The proposed reforms and investments on the Renovation Wave component are represented by:

**I1. Establishment of a fund for the Renovation Wave to finance works to improve the energy efficiency of the existing built fund**

**I1.a - Axis 1 - Grant scheme for energy efficiency and resilience in multi-family residential buildings**

A national support scheme for renovation and integrated renovation will be established to ensure the energy efficiency of multi-family residential buildings. The main objectives are seismic consolidation and energy efficiency. By 2026, the scheme will fund the energy renovation of at least 4.3 million m<sup>2</sup> of residential buildings (Ministry of Investments and European Projects, *NRRP. Component C5. Renovation Wave. Milestones, targets, indicators and the monitoring and implementation schedule applicable to the loan*, pp. 4-13).

**I1.b - Axis 2 - Grant scheme for energy efficiency and resilience in public buildings**

A similar scheme for public buildings will also be put in place, which will finance the energy renovation of at least 2.3 million m<sup>2</sup> of public buildings by 2026 (Ministry of Investments and European Projects, *NRRP. Component C5. (...)*, pp. 4-13).

**I3. Strengthening the professional capacity of construction specialists and workers by developing training courses on energy efficiency in construction**

At least 10 certification schemes in the field of energy performance of buildings will be established, schemes for construction workers and specialists, by 2023. Thus, by 2023, at least 8000 specialists and workers will have completed training courses in the field of energetic efficiency (Ministry of Investments and European Projects, *NRRP. Component C5. (...)*, pp. 14-15).

#### I4. Circular economy and increasing the energy efficiency of historic buildings

##### I4.a Supporting energy efficiency by developing and testing new materials and technological solutions for historic buildings

A laboratory for the experimental analysis of materials and technological solutions for historic buildings is operational.

##### I4.b Development of professional skills for intervention on historic buildings

At least 200 professionals will complete training courses on historic building interventions and energy efficiency by 2025.

##### I4.c Supporting the circular economy by creating a pilot-center for the collection and reuse of historic building materials from legal demolition

A pilot center for the collection and reuse of historic building materials is operational. Its development takes into account the principles of the circular economy and resource efficiency (Ministry of Investments and European Projects, *NRRP. Component C5. (...)*, p. 16).

##### I4.d - Supporting the circular economy by ensuring the regular maintenance of historic buildings

Another important element is the private sector support, research, development and innovation component of Pillar III. Pillar III considers the potential for growth and sustainable recovery of the EU economy.

Representatives for environmental protection are the following proposed reforms and investments (Ministry of Investments and European Projects, *National Recovery and Resilience Plan Budget*, pp. 6-7):

#### I2. Financial instruments for the private sector

##### I.2.1 Financial Instruments for the Private Sector - Portfolio Guarantee for Resilience

Financing and investment will be available for SMEs with up to 249 employees, companies with up to 500 employees and individuals (Ministry of Investments and European Projects, *NRRP. Component C9. Private sector support, research, development and innovation. Milestones, targets, indicators and the monitoring and implementation schedule applicable to the loan*, pp. 4-5).

##### I.2.2 Financial Instruments for the Private Sector - Portfolio Guarantee for Climate Action

Funding and investment will be available for SMEs with up to 249 employees, companies with up to 500 employees and individuals, with the aim of addressing the challenges of supporting investment in energy efficiency and renewable energy sectors (Ministry of Investments and European Projects, *NRRP. Component C9. (...)*, pp. 6-7).

##### I2.3 Financial instruments for the private sector - Fund for recovery

SMEs, businesses and infrastructure projects for renewable energy and energy efficiency will be eligible for support from the Fund (Ministry of Investments and European Projects, *NRRP. Component C9. (...)*, pp. 8-10).

#### I2.4 Financial instruments for the private sector - Fund for digitization, climate action and other areas of interest

At least 25 large enterprises, public entities, will be able to benefit from investments dedicated to the low carbon economy, investments in digitalization or fixed assets, which will lead to the development of enterprises, the creation of new economic opportunities and the supporting of economic recovery (Ministry of Investments and European Projects, *NRRP. Component C9. (...)*, p. 11).

#### I2.5 Financial Instruments for the Private Sector - Financial Instrument for Energy Efficiency Investments in the Residential and Building Sector

SMEs with up to 249 employees, companies with up to 500 employees and individuals will be able to benefit from financing and investments for energy efficiency and renewable energy in the residential and building sectors (Ministry of Investments and European Projects, *NRRP. Component C9. (...)*, p. 13).

#### I4. Cross-border and multinational projects - Low power processors and semiconductor chips

A budget allocation of EUR 500 million will be set and it is expected that this project will be implemented by participating in or partnering with a major project of common European interest (Ministry of Investments and European Projects, *NRRP. Component C9. (...)*, p. 16).

### **CONCLUSIONS**

NRRP will finance both projects of public interest and investments for the private sector. In this context of NRRP funds and state aid schemes, companies need to seize these opportunities and invest. EU operational programs, state aid and part of the NRRP funds will be accessible to economic operators for investments in, inter alia, green energy, development and adoption of new technologies („Cum să accesezi ajutoare de stat, bani din PNRR și alte fonduri nerambursabile. Scurt ghid pentru investitori”, *Economedia.ro*).

In addition to the opportunities they can find in Pillars dedicated to various sectors, companies can also turn to Pillar III, a pillar that includes a component of Support for the private sector, research, development and innovation. Thus, there are real opportunities to attract funding for the business environment.



Private companies, public entities and the economy as a whole have to take environmental issues into account through their actions. The economy needs to prioritize resource efficiency and competitiveness. The importance of this aspect is invoked worldwide and in Europe, so public and private organizations and companies can benefit from a number of funding instruments to facilitate the green transition, including RFF through NRRP.

It is very important for the business community to consider the economic growth decoupled from resource use and to invest in the circular economy, biodiversity, energy efficiency, green technologies, all the more so as they have financing tools at hand.

Private companies need to take advantage of these opportunities all the more as the profits are on the side of many actors, having the chance to transform, develop and modernize and, at the same time, to face the current challenges in the field of the environment.

## REFERENCES

1. „A European Green Deal”, *ec.europa.eu*, [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_ro](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_ro), accessed on 19.04.22.
2. „Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027”, 22.12.2020, *Official Journal of the European Union*, L 433 I.
3. „Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis”, *Official Journal of the European Union*, L 433 I, 22.12.2020.
4. „Cum să accesezi ajutoare de stat, bani din PNRR și alte fonduri nerambursabile. Scurt ghid pentru investitori”, [„How to access state aid, NRRP money and other non-reimbursable funds. Short guide for investors”], *Economedia.ro*, 09.02.2022, <https://economedia.ro/cum-sa-acesezi-ajutoare-de-stat-bani-din-pnrr-si-alte-fonduri-nerambursabile-scurt-ghid-pentru-investitori.html#.YnATZNpBw70>, accessed on 09.04.22.
5. European Commission, 27.09.2021, *Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan of Romania*, Bruxelles, 17p.
6. European Commission, 2019, *What is the European Green Deal?*, 2019, 2p.
7. European Council, *A new strategic agenda 2019-2024*, <https://www.consilium.europa.eu/media/39914/a-new-strategic-agenda-2019-2024.pdf>, accessed on 20.04.22, 8p.
8. European Council, *Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020). Conclusions*, Brussels, 21 July 2020.
9. European Parliament, Étienne Basso, 2021, *The six policy priorities of the von der Leyen Commission*, [https://www.europarl.europa.eu/RegData/etudes/IDAN/2022/729351/EPRS\\_IDA\(2022\)729351\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2022/729351/EPRS_IDA(2022)729351_EN.pdf), accessed on 17.04.22, 24p.

10. „European Union priorities 2019-2024”, *europa.eu*, [https://european-union.europa.eu/priorities-and-actions/eu-priorities\\_ro](https://european-union.europa.eu/priorities-and-actions/eu-priorities_ro), accessed on 18.04.22.
11. Ministry of Investments and European Projects, *National Recovery and Resilience Plan*, <https://mfe.gov.ro/wp-content/uploads/2021/10/facada6fdd5c00de72eecd8ab49da550.pdf>, 106p.
12. Ministry of Investments and European Projects, *National Recovery and Resilience Plan Budget*, <https://mfe.gov.ro/wp-content/uploads/2021/10/6c5361a5fd58b7b22eddf8316192abc8.pdf>, 10p.
13. Ministry of Investments and European Projects, *NRRP. Component C3. Waste management. Milestones, targets, indicators and the monitoring and implementation schedule applicable to the loan*, 12p.
14. Ministry of Investments and European Projects, *NRRP. Component C5. Renovation Wave. Milestones, targets, indicators and the monitoring and implementation schedule applicable to the loan*, 16p.
15. Ministry of Investments and European Projects, *NRRP. Component C9. Private sector support, research, development and innovation. Milestones, targets, indicators and the monitoring and implementation schedule applicable to the loan*, 29p.
16. Ministry of Investments and European Projects, *NRRP. Consistency with other initiatives*, 84p.
17. Ministry of Investments and European Projects, *NRRP. NRRP Impact*, 72p.
18. „Recovery and Resilience Facility”, *ec.europa.eu*, [https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility\\_ro](https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_ro), accessed on 20.04.22.
19. „Recovery plan for Europe”, *ec.europa.eu*, [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_ro](https://ec.europa.eu/info/strategy/recovery-plan-europe_ro), accessed on 19.04.22.
20. „Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility”, *Official Journal of the European Union*, L 57, Article 3, 59p.