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The 2028–2034 EU long-term budget: what's in it for climate?

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Climate and the environment are not the priorities of the EU long-term budget (Multiannual Financial Framework – MFF) as the proposal instead focusses on competitiveness, security and defence. Climate policy features mainly through the lens of industrial decarbonisation under the Clean Industrial Deal, while broader environmental goals – especially biodiversity – are sidelined. This comes despite major financing needs: The Institute for Climate Economics (I4CE) estimates an annual €344 billion investment deficit to meet the 2030 climate target,[1] and the European Central Bank (ECB) projects an additional €460–630 billion per year will be required.[2]

According to the European Commission, the MFF proposal would include almost €700 billion for environmental investments thanks to a proposed 35% spending target for climate & the environment.[3] However, as the analysis below shows, this figure is likely much smaller due to greenwashing and broad exemptions from the environmental provisions. Moreover, in addition to a budget proposal that does not meet the quantitative investment needs, the proposed flexibilization of the MFF structure and notably the merging of existing environmental programmes into bigger programmes, risks undermining climate neutrality, environmental protection.

This briefing examines, firstly, the two horizontal environmental safeguards — the spending target for climate and the environment, and the Do No Significant Harm principle — and, secondly, assesses the environmental and climate considerations in the two largest programmes within the budget proposal: the National and Regional Partnership Fund and the European Competitiveness Fund.

1. Horizontal climate and environmental provisions

The horizontal spending target of 35% for climate action and environmental objectives ('spending target') (Art. 4) and the horizontal application of the Do-No-Significant-Harm (DNSH) principle (Art. 5) are the two central safeguards to ensure that climate and environmental considerations are reflected in the next EU budget. Both are defined in the performance framework regulation.[4]

A. Horizontal spending target for climate and the environment

The European Commission proposes a 35% spending target for six environmental objectives, up from the 30% spending target for climate in the current MFF. A spending target requires that a minimum share of the budget is spent on a specific objective. Compared to the current MFF that includes two, a separate climate and a biodiversity spending target, the future target has a wider scope, referencing the six environmental objectives defined in the EU taxonomy.[5] This prevents double counting when funding benefits several environmental objectives, by only counting the highest contribution to the spending target.

1 I4CE, The State of Europe's Climate Investment, 2025 Edition

2 European Central Bank, 'Green Investment Needs in the EU and their funding', ECB Economic Bulletin Issue 01/2025

3 European Commission, 'Statement by President von der Leyen on the next long-term EU budget', 16 July 2025.

4 European Commission, Proposed Regulation 'Budget expenditure tracking and performance framework', July 2025

5 Those are (1) climate mitigation and (2) adaptation, (3) transition to circular economy, (4) pollution prevention and control, and (5) the protection of water and marine ecosystems, as well as (6) protection and restoration of biodiversity and ecosystems - Regulation (EU)2020/852

The table below shows that the spending target could result in nearly €700 billion funding for climate and the environment. In addition to the overall target (35%), the European Commission proposes dedicated targets for some individual programmes. However, the current design of the spending target comes with important shortcomings that need to be fixed during the negotiations.

Horizontal spending target for environment and climate

Programmes within the MFF	Budget (billion EUR)	Climate and environmental spending targets	Resulting climate and environment spending* (billion EUR)
Entire MFF	**1,985**	**35%**	**695**
National and Regional Partnership Fund	865	43%	372
European Competitiveness Fund	234	43%	101
Horizon Europe	175	40%	70
Connecting Europe Facility	81	70%	57
Global Europe Instrument	200	30%	60
Unaccounted margin (difference between defined programme targets and overall MFF target)			(35)

All amounts in current prices
* This estimation omits the exclusion of defence and security spending from the base estimation.
If this provision remains, each 1% of excluded spending would reduce the overall amount for climate & environment by 1%.

First, the target is highly vulnerable to greenwashing. Annex I of the budget performance regulation currently assigns positive coefficients to investments with limited or even adverse climate and environmental impacts. For example, airport expansion would count as 40% towards climate adaptation. These coefficients need to be corrected to ensure the target drives genuine climate and environmental action. The World Wildlife Fund (WWF) has done a first comprehensive assessment.[6]

Second, the proposed exemption of defence and security spending reduces the overall size of the spending target. Each percent of the EU budget falling under this category would lower climate and environmental spending by 1%. Abolishing this exemption would increase its credibility, improve transparency and also make the implementation of the spending target simpler.

Third, the scope of the spending target risks crowding out biodiversity and other non-commercial environmental objectives. Due to their higher commercialisation potential, many climate investments, such as industrial decarbonisation and renewable energy production, align more closely with the EU's competitiveness agenda, or might bring more immediate short-term economic benefits than measures focused on long-term nature conservation. Moreover, non-commercial activities often require a higher public funding share, making them more expensive. The resulting negligence of biodiversity investments, however, omits that half of the global GDP relies on nature services such as pollination, water quality or disease control.[7] This is why the WWF recommends[8] an increase of the target and a dedicated biodiversity target to ensure that biodiversity measures continue to receive funding.

6 WWF EU, WWF Briefing Paper on the Performance Regulation, September 2025
7 WEF & PwC, 'Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy', January 2020
8 WWF EU, WWF Briefing Paper on the Performance Regulation, September 2025

B. The Do-No-Significant-Harm principle

While a spending target ensures that a minimum amount of funding benefits environmentally positive objectives, the **Do-No-Significant-Harm principle ensures that the EU budget will not fund activities harming the environment**, such as fossil fuel infrastructure.

Applying the DNSH principle to the entire budget is a positive step, promoting coherence across EU policies and providing a simple, universal standard for all funding instruments. According to Article 5, a 'single and simple guidance' will include two lists: a green list of activities always compliant with DNSH, and a red list of activities that are harmful and therefore ineligible for EU funding.

The effectiveness of the DNSH principle lies in strong implementation, particularly in the design of the green and red lists, and in the scope of exemptions. The European Commission proposes that exemptions may apply in cases where DNSH 'may not be feasible or appropriate', specifically: (i) defence and security activities, (ii) crisis situations, and (iii) other reasons of overriding public interest. It will be essential to ensure that these exemptions remain strictly limited, so that the EU budget does not inadvertently reinforce fossil fuel dependencies but supports a truly fossil-free transition.

2. Climate and environment within the main programmes

Let's have a look at the climate and environmental dimension within the main programmes of the next budget, notably the **National and Regional Partnership Fund** (NRP Fund) and the **European Competitiveness Fund** (ECF). They are the biggest funds within the next budget.

C. National and Regional Partnership Fund

The 'European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security' (NRP Fund),[9] with €865 billion, merges the EU's previously largest programmes, the Common Agricultural Policy (CAP) and Cohesion Policy, into a single instrument that national governments will access through one national and regional partnership plan (NRPPs) for each Member State.

Two of its five general objectives of the NRP Fund explicitly reference the environment and climate neutrality. The specific objectives (Article 3) cover a wide range, including clean tech and industrial transition, just transition, the six environmental objectives, decarbonisation of buildings and transport, and alleviating the social impacts of the soon starting EU emission trading system for buildings and road transport (ETS2). They also include support for the agricultural and rural transition, as well as for civil society organisations. Climate and the environment are therefore strongly embedded in the formal scope of the NRP Fund.

Yet, because the fund also serves other priorities, including industrial development, migration and defence, there is a risk that climate and environmental goals will be neglected. A strong environmental focus will hence depend on a robust spending target (currently set at 43%) and the design criteria for the plans. Weak climate coefficients, however, threaten the credibility of the spending target, as highlighted above.

Creating such a big fund with one plan for each Member State offers the chance to improve coherence with EU environmental policies and funding streams but poses a drafting challenge. The design criteria (Art. 22) require governments to reflect, respond and explain the plan's contributions to five general and 28 specific objectives, and lists no less than 18 additional requirements to consider. Notably absent from those criteria is the requirement to conduct a strategic environmental assessment of the plans.[10]

National governments need to demonstrate consistency, identified in national energy and climate plans and national restoration plans, among others.[11] The Social Climate Plans will form a dedicated chapter within the NRPPs. Ideally, the strategic consideration of those documents makes the plans contribute to climate and environmental objectives.

9 European Commission, Proposal for a regulation of the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, July 2025

10 European Environmental Agency, 'Strategic Environmental Assessment'

11 It also requires consistency with national medium-term fiscal structural plans and national digital decade strategic roadmaps. References to additional strategic documents are mentioned in Article 22.

In addition, a newly introduced mechanism linking investments to reforms can further help reduce regulatory roadblocks to a fair transition in the Member States. Depending on the design of the reform, they could target fossil fuel subsidies or create incentives for more climate-friendly tax policies.

The NRP Fund also entails an EU Facility with a budget of nearly €55 billion, reserved for support of Union actions, including 'LIFE actions' for cross-border environmental projects and civil society networks. While other activities are also mentioned, those LIFE actions could partially compensate for the discontinuation of the dedicated LIFE programme. The European Commission will be in charge of the EU Facility.

D. European Competitiveness Fund

The ECF[12] merges 14 EU programmes, including LIFE, and focuses on four policy windows, one of which focuses on decarbonisation. Unlike with the NRP Fund, the European Commission manages this fund directly through annual and multiannual work programmes.

From the €240 billion budget, only 11.2% (€26.2 billion) is earmarked for 'clean transition and industrial decarbonisation', compared to €125.2 billion (53.4%) for 'resilience, security, defence and space'. Yet, like the NRP Fund, the ECF will come with a 43% environmental spending target, requiring substantially more climate and environmental spending than the dedicated window alone (€100 billion).

Moreover, the ECF will closely coordinate activities with Horizon Europe and the Innovation Fund. Stronger coordination can hopefully boost the impact of EU industrial policy, from early research to commercialisation of clean, low-carbon technologies. Horizon Europe will be equipped with €175 billion for early innovation, scientific excellence and research, 40% of which will contribute to the spending target. The Innovation Fund is an existing funding instrument supporting low-carbon technologies in the demonstration phase. It exists outside the EU budget and is financed by proceeds from the EU emissions trading system (ETS).

The ECF will be managed by the European Commission via (multi) annual work programmes, consolidating the decision-making power within the European Commission. Article 33 lists eligible activities, ranging from decarbonisation of transport, industry, energy and buildings to natural resource protection and governance support. It also mentions LIFE activities as a consequence of the merging of the previously separate EU fund for climate and environmental objectives.

However, even with the reference to LIFE, the ECF's competitiveness-first logic favours market-oriented measures, leaving doubts over its support for non-commercial environmental objectives. It will be within the power of the European Commission to define specific actions, instruments and criteria for support, using the full toolbox of measures.

E. Other programmes

The Connecting Europe Facility (CEF)[13], with a proposed €81 billion budget, supports cross-border energy and transport infrastructure, directly contributing to climate mitigation. The CEF has expanded 2.4-fold, focusing on grids and flexibility to aid the energy transition, while the transport strand prioritises rail and inland waterways. The CEF has a 70% spending target.

The Global Europe Fund, worth €200 billion, consolidates external EU funding under one instrument. Its programming will be shaped through consultation with partner countries and a geographical allocation of funds. While it references the Paris Agreement and Kunming-Montreal Biodiversity Framework, the scale of EU commitment to international climate finance remains unclear. It carries a 30% climate and environment spending target.

The LIFE Programme, the EU's only dedicated funding tool for the environment since 1992, will be discontinued.[14] Its budget grew from €400 million (1992–96) to €5.4 billion (2021–27), rising from 0.08% to 0.45% of the EU budget, and it financed many bottom-up climate and biodiversity projects. As a consequence, under the next MFF, the European Commission proposes to finance LIFE activities within the NRP Fund and the ECF.

12 European Commission, Proposal for a regulation of the European Competitiveness Fund, July 2025

13 European Commission, Proposal for a regulation of the Connecting Europe Facility, July 2025

14 European Commission, LIFE Programme

Without dedicated funding, biodiversity and other environmental objectives risk being sidelined amid competing priorities like security and defence.

One issue that goes beyond this briefing, but is covered in more detail here, is the role of new, environmentally aligned resources for the EU budget. These 'new own resources' could both make polluting activities more expensive and generate much-needed revenues. The European Commission's latest package is expected to raise about €58 billion a year – mainly through levies on e-waste, tobacco, corporate contributions, carbon pricing and adjustments to existing resources. However, a coalition of civil society organisations and trade unions have warned that the plan lacks ambition,[15] pointing to far more impactful options, such as taxing fossil fuel windfall profits, frequent air travel or the wealth of ultra-rich individuals. These would not only raise substantial funds but also shift the burden towards those most responsible for pollution and inequality.

Conclusion: leading the change from the structure

We started this assessment from the existing investment needs for Europe's climate transition. The budget proposal, with a bigger set of objectives, less political attention to climate and the environment, and only a marginal increase of funding, means that the budget is not delivering for climate and the environment.

At the same time, national budgets face consolidation pressures and the ongoing deregulation of the EU's sustainable finance framework[16] will likely result in less private financial flows into environmental objectives. **In this context, calling for a bigger EU budget is critical. In parallel, the strengthening of the climate spending target and the DNSH principle are a silver lining in an MFF proposal that clearly focuses on other priorities. Their robust design will be the make-or-brake moment and must therefore be a priority for the negotiations ahead**.

This is all the more urgent given the broad scopes of the NRP Fund and the ECF. While they nominally cover most environmental priorities, these might get lost in the crowd of other objectives. Without strong, enforceable safeguards, biodiversity and environmental policies will be the first casualties of competing budget demands such as defence. It is evident that the ECF aims to drive a clean industrial transition. Its toolbox of industrial and financial instruments has the potential to drive a future-oriented innovative economy in Europe. However, for this it needs more resources and a sharper focus.

While the merging and numerous flexibility provisions in the MFF structure threaten long-term predictability, the NRPPs are a unique opportunity to align funding with EU policy priorities. If governments manage to design plans that reflect the investment needs and recommendations of the energy and climate plans, nature restoration, and social climate plans, the resulting investments could deliver powerful support for the transition at a moment when the economy is changing and costs of fossil fuels will rise.

The budget proposal did not appear in a political vacuum but reflects the current political debates in the European Parliament and among many national governments. Advocates of a Green future-oriented MFF need to be smart about their strategy: when to highlight the economic and security benefits of climate, biodiversity and cleantech investments, and when to push back, reminding decision-makers of the existential risks of unabated climate change and biodiversity loss.

15 MFF Hub, 'CSOs & Trade Unions Welcome EU's New Revenue Proposals as "Much Needed" but Fail to Target the Most Profitable and Polluting Sector', July 2025

16 Birdlife, CAN, EEB, T&E, WWF EU, 'EU simplification explained – an FAQ', September 2025

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Check out our web dossier: eu.boell.org/new-MFF