EU Climate Finance in Estonia: A Civil Society Overview

Estonian Fund for Nature

Disclaimer: The Together For 1.5 project has received funding from the LIFE Programme of the European Union. The information and views set out in this document are those of the authors and do not necessarily reflect the official opinion of the European Commission.

LIFE Together for 1.5 project website: 1point5.caneurope.org

1. Introduction

Estonia's climate policy is currently fragmented across various strategic documents and a limited number of legislative acts. The National Energy and Climate Plan (NECP) is the only document that includes all key targets and measures; however, these are developed in separate processes, and public consultations are conducted individually for each document. At present, Estonia's most important climate targets are:

- **Net zero by 2050** is set in the General Principles of Climate Policy
- Net greenhouse gas (including LULUCF) target for **2035 is 8 Mt CO2 eq** is set in strategy "Estonia 2035"
- In **Effort Sharing Regulation** (ESR) sectors, the target is **24% reduction** in greenhouse gas emissions by 2030 compared to 2005
- In the **LULUCF sector**, the GHG removals by **2030 shall be 0.434 Mt CO2 eq**, compared to the baseline level (2016-2018 average), as set in the LULUCF Regulation
- The share of renewable energy in gross final energy consumption in 2030 shall be at least 65%, and Estonia will produce renewable electricity in the amount equal to its consumption (100%). This is set in the Energy Sector Organisation Act.

Around half of Estonia's greenhouse gas emissions come from the energy sector, where using oil shale for electricity production and shale oil production remain the main challenge. Achieving the country's energy and climate objectives will require the adoption of legally binding phase-out dates for oil shale. At present, such dates are set only in the Territorial Just Transition Plan (JTP) and the Recovery and Resilience Plan (RRP), which set the goal of ending oil shale use in electricity production by 2035 and fully phasing out oil shale in energy production by 2040. However, these dates are not reflected in national legislation or other core climate policy documents, and have been largely ignored by political decision-makers, posing a serious risk to the credibility and success of the energy transition.

Estonia has shown increased ambition relative to EU targets only in the area of renewable electricity, committing to generate an amount equal to 100% of national electricity consumption from renewable sources by 2030. Still, achieving this target is uncertain, as the development of wind energy projects is progressing slowly, there is rising local opposition to wind parks, and the electricity grid needs strengthening to accommodate new capacity.

At the same time, political climate ambition seems to be diminishing, shaped in part by global trends. Over the past two years, Estonia has been drafting a national Climate Law, titled the Climate-Resilient Economy Act. The latest draft proposes significantly weaker targets than those currently in force. The Ministry of Climate aims to reduce the overall GHG emission reduction target for 2030 from 70% to 63%, and emissions from the shale oil sector are allowed to increase up to 40% by 2030 and decrease only by 2040. With these proposed targets Estonia would not be on track to meet the objectives of the Paris Agreement, and if replicated globally, these ambition levels would lead to a global temperature rise of at least 3°C.

In light of these challenges and policy gaps, the role of EU climate funding in supporting Estonia's transition is critical. The following chapter provides an overview of the main EU climate funding instruments and examines how they are currently allocated within Estonia.

2. EU Climate funding in Estonia

During the 2021–2027 budget period, Estonia can access at least €5.8 billion in climate funding from the European Union, combining traditional EU budget instruments and Emissions Trading System (ETS) revenues. EU ETS revenues are Estonia's largest source of climate-related EU funding, amounting to approximately €2.4 billion between 2021–2027, which is significantly higher than the climate earmarked funding from other EU budget instruments.

The last public draft of Estonia's National Energy and Climate Plan (NECP) from 2023 gives a brief overview of the climate-related EU funding in Estonia. The following table outlines the indicative volumes of EU funding instruments allocated to Estonia for the 2021–2027 period, focusing on their climate contribution. The climate contribution share varies widely across funding instruments.

Table 5.3 from the final Estonian NECP (submitted in June 2025).

The so-called climate contribution rate and indicative volume of the proposed EU budgetary framework for 2021-2027 and the EU ETS trading income (Ministry of Finance), May 2024.

Source	Indicative volume of the source of funding, in current prices (EUR million)	Minimum climate contribution (%), EC methodology	Indicative volume of climate contribution (EUR million)	Total indicative climate contribution (EUR million)	Actual planned climate contribution rate
EU structural instruments:					
The European Social Fund (ESF)	534	*0%*	0	0	(0%)
European Regional Development Fund (ERDF)	1 702	*30%*	601	1200	44%
Cohesion Fund (CF)	780	*37%*	512	632	63%
Just Transition Fund (JTF)	354	*100%*	354	550	100%
ReactEU (I and II), 2020-2023	**207**	*25%*	53	53	26%
Recovery and Resilience Facility (RRF), including RePowerEU supplement	953	*37%*	567	567	59%

Social Climate Fund (SCF) from 2026	186	*100%*	186	248	100%
Agricultural policy instruments: CAP Strategic Plan					
Total CAP Strategic Plan including direct payments+EAFRD+EAGF	1 448		446		0%
CAP 2021-2022 additional resources (2014+ under the extension of RDP)	643		215		0%
EMFF	97	*30%*	43		44%
The EU's "central" funds (the actual amount of support depends on the success of the application)					
CEF: Transport	350..500	100%	350..500		100%
CEF: Energy	80..100	60%	80..100		
HorizonEurope: framework Programmefor Research and Development-Innovation	100	35%	35	35	
In addition, some activities financed by other EU programmes:					
LIFE, programmes in the field of internal security, European Internal Market Programme, Digital Europe Programme, InvestEU, etc.			30		
Total EU funds for the 2021-2027 budget period*:			***3800***		
(indicative annual average volume)			***543***		
** In the case of structural instruments (ERDF, CF, JTF), both the EU support and Estonia's own contribution (national co-financing and self-financing of the beneficiaries) have been taken into account, i.e. the volume of climate-friendly investments associated with support measures is greater than the volume of foreign support in current prices. The own contribution has not been added to other sources due to the high degree of uncertainty.*					
Sources linked to the EU's carbon trading system (EU ETS):					
"Carbon trading income" (under the existing EU ETS): As of March 2025, based on the 2025-2027 projection	*1 892*	50 % (until 2023), 100 % (from 2024)	*1 422*		
Modernisation Fund	*537*	100%	*537*		
"Carbon trading income" (created under the new EU ETS under the ETS): Ministry of Environment forecast from 2027 onwards	*126*	100%	*126*		
Total for the 2021-2027 budget period (EU funds, EU ETS trading revenue)*:			***5885***		
** In the case of structural instruments (ERDF, CF, JTF), both the EU support and Estonia's own contribution (national co-financing and self-financing of the beneficiaries) have been taken into account, i.e. the volume of climate-friendly investments associated with support measures is greater than the volume of foreign support in current prices. The own contribution has not been added to other sources due to the high degree of uncertainty.*					

2.1. ETS revenue allocation

In 2022, the EU Emissions Trading System (ETS) auctions generated a total of 38.8 billion euros, with 29.7 billion euros distributed directly to member states. Since 2024, member states are required to allocate 100% of revenue collected toward climate action and the energy transition, an increase from the previous obligation of 50%.

In Estonia, ETS revenues represent the largest source of EU climate-related funding. The allocation of ETS revenues to targeted measures is planned through the state budget process, as outlined in the Atmospheric Air Protection Act. Planning considers the combined impact of measures funded through European Union programs for 2021–2027, as well as initiatives supported by other national and external funding sources. The final amount spent depends on the actual revenue received.

The forecast of revenue to the state budget from trading ETS units remains somewhat consistent, with revenue forecast in 2028 being 232.34 million euros (in 2023 the revenue was 358.751 million euros).

For ETS revenue in Estonia, the largest expenditures in **2021-2023** went into:

1. **Energy price relief (€78.6M)** – A significant portion was used for mitigating energy price increases for low-income households, which resulted from post-COVID economic recovery and Russia's invasion of Ukraine.

2. **Energy efficiency in public buildings (€67.5M)** – Investments in making public sector buildings (including local government, central government, and cultural buildings) more energy-efficient.

3. **Renewable Energy (€30M)** – A compensation measure for supporting wind energy development in Eastern Estonia.

4. **Research and innovation in ETS sectors (€14,7M)** – Supporting research and innovation in the field of energy efficiency and clean technologies in the ETS sectors

5. **Rail Baltic construction (€13,8M)**

6. **New electric trains (€13,8M)**

7. **Supporting the use of low-emission vehicles (€10M)**

The priority has been short-term energy price relief during COVID, and energy efficiency in the public sector.

Future plans to use ETS revenue for **2024-2028** show major increases in:

1. **Sustainable transport (€570M)** – The largest future investments are in Rail Baltic (€391M) and electrification of existing railroad & infrastructure (€128M). There's also €56M for electric trains.

2. **Building energy efficiency (€390M)** – Continued investments in public sector buildings (€240M) and residential energy renovation (€50M).

3. **Renewable energy & energy efficiency (€150M)** – Supporting hydrogen and alternative fuels infrastructure, CO_2 reduction in industries, and offshore wind projects.

4. **Ecosystem protection & just transition (€40M)** – More funding for forest conservation, reforestation, and biodiversity restoration.

Overall, in future plans we see huge focus on large-scale transportation projects due to Rail Baltic, as well as residential energy efficiency, and renewable energy expansion. It seems to suggest a move from short-term reactive spending (price relief) to more proactive climate investments. On the other hand, there is limited focus on adaptation and nature-based solutions, and perhaps more focus should be on active mobility on the local scale (cycling and walking infrastructure), as car use continues to be the greatest emission source in the transportation sector.

2.2. Aviation ETS Revenue

Estonia auctions aviation emission allowances alongside standard ETS allowances.

Total revenue forecast for 2021-2028 is €7.21 million. Funds are directed towards climate policy measures, including ICT solutions, international cooperation, and green education initiatives for students.

2.3. Modernisation Fund

A portion of the EU ETS revenue is directed toward low-carbon innovation and the EU's energy transition through the Innovation Fund and the Modernisation Fund. The Modernisation Fund, with an estimated €630 million in funding for Estonia between 2021-2030, focuses primarily on energy efficiency in public buildings (€420M) and low-emission public transport (€210M).

2.4. Just Transition Fund

In Estonia, the Just Transition Fund (JTF) supports the green transition of Ida-Viru County, the heart of the country's oil shale mining and primary energy production. Estonia received a substantial JTF allocation of €354 million — the highest per capita in the European Union. To date, 262 projects in Estonia have received funding from the Just Transition Fund (JTF). The largest allocation, amounting to €165.9 million, supports entrepreneurship investments in Ida-Viru County, with major projects including the establishment of a new magnet factory and the development of spa hotels. Additional key measures include €29 million for business incubators, €21.7 million to strengthen vocational and higher education, and €25 million aimed at boosting research and development capacity in the region.

Medium-sized measures include regional development (€20 million allocated to local governments and €14 million for NGOs), alongside €15 million to support energy efficiency in apartment buildings, €15 million for investment support for small and medium-sized enterprises (SMEs), and €10 million to promote knowledge-intensive entrepreneurial activities in Ida-Viru County. The remaining smaller measures focus on advancing the circular economy, decoupling district heating from oil shale, and supporting the protection of wildlife and the marine environment, among others.

In past years there have been concerns that Estonia might fail to fully utilize its Just Transition Fund (JTF) allocation. Uptake was slower than expected in 2023, with SMEs hesitant to apply due to a complex and restrictive process. In response, authorities began simplifying the application process, expanding eligibility, and broadening the scope of supported activities. These efforts appear to have paid off – by 2024, the application process for large investment support closed due to budget exhaustion, reflecting growing interest and confidence in investing in the Ida-Viru region.

In 2025, the Ministry of Regional and Agricultural Affairs announced that it is easing the conditions for applying for funds from the Just Transition Fund's regional measure, opening up access also to state-managed institutions. The ministry acknowledged that the previous conditions were unsuccessful. The regional measure of the fund, designed to support a smoother transition away from the oil shale industry, has been used for various activities, from children's camps to cultural events like a sauna marathon and a cycling race. After the regulation change, state and local government institutions, such as state high schools, would also be eligible to apply for funding.

2.5. Recovery and Resilience Facility

The European Commission approved Estonia's Recovery and Resilience Plan on October 5, 2021, with the EU Council's final endorsement on October 29, 2021. Initially set at €1.1 billion, Estonia's allocation was reduced to €953 million due to unexpected GDP growth in 2020-2021. So far, 40% of the money has been used (380M€) - more than most other EU countries.

In Estonia, the plan focuses on the green and digital transitions, with measures to boost energy efficiency and renewable energy development. 59% of the plan supports climate objectives.

So far, the main beneficiaries have been state institutions and local municipalities, while entrepreneurial interest has been very limited. But experts are optimistic that applicant numbers will increase in the latter half of the funding period, as is the typical trend for EU funding.

Key measures that have been financed include setting up the Green Fund to support innovative green technologies (€90 million), energy-efficient renovation of 3500 dwellings (€75 million), boosting offshore wind parks development (€67 million), and increasing the capacity to connect renewable energy installations, to produce renewable electricity in industrial sites, and piloting energy storage solutions (€55 million).

Estonia was the first EU country to incorporate the **REPowerEU** into its recovery plan. Under the REPowerEU chapter, Estonia proposed three measures:

1. Scaling-up an existing reform to accelerate the decarbonisation of the energy system and supporting the transition to renewable energy (€31.8 million)
2. Programme to increase the access of renewable energy production to the electricity distribution system (€38 million);
3. Increasing production and uptake of sustainable biogas and biomethane (€20.2 million).

Regarding **transparency** of the RRF allocations, the Friends of Earth Estonia has had some concerns. They mention that a lack of a unified platform for tracking projects forces environmental organizations to monitor grant calls and beneficiaries manually. Also, no dedicated committee with civil society involvement oversees the plan's implementation, making it difficult to track progress on the REPowerEU chapter.

Finally, the future of RRF funding is under question. The funding is dependent on whether Estonia phases out using oil shale for electricity production in 2035 and producing shale oil by 2040. Estonia's Recovery and Resilience Plan mentions these dates, taking them from the coalition agreement of 2021. However, none of the following governments have affirmed this goal, and there is no will in the current governing coalition to include specific phase out dates for oil shale use in any legal or strategic planning document. This may become a problem, as Estonia has to submit a new adopted strategic energy plan including these commitments by the end of 2025. Failing to deliver on this commitment can cause a decrease of available funding from RRF to Estonia.

2.6. EU Structural Funds (ECF, ERDF, ESF)

For the period 2021–2027, Estonia was allocated 3.37 billion euros under EU cohesion policy. This funding supports six key objectives: a smarter Estonia, a greener Estonia, a more united Estonia, a more social Estonia, an Estonia closer to its people, and a just transition. 30% of ERDF and 37% of the Cohesion Fund has to be allocated to climate objectives. The current implementation plan as of December 31, 2024, showed that Estonia was contributing at a significantly higher rate by planning to allocate 44% of ERF funds and 63% from the Cohesion Fund to climate objectives.

What kind of projects have been supported so far? Under the "Greener Estonia" policy, about €819 million was allocated to improve energy efficiency in apartment buildings through grants, financial instruments, and co-financing, while "More United Estonia" earmarked €181 million for climate measures such as railway electrification and cycling infrastructure to reduce CO2 emissions, and "Smarter Estonia" supported R&D and innovation projects with environmental and climate aspects, including a major research project on smart and sustainable energy solutions by the Estonian Research Agency.

Public participation to prepare the operational programme took place in March 2021, with over 50 workshops attended by about a thousand stakeholders who discussed how the funding should be used.

In response to these discussions in 2021, the **Council of Environmental NGOs (EKO)** provided their feedback to the Ministry of Finance. They stressed the importance of rigorously applying the "Do No Significant Harm" principle, ensuring that no projects received support if they risked causing environmental degradation. EKO advocated for the strict implementation of EU taxonomy criteria to guarantee that investments aligned with climate and sustainability objectives. They recommended that polluting industries and resource-intensive projects should be excluded and asked for more transparency and stakeholder involvement, especially on issues like bioresource use and intercity transport. They also noted that the plan did not include enough funding for biodiversity, which could affect long-term environmental and climate goals.

The Council of Environmental NGOs is represented in the Cohesion policy **monitoring committee**. Measures also have separate public consultations for the “conditions for grant of support”, and separate monitoring committees.

3. Key Issues and recommendations

3.1. Priority areas of funding

Across several EU funds, the priority areas of funding are energy efficiency in buildings, and large scale infrastructure projects like Rail Baltic, that are also important for national security. The government approved a long-term reconstruction strategy in 2020, the main goal of which is to completely renovate buildings built before 2000 throughout Estonia by 2050.

Although renovation goals are important for reducing energy consumption, current support measures for private homeowners have largely benefited higher-income households. Lower-income groups, who often live in poorly insulated homes and face energy poverty, frequently lack the financial and administrative capacity to initiate renovations, even with subsidies. To ensure a just and inclusive transition, renovation schemes must be redesigned to be more accessible to vulnerable households, who stand to gain the most in terms of both comfort and cost savings. The same applies to support for renewables, for example rooftop solar panels, where existing incentives primarily benefit those who already have the resources to invest.

Secondly, the transport sector accounts for around 20% of Estonia's greenhouse gas emissions, making it the second-largest emitting sector after energy. Most of these emissions come from private car use. While major infrastructure projects like Rail Baltic are important, they address only a single corridor and cannot substitute for a broader strategy. More funding should be directed toward reducing car dependency, particularly through investments in urban public transport, as well as safe and accessible walking and cycling infrastructure.

3.2. Transparency and public engagement

Friends of the Earth Estonia has criticized the planning of the RRF and the REPowerEU chapter, highlighting significant shortcomings in public inclusion and transparency in their report. Despite submitting recommendations for the REPowerEU chapter early, environmental organizations in Estonia received no feedback from the government. Ministries only informed these groups, but did not consult them before finalizing the plan, relying instead on an independent analysis by Trinomics. Consultations included ministries, industry associations, energy companies, and universities, but excluded civil society organizations. Repeated requests for information on the plan's timeline and public consultation process went unanswered until January 2023, when the ministry cited unclear guidance from the European Commission as the reason for the lack of transparency.

4. Conclusion

Estonia has access to substantial EU climate funding, with billions of euros available through the ETS revenues, Just Transition Fund, Recovery and Resilience Facility, and Structural Funds. While recent years have seen a shift from reactive spending toward more forward-looking investments in sustainable transport, energy efficiency, and renewable energy, some gaps still remain. These include insufficient attention to adaptation, local-scale mobility, and nature-based solutions. The lack of coherent and binding national legislation, especially regarding the oil shale phase-out, undermines long-term planning and risks reducing access to EU funds. To make full use of available opportunities, Estonia must align its national priorities and policies more clearly with its climate commitments and ensure inclusive, transparent governance of funding mechanisms.

5. Sources

1. Cohesion Policy Funds Operational Programme for the period 2021-2027 (Ühtekuuluvuspoliitika fondide rakenduskava perioodiks 2021-2027)

2. Estonia’s final updated National Energy and Climate Plan (NECP) for 2030 (Approved by the Government on 02.06.2025)
3. ERR. 2023 “Entrepreneurs' interest in Just Transition Fund money is lukewarm” https://www.err.ee/1609147525/ettevotjate-huvi-oiglase-ulemineku-fondi-raha-vastu-on-leige
4. ERR. 2025. “The Just Transition Fund makes conditions more flexible” https://www.err.ee/1609610249/oiglase-ulemineku-fond-muudab-tingimusi-paindlikumaks
5. ERR. 2025. “The use of the EU recovery instrument has not gained momentum in years” https://www.err.ee/1609581892/el-i-taasterahastu-kasutamine-pole-aastatega-hoogu-sisse-saanud
6. Friends of Earth Estonia. 2023. “NO RECOVERY WITHOUT INCLUSION: Why public engagement is key to Europe's green transition”https://roheline.ee/raport-kaasamisest/
7. Modernisation fond on the Ministry of Climate homepage: https://kliimaministeerium.ee/moderniseerimisfond
8. The annex of the state budget strategy for 2025-2028 gives an overview of the use of ETS revenue and a prognosis for the modernisation fund.
9. The Council of Estonian Environmental NGOs. 2021. “Feedback and observations from EU grant engagement seminars” https://media.voog.com/0000/0042/0647/files/5023_Tagasiside%20ja%20t%C3%A4helepanekud%20EL%20toetuste%20kaasamisseminaridelt.pdf
10. The Energy Sector Organisation Act: https://www.riigiteataja.ee/en/eli/517112024001/consolide
11. The projects supported by the Just Transition Fund: https://idavirufond.ee/kuidas-meil-laheb

Authors: Laura Vilbiks, Maia-Liisa Anton (Estonian Fund for Nature)