

## I. Summary and Evaluation

The Czech Republic is struggling with deteriorating air quality<sup>1</sup> and air pollution limits have not been observed in its territory in the long term<sup>2</sup>. According to the European Environment Agency, air pollution is the biggest health risk related to the environment in Europe. In 2015, the Government of the Czech Republic approved the goal of achieving the fulfilment of air pollution limits in the territory of the Czech Republic in 2020<sup>3</sup>.

The SAO audited the provision of funds from the state budget and the EU for projects aimed at improving air quality in the total amount of CZK 16.2 billion. As at 31 December 2022, the MoE had spent CZK 13.9 billion under PA 2 of the OPEn. It had also spent CZK 2.3 billion under the NGS Programme. The SAO examined whether these funds had been spent effectively and in accordance with legal regulations. The SAO focused, among other things, on how the funds provided by the MoE had contributed to the reduction of emissions<sup>4</sup> of air pollutants and whether the goals adopted by the Government of the Czech Republic in the area of air quality protection had been fulfilled.

**The MoE spent CZK 12.7 billion from PA 2 of the OPEn and the NGS, i.e., 78% of the funds, for replacing non-compliant boilers in households. The MoE supported 111 thousand replacements that have contributed to improving air quality. However, according to information from the MoE, more than 150 thousand non-compliant boilers of emission classes I and II remain in service.**

**The MoE also spent CZK 2.9 billion from PA 2 of the OPEn for reducing emissions from industry. The SAO found that the MoE had spent part of the funds, up to CZK 103.5 million, intended for reducing dust in industry, ineffectively. The SAO analysed the effect of subsidies provided on the reduction of emissions from industry between 2014 and 2022. The SAO concluded that the funds under PA 2 of the OPEn had contributed only minimally to the reduction of emissions of sulphur dioxide and nitrogen oxides.**

**The SAO also concluded that the Czech Republic had not met the air pollution limits set by the legislation of the Czech Republic and the EU by the end of 2020. In 2020 and in the following years, some air pollution limits continued to be exceeded, especially in central and north-eastern Moravia, which has a negative impact on the health of the population.**

**In some cases, the MoE did not proceed in accordance with legal regulations in the financing of air protection.**

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<sup>1</sup> This is a pan-European problem. According to the European Commission, in 2020 the majority of people living in urban areas in the EU were exposed to air pollution at a level that harmed their health.

Among the major air pollutants in the Czech Republic are dust particles (PM<sub>2.5</sub> and PM<sub>10</sub>), benzo[a]pyrene (B[a]P), nitrogen oxides (NO<sub>x</sub>) and ground-level ozone (O<sub>3</sub>), manifested mainly in small settlements where households heat with solid fuels and also in industrial and traffic-heavy areas.

<sup>2</sup> The air pollution limit (ambient air quality standard) is the legally established highest permissible air pollution level, expressed in mass concentration units. The selected applicable air pollution limits are specified in Annex 1 to this Audit Report. Annex 2 contains information on non-compliance with air pollution limits in the Czech Republic in the period from 2013 to 2022. Annex 3 contains an overview of air pollutants.

<sup>3</sup> Government Resolution No 979 of 2 December 2015, *on the Medium-Term Strategy (until 2020) for improving air quality in the Czech Republic*.

<sup>4</sup> Emission means the introduction of substances into the ambient air, expressed in units of mass.

The above-mentioned overall evaluation is based on the following findings:

- a) The MoE spent most of the funds intended for improving air quality on the replacement of non-compliant household heating sources. As at 31 December 2022, the MoE had spent funds in the amount of CZK 10.4 billion from PA 2 of the OPEn and CZK 2.3 billion through the NGS, of which CZK 1.5 billion was used to finance applications under the OPEn. In total, the MoE supported 111 thousand replacements of non-compliant boilers, which improved air quality and reduced dependence on fossil fuels.

According to the valid rules of the OPEn 2021-2027, low-income households can apply for a subsidy to replace a non-compliant boiler until 31 August 2024. After that, the ban on operating boilers of emission classes 1 and 2 will come into effect, and it will therefore no longer be possible to apply for a subsidy for their replacement. Whether the ban on the operation of non-compliant boilers from 1 September 2024 will improve air quality will depend on the observance of the ban and the success of its enforcement.

- b) To reduce emissions from industry, the MoE spent, from PA 2 of the OPEn, CZK 1.16 billion for the replacement or reconstruction of stationary sources of pollution, CZK 0.98 billion for the acquisition of additional technologies to reduce emissions, CZK 0.67 billion for reducing dust from surface sources and CZK 0.13 billion for other activities.

During the audit, the SAO found that the MoE had spent up to CZK 103.5 million from PA 2 of the OPEn ineffectively, namely on the purchase of equipment<sup>5</sup> the main purpose of which had not been dust reduction. The SAO assessed that the expenditure on that equipment had not been eligible, and thus it is an irregularity within the meaning of Regulation (EU) No 1303/2013 of the European Parliament and of the Council<sup>6</sup>. The SAO also found out that a beneficiary had spent CZK 5.6 million on a piece of that equipment in an ineffective manner.

The SAO found that a number of industrial entities were withdrawing from already approved projects. The MoE responded to the situation by establishing a new Priority Axis 7 (hereinafter "PA 7") to use up the gradually releasing funds within the OPEn. As part of that Priority Axis, the MoE provides funds to the Labour Office of the Czech Republic (hereinafter the "LO CR") to cover part of the housing allowance for households affected by the increase in energy prices as a result of Russia's military aggression against Ukraine and the increase in the cost of living due to inflation. Support in the form of compensation for household energy costs does not have a direct effect on improving air quality.

The SAO investigated the amount of eliminated annual emissions from industry to which projects under PA 2 of the OPEn had contributed. The SAO compared the result with the data on the decrease in annual emissions monitored by the CHMI. Based on the comparison, the SAO concluded that the contribution of subsidies to reducing emissions dominantly produced by industry (NO<sub>x</sub> and SO<sub>2</sub>) had been minimal.

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<sup>5</sup> Generally a wheel loader, skid steer loader, tractor or telescopic handler.

<sup>6</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

c) Already in 2015, the Government of the Czech Republic approved the goal of meeting all statutory limits by the end of 2020, taking into account the long-term deterioration of air quality and the non-fulfilment of air pollution limits. The SAO came to the conclusion, on the basis of data monitored by the CHMI, that some air pollution limits had not been met in 2020 and in the following years<sup>7</sup>, especially in the Moravian-Silesian, Olomouc and Zlín Regions. Nevertheless, the share of the population living in areas with exceeded air pollution limits<sup>8</sup> has been declining since 2018. In addition to the sources of pollution as such, air quality is also influenced by dispersion conditions, which were favourable in the years under review.

The SAO found that there was no statutory air pollution limit for maximum average daily concentrations of PM<sub>2.5</sub> particulate matter<sup>9</sup>, although in the air that particulate matter represented a significant risk factor for human health. In terms of the recommended limits of the World Health Organization (hereinafter the “WHO”) for the maximum daily concentrations of PM<sub>2.5</sub>, according to the findings of the SAO the air quality in most of the Czech Republic is burdened by excessive concentrations of PM<sub>2.5</sub> particulate matter.

d) The SAO also found that the MoE had not acted in accordance with legal regulations, as the MoE:

- had not used, in accordance with Section 15(14) of Act No 201/2012 Coll.<sup>10</sup>, part of the revenues from air pollution charges for the years 2019 and 2020 for the purposes established by law in the area of air protection;
- had not spent, in accordance with Section 7(6) of Act No 383/2012 Coll.<sup>11</sup>, expenditure corresponding to earmarked income from emission allowance auctions through the NGS Programme;
- had not monitored and evaluated, in accordance with Section 39(3) of Act No 218/2000 Coll.<sup>12</sup>, the benefits of the NGS Programme for improving air quality.

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<sup>7</sup> Information on non-observed air pollution limits in the period from 2013 to 2022 is provided in Annex 2 to this Audit Report.

<sup>8</sup> Excluding O<sub>3</sub>.

<sup>9</sup> The Czech Republic has air pollution limits set in Act No 201/2012 Coll. in accordance with applicable EU legislation.

<sup>10</sup> Act No 201/2012 Coll., on air protection.

<sup>11</sup> Act No 383/2012 Coll., on the conditions for trading in greenhouse gas emission allowances.

<sup>12</sup> Act No 218/2000 Coll., on budgetary rules and on amendments to certain related acts (Budgetary Rules).