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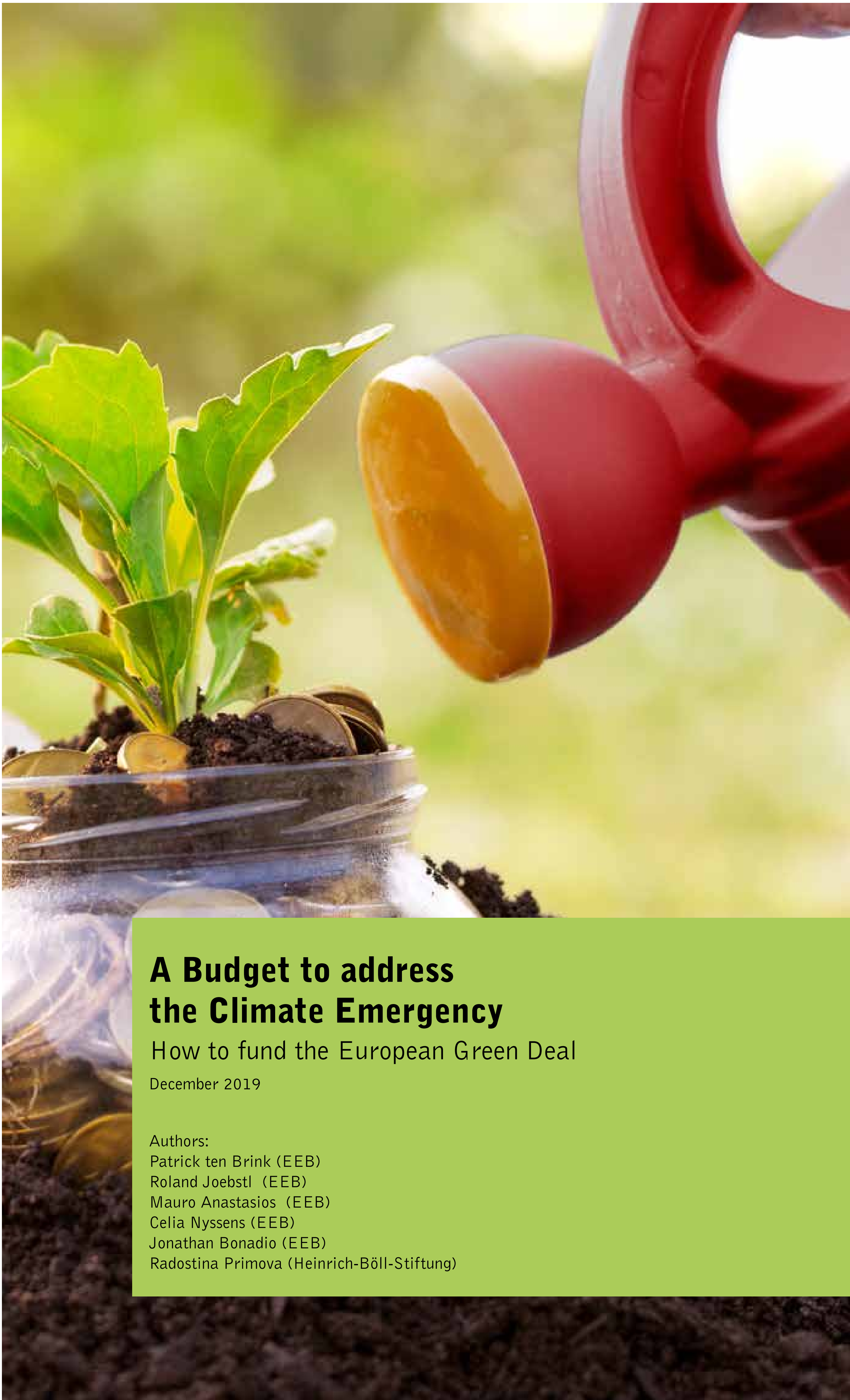

A Budget to address the Climate Emergency

How to fund the European Green Deal

December 2019

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A Budget to address the Climate Emergency

How to fund the European Green Deal

December 2019

This briefing is an overview of the EU's plans to fund and boost climate action. It also provides policy guidelines and recommendations to EU institutions and national governments as to how to finance a European Green Deal and ensure a smoother transition to a climate neutral economy. Furthermore, it advises civil society organisations on how to engage in the process and ensure a consistent and independent monitoring of progress that will be made in the coming years.

This report was commissioned by the Heinrich-Böll-Stiftung Brussels European Union and developed by the European Environmental Bureau (EEB). It builds on the joint work by Clean Air Action Group (Hungary), Climate Action Network (CAN) Europe, European Environmental Bureau (EEB), Green Budget Europe (GBE), and Green Budget Germany (GBG) – *An EU Budget to address the Climate Emergency: Strengthening the climate performance of the next Multiannual Financial Framework (MFF 2021-2027),* October 2019[i], that was supported by the European Climate Initiative Program (EUKI), the LIFE programme and the European Climate Foundation, as well as the interim report from November 2018 that was supported by the Heinrich-Böll-Stiftung Brussels European Union.

We would also like the thank the many civil society organisations and stakeholders that engaged in the questionnaire on the EU budget and climate, in the Berlin and Warsaw workshops, in the webinars and at the October MFF and Climate conference and CSO capacity building workshop. Their insights on practice and recommendations for action have been a valuable input into this initiative and this summary report.

The EEB is Europe's largest network of environmental organisations. Our 150 members from 35 countries cooperate across a uniquely broad range of issues. Together, we advocate for progressive policies to create a better environment in the EU and beyond. www.eeb.org

The Heinrich Böll Foundation is a think tank for green visions and projects, and part of an international network encompassing well over 100 partner projects in approximately 60 countries. The foundation maintains close ties to the German Green Party (Alliance 90/The Greens) but works independently and nurtures a spirit of intellectual openness. It maintains a worldwide network with currently 32 international offices.

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

European Climate Initiative EUKI

FOREWORD

Like the rest of the world, the EU faces a climate emergency and we have eleven years to avert the crisis. Europe is responsible for playing its part in keeping global warming within 1.5°C as agreed in Paris and leading by example through decarbonizing its own economy by 2050 at the latest. At the same time, this transformation holds many opportunities for European regions and local communities – notably the scale of job creation around low cost renewable energies, energy efficiency, and nature restoration. The renewable energy sector alone employs around 1.2 million people in the EU, and is expected to continue to increase rapidly as the renewables share doubles by 2030. Decarbonisation will also lead to cleaner air, avoid many associated risks to human health and enhance energy security by reducing the EU's import bills. By setting the right incentives for ecological and fair farming systems, the agro-ecological transformation could lead to better food for European citizens and new opportunities for rural regions.

The EU's next budget cycle, the Multiannual Financial Framework (MFF 2021-2027), will play a crucial role in addressing the climate emergency and enabling a socially just transition that leaves no one behind. The MFF and its operational programmes are one of the key EU levers to direct investments and make EU financial flows consistent with a pathway towards low-emission, climate-resilient development (as set out in Article 2.1.c of the Paris Agreement).

A European Green Deal requires a green EU budget and it is essential that we grasp the last chance to enhance climate performance of financial flows and make the entire EU budget Paris-compatible.

This report summarizes key insights on how the EU budget has been used to date, where it could be targeted in the future, how it could catalyse a just transition and how to ensure that the funds are spent in an effective and transparent way. It builds on civil society consultations in 22 Member States, CSO workshops, interviews and scientific literature.

We hope that the recommendations in this report will guide EU policy-makers and civil society in the deliberations on the next MFF, so that the next budget makes a difference to our climate, our planet and the security of our citizens.

Jeremy Wates
Secretary General
European Environmental Bureau (EEB)

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Head of Office
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Key messages

1. Europe faces a climate emergency. Our governments must put forward financial and technical proposals aimed at keeping the world's temperature to 1.5 °C above pre-industrial levels, as agreed in the **Paris Agreement**.

2. A growing number of **countries and cities** are raising their targets, **promising to become carbon neutral** by 2050 or even earlier.

3. The European Commission has also vowed to boost climate action, with new officials announcing a **European Green Deal**.

4. Scientists and policy experts agree that we urgently **need to decarbonise all sectors of our economy** if we want to avert the worst consequences of climate breakdown.

5. To reach this goal, EU institutions are planning to **increase the share of the EU budget** allocated to climate action for the coming years from the current level of **20% to at least 25%**.

6. Public spending within the EU budget can **unlock further public and private investment**, which is needed to complement EU funding.

7. However, **EU funding has a mixed record on climate action** (see 'the bad, the good and the ugly' section below). Despite the calls for action, our institutions are still financing projects aimed at expanding the use and production of fossil fuels, locking in future emissions through infrastructure expansion, damaging nature through soil sealing, fragmentation of protected areas, and intensive agriculture that can also undermine soil carbon, impact on water quality and create health risks.

8. **Monitoring of climate spending** within the EU has so far also been unsatisfactory, with cases of misuse of funds and the development of climate-related projects that failed to reduce greenhouse gas emissions. Case studies are documented in our civil society questionnaire.

9. While the ongoing negotiations to boost the climate share of the EU budget are attracting political attention, it is strategically important to **improve spending targets and strategies** to ensure they are in line with Europe's climate commitments, i.e. by **'climate-proofing'.**

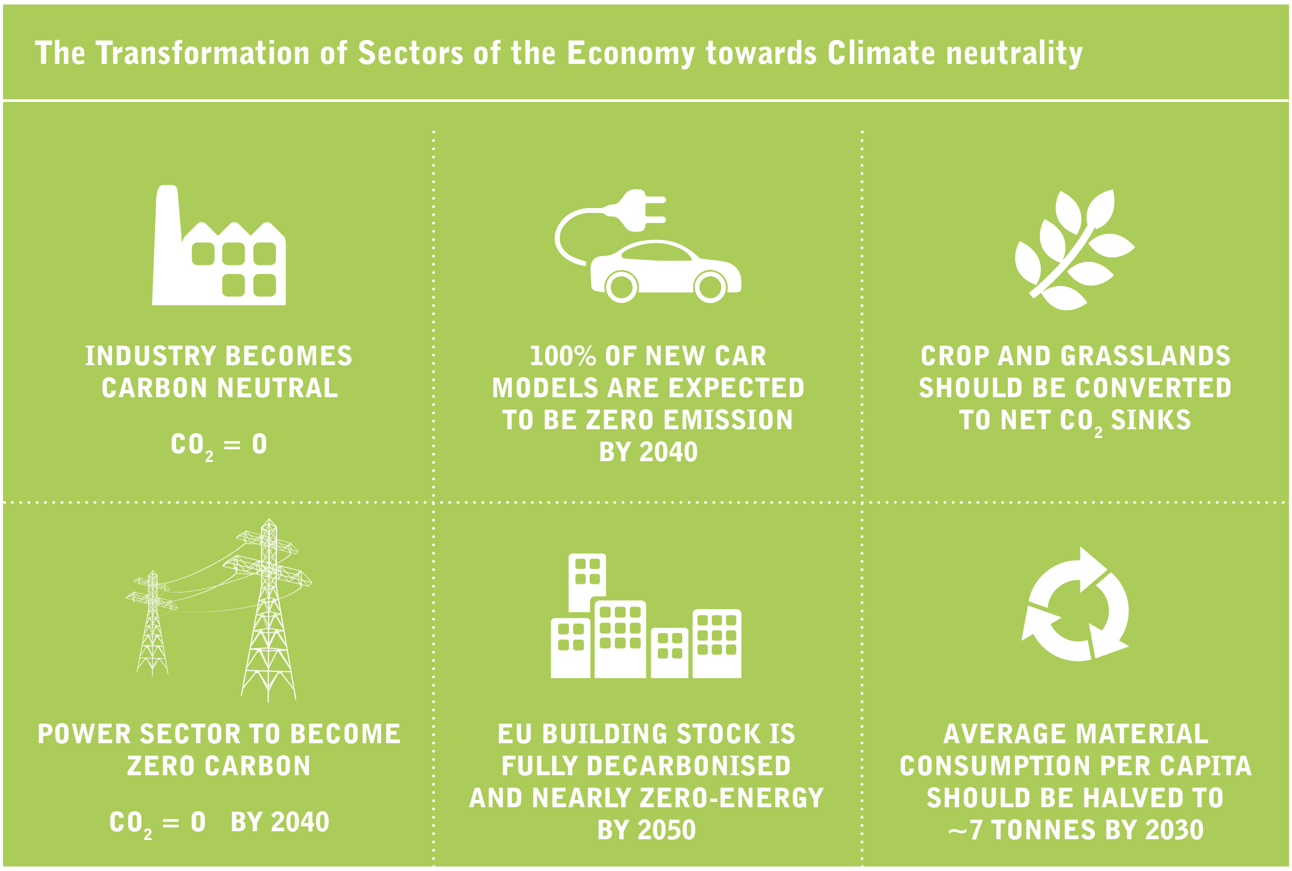
10. **Civil society** can play a key role in pushing for climate-proof EU spending. Key steps where environmental and civil rights groups can engage include the **National Energy and Climate Plans (NECPs)** and **National Reform Programmes (NRPs)** to promote climate ambition as well as the development of **Partnership agreements (PAs), National CAP Strategic Plans (CAP-SP)**, and **Operational Programmes (OPs)**. These are part of the 'programming' phase of the EU budget, the scope and relevance of which are outlined in this report.

Fighting back against climate breakdown

Europe faces a climate emergency, just like the rest of the world. There is growing fear and anxiety about the future as extreme weather events become more common and intense, sea levels rise, wildlife disappears, and droughts reduce crop yields.

Scientists and policy experts agree that our leaders have the responsibility to boost climate action across all sectors within the next decade before the consequences are irreversible. According to scientific evidence (by the IPPC[ii]), we must take drastic measures today, otherwise we will reach the point of no return within eleven years. To stay within 1.5 degrees warming, the carbon budget left is around 416GtCO_2, or 10 more years of emissions at our current rate[iii]. All sectors of the economy must be transformed to drastically reduce emissions (see Graph 1) and increase carbon sinks.

Graph 1: The Transformation of Sectors of the Economy towards Climate neutrality by 2050



Source: EEB (2019) Destination Climate Neutrality and sources therein https://eeb.org/library/destination-climate-neutrality/]

Globally, over 70 countries and 100 cities have committed to carbon neutrality and numbers are steadily increasing. Many of these are European, including Denmark, France, Germany, Luxembourg, the Netherlands, Portugal, Spain, and Swedeniv[iv]. Finland, during the presidency of the EU, became the first country committing to becoming carbon neutral by 2035. Climate was also a key feature in the 2019 European elections, and the European Parliament overwhelmingly supports increasing emission reduction targets for 2030.

The current EU commitments for climate and energy targets for the period from 2021 to 2030:

- At least 40% cuts in greenhouse gas emissions (from 1990 levels).
- At least 32% share for renewable energy.
- At least 32.5% improvement in energy efficiency.

To avoid the worse consequences of climate breakdown, policy experts argue that a 65% drop in emissions by 2030 is required, with climate neutrality being achieved ideally by 2040, the deadline for global carbon neutrality if we want to remain within the budget of 416Gt CO_2 worldwide[v]. Energy efficiency targets should be raised to 40% by 2030, while the share of renewable energy should be around 45%.

Ursula von der Leyen, the Europe Commission's first female president, has made climate her number one priority. In her political guidelines[vi] set out before winning confirmation from the European Parliament, she committed to making Europe the world's first climate-neutral continent and increase current climate targets. The publication of her European Green Deal is expected to give EU institutions a strong political mandate to align financing with policy objectives. An overarching financial framework is necessary to help national governments and regions decarbonise their economy, help support nature and create responsible business models.

As the Commission's new strategy is currently being elaborated, the present report provides recommendations on how the EU should fund a European Green Deal, making sure that the voice of civil society is taken into consideration throughout the process.

The EU budget: A tool for change

The **EU budget** – also known as the EU's 'Multiannual Financial Framework' (MFF) – is arguably the single most effective financing tool in the hands of EU officials to catalyse the transition to a carbon neutral society. Despite accounting for just 1% of the bloc's GDP and being just one tool among different economic and social instruments (see Graph 2), the budget contributes to translating policy objectives into action and sets priorities and conditions of EU funding. Because of its political weight and leverage, it has the potential to drive further investments from municipalities, governments and private businesses.

Funded mostly from member state contributions and import duties, the multiannual framework allocates funds to specific areas such as agriculture, transport, and industry and defines the spending priorities for a seven-year period.

Graph 2

The European Green Deal – Finance and Economics at the heart of this vision

FINANCE

- **The EU Budget: Multi-annual Financial Framework (MFF)**
- **Just Transition Fund**
- **Sustainable Europe Investment Plan**
- **Green Financing Strategy**
- **European Investment Bank (EIB)**
- **InvestEU**

ECONOMIC INSTRUMENTS

- **Energy tax directive**
- **Carbon taxes** (inc. border taxes)
- **EU-ETS**

THE MFF

- **Cohesion and Value**
  European Regional Development Fund (ERDF)
  Cohesion Fund (CF)
- **Single Market, Innovation and Digital**
  Horizon Europe
  InvestEU Fund
  Connecting Europe Facility
- **Natural Resources and Environment**
  European Agricultural Guarantee Fund (EAGF)
  European Agricultural Fund for Rural Development (EAFRD)
  European Maritime & Fisheries Fund (EMFF)
  Programme for Environment & Climate Action (LIFE)

In the 2014-2020 budget, 20%, or €206 billion, was set aside to boost the decarbonization of different economic sectors. The money is used to: build clean energy infrastructure and improve connectivity across the bloc *(Connecting Europe Facility)*; invest in sustainable business models, transport and energy efficiency *(InvestEU)*; fund agriculture *(Common Agricultural Policy, or CAP)*; provide financial assistance to disadvantaged regions to improve and modernise their economy during the transition *(Cohesion and Value)*; finance research and innovation *(Horizon Europe)*.

The European Commission and national governments decide the strategic focus of funding through partnerships and targeted plans – such as Partnership Agreements (PAs), Operational Programmes (OPs), National CAP Strategic Plans (CAP-SP), and Rural Development Programmes (RDPs) (see Table 1). It is through this phase known as *'programming'* that they agree on whether a sector in a specific area or region needs funding in order to align with the bloc's climate commitments. They also develop National Energy and Climate Plans (NECPs), and National Reform Programmes (NRPs) that are important high-level documents that contain important climate commitments. The NRPs are linked to the European Semester[vii], which is an important vehicle for communicating transformative climate policy needs through country-specific recommendations.

Table 1

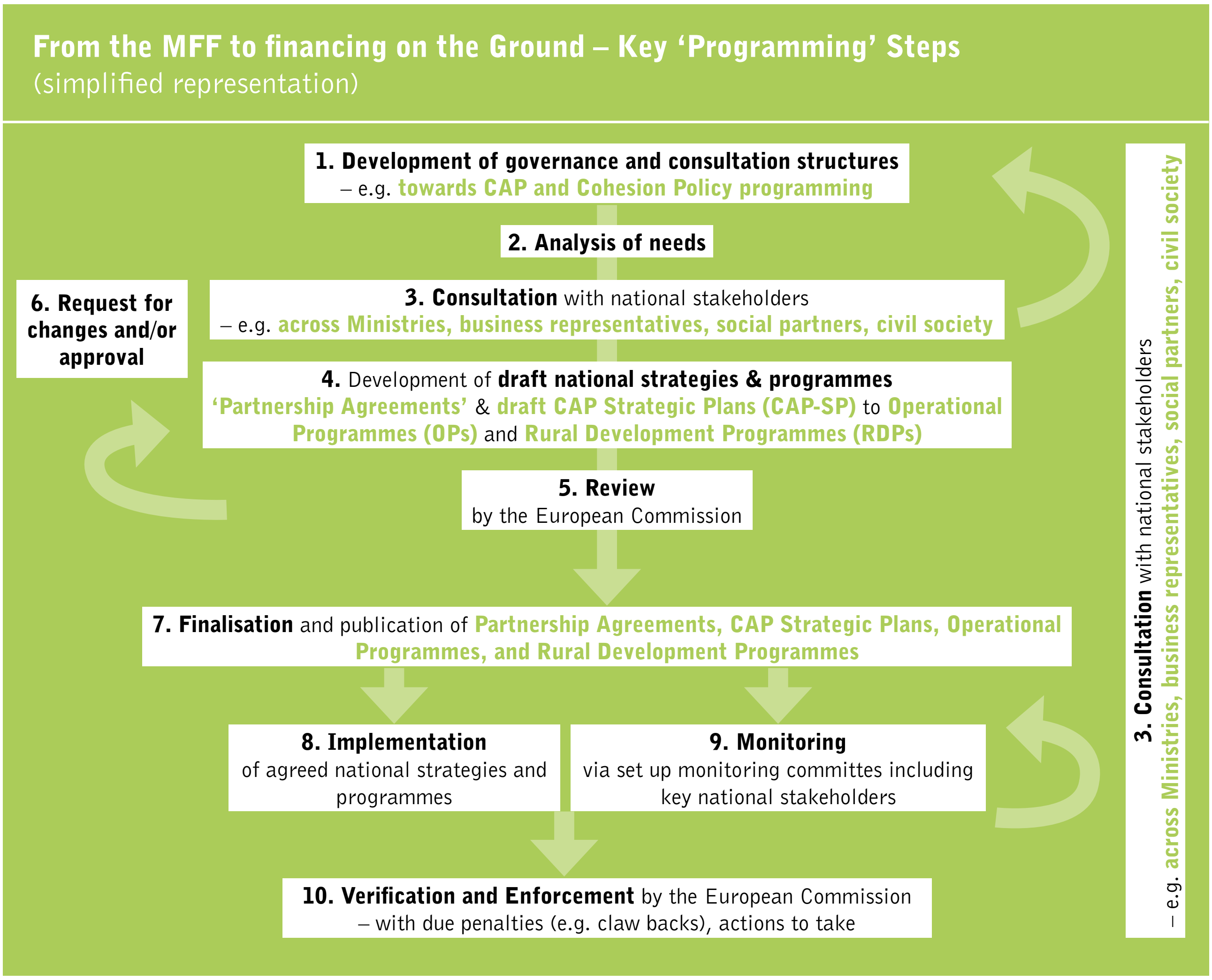
Partnership Agreements (PAs) are strategic plans outlining each country's objectives and investment priorities under the five European Structural and Investment Funds (ESIF), which aim to boost job creation and sustainability. They are contracts between the Member State and the EU, signed before the funding period starts, that define the funding strategy. They are legally binding[viii].

Operational Programmes (OPs), prepared on the basis of the PAs, are detailed plans in which governments set out how money from the European Structural and Investment Funds (ESIF) will be spent during the programming period. Member States submit their operational programmes on the basis of their Partnership Agreements.

National CAP Strategic Plans (CAP-SPs) are a new programming tool under the post-2020 Common Agricultural Policy (CAP, see table 2). CAP-SPs are to be drawn up by each EU Member State to contribute towards economic, social, and environmental objectives set at EU level and respond to the specific needs of their agriculture sector and rural areas (they will incorporate former **Rural Development Programmes**[ix]). The 27 CAP-SPs will determine how roughly 40% of the total EU budget is spent, and nearly half of the climate mainstreaming budget, through the CAP.

The programming period is key to ensure EU funds are allocated to projects and activities that truly support climate ambition. The graph below outlines key steps in which environmental and civil rights groups can make their voice heard before national governments submit their programming guidelines in early 2020 and after, during the implementation of the programmes.

Graph 3



Source: Own illustration

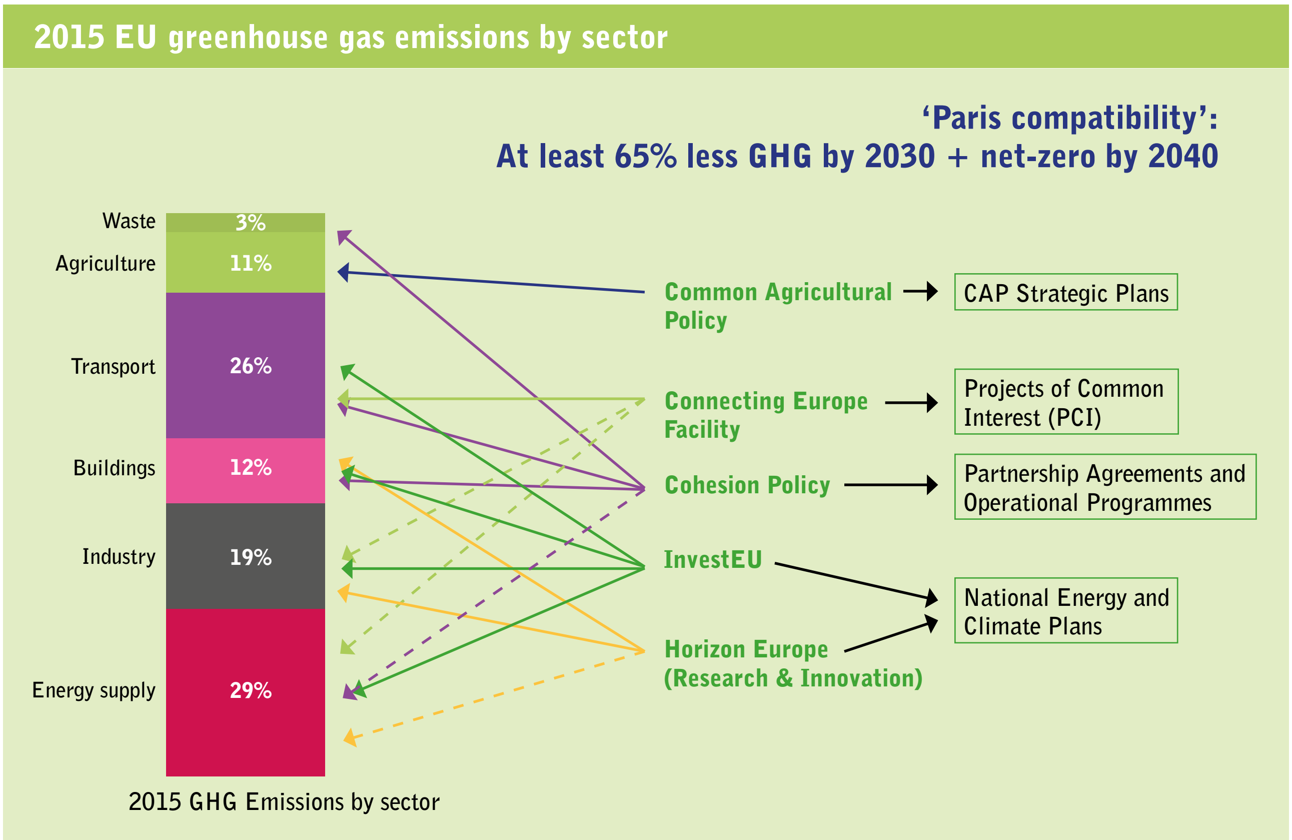
Old challenges and new opportunities

The revision of the upcoming budget offers an opportunity to redirect EU spending as well as national spending away from activities and industries that are responsible for the climate crisis and onto sustainable solutions. The European Commission proposes to increase the money available for climate action from the current 20% to 25% of the new budget – that means from €206 billion in the entire 2014-2020 budget to €320 billion for 2021-2027 (in nominal terms). The European Parliament and NGOs have proposed respectively a 30% and 40% minimum spending.

While increasing the size of the pot is necessary given the magnitude of the problem, policy experts have urged the European Commission to also rethink its spending priorities and adopt a better targeted approach to funding. The funds available must ensure all sectors of our economy are compatible with the objectives laid out in the Paris Agreement[x], in which world leaders commit to keeping a global temperature rise well below 2 degrees Celsius above pre-industrial levels and aim for a maximum 1.5 degrees rise. According to scientists, this means at least a 65% reduction in greenhouse gas emissions by 2030 and a net-zero emissions target by 2040.

The graph below shows how specific instruments and programmes within the EU budget can target different sectors to reduce greenhouse gas emissions. Some policies focus on a single sector, e.g. the Common Agricultural Policy on farming. Others affect several – e.g. Cohesion Policy concerns the water, transport and buildings sectors and to some extent energy supply. CAP funding link to the CAP Strategic Plans, Cohesion funding to the Partnership Agreements (PAs) and Operational Programmes (OPs), the Connecting Europe Facility support Projects of Common Interest (PCIs)[xi] such as smart grids, and InvestEU and Horizon Europe can link to the National Energy and Climate Plans (NECPs).

Graph 4: Which policies and funds address emissions from which sectors?



Source: adapted from European Environment Agency EEA Greenhouse Gas – date viewer, 2017 and Navigant, 2019

Despite calls for increasing climate action, EU governments and institutions continue to incentivise activities that will set Europe on course to increase rather than reduce carbon emissions. Policy experts have called on public authorities to stop financing controversial projects that continue our dependence on fossil fuels and make it harder to fully decarbonise our economy in the next 20 years.

Analysis by the European Environmental Agency in 2016 found Europe at risk of excess fossil fuel-based power generation capacity in the range of 56-69 GWe by 2030[xii]. Ongoing investments in gas infrastructure, intensive agriculture and unsustainable waste management practices such as incineration also risk locking Europe in a vicious circle that makes both public and private efforts to develop sustainable alternatives less attractive and effective.

Works are ongoing to build the controversial Trans-Adriatic Pipeline, which will transport gas from the Caspian Sea to the Mediterranean at a time when more investments in renewable grids are needed. Source: TAP-AG

Table 2

Reshape the Common Agricultural Policy

Nearly 40% of the EU budget is spent on agriculture through the Common Agricultural Policy (CAP), but with 13%[xiii] of EU greenhouse gas emissions coming from the sector it is vital to ensure public money allocated from the EU budget is used to help farmers transition to farming models and practices that protect and enhance our climate, nature, soil, water and air.

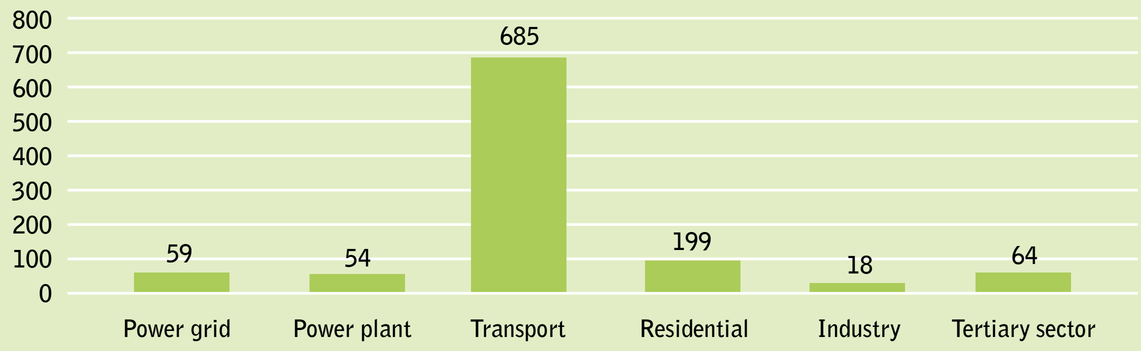
Harmful subsidies should be stopped and farmers supported to play their part in the climate transition, while also complying with EU water and nature protection policies[xiv]. Legally binding, accountable, and ambitious goals for environmental farm spending are required, which help to:

- Reduce farm animal numbers in Europe and help farmers transition. Technological solutions and efficiency improvements can reduce emissions from livestock farming but will not provide the required step change in emissions.
- Promote the EU-wide adoption of agroecological farming practices – as conventional agriculture is often linked to soil erosion and degradation, which means soils become net sources of CO_2 emissions and rely on fertilisers and pesticides to remain productive.
- Guarantee 'climate expenditure' in the CAP achieves effective GHG reductions by revising the current tracking methodology to ensure that only money spent on science-based climate mitigation and adaptation schemes is counted as 'climate expenditure[xv].
- Use CAP funding to preserve and restore wetlands and peatlands with carbon-rich soils, as well as forests, to expand our carbon sinks.
- Help farmers adapt to a changing climate by building a resilient and diversified agriculture sector [xvi].

The European Commission estimated that the average annual investments needed to deliver the current 2030 energy and climate targets require about €400 billion[xvii] for non-agricultural sectors, and excluding transport (see Graph 4). This sum considers both supply and demand measures in our energy system. If the additional investment required in the transport sector is included, the total investment needs amount to €1.1 trillion per year. For the whole period covered by the 2021-2027 budget, a total of €2.7 trillion needs to be spent in the energy system in a climate proof way, and €7.5 trillion with transport investment needs.

Graph 5

Average annual investment per sector 2021-2030 (billion EUR)



Sources: European Commission (2018) A Clean Planet for all. https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_analysis_in_support_en_0.pdf

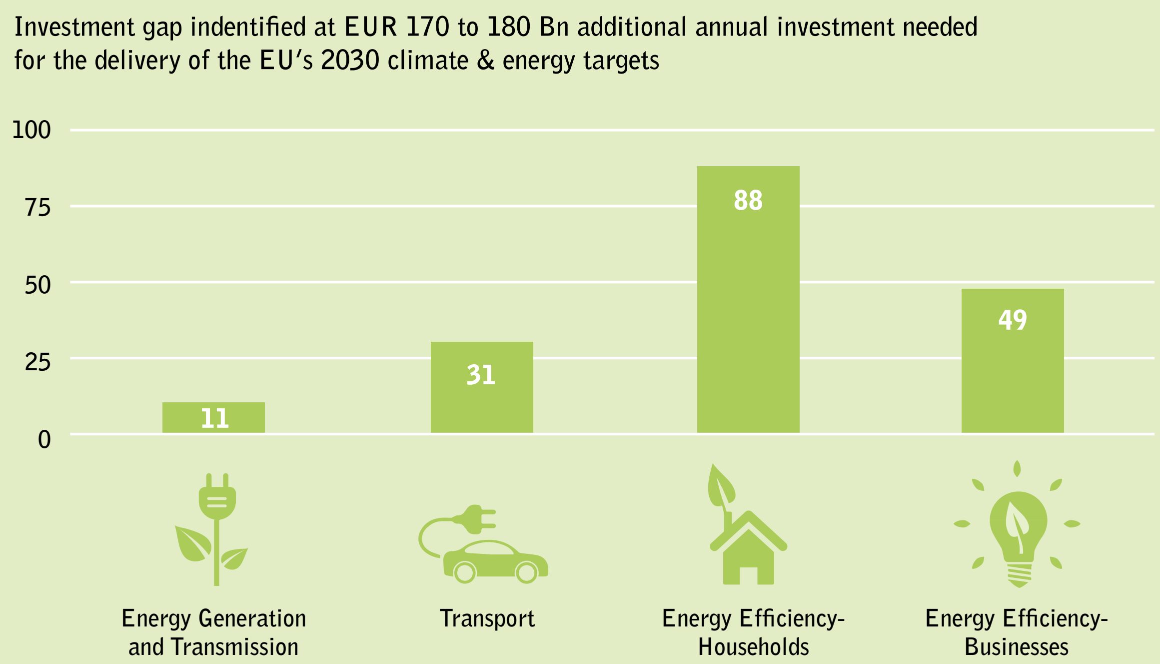
While the EU budget alone cannot fill the current investment gap, it is the key leverage to unlock additional public and private investments.

In Spring 2019 the European Commission's High-Level Expert Group on Sustainable Finance[xviii] quantified the current investment gap – i.e. between current levels of spending and investment needs overall (see Graph 5)[xix]. They estimated that on top of the existing and planned spending, an additional yearly funding of €170 to €180 billion is required to deliver the 2030 climate and energy targets alone. This includes, but is not limited to, investments in: renewable energy generation like solar and wind power; transmission infrastructure like interconnectors and smart local grids; energy efficiency of households, buildings and businesses, which represent three quarters of the investments identified. This excludes transport vehicles. Having in mind that Europe will have to increase its ambition for the 2030 energy targets in 2023 at the latest, investment needs estimated above are expected to increase.

Filling the investment gap represents both a challenge and an opportunity. The amount of money needed to avert climate breakdown is considerable, but so are the benefits. By shifting priorities in our economy, our policy makers have a chance to put people first, creating millions of new jobs and supporting regions that may have been left behind in the last decade or so. There will also be major benefits such as energy security, reducing the EU's import bill, cleaner air, health benefits, reductions in public health costs, and a positive catalyst towards further innovation. The renewable energy sector alone currently employs around 1.2 million people in the EU, and is expected to continue to increase rapidly as the renewables share can cost-effectively double by 2030 with respect to 2015[xx].

Graph 6

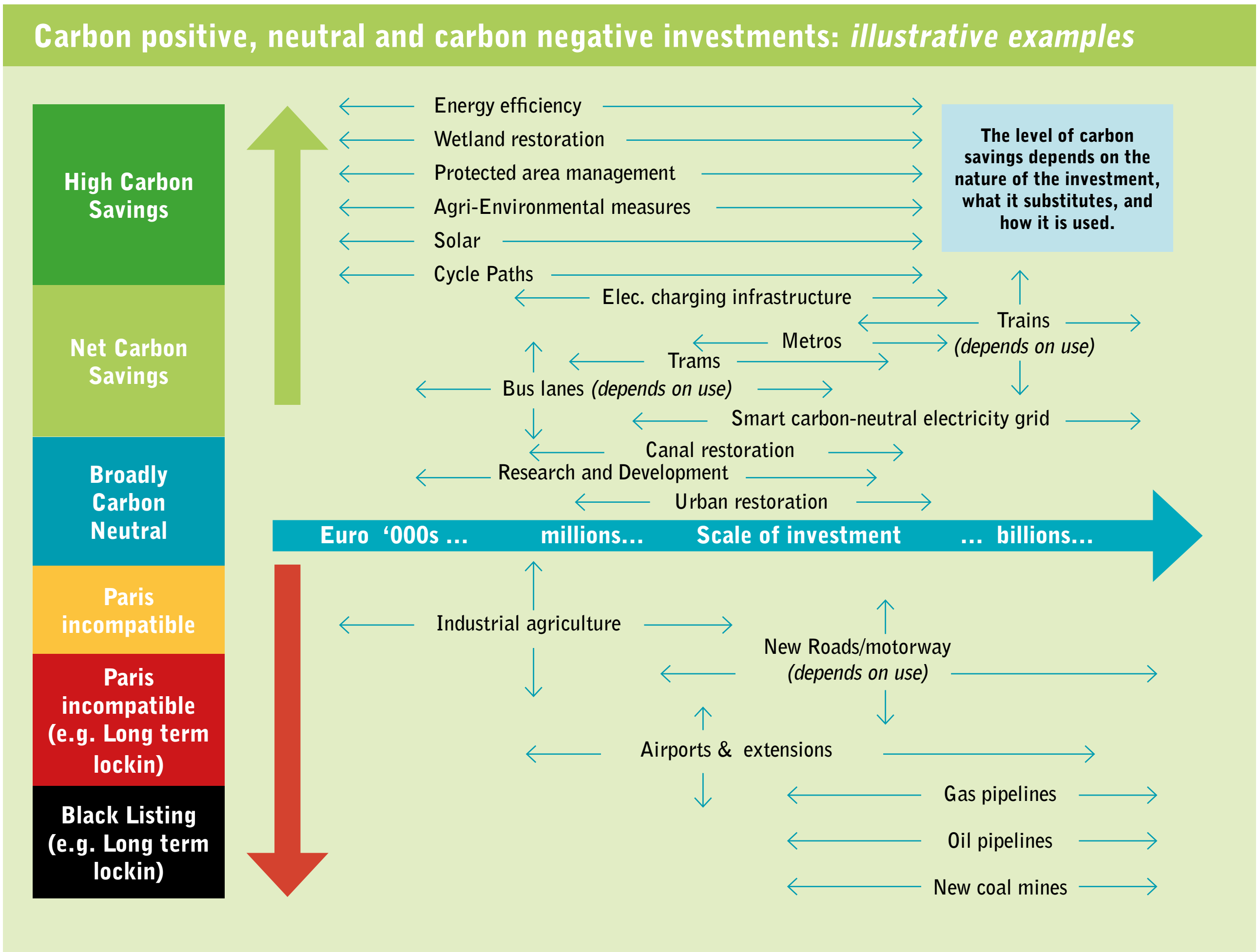
Investment needs – EU status-quo



European Commission second high-level conference on sustainable finance 21 March 2019

It is also not only about the quantity of money spent, but also the quality of the projects. The figure below presents an illustrative summary of small to large investment types that offer high levels of carbon savings, to those that are more neutral, to others that are 'Paris-incompatible' and should be 'blacklisted'. The findings build on the stakeholder discussions at 'An MFF for the Climate' Workshop in Berlin[xxi] in April 2019 as well as the MFF and Climate Conference and Civil Society Capacity Building Workshop held in Brussels in October 2019. The level of carbon savings or emissions is case specific. For example, some train lines can offer very high savings in emissions if they displace significant air and road traffic but can be less beneficial if underused (see the figure after the table). Note that projects can be attractive for climate but still be unattractive overall if they lead to major impacts elsewhere, such as on biodiversity, or lead to negative social impacts. Project selection needs to take the whole life sustainability impacts into account as well as the wider governance concerns (see next section on 'The good, the bad and the ugly').

Graph 7



The good, the bad and the ugly

The EU budget needs a more targeted and cross-cutting approach in its programming phase. This perception was backed by almost 100 environmental NGOs across Europe from 22 countries, which were surveyed by the Clean Air Action Group (CAAG), CAN Europe, Green Budget Europe (GBE) and Green Budget Germany (GBG), and the European Environmental Bureau (EEB) in 2018 and 2019.

The NGOs surveyed in the framework of the present project[xxii] have given a mixed review of the EU budget and of how it has contributed to climate action in their respective countries. Below is a summary of what they perceived as the 'good', 'bad' and the 'ugly' of current and previous spending, including suggestions, hopes and expectations for the future (see overleaf).

The 'Good', the 'Bad' and the 'Ugly' – what are your experiences?

	Issues raised by NGOs	Examples raised by NGOs
The Good	**EU Funding is necessary.** The EU budget has contributed to more than 40% of climate related funding in 11 Member States. But, **the potential of the EU funds to catalyse the clean energy transition often remains untapped or underused**	**Energy Efficiency:** Across sectors, from buildings/housing, transport, industry, to agriculture. **Low emissions transport:** Rail, trams, electric buses, cycle paths, urban planning to control traffic. **Charging infrastructure:** For electric buses, cars and bicycles. **Clean energy:** Renewables (from decentralized small scale solar energy projects and geothermal/heat pumps to larger renewables such as wind, solar collectors), smart grids & battery storage. **Nature conservation:** Natura 2000 management. **Ecosystem restoration:** In wetlands, native species forests, peatlands and coastal sea grass meadows. **Ecological farming:** Agro-forestry measures and community supported perma-culture. **Raising public awareness**, and **R&D**
The Bad	**National policies and funding have** sometimes **contradicted EU climate funding objectives** EU spending has also often led to **growth in greenhouse gas emissions** **Corruption, conflicts of interest & fraud**	**National policies that support fossil fuel extraction and use** – e.g. coal, oil, gas, fracking. This is a list, and probably clearer if we make explicitly into a list. So please replace the text by: **EU funding that pays the polluter:** - **fossil fuels:** Coal mines, gas and oil exploration, fossil-based power stations, pipelines and LNG terminals; - **dirty transport:** Airports and motorways; - **unsustainable agriculture:** Support to intensive agriculture; - **land-take via soil sealing:** elimination of green areas by macroeconomically low-value investments.
The Ugly	Funding **not taking important environmental, social or economic impacts into account** **Inefficient targeting** **Deficiencies in monitoring of real carbon emissions reduction** spending and lack of **proper indicators** or **selection criteria** Lack of **public participation**	**Environmentally harmful infrastructure and energy generation:** High speed rail running though protected areas; incinerators; large-hydro plant that change ecosystems and undermine riverine biodiversity; biofuels plant. **Agriculture:** Direct agriculture payments to large landowners without environmental nor social justification, leading to capitalisation into land value and hindering access to land for young farmers. **Poor value for money plant:** Oversized waste-water treatment plant with too little funding for operation and maintenance; nuclear energy and waste; discretionary funding to enterprises that unfavourably distorts the market. Reliance on **over-simple carbon spending allocation methods** that overstate the actual spending on climate mitigation – i.e. 'climate proofing' on paper only. **Lack of life cycle perspective in investment choices:** That don't factor in production, use & end-of-life. **Lack of civil society participation in** Monitoring Committees for EU fund programming, **lack of consultation** on funding priorities & on environmental and strategic impact assessments (EIAs & SEAs).

Source: own illustration (building on CSO discussions at Berlin workshop, April 2019, and MFF & Climate conference, October 2019

Next steps and recommendations

The new EU budget will run until 2027 and will help implement the European Green Deal, which outlines the European Commission's new climate objectives until the end of its mandate in 2024, as well as national commitments. The budget will also help fund parts of the 8th Environmental Action Programme (8EAP), which is a broader and longer-lasting policy framework running from 2021 to 2030 as well as help implement Agenda 2030 and the Sustainable Development Goals.

Source: Own illustration

During the survey, NGOs provided a series of recommendations for governments, EU institutions and citizens on how to foster good spending in the coming years. Below is a list of some of the most popular suggestions amongst the civil society representatives that have been interviewed.

Recommendations

To address the climate crisis and fuel the European Green Deal and 8th EAP, the EU budget should:

– **Scale up climate action and fund a just zero-emissions transition** by increasing the share of climate spending within the EU budget from the current 20% to 40% and monitor real world emissions.

– **Prioritise funding** for energy efficiency, clean transport and charging infrastructures, renewable energy, a zero-carbon electricity grid, environmentally sustainable agriculture and forestry, restoration of land and sea ecosystems, management of protected areas and public awareness raising. Ensure 'ring-fencing' of the budget to support such areas of investment and enable more grass roots small scale local projects.

– **Blacklist Paris-incompatible funding** such as new investments in oil and gas extraction or high-carbon infrastructure such as motorways, airports, gas pipelines, fossil fuel-based electricity, and environmentally harmful investments such as intensive agriculture, construction damaging natural areas, large hydropower dams, nuclear power plant and waste storage.

– **Ensure that climate action is a cross-cutting objective** integrated into other policy areas such as industry, research and innovation, trade, transport, development, regional policies, urban planning that can contribute to fighting the crisis. Include climate relevant indicators for spending. Priority areas include:

- **Biodiversity:** Measures to prevent biodiversity loss, as it often goes hand in hand with a loss of carbon stocks and weakens resilience in face of climate change.
- **Nature restoration:** Protecting forests and other natural areas that can help mitigate climate change (and other ecosystem services) and assign funds for restoration and, where needed, the aquisition acquisition of land for natural areas, connectivity and performant green infrastructure.
- **Circular economy:** Promoting zero waste policies, designing products that last, avoiding waste and boosting recycling. And enhance public understanding and awareness of solutions.
- **Sustainable agriculture:** Ensure everyone has access to good and healthy food and an agriculture that does not damage and pollute our soil, water, air or biodiversity.
- **Transport:** Sustainable transport measures such as public transport, spatial planning, charging infrastructure, cycling paths – that offer mobility, but reduce greenhouse gas emissions, and reduce air pollution.

– Ensure that governments **implement existing legally binding commitments** – in particular, on energy efficiency and building standards, on renewables targets, on state aids and subsidies, on applying strategic and environmental impact assessments.

In addition, it is important to **strengthen the strategies, plans and programmes:**

– **Engage with governments to increase climate ambition** through National Reform Programmes (NRPs), the National Energy and Climate Plans (NECPs), the Partnership Agreements (PAs), the Operational Programmes (OPs) and CAP Strategic Plans – by integrating ambitious targets, include specific commitments and measures.

– **Strengthen the financial & strategic links** between the MFF, NECPs and European Semester, including integrating climate related country-specific recommendations (CSRs) in the Semester and using the MFF to help finance needed actions. Make use of the flexibility mechanism under the Semester to facilitate climate funding.

– **Upgrade climate mainstreaming, proofing and tracking** to increase effective climate spending. The MFF and its programmes should be 'climate and sustainability proofed' both at strategic level (objectives) and operational level (e.g. choice of projects), making use of 'substantive instruments' (e.g. objectives, guidelines, indicators, earmarking), 'procedural instruments' (e.g. ex-ante, on-going and ex-post evaluations, Impact assessments (SEA/EIA), project selection criteria), and 'institutional instruments' (e.g. administrative structures, partnerships, consultation, monitoring committees, stakeholder involvement).

– **Reinforce monitoring and evaluation mechanisms,** making EU funding conditional upon previously agreed climate commitments and objectives and ensure regular monitoring and mid-term review carried out and results acted upon.

– **Substantially improve the indicators** by which the performance of Member States is assessed and used in the European Semester (e.g. energy efficiency processes should be measured by energy intensive indicators).

– **Include scrutiny by civil society at EU and national level during key programming steps,** in line with the **partnership principle**, to help ensure transparency and open consultation. Support civil society space for due engagement.

— **CSOs engagement in the monitoring committees should be supported** – these can define project selection criteria, approving criteria for financing under each OP, review OPs and potentially recommend revisions to OPs. Enhanced public participation and transparency is critical for EU spending legitimacy and efficiency[xxvii].

And ensure that funding is used according to principles of good governance and democracy. Reduce the risks of fraud, corruption, conflict of interest and misuse of funds by:

— **Better monitoring and control of EU funds** with close involvement of EU bodies, independent experts and civil society.

— **Set stricter conditionalities** for EU funding with national governments held responsible in case of breaches (e.g. via ex-ante conditionalities). Strengthen and extend rule-of-law conditionality.

— Engage the **Court of Auditors** to carry out formal checks of the suitability of targetting of funding, the cost-effectiveness of funding choice and the reality of climate contributions.

— Strengthen the **European Anti-Fraud Office (OLAF)**.

— Member State receiving EU funding must join the **European Public Prosecutor's Office**.

What is financed today will be the energy system of the future: we have to prepare the current investment for net-zero. Furthermore, we need to ensure that what we spend actually delivers on long-term greenhouse gas reduction. If not, green-spending risks becoming green-washing and a major missed opportunity for the use of EU funds. EU funding rules also need to facilitate and respond to the particularities of small-scale and local sustainable projects (i.e. think global, act local), which will not only help the development of a stream of good projects, but also build on and broaden the stakeholder commitment to a post-fossil transition.

If designed and implemented well, the **EU budget can substantially contribute to addressing the climate emergency and funding the European Green Deal**. It can be an important lever and **complement Member State and private sector funding that also need to flow** towards projects that help securing a safe climate future.

The MFF was launched as a proposal of the Juncker Commission reflecting the priorities and mandate of the last Commission and position of the last European Parliament and constellations of 28 Member States in the Council. The negotiations on the MFF and the associated programming need to take into account the promised European Green Deal and the 'green wave' in the European elections and in a range of national and regional elections, as well as the clear evidence of the joint climate and biodiversity crises facing Europe and the planet. It has to do this in the context of Brexit's likely impact on the budget, which even if the plastics tax proposed in the MFF is agreed, will lead to a smaller overall budget envelope. With a reduced budget it becomes ever more important to avoid spending on costly Paris incompatible measures (e.g. airports and gas pipelines) and focus on cost-effective carbon saving investments (e.g. energy efficiency and public transport), measures that lead to important co-benefits (e.g. wetland restoration and nature management), as well as research and green innovations.

LINKS AND LITERATURE

https://eeb.org/greenbudget
https://eeb.org/work-areas/climate-energy/an-eu-budget-to-address-the-climate-crisis/
https://www.euki.de/en/news/eu-budget-climate/

PHOTO LINKS

https://www.pexels.com/photo/close-up-photo-of-signage-2990654/
https://www.pexels.com/photo/crowd-of-people-marching-on-a-rally-2975498/
https://pixabay.com/de/photos/hochwasser-rhein-rheinland-pfalz-3291249/
https://pixabay.com/photos/wildfire-forest-fire-blaze-smoke-1105209/

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[ii] https://www.ipcc.ch/sr15/ and https://www.ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15_SPM_version_report_LR.pdf

[iii] https://www.carbonbrief.org/analysis-how-much-carbon-budget-is-left-to-limit-global-warming-to-1-5c

[iv] For countries in the Carbon Neutrality Coalition, see https://www.carbon-neutrality.global/members/

[v] See p.96: https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf

[vi] Commission Political Guidelines: https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

[vii] https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en

[viii] See also Partnership Agreements: https://ec.europa.eu/info/publications/partnership-agreements-european-structural-and-investment-funds_en New Cohesion Policy: https://ec.europa.eu/regional_policy/en/2021_2027/ European Structural and Investment Funds: https://ec.europa.eu/regional_policy/en/funding/

[ix] https://ec.europa.eu/agriculture/rural-development-2014-2020/country-files_en

[x] sustainabledevelopment.un.org/frameworks/parisagreement

[xi] https://ec.europa.eu/energy/en/topics/infrastructure/projects-common-interest

[xii] EEA(2016): Transforming the EU power sector: avoiding a carbon lock-in https://www.eea.europa.eu/highlights/decommissioning-fossil-fuel-power-plants

[xiii] 13% when including LULUC, see EEB report Climate Neutrality: https://eeb.org/library/destination-climate-neutrality/

[xiv] EEB and Birdlife Policy Brief – Agriculture and Climate Change: https://eeb.org/library/agriculture-and-climate-change/

[xv] https://www.eca.europa.eu/Lists/ECADocuments/SR16_31/SR_CLIMATE_EN.pdf

[xvi] https://eeb.org/library/agriculture-and-climate-change/

[xvii] European Commission (2018) A Clean Planet for all: https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_analysis_in_support_en_0.pdf p202.

[xviii] See also European Commission (2018): 'Sustainable finance: Commission's Action Plan for a greener and cleaner economy'. europa.eu/rapid/press-release_IP-18-1404_en.htm

[xix] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/finance-events-190321-factsheet_en_0.pdf

[xx] See IRENA and European Commission (2018): Renewable Energy Prospects for the European Union. https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Feb/IRENA_REmap-EU_2018_summary.pdf?la=en&hash=818E3BDBFC16B90E1D0317C5AA5B07C8ED27F9EF

[xxi] https://www.euki.de/en/news/mff-climate/

[xxii] All responses to the Questionnaire on MFF and the Climate as well as their assessment can be downloaded from https://eeb.org/greenbudget

[xxiii] Bankwatch & Friends of the Earth Europe (2015): 'Climate's enfants terribles'. https://bankwatch.org/sites/default/files/enfants-terribles.pdf

[xxiv] European Anti-Fraud Office (2017): 'The OLAF report 2017'. https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf_report_2017_en.pdf

[xxv] See European Court of Auditors (ECA) (2016): www.eca.europa.eu/Lists/ECADocuments/SR16_31/SR_CLIMATE_EN.pdf

[xxvi] See European Court of Auditors (ECA) (2016)

[xxvii] The involvement of stakeholders is also required under the legally binding regulation – European Code of Conduct on Partnership (ECCP): https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0240
These are policy, regulatory and institutional conditions, which try to address systemic weaknesses of implementation, see https://ec.europa.eu/regional_policy/en/policy/what/glossary/e/ex-ante-conditionalities

A Budget to address the Climate Emergency

How to fund the European Green Deal

Like the rest of the world, the EU faces a climate emergency and we have eleven years to avert the crisis. Europe is responsible for playing its part in keeping global warming within 1.5°C as agreed in Paris and leading by example through decarbonizing its own economy by 2050 at the latest. At the same time, this transformation holds many opportunities for European regions and local communities – notably the scale of job creation around low cost renewable energies, energy efficiency, and nature restoration. The renewable energy sector alone employs around 1.2 million people in the EU, and is expected to continue to increase rapidly as the renewables share doubles by 2030. Decarbonisation will also lead to cleaner air, avoid many associated risks to human health and enhance energy security by reducing the EU's import bills. By setting the right incentives for ecological and fair farming systems, the agro-ecological transformation could lead to better food for European citizens and new opportunities for rural regions.

The EU's next budget cycle, the Multiannual Financial Framework (MFF 2021-2027), will play a crucial role in addressing the climate emergency and enabling a socially just transition that leaves no one behind. The MFF and its operational programmes are one of the key EU levers to direct investments and make EU financial flows consistent with a pathway towards low-emission, climate-resilient development (as set out in Article 2.1.c of the Paris Agreement).

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