

Funding Europe's future

How Cohesion Policy 2014-2020 can deliver
for Europe's people and environment



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Executive summary

The economic and financial crises of 2008, the effects of which continue to pose such difficulties across the EU, have their origins in an unsustainable growth model that has not only wreaked havoc on the economic wellbeing of EU states and their citizens but that is also proving to be disastrous for the global climate, ecosystems and natural resources. Redirecting the EU's Cohesion Policy to help correct this damage is not only urgent and essential to meet the EU's political, legal, social and environmental commitments, but a revitalised, robust Cohesion Policy can also support the modernisation of central and eastern Europe's economies and societies as a whole, creating millions of secure jobs in a truly sustainable way.

This report by CEE Bankwatch Network and Friends of the Earth Europe considers Cohesion Policy and its financial instruments, the Structural and Cohesion Funds (SCF), as the EU's key investment tools to shift Europe's regions on to a sustainable development path – SCF have a vital role to play in tackling climate change, stopping biodiversity loss and reversing the trend of resource-overconsumption.

The transition process towards societies in ecological balance that produce, consume, move around and live in a sustainable way requires enormous financial resources. The trouble is, we have seen too many of these EU resources being squandered on unsustainable investments in the past. These trends must change now, as the member states and the European Commission get ready to design and negotiate the next EU budget for 2014-2020, and along with this the rules and priorities for the next Cohesion Policy after 2013.

SCF can, if the will is there, provide for investments that foster sustainable development and catalyse the transformation to a resource-efficient society, one whose energy consumption is low and is based on renewable sources. In so doing SCF should support the deployment of energy saving measures and renewable energy sources, the sustainable use

of natural resources and should contribute to the decarbonisation of the transport sector. At the same time SCF should prevent any harmful social and environmental impacts arising from the investments it realises while at the same time actively protect biodiversity and improve ecosystem resilience.

While the EU has set out various strategies which include a range of environmental targets (for example, aiming to reduce greenhouse gas emissions, to achieve more efficient use of energy and natural resources, to protect eco-systems and halt biodiversity loss), the potential of SCF to contribute to the achievement of these targets remains unlocked.

The central and eastern European countries, the principal beneficiaries of SCF, are lagging behind when it comes to efficient and sustainable resource use – the potential for major energy savings in these countries is huge. Gearing SCF in central and eastern European countries towards just this one key area would not only help to mitigate the EU's current environmental crisis, but it would provide a major jobs boost, catalyse the green market sector and strengthen the competitiveness of the region's economies.

The preparations for the next Cohesion Policy programming period 2014-2020 are underway. The European Commission's latest proposal for the next EU budget shows some progress on climate and energy issues, yet it remains unambitious about building a resource efficient Europe and very disappointing when it comes to financing Europe's renewed biodiversity goals and targets.

It is imperative that the outcome of the forthcoming negotiations on the legal framework and strategic guidance for the Cohesion funds ensure the prioritisation of investments in technological and infrastructure development that enable – finally – a shift towards sustainable economies.

In practice, this requires investments in various forms and measures for energy and material savings, in biodiversity friendly renewable energy sources, in sustainable energy infrastructure, in smart grids and energy storage technologies, in the refurbishment of the housing stock and the promotion of passive housing, in advanced industrial eco-innovative products and processes, in the decarbonisation of transport by supporting environmentally friendly transport modes, and in waste management patterns that promote the prevention, reduction and recycling of waste.

Now is the time for these priorities to be linked to a system of indicators that include measurable reduction and saving targets. Conditionalities must provide incentives to achieve concrete reductions in greenhouse gas emissions and resource consumption. Climate and environmental proofing mechanisms have to be strengthened and, where necessary, new assessment and safeguarding tools and the polluter pays principle have to be applied in order to guarantee the environmental sustainability of all Cohesion Policy interventions. These mechanisms must ensure that environmentally harmful subsidies are phased out.

The programming and implementation of the new Cohesion Policy can benefit from much stronger civil society engagement. Minimum standards for realising the 'partnership principle' in the new Cohesion Policy should ensure timely access to all relevant information, inclusive and consistent public participation throughout the entire policy cycle, and also ensure that civil society organisations are empowered to get adequately involved and make their voices heard.

The EU's Cohesion Policy has given harbour to too many excuses, compromises and unambitious decisions for too long. For the kind of sustainable, environmentally sound development required across the EU, and particularly in central and eastern Europe, it is now time for the Cohesion Policy to stand up, be counted and deliver for Europe's people.

Introduction

Maintaining European livelihoods, protecting the environment and remaining mindful that our natural resources are finite – these are some of the most crucial, inter-linked dilemmas and challenges facing Europe’s population and the continent’s decision-makers at the present time. Confronting global environmental challenges, and tackling the climate change, energy and resource over-consumption crises, cannot take place at the national level alone. They have become key, cross-cutting issues for coherent EU action, going far beyond the efforts of single member states.

And so, with its latest strategic direction, the “Europe 2020” strategy¹, the EU is looking for cost-efficient ways to make the European economy more climate-friendly and less energy-consuming. By 2050, in order to address climate change, provide for clean energy security and to conserve the planet’s scarce natural resources, Europe has to cut most of its greenhouse gas emissions and reverse its over-consumption of resources.

This transition process towards sustainable economies within its ecological limits requires concerted efforts at the EU level and optimal utilisation of existing financing instruments. A key part of this story, therefore, are the Cohesion Policy’s Structural and Cohesion Funds (SCF), the EU’s sole territory specific investment funds that are distributed and shared in varying concentrations all across the continent’s member states.

Put into the context of realising “Europe 2020” goals, the Cohesion Policy should be aiming to foster the assets of Europe’s many and varied territories via – first and foremost – an emphasis on sustainable development that prioritises the preservation of Europe’s abundant biodiversity, the potential for green jobs and local renewable energy production and consumption.

If the SCF are deployed in this way,, they can undoubtedly address the EU’s unignorable,

mounting challenges: the need to adapt to climate change, tackle inefficient energy systems and high energy consumption, get away from resource-intensive manufacturing, stop the wastage of resources, and significantly reduce environmental pollution, transport congestion and urban blight.

At a time of rising unemployment, the job-boosting potential of such an approach is a further essential benefit.

Chapter 1

Failing to meet the challenges

The EU has embarked on the pathway to a “Low Carbon Economy by 2050”, with the aim to achieve emission reductions of 80-95 percent compared to 1990, based on a high share of renewables, high energy and resource efficiency, low consumption and minimal reliance on offsets.²

The interim climate targets – known as “20/20/20” – encompass a 20 percent reduction in greenhouse gas (GHG) emissions, an increase of energy efficiency by 20 percent and the raising of the share of renewables in the EU’s energy mix to 20 percent by 2020. Not only are these targets in danger of not being ambitious enough to reach the 2050 goal (the case with GHG emissions) or are not binding, hence endangering their fulfillment (the case with energy savings), the EU in general has not yet been able to reposition itself onto a sustainable development path: the decoupling of economic growth from the consumption of natural resources and fossil fuels and related GHG emissions remains still a distant prospect in Europe.

The situation with energy efficiency is especially stark. This is the main area in which the EU is failing to live up to commitments already made in the framework of the ‘climate and energy package’ that was adopted in 2009³. Extrapolating the current developments taking place on energy efficiency, the 20 percent increased efficiency target might only be half achieved, a fear that is widely acknowledged by Brussels decision-makers.

A Eurostat EU Sustainable Development Strategy⁴ monitoring report from 2009 showed (see Figure 1) that overall progress since 2000 in the ‘climate change and energy’ theme has been unfavourable.

Progress in reducing GHG emissions has been slow since 2000 and emissions in the energy industry and transport sectors have been growing⁵. The EU is still dependent on imports for more than half of its energy supply:

energy dependency has grown considerably since 2000, reaching about 55 percent in 2008, while global energy and resource prices are steadily on the rise. The slow progress in the uptake of renewable sources and electricity are insufficient if the respective targets are to be met in time.⁶

Even more stark – the central and eastern European dimension

The 10 new member states of the central and eastern European (CEE) countries are a particular concern within this urgent scenario. The CEE countries need to rapidly modernise their economies to remedy their far less sustainable use of resources, a wasteful usage that still lags far behind that of the old member states.

Compared to most of the EU 15, the CEE countries have, for example, a higher domestic material consumption, they are lagging behind when it comes to the sustainability of their waste management and the transition to a decarbonised transport system in CEE is progressing slowly, if at all (see Figure 2).

In the period from 2000 to 2007, the resource use per person in CEE countries has increased significantly, rising above the EU 15 average (see Figure 3).

And many of the CEE countries show significant higher energy intensity than the EU 27 average (see Figure 4).

Investment needs and the current context of Cohesion Policy spending in CEE countries

The technological and infrastructural development shift towards sustainable economies requires investments in various forms of renewable energy, energy infrastructure,

SDI theme	Headline indicator	EU-27 evaluation of change
Socioeconomic development	Growth of GDP per capita	
Climate change and energy	Greenhouse gas emissions*	
	Consumption of renewables	
Sustainable transport	Energy consumption of transport relative to GDP	
Sustainable consumption and production	Resource productivity	
Natural resources	Abundance of common birds**	
	Conservation of fish stocks***	
Public health	Healthy life years****	
Social inclusion	Risk of poverty****	
Demographic changes	Employment rate of older workers	
Global partnership	Official development assistance*****	
Good governance	[No headline indicator]	:

* EU-15 ** Based on 19 Member States *** In North East Atlantic **** EU-25, From 2005 ***** From 2005

Legend

-  clearly favourable change/on target path
-  no or moderately favourable change/close to target path
-  moderately unfavourable change/far from target path
-  clearly unfavourable change/moving away from target path
- :

Figure 1: Sustainable Development – indication along EU headline indicators

passive housing, advanced industrial processes, R&D and electrification of transport (including smart grids and energy storage technologies).

According to European Commission sources ("roadmap 2050"), in order to limit climate change to 2°C and to achieve the transition to a low-carbon economy¹⁰ with GHGs reduced by 80-95 percent the EU would need to invest an additional €270 billion annually, on average, over the next four decades, with €80 billion going on buildings and appliances and €150 billion on transport. At the same time the European Commission's model calculation allocates €10 billion for

carbon capture and storage, unfortunately a dead-end technology that is likely to cement EU economies' carbon dependency¹¹.

In the current climate of severe national budget constraints, EU cohesion spending is Europe's strongest instrument for providing targeted investment support, and thus must contribute to the decarbonisation of its economies, especially in the CEE countries which are receiving the bulk of Structural and Cohesion Funds. In this region the SCF can unlock the potential for energy savings and resource efficiency, and leverage further public and private-sector investments to satisfy wider investment needs.

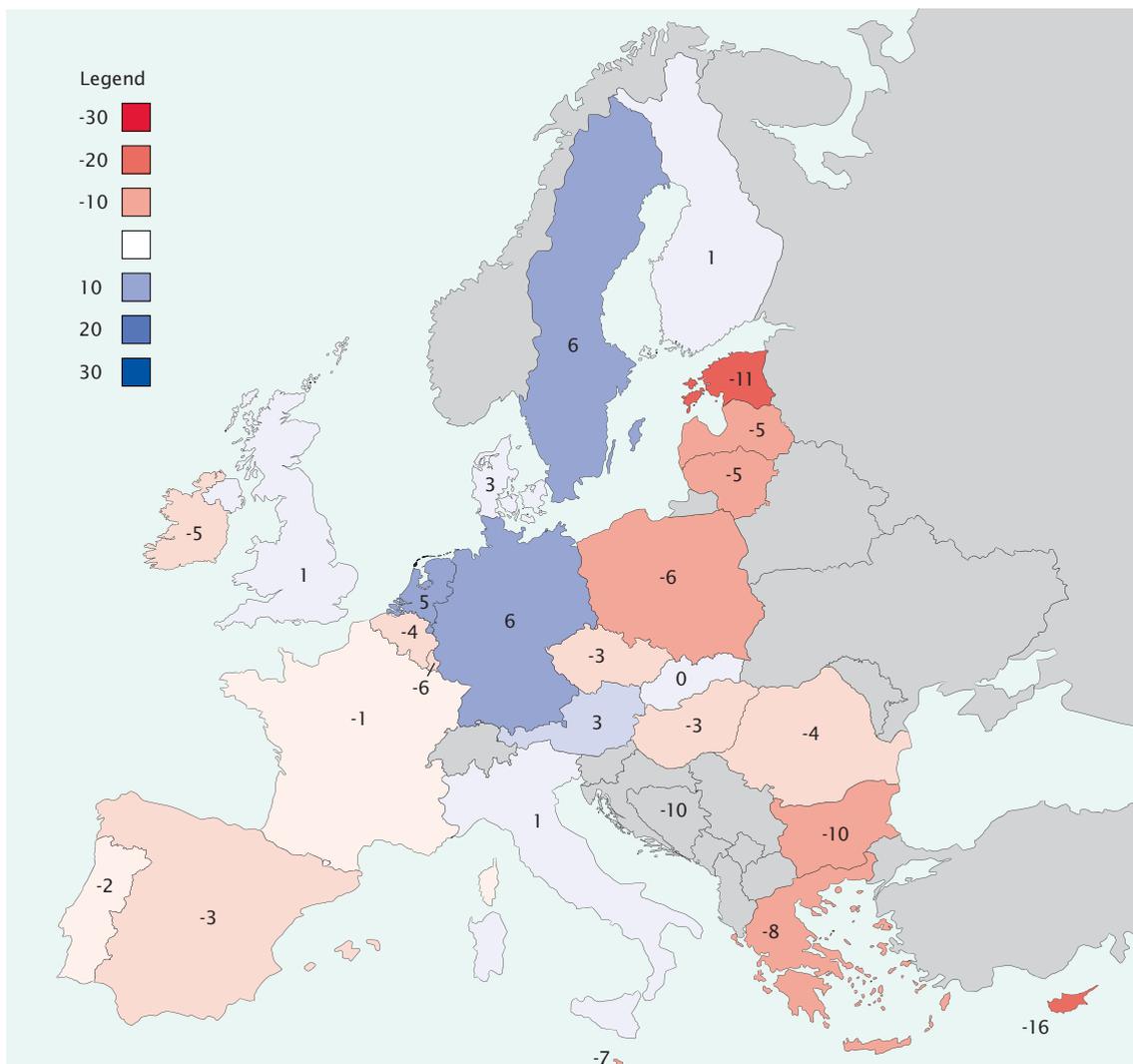


Figure 2: Relative position and scores of member states on 'Sustainable use of resources': the higher the score, the better the situation.⁷

The EU funds should be used to help CEE countries move to a climate-friendly, regional sustainable development path. Yet – as detailed below – regional policies have not yet adapted to the need for change.

The upcoming planning and programming for the future Cohesion Policy (for the period 2014-2020) presents a unique opportunity to gear EU regional funding towards long-term sustainability, and so to set the course to achieve the EU's long term climate and sustainable development objectives. The EU Regional Policy and its funding programmes should foster sustainable development and catalyse the transformation to a low energy-consuming, renewable based and resource efficient society, one that lives within its ecological limits. In so doing the funds should support the

deployment of energy saving and efficiency measures and renewable energy sources, and should contribute to the de-carbonisation of the transport sector. At the same time they should prevent harmful social and environmental impacts accruing from the investments they support, actively protect biodiversity and improve ecosystem resilience.

The development path of CEE countries is largely determined by the way in which they use the EU funds, so significant are the EU funds in these countries. Structural and Cohesion Funds account for one third – at €347 billion – of the current EU budget for the period 2007-2013, making this the second largest spending line within the EU budget after the Common Agricultural Policy. More than the half of it, €177 billion, is allocated to the new member states in the CEE region.

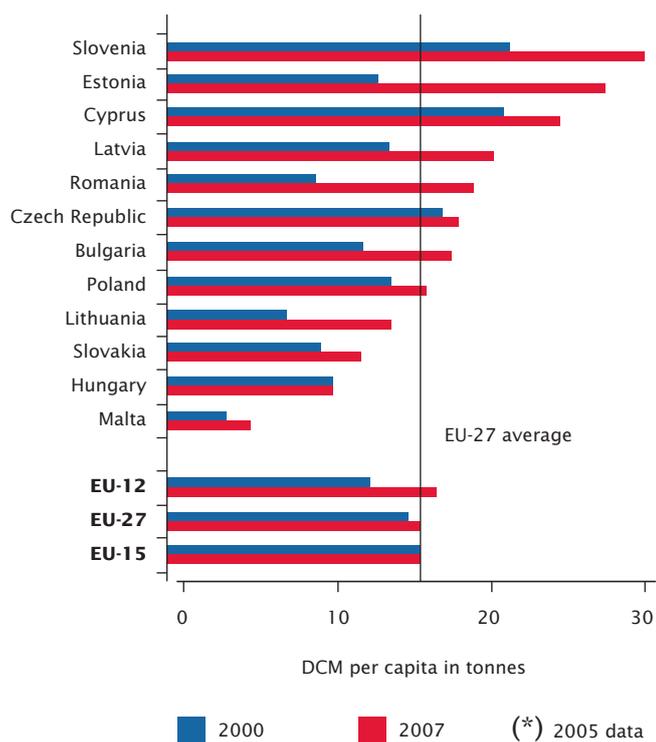


Figure 3: Resource use per person, by country, 2000 and 2007⁸

Especially in the new member states, this financial support from the EU funds makes up a considerable part of the available public financing, where it has a strong leverage effect on national level co-financing as well as on additional loans from international financial institutions (IFIs) such as the European Investment Bank. It also plays a role in attracting private investments by unlocking business opportunities, lending credibility to projects and fostering innovation. In addition, funding under the Cohesion Policy provides support to CEE regions, allowing them to meet common EU environmental objectives such as climate and biodiversity protection.

However, the current approach being realised and encouraged under Cohesion Policy financial support is still focused mainly on infrastructure investments to address regional disparities by delivering economic growth; in the current funding period (2007-2013) climate change mitigation measures such as energy efficiency and renewable energy are receiving a mere 2.4 percent of all EU Cohesion funding in the CEE region (see Figure 5). Business as usual, therefore, is ensuring that the economies of the CEE countries are being locked into fossil fuel and resource intensive production practices – as such, EU money is jeopardising CEE economic development, climate aspirations and economic stability in the medium-term.

Relative energy intensity in 2007 (GDP in PPS, EU-27=100)

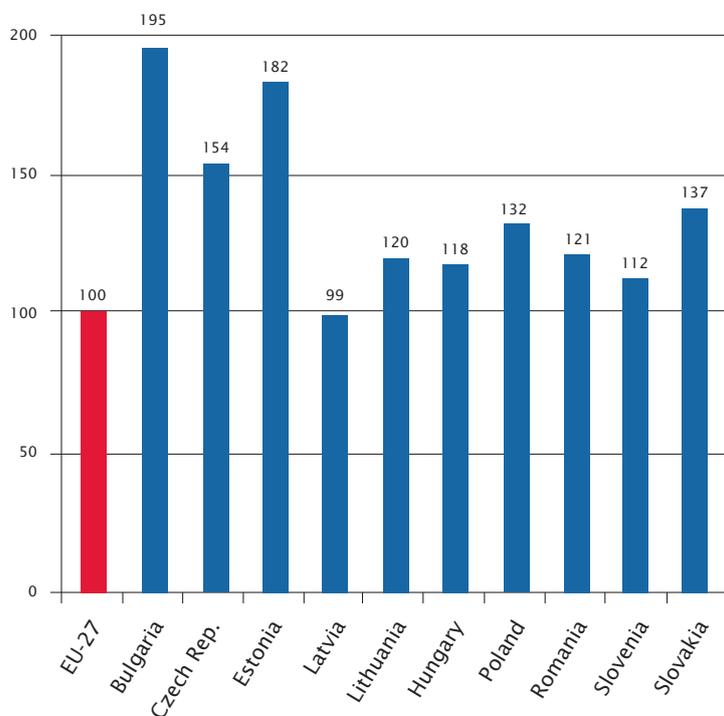


Figure 4: Relative energy intensity 2007, EU 27 and CEE countries⁹

At the same time, around 12 percent of the EU funds currently being deployed in the CEE region are subsidising motorways and other road investments that are more likely to intensify climate change and lock countries into carbon intensive paths of development instead of providing positive benefits. Moreover, even the rather low allocation of funds to energy efficiency and renewable energy sources has proved to be problematic when it comes to the up-take of funds,¹² due to insufficient technical expertise, restricted public budgets to provide for the required co-financing and the administrative bottlenecks that have beset managing authorities less experienced with such new spending areas.

The programming for the current period 2007-2013 was framed under the EU's "Lisbon agenda", that is to say the spending plans were formulated in line with a growth paradigm that accentuates and prioritises the quantitative expansion of economies. This focus on economic growth left the environmental pillar continuously underprivileged – during the preparation of the current spending period, sustainable energy, resource efficiency and climate change were not the priorities they are today.

EU funds allocation

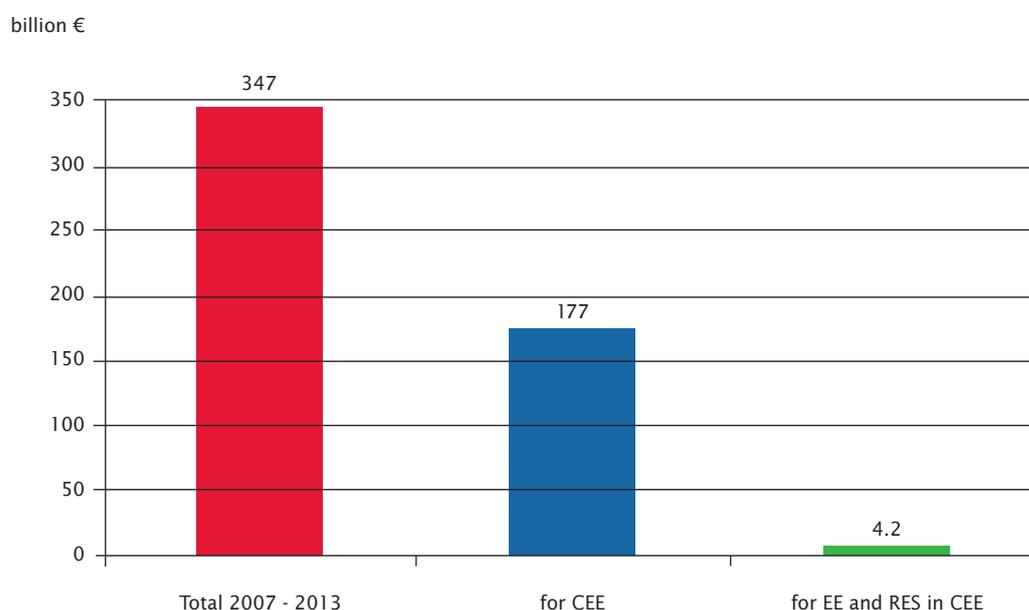


Figure 5: Planned allocations of Structural and Cohesion Funds for energy efficiency and renewable energy sources 2007-2013¹³

The funds remain largely dedicated to traditional regional economic development schemes. Yet infrastructural road-based expansion will contribute to a long-term increase in the pressure on the environment. In addition, although large parts of the EU structural funding are environment-related (waste, water and waste water treatment), it is still primarily focused on end-of-pipe solutions, such as large scale waste incinerators.

As a result European funding still supports projects with negative environmental impacts, projects that increase GHG emissions, harm eco-systems and otherwise contradict overall European environmental objectives.

Waste incinerators, for example, are often promoted – and subsidised with EU funds – at the expense of more economic and environmental friendly alternatives, such as waste prevention, recycling and composting. In general, an integrated approach is still not being sufficiently implemented, such as mainstreaming environmental safeguard mechanisms horizontally through the whole EU funds programming and implementation cycle. The EU's instruments for

such integration of environmental safeguard mechanisms into policy implementation, the Strategic Environmental Assessments (SEA) of the complete planning process, are often just as deficient as the single Environmental Impact Assessments (EIA) of individual projects.

Although the environmental policy framework is mostly in place (e.g. the EU's Birds and Habitats directives on the protection of ecosystems and installation of the Natura 2000 network; the Water Framework Directive for a high level of environmental protection, in order to ensure a clean and healthy water environment and that has established the 'precautionary principle' and the 'polluter pays' principle, and; the Waste Framework Directive that prioritises prevention, reduction, reuse and recycling over waste incineration and landfill), its deficient implementation by member states¹⁴, coupled with weak institutions and a lack of political will at the local level, has hampered sufficient uptake of EU spending geared towards environmental priorities. And in some areas this framework is still missing, including crucial binding targets for energy savings.

Multiple benefits for European societies depend on investing in the right places

A global climate in balance, clean energy security, cost savings and increased competitiveness

Catching up with the rest of Europe has some major potential – besides delivering on EU climate objectives, investments to increase energy and resource efficiency will pay back through lower energy bills, lower production costs and increased competitiveness. Making the transition to low-energy consuming, resource efficient economies based on renewable energy sources would give Europe's economy a boost thanks to increased investment in eco-innovations, clean technologies and clean energy. Europe would cut most of its emissions and diminish its use of oil and gas, reduce the use of raw materials, land and water, and would thus decrease its energy and material import dependency and maintain or regain global competitiveness.

Besides more energy security, there would also be environmental and health benefits such as the provision of ecosystem services and cleaner air – fewer people would suffer from respiratory diseases and considerably less money would need to be spent on healthcare and on equipment to control air pollution, saving up to €88 billion a year (according to calculations from the European Commission, Brussels, 8.3.2011 COM(2011) 112 final, "A Roadmap for moving to a competitive low carbon economy in 2050). In addition, there are savings to be made on fuel costs of between €175 billion and €320 billion. Households could save up to €1,000 on annual energy bills.

On the other hand, costs will increase if the most efficient carbon reduction technologies are not used. Delays in implementing climate change policies will increase costs to achieve given reductions or fail to achieve target reductions. The longer climate and resource efficiency actions are postponed, the more expensive and painful will be the inevitable steps in the future.

New jobs

Energy and resource efficiency helps to curb production costs, keeping Europe as an attractive place of location for businesses and industry. On top of that, investing in the transition to a green economy would stimulate job creation with up to 1.5 million new jobs by 2020 (European Commission, Brussels, 8.3.2011 COM(2011) 112 final, A Roadmap for moving to a competitive low carbon economy in 2050).

In particular the renewable energy sector has a strong track record in job creation, increasing its work force from 230,000 to 550,000 in just five years.

Efforts to accelerate the refurbishment of buildings and the building of energy efficient houses offer large short-term job opportunities in the construction sector. The Energy Efficiency Plan (Energy Efficiency Plan - COM(2011) 109) confirms the large job creation potential from promoting investments in more efficient equipment: meeting the EU objective of 20 percent of renewable energies could create more than 600,000 jobs, and adding the 20 percent target on energy efficiency could mean well over one million new jobs in the EU (COMMISSION STAFF WORKING DOCUMENT of Regional Policy contributing to sustainable growth in Europe 2020, COM(2011) 17).

In the longer-term, increased education, training, programmes to foster the acceptability of new technologies, R&D and entrepreneurship will boost the creation and ensure the preservation of jobs. In order to meet an increased need for a skilled work force, especially in the construction sectors, technical professions, engineering and research, targeted vocational training and capacity building of the existing work force towards "green-collar" job opportunities is required, addressing emerging skills bottlenecks and fostering these skills in education systems. The European Social Fund (ESF) for capacity building, training and new skills can play an important role of supporting such capacity building.

Chapter 2

A green vision of the future Cohesion Policy: Mainstreaming sustainable development into regional policy

The aim of EU Cohesion Policy historically has been to address regional disparities and bring structural change to the economies of less developed European regions. The mission of EU Cohesion Policy as defined in the European Treaty is, in order “to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion” (“Lisbon Treaty” – Treaty on the Functioning of the European Union, TFEU 174).

The EU treaty also stipulates that “environmental protection requirements must be integrated into the definition and implementation of the Union policies and activities, in particular with a view to promoting sustainable development” (TFEU 11).

So, at the strategic policy level, the objective for territorial cohesion must have a strong environmental dimension – providing for the environmental integrity of European regions – and should ensure environmental sustainability in the future Cohesion Policy.

In light of what has gone before, Cohesion Policy has to become a promoter and catalyst for transforming the EU's economies towards ecological and social sustainability. In order to gear its investments in this new direction, the Cohesion Policy's priorities and objectives need to be redefined beyond GDP and should focus on enabling sustainable development that takes into account the ecological limits of the planet. The Cohesion Policy's current focus on economic growth alone does not embrace the full range of sustainability criteria, so that a new set of indicators for EU's

cohesion funding – one that is tailored to the environmental and social challenges facing the EU – needs to be developed, agreed and implemented, already starting within the next programming cycle 2014-2020.

On the programming level, specific output targets and parameters have to be defined to reflect the progress towards new indicators measuring sustainable development, e.g. the carbon footprint and depletion of natural resources on the one hand, or energy saving and climate change mitigation targets on the other hand.

When it comes to the quality of Cohesion funding within all sectors and programmes, climate change, resource efficiency and ecosystem protection should become horizontal, cross-cutting and obligatory priorities with clear reference to other EU policies.

EU cohesion investments should not only be intrinsically linked to environmental legislation (e.g. investing in the top levels of the “waste hierarchy” – reduction and recycling – instead of financing waste incineration) and delivering on the EU's strategic environmental targets such as the “20/20/20 targets”, but should even be utilised to pursue more ambitious climate and energy targets, e.g. a 40 percent reduction of greenhouse gas emissions by 2020.

Therefore mainstreaming environmental objectives into all EU Cohesion policy interventions has to become a condition of all funding. In order to avoid “environmental trade offs” – e.g. aiming at a 80-95 percent reduction of GHG emissions by 2050 and at the same time

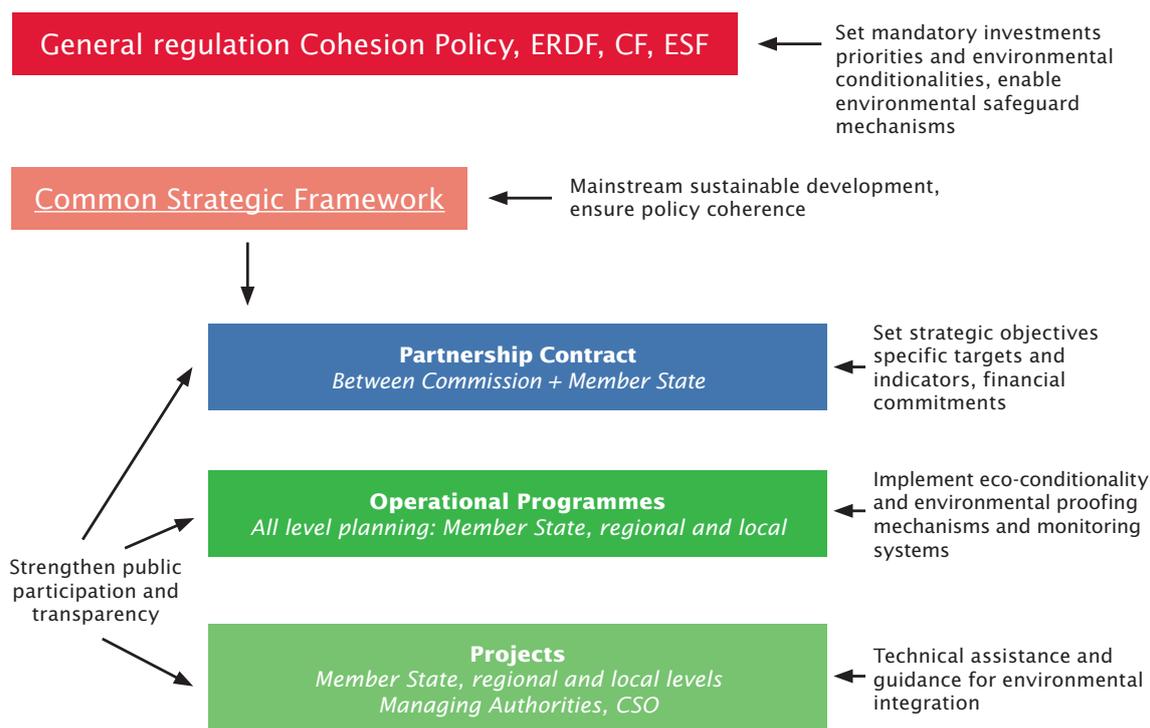


Figure 6: Institutional framework for mainstreaming environmental priorities into Cohesion Policy

supporting air travel, the most CO₂ intensive transport mode – and to guarantee the coherence of national strategic frameworks and plans with the overall EU sustainability objectives, member states’ programming needs to be closely linked to EU strategies and priorities. The upcoming negotiations on the new Structural and Cohesion Funds regulations in 2012 and the preparation of the new set of Operational Programs in 2013 represent a once in a decade opportunity to start implementing this environmental mainstreaming process.

Such an alignment of EU Cohesion Policy priorities within national, regional and local strategies and development plans is crucial to successful implementation. An integrated approach of mainstreaming sustainable development priorities should cover all stages of the Cohesion Policy cycle – project planning, development, monitoring and evaluation.

This would guarantee policy coherence throughout sectors and policies and would require the involvement of all levels of governance (EU, member states, regional and sub-regional authorities, municipalities), stakeholders and civil society in strategic planning, programming and decision-making processes.

In its communication on the future Cohesion

Policy from autumn 2010¹⁵ the European Commission put forward a couple of new structural elements for the 2014-2020 programming period, even proposing a new architecture for Cohesion Policy, which has the potential to serve sustainable regional development. The main difference from the current set-up is that it should govern agreements with member states, regional and local authorities regarding their financial commitments and strategic objectives, binding them to agreed investment priorities, specific and measurable targets for Cohesion policy interventions and environmental protection conditionalities.

On top of that, mechanisms for preventing subsidies that undermine these agreements need to be anchored within the new institutional framework. This new institutional framework (see Figure 6) is composed of the General and single funds regulations¹⁶ and two institutional innovations proposed by the European Commission: the Common Strategic Framework, translating overall EU objectives into investment priorities for the Structural and Cohesion Funds, and as well for the financing instruments for Fisheries and Rural Development.

The second new feature proposed by the Commission is the so called “Partnership Contract”. This contract has to be concluded between

the Commission and individual member states and replaces the current “National Strategic Reference Framework”. This contractual quality of the new agreements – compared to the current strategic framework – opens new opportunities for member states’ binding commitments towards goals and implementation of Cohesion funding, and the possibility to hold member states accountable for the commitments made.

In particular, an improved orientation on results for the future Cohesion Policy requires the prior defining of clear measurable targets that cohere with sustainable development indicators. And those targets need to be laid down in the partnership contracts. Further on, this has to be the basis for member states’ accountability for the effectiveness of Cohesion Policy funding in their respective territories.

Hence the partnership contracts would have to play an important role in this context. These agreements between member states and the European Commission should be designed as a comprehensive and enforceable tool stipulating clear responsibilities and obligations for each party, and as the place in which member states elaborate their plans and objectives, programmes and targets for sustainable development financing via the EU funds.

The partnership contract should also provide for policy coherence with EU, national, regional and urban policies and therefore must include clear, specific and measurable targets for Cohesion Policy interventions. The partnership contract needs to condition the implementation of environmental safeguard mechanisms throughout the whole programming cycle and provide mechanisms to assess and award the level of target achievements.

The partnership contract should guarantee that national funding frameworks provide sufficient funding for the EU’s overall environmental objectives, especially climate and biodiversity targets, and outline how the targets elaborated in the contract will be achieved, given all possible financing sources.

The national and regional strategies and objectives on which such a contract would be based should be the result of a broad consultation process involving all governance levels and stakeholders, including beneficiaries and civil society. The contract itself should be subject to ex-ante evaluation, including strategic environmental assessment, where national issues of environmentally harmful subsidies should be explicitly addressed.

CHECK LIST for Partnership Contracts

- EU environmental legislation is implemented (if not, lay down measures to be taken).
- National sustainable development strategies have been the subject of public consultation, and are in line with the EU’s overall environmental objectives.
- National targets for protecting climate, biodiversity and natural resources are set down.
- Result indicators are defined clearly, and are specific and measurable.
- Member states’ co-financing commitments ensure sufficient funding.

Compliance with the EU environmental acquis should be the basic conditionality for any Cohesion Policy funding, particularly proper strategic environmental assessments and environmental impact assessments. In addition, a comprehensive system of environmental safeguard mechanisms (climate, resource efficiency and biodiversity proofing) should be applied throughout the whole programming cycle. Applying best energy and resource efficiency and cost-effectiveness standards should become a foregrounding principle, where best practice becomes the applicable standard to all projects. The obligation to allow for and promote green public procurement at the national, regional and local levels should promote green products and services, setting incentives for establishing a significant green market segment, thus sending a transformational message to economic operators.

Efforts in monitoring and evaluation that include sustainable development, climate, resource efficiency and biodiversity indicators should be strengthened in order to better orient Cohesion Policy towards results based on clearly defined outcomes, indicators and targets.

To prevent weak implementation, an improved monitoring and evaluation framework is required to ensure that all payment schemes are subject to thorough and regular assessments to allow for ongoing improvements. The economic, social and environmental effects of any policy choice or decision must be fully assessed and understood and their consequences considered in decision-making. As such all relevant

strategic plans and documentation – the Common Strategic Framework on the EU level, the National Reform Programmes, the Partnership Contracts and all Operational Programmes – need to undergo ex-ante evaluations or SEA that are timely, reliable and comprehensive. At the project level, environmental impact

assessments for project proposals have to fulfill the highest quality standards and include in-depth assessments of alternatives, such as different modes for satisfying the needs identified in the projects, and comprehensive indicators and standards check-lists, with special attention to climate resilience and resource efficiency.

How to make Strategic Environmental Assessment the appropriate tool for climate proofing Cohesion Funds

The European Commission's proposal for the next Multi-annual financial framework¹⁷ declares "Climate proofing" of programmes and investments as the basic principle for mainstreaming climate policy into the future Cohesion Policy.

However no new instruments are proposed, and no indication is given as to how existing mechanisms will execute this function. The current instruments, especially the strategic environmental assessment (SEA) is not designed for "climate proofing" and is often even insufficient to cope with its current purpose, where it should ensure that plans and programmes take into consideration the environmental effects they cause. Therefore, some basic principles recommended in this paper should be observed to make "climate proofing" and the integration of environmental considerations happen.

The problems outlined below – experienced, for example, by Bankwatch in Slovakia for the programming period 2007-2013, but similarly witnessed in other CEE countries – illustrate the structural deficits of the SEA in the preparation of the Operational Programmes. SEAs carried out in such a deficient way are not suitable for guaranteeing the implementation of comprehensive environmental safeguard mechanisms ahead of the 2014-2020 programming period:

- SEA was often performed at a very late stage in the development of the Operational Programmes (OP), after working groups established for programming finished their work and even after national authorities had already approved the OPs. As a consequence partners had no opportunity to comment or work on the integration of SEA recommendations into the OPs' development. Therefore the recommendations from SEA were not implemented in the OP itself, and so the whole assessment procedure was redundant.
- Recommendations from SEA were often very vague, sometimes only referring to future Environmental Impact Assessments (EIA) for individual projects. At the same time many projects were subject to EIA already before the SEA was conducted, so this reference by the SEA to already conducted EIAs became insubstantial.
- The indicators for monitoring the OPs' impacts on the environment were equally often identical to the indicators for monitoring the OPs themselves, regardless of the fact that the SEA should have brought specific answers to environmental

issues. Therefore, SEA did not bring any added value. In other cases some recommendations for indicators were finally included in the OPs, but its monitoring appeared to be difficult, as those indicators (e.g. CO₂ emissions) are not used at the project level and an accumulative assessment was therefore impossible.

- Reports on the monitoring of the OPs' impacts on the environment lack specificity and significance.
- NGO comments were not reflected, and not even responded to, during the OP Transport preparatory process in Slovakia.
- As a result, SEA in general did not lead to changes in the priorities and measuring of the OPs.
- SEA in some cases was conducted by project promoters; such practice puts the independence of the assessment in doubt.
- Methodology for conducting SEAs is still not well developed and stable.

Recommendations for 2014-2020 programming:

- SEA should be performed at the earliest stages of partnership contracts and OP designing, so that the recommendations can be discussed by partners in working groups and incorporated before the political decision on approval by national authorities is taken.
- SEA should serve as a tool for setting priorities, i.e. draft partnership contracts should undergo SEA before they are approved by national authorities and the European Commission, recommendations should be incorporated in partnership contracts prior to their signing.
- SEA should assess in detail the climate impact of programming documents.
- The environmental impact of OPs should be properly assessed through the SEA, and the assessment must not be delegated to later EIA processes.
- Where legislation on the SEA procedure is not detailed enough, the processes' rules should be agreed by all partners in the relevant working group.
- Participation in SEA processes should not be a substitute for the participation of partners in the design and adoption of programming documents (partnership contracts, OPs).
- The indicators/reporting system needs to accommodate the requirements of SEA reporting as set out in the SEA Directive 2001/42/EC (Article 10)¹⁸.

Chapter 3

'Must do' priorities for post-2013 Cohesion Policy funding

In order to maximise the leverage effect, the EU's Cohesion Policy should concentrate on projects that deliver the largest environmental benefits at European level and thus reflect European priorities. Both prioritisation of key environmental objectives in the post-2013 Cohesion Policy and the earmarking of funds are fundamental to guarantee sufficient funding and ensure that investments lead to reductions in GHG emissions and resource intensity.

To this end, the future Cohesion Policy should include a stronger thematic concentration on obligatory environmental priorities, focusing on win-win opportunities for the CEE regions, where the protection of the environment and the saving of resources can provide social and economic benefits.

EU funds fostering the energy revolution

Goal

The key driver for the transition to a resource and energy efficient economy will clearly require a major boost in energy efficiency and energy savings. According to European Commission calculations, by 2050, the energy sector, households and business could reduce their energy consumption by around 30 percent compared to 2005¹⁹, equal to 1300-1350 million tons of oil equivalent (Mtoe). The Stockholm Environment Institute goes even further, estimating the energy savings potential at around 500-600 Mtoe.²⁰ In any of these scenarios net energy saving are combined with the regionalisation of locally produced energy consumption, and are built upon sustainable renewable energy sources.

As a result of this transformation to a low energy-consuming, renewable based and

resource efficient society, the EU would decrease its dependency on expensive imports, the demand for oil and gas from outside the EU would be minimised, and increasing oil prices would no longer threaten the stability of European economies. On average, the EU could save €175-320 billion annually on fuel costs by 2050²¹. This transition would require a high-tech "smart" power grid – estimated to cost about €200 billion – to connect various regions, e.g. carrying wind power from the north and solar power from the Mediterranean to central Europe.

“Reaching the EU objective of reducing greenhouse gas emissions by 80-95 percent by 2050 compared to 1990 as agreed in October 2009 will require a revolution in energy systems, which must start now.”

EUROPEAN COUNCIL 4 FEBRUARY 2011 CONCLUSIONS

There is no doubt that wide ranging investments into energy infrastructure need to be undertaken in order to install a renewable based energy system in Europe. However, the centralisation of energy supply via big installations, e.g. large offshore wind farms in the North Sea, must not be preferred to small scale, decentralised energy supply chains, organised at the local and regional levels.

According to the European Commission, meeting the EU's 20 percent by 2020 energy savings target would avoid the construction of about 1000 coal power units, cut CO2 emissions,

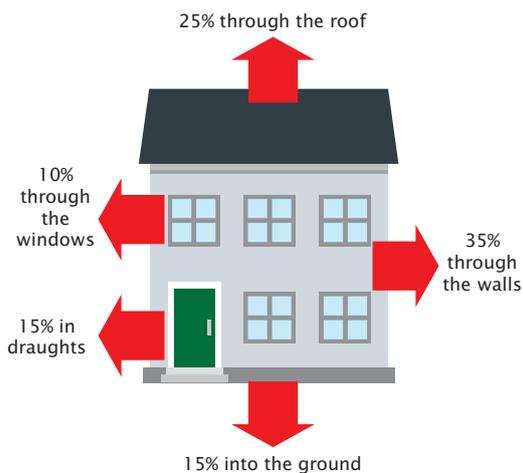


Figure 7: Energy loss in an uninsulated residence comes in various shapes and sizes

create hundreds of thousands of jobs, fill industry's order books and help solve the respiratory and other health problems of relying on a heavily polluting fossil fuel power sector.

The reality

The dangers of not prioritising energy efficiency are evident in CEE right now. Across the region, the planned allocations of Structural and Cohesion Funds in the current 2007-2013 period amount to a meagre 2.4 percent for energy savings and renewables. Yet CEE is precisely the region where businesses are stagnating in the post-crisis depression and the potential for reducing energy use and cutting bills is still the highest.

The options

With energy-related emissions accounting for roughly 80 percent of all GHG emissions in the EU, setting the continent's energy sector on a fundamentally more sustainable path via the EU Funds is a paramount demand, with major investment boosts in energy efficiency and renewables top of the pile.

To secure the CO₂ reductions demanded by the Intergovernmental Panel on Climate Change, as well as the EU's 80-95 percent figure for the EU's long term objective, investment in renewable energy must be prioritised in the forthcoming Cohesion Policy period. Increasing the share of final energy produced from renewables to 25 percent by 2020 would cost an additional €370 billion in investments compared with business as usual, but would lead to about €20 billion of savings in fuel costs²².

To reach by 2050 a renewables share of 92 percent in final energy, and a reduction by 95 percent of energy related CO₂ emissions, would cost an additional €1,800 billion in investments, but would however bring €2,650 billion of fuel cost savings over the next 40 years²³.

While housing is in general not an EU competence, energy security, an efficient economy along with climate change mitigation are key EU responsibilities.

According to European Commission calculations, the building sector accounts for 40 percent of the EU's total final energy use and 36 percent of CO₂ emissions. The residential sector accounts for 67 percent of energy consumed in buildings. The untapped potential of the sector for cost-effective energy savings could bring an 11 percent reduction in final energy consumption in 2020, delivering a substantial part of the energy consumption reduction goal of 20 percent.²⁴ This does not take into account the potential of buildings as energy producers through the installation of renewable energy sources. A European Commission analysis projects that over the next decade investments in energy-saving building

EU-27 final energy consumption of 1997 & 2007 Breakdown by sector

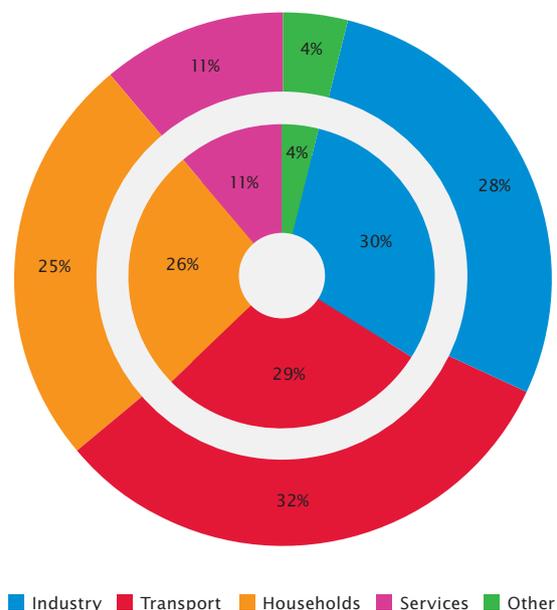


Figure 8: Eurostat Pocketbook Energy, transport and environment indicators, Luxembourg: Publications Office of the European Union, 2009



Huge improvements in energy efficiency are waiting to happen in eastern European housing stock (Photo: Jonathan Khoo, flickr)

components and equipment will need to be increased by up to €200 billion.²⁵

Investments in energy efficiency in the existing building stock can provide for economic, social and environmental benefits in line with the priorities of the Cohesion Policy and the Europe 2020 strategy.

As experience from current funding programmes, including the EU funds and Green Investment Schemes in the new member states, demonstrates, public spending delivers a high leverage effect in the local economy.²⁶ A recent study into the potential effect of energy efficiency retrofitting of residential buildings in Hungary shows that in the most ambitious deep retrofit scenario, 130,000 net new jobs could be created alone in this country, avoiding 85 percent of the energy consumption for heating.²⁷ These jobs can be created across the whole country, contributing to local economic development in all the regions.

A deep, widespread reduction in energy consumption in Europe's social and cooperative housing sector, which accounts for 25 million units or 12 percent of the residential stock in the EU, is consequently the logical step to take in order to make fast, effective gains in efficiency for those who need it most and to trigger a more generalised energy transition

throughout the residential sector. It is estimated that upping the annual eco-efficient refurbishment rates to four percent, the equivalent of 800,000 units, in Europe's social and cooperative housing stock alone would create 200,000 jobs annually and make a significant contribution to reaching the EU's energy efficiency targets. The estimated annual expenditure requirement for this renovation boom is €16 billion.²⁸

Improving the region's tower blocks with finance

Special attention is needed for the widespread blocks of 'panel' flats seen throughout the new member states. Decaying building stock and inconvenient urbanism are turning suburbs full of these buildings into social traps, with energy poverty becoming an ever more pressing issue.

These highly unfavourable conditions should be taken into account and Cohesion Policy funding should be made available to associations of flat-owners in these kind of buildings, regardless of the legal form of ownership. All options for energy efficiency measures including heating systems, air-conditioning, hot water distribution including solar panels, elevators and lighting of common spaces, as well as the installation of renewable sources,

should be eligible for financial support. Renovation of these blocks will both ease the social situation of the inhabitants and contribute to the quality of life and attractiveness of such neighbourhoods, preventing social seclusion. It will also contribute to increasing the cohesion of regions and the urban areas that have a high concentration of blocks of panel flats.

Boosting renewable heat generation

A lot of attention is given to renewable electricity generation with feed-in tariffs and investment from the EU funds has provided a good start to the sector in many countries. But renewable heat generation needs similar attention too.

Cohesion Policy financing for heat supply from renewable sources, including geothermal heating, solar heating (as supplement), local sustainable biomass and utilisation of waste heat, should be provided. The co-generation of heat and electricity should be prioritised wherever the installation is sufficient in size. The production, processing and distribution of local biomass – respecting the ecological limits of its cultivation – needs financial support in order to help the agricultural sector to switch to its production and to help develop the market. Regional or local projects with secured local supply of biomass covering the whole production to heat delivery chain should be favoured.

District heating

The high penetration of district heating systems in the CEE region provides both a major burden and an opportunity.

Inefficient designs and technologies, a legacy of the centrally planned economies with inconvenient ownership structures, have contributed to the fact that these systems have remained inefficient up to now, leading to price rises and user disconnections. An integrated approach is needed to tackle these problems: district heating renovation projects should include generation (increasing effectiveness, switching from fossil fuels to biomass, including possibility of co-generation; distribution – decreasing losses in the system; total consumption – thermal insulation in the buildings; and individual consumption – installation of meters in individual flats. They should also include the possibility of connecting renewables, such as solar thermal panels.

These measures combined bring decreased demand for total heating energy, decreased fuel consumption, motivation for flat-owners to cut their consumption, and long term stability for

the system operator. A set of funding instruments supported by the Structural and Cohesion Funds will be necessary to put these measures into reality, with an important role for subsidies in the case of thermal insulation and the installation of metering devices and loans for the system operator.

Smart energy infrastructure for renewable electricity and energy security

The EU has committed to increase the share of renewable energy sources (RES) in final energy consumption to 20 percent by 2020 and is aiming for an 80-95 percent cut in GHG emissions by 2050 compared to 1990 levels. The EU's 2020 renewable energy goal means that the share of renewable electricity production will have to rise to 34 percent by 2020. Although the EU often presents itself as a front-runner in climate change policy, and aims to become a global leader in promoting clean, efficient and low-carbon technologies, in practice it is still doing far from enough.

Feed-in tariffs, green certificates and EU funds available for new installations of renewable resources have set Europe on the path to achieve the goal. But experience from several new member states shows that electricity grids are not ready to accommodate not only the future but even the current renewable sources. It is therefore necessary for EU public support to focus on the development of smart grids and interconnections in order to allow further development of the renewables sector and to bring about a shift in the grid paradigm to one that is decentralised and demand oriented.

Under the current set up, it is unlikely that the market and the energy companies acting on their own would be able and willing to deliver the needed technological breakthroughs within the time-frame needed. It will be necessary to find new institutional arrangements and balance the cost of implementation of smart grids between the energy producers, consumers and the public budgets. Inevitably, Cohesion Policy funding has a strong role to play and supporting smart grids can deliver its goals: promoting economic and social as well as territorial cohesion, delivering sustainable growth and turning Europe into a competitive, innovative and resource efficient economy.

Smart grids are designed to handle decentralised, intermittent power sources such as renewables,

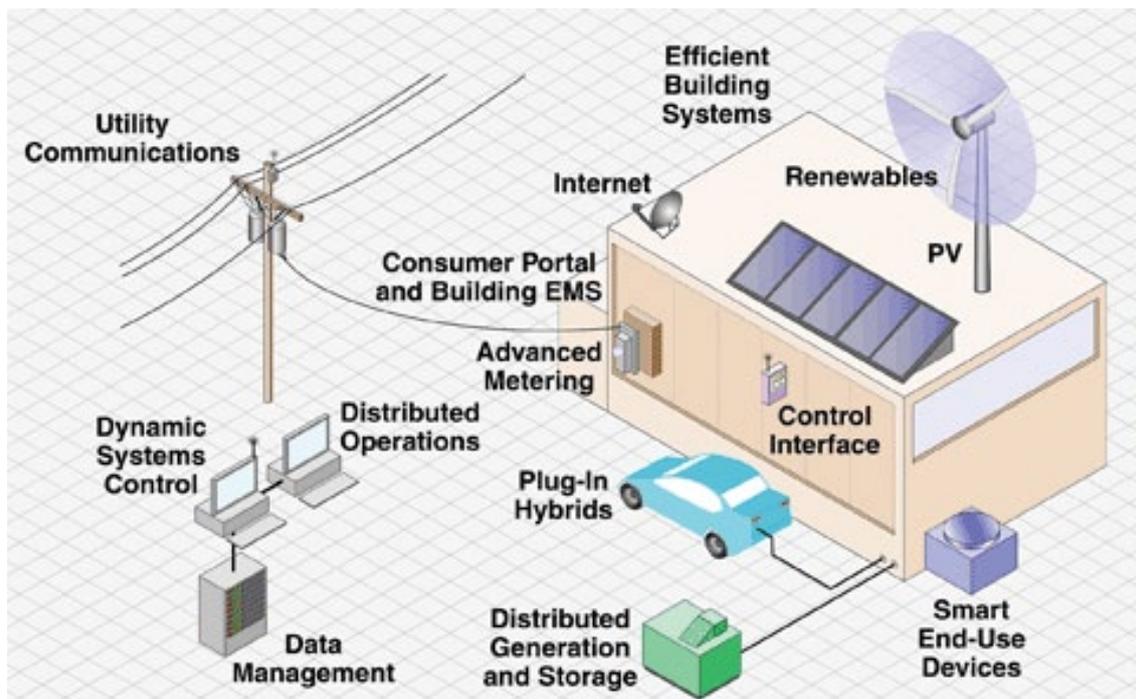


Figure 9: Implementing smart grids, as foreseen by the Electric Power Research Institute

integrate smart appliances that can regulate energy demand and balance the supply peaks and demand peaks in different regions. They provide for instant reliable communication of energy flows in the grid in all of its nodes and of several levels of price signals. They allow remote regulation, connections and disconnections of various sources and consumers.

Such technologies are currently in the development phase with some demonstrations underway on the ground. The Cohesion Policy budget for research and development should be prioritised for this area in order to unify the technologies of different producers and create technological standards and norms to allow smart grids and appliances to be applicable across the whole EU single energy market. In the future, devices working as part of the smart grid environment will become a standard and developing such devices will be a major advantage for European companies.

Special attention is required for demand-side management in smart grids. Current grids operate according to given demand curves that cannot be regulated. Smart grids need to allow the consumer, through smart appliances and smart meters, to take the decision when to consume the electricity, based on the price signal. For that, user friendly appliances and smart meters for households and energy management systems for companies will be needed. Cohesion

Policy funding should contribute to the research and development as well as to the distribution and integration of such devices with existing systems and support their acceptance and proper use via information campaigns.

Technical assistance funding should be made available to ensure smart grids, decentralised small scale renewables and demand side management are mainstreamed into the integrated development plans of urban areas and regions. The priority of regional production coupled to regional consumption, and both tailored to local needs, should be the rule, increasing benefits for local economies and energy security.

For the needs that cannot be covered regionally, new cross-border and long distance transmission capacities will be needed to transfer large amounts of electricity from renewables. Public funds should be invested primarily into upgrades of existing lines – only where the upgrade possibilities are insufficient, new lines can be built in conformity with sound environmental legislation. The cross-border cooperation focus of the Cohesion Policy funding should play its role to create a real interconnected single energy market that will allow all the regions to benefit from both the possibility to install renewable sources and secure supply without undermining the environment and climate.

Slow implementation of smart grids upgrades

Table: Sectoral reductions by 2050

GHG reductions compared to 1990	2005	2030	2050
Total	-7%	-40% to -44%	-79% to -82%
Sectors			
Power (CO ₂)	-7%	-54 to -68%	-93% to -99%
Industry (CO ₂)	-20%	-34 to -40%	-83 to -87%
Transport (incl. CO ₂ aviation, excl maritime)	+30%	+20 to -9%	-54 to -67%
Residential and services (non CO ₂)	-12%	-37 to -53%	-88 to -92%
Agriculture (non CO ₂)	-20%	-36 to -37%	-42 to -49%
Other non-CO ₂ emissions	-30%	-72 to -73%	-70 to -78

Source: European Commission, "A Roadmap for moving to a competitive low carbon economy in 2050", 2011²⁹

could cause a significant technical lag and economic harm in the less developed regions of Europe. "Energetic cohesion" needs to be achieved so that all regions can benefit from the new energy infrastructure. Cohesion Policy funding will be necessary to allow the spread of smart grids technology in all of the EU regions, thus contributing to economic cohesion and levelling the differences in technical advance and equipment.

The EU's member states have a significant role to play in investing national budget money in order to stimulate renewable energy markets – and EU funding should be a major driver to support such initiatives, focusing on energy savings, on underfunded renewable energy (such as wave power and geothermal, which currently suffer from a lack of large funding streams), smart grids, and the interaction between climate change and land use.

What to do?

In order to meet the intended reduction targets and to drive the transition from fossil fuels to a de-carbonised and eco-efficient economy, energy saving measures and the utilisation of renewable energy should be adequately – if not ambitiously – supported by the EU's Cohesion Policy. EU funds need to aim at retrofitting, renovating and refurbishing current high energy consumption installations, especially in the housing sector and district heating systems. In addition the establishing of appropriate smart energy infrastructure needs to be engineered in order to allow the uptake of renewable energy sources and to support the regionalisation of consumption and generation circuits.

Equally, ambitious energy efficiency criteria for all financed projects have to be established to ensure the systematic integration of energy-saving measures as well as renewable technologies into all projects where feasible.

The following energy efficiency measures should be supported by the EU funds:

- The targeting of existing, cost-effective efficiency options in the more deprived and fuel-poor areas of Europe.
- Research, development and deployment of new and near-market energy efficiency technologies.
- National or regional led schemes that provide educational benefits or reduce costs for others through the deployment of energy efficient technologies.
- A binding target for energy savings, based on primary energy use, and a fixed baseline.

In addition, the EU has a role to play in accelerating the phasing-out of old and inefficient equipment, preventing inefficient equipment from entering the market and bringing to an end the construction of inefficient buildings, and thus:

- Policies should provide a long-term perspective to create a stable environment for investment markets, economic conditions and social circumstances.
- Differences in capacity among member states and regions should be recognised where relevant. The EU funds should prioritise, where needed, workforce training, financing a deep renovation programme of the existing building stock, and providing information where most needed.

Chapter 4

Cohesion Policy to support de-carbonised and environmentally sound transport measures in Europe

The goal

The Cohesion Policy in 2014-2020 will contribute to the phase out from carbon intensive and environmentally destructive transport modes through supporting purely environmentally sound transport measures.

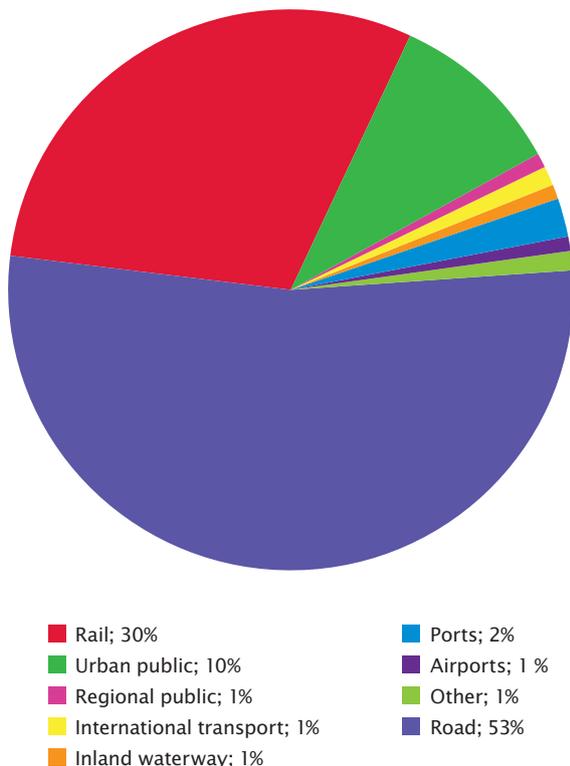


Figure 10: Share of funding in CEE transport, 2007-2013

The reality

The breakdown of EU funding in 2007-2013 for transport in the CEE countries according to mode:

Transport accounts for 24.2 percent of CO₂ emissions in the EU³¹. Road dominates with 94 percent of total transport GHG emissions in 2007³². Oil is still the principal fuel for 96 percent of EU transport, and oil products would still cover 90 percent of the EU transport sector's energy needs in 2030 and 89 percent in 2050 in a "no-policy change" scenario³³.

Other problematic considerations related to the EU's transport sector are:

- In contrast with other industrial sectors, transport is the only sector where GHG emissions have increased since 1990. GHG emissions from transport (excluding international aviation and maritime transport) grew by 24 percent between 1990 and 2008 across the EU's 27 member states, and now account for around 19.6 percent of total emissions³⁴. The increases in transport sector GHGs – as well as several other environmental impacts of transport – continue to be closely linked to economic growth.
- Unless concerted policy action is taken, this trend is likely to continue, with transport emissions expected to grow by 74 percent between 1990 and 2050³⁵.
- The basic set up of EU funding for the transport sector does not reflect the need to reverse current trends and move towards a sustainable transport system as part of an eco-efficient economy based on smart concepts that include energy savings and the use of renewable energy sources.



You are not stuck in traffic – you are traffic (Photo: Freefotouk at flickr)

- Policy frameworks within the member states do not show any ambition to decrease the level of transport related GHG emissions. CEE countries are utilising twice as many EU funds for roads as for railways, while funding for public urban transport is marginal.
- Only a proper reform of the methodology for the planning, implementation and evaluation of transport investment projects will allow the EU institutions to act persuasively to meet the climate and energy targets for 2020, including meeting a 30 percent reduction in GHG emissions.
- Even though the European Commission's transport white paper acknowledges the need to reduce GHG emissions by 60 percent by 2050³⁶, it postpones active reduction efforts until after 2030.

“Trains, planes and ships last for decades. The choices made today will determine the shape of transport in 2050, and that’s why we are acting now to achieve a transformation.”

Slim Kallas, European Commissioner for Transport, 2011³⁰

Options

- Trains and urban public transport produce on average three times less CO2 emissions per passenger-kilometre than private cars.
- For freight transport, trains cause more than five times less emissions per tonne-kilometre than trucks.
- Railways and public transport have suffered from chronic under-investment in the CEE countries in the past 15 years, making them less competitive vis-a-vis car and truck transport. A recent Bankwatch study³⁸ illustrates that CEE governments have been using the vast majority of the EU funds available for transport to develop roads. This approach has been increasing the competitiveness of roads compared to rail, feeding into a vicious cycle where it becomes easy to justify putting yet more money into the strongest sector.

What to do?

Support only sustainable transport

- EU funds, if invested properly, can contribute to creating and strengthening the trend that will decrease both the absolute level of GHG emissions from the transport sector as well as its other negative environmental impacts (such as biodiversity loss, fragmentation, noise level, barrier effect, demand patterns).
- Thus, the EU funds in the post-2013 period

(as well as the resources of the EIB, as a complementary financing mechanism of the EU) should be shifted to purely support the transition to carbon-neutral development in the transport sector.

- Cohesion Policy investments into carbon intensive transport measures should be phased out completely and only such measures that contribute to the de-carbonisation of the transport sector should be promoted.

The basic criteria for deciding whether a concrete project or measure's eligibility will be further assessed must include:

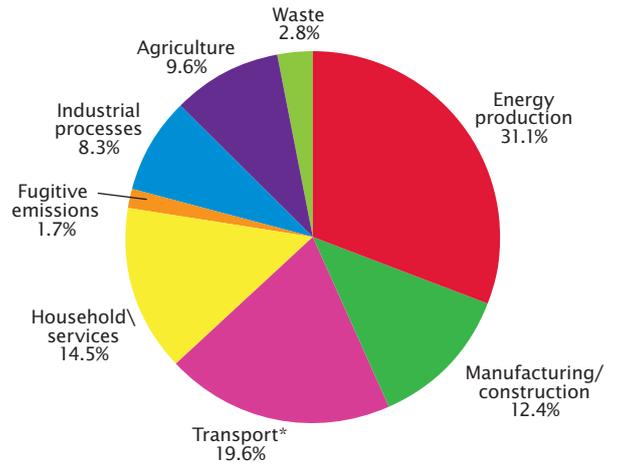
- Compliance with the Europe 2020 energy/climate target to reduce GHG emissions
- No harm to NATURA 2000 sites, and no contribution to biodiversity loss in general
- Respect to human settlements (e.g. eliminating noise and the fragmentation aspect)
- The potential to influence transport demand in a particular territory in a way that will stimulate the shift to significantly less environmentally harmful transport modes or to eliminate part of the GHG intensive transport completely
- The EU funds not being used to support agrofuel projects for transport or energy, since the production and increasing use of agrofuels is not only dubious from the GHG limitation perspective, but also has adverse impacts on biodiversity, food production and increasingly threatens the ability of third world populations to grow crops within their economic limits. Current information and analysis of agrofuels shows that it is unrealistic to produce enormous volumes of them if environmental limits and global ecosystems are to be respected. The EU should not be basing its transport vision on the massive use of agrofuels.

Only such measures and/or schemes/projects that conform to these criteria would then be able to proceed to a further level of consideration, where other aspects, based on a Multi Criteria Analysis approach, would be considered.

Among the types of measures that should be promoted and supported by the Structural and Cohesion Funds are:

1. Traffic calming measures, particularly in densely populated urban/co-urban/metropolitan areas.
2. Railways and public transport schemes (as they consume less energy and emit on average three times less CO₂ per

Total greenhouse gas emissions by sector in EU-27, 2008



* Excludes international aviation and shipping (6% of total GHG emissions)

Changes 1990 -2008

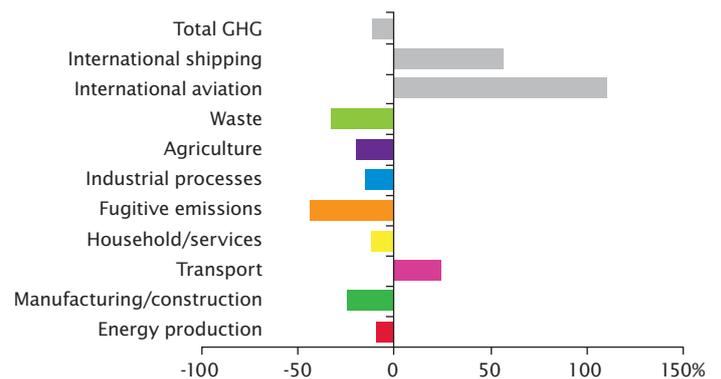


Figure 11: Total greenhouse gas emissions per sector – changes 1990-2008³⁷

passenger-kilometre than individual cars). At the same time buses and trams use 20 times less scarce urban space per passenger than private cars.

3. Public logistic centres that would enable the fluent switch from long distance rail transport to localised road delivery. Such arrangements are still heavily underdeveloped, both in terms of their number, as well as in the scope of the services provided.
4. A number of traffic demand measures can be implemented through the introduction of charging and other systems (low emission zones, speed limits) both in urban and non-urban areas. These should be designed and developed in a way that will

- in the longer term spur the shift to more environmentally friendly transport modes.
5. Attention should also be paid to intelligent transportation systems (ITS) as well as research and development, particularly the technological aspect of the development and diffusion of freight (and potentially also passenger) distance-based charging systems. It is crucial that provisions are such that bypassing of the charged road network is avoided as much as possible.
 6. Such technologies used/to be used must be compatible widely for all country-level charging systems that are and will be in place in the EU.

Phasing out harmful transport subsidies

From what has been mentioned above it is obvious that GHG intensive transport modes (air traffic, roads/motorways) should in general be excluded from Cohesion funding. In the case of concrete road projects, exceptions might be made if the projects are part of a wider strategy that proves to be in compliance with carbon-neutrality initiatives and that have other environmental criteria in place. Such projects could include:

- Measures which calm traffic and improve road safety. City bypasses to alleviate congestion and pollution (accompanied by appropriate measures discouraging car traffic in the city).
- Filling loopholes in the network where the construction will clearly improve the GHG situation if compared with current status. This however should be proved as part of the detailed multimodal strategy of individual countries, so that the elementary

criteria mentioned above are not bypassed. Support for motorways should be phased out completely. User charges should be mandatory for EU-funded motorways from the moment of their construction. The co-financing rate from EU funds should be accordingly lowered, taking into account future revenues from user charges – this approach is already applied to EU-funded railway projects (but not to all road projects) in the 2007-2013 period, see text box below.

- Air traffic should not receive any support from the EU funds (including airport construction/extension/renovation or accompanying infrastructure). This particularly carbon intensive mode already enjoys fiscal privileges and should rather become the subject of new pan-European taxes than receive grants.
- The European Commission must ensure that EIB investments do not undermine the decarbonising of transport policy, but rather support it. To date the EIB's record in this field is highly unsatisfactory. The bank's transport investments – even under its new transport policy in place since 2007 – favour GHG intensive transport means: between 2006 and 2009, 54 percent of EIB investments in the transport sector (that is, of a total of EUR 67.6 billion invested in the transport sector by the bank in that period) went for the most carbon intensive transport modes – 45 percent going to road-, and 9 percent to aviation³⁹.

How rail investments are losing out to roads

One of the rules in the General Regulation for Structural and Cohesion funds is that the EU co-funding rate has to be lowered for projects which generate revenues (Article 55). Project promoters have to estimate the future revenues of a project and deduct them from the EU co-financing.

This effectively means that every euro paid by users is deducted from the EU grants.

For rail projects the future revenues from its operations are calculable and reduce the EU financing. For road projects, where no user chargers or other income sources are considered at the planning stage, such a reduction of EU financing is not applied. As a result road projects can receive much higher EU co-funding rates. This discourages member states from making users pay for road infrastructure (and the external costs), it discourages member states from introducing road pricing and, ultimately, it encourages spending on roads over rail.

Support the transformation of urban transport systems

Transport plays a vital role in our urban environment and can have huge impacts on the amount of resources used and emissions produced. Cohesion policy finance, therefore, should be focused on:

- Supporting integrated traffic management solutions that prioritise sustainable modes of urban transport and reduce individual car traffic, especially within densely built-up and populated areas. This support should be conditioned on the existence of a framework traffic management strategy, based on fulfilling clearly defined indicators, such as the reduction of GHG emissions, the reduction of noise and vibration levels, a decrease in car accidents, the length and compactness of the cycling infrastructure network, modal split development in favour of mass transit, and a decrease in the use of fuels and electricity for mass transit.
- Managing space occupancy by cars, as space is one of the most precious goods in urbanised areas. Cars should be pushed outside the main urban area, and all space for parking should be strictly managed and subject to fees and time limitations.
- An integrated regional transport system that can divert a large portion of commuters to mass transport modes and its implementation should be a key priority in urban transport support.
- Reducing the inflow of cars into cities where they cause congestion which significantly increases fuel consumption and creates time delays for mass transit needs to be channelled to car/mass transit terminals.

Chapter 5

Cohesion Policy must promote sustainable resource use

“Waste is another area of real focus now. Waste policies have to be made part of the circular economy – that ‘give and take’ situation where the exchange of materials where one facility’s waste output including energy, water, materials – as well as information – is another facility’s input. Waste is still too much of a lost resource.”

Janez Potočnik, European Commissioner for Environment, 2011

The goal

The EU’s Structural and Cohesion Funds should invest in waste management measures to ensure that 70 percent of municipal waste is recycled and landfill reduced to a minimum.

The reality

The EU is committed to reducing waste generation, but is not succeeding. The trends for those waste streams for which data are available indicate the need to reduce the generation of waste in absolute terms to ensure further reduction of environmental impacts. In 2006, the 27 EU member states produced some 3 billion tonnes of waste – an average of 6 tonnes per person. There are substantial differences in waste generation between countries, up to a factor of 39 between the EU member states, largely due to different industrial and socio-economic structures.

Only a few countries in Europe have managed so far to stabilise or reduce the amount of their municipal waste, or to achieve reasonably high recycling and composting rates, even though during the last few decades the EU has adopted a number of policies aimed at reducing waste generation and increasing levels of recycling and composting.⁴⁰ Reducing the production of waste is the first priority but it is clear that there is a massive potential to increase reuse, recycling and composting rates, given that the best performing region, Flanders, is achieving more than 70 percent recycling, higher than any member state.⁴¹

Funding for incineration plants: instead funding for waste generation, invest in reduction and recycling

One of the central conflict points is the construction of incineration plants in several CEE countries, e.g. Lithuania, Czech Republic, Croatia, Hungary, Slovakia and Poland. The case of Poland has garnered most attention as 12 planned incinerator plants would consume



Photo by Sterneck at flickr

Municipal waste generation and treatment, by type of treatment method

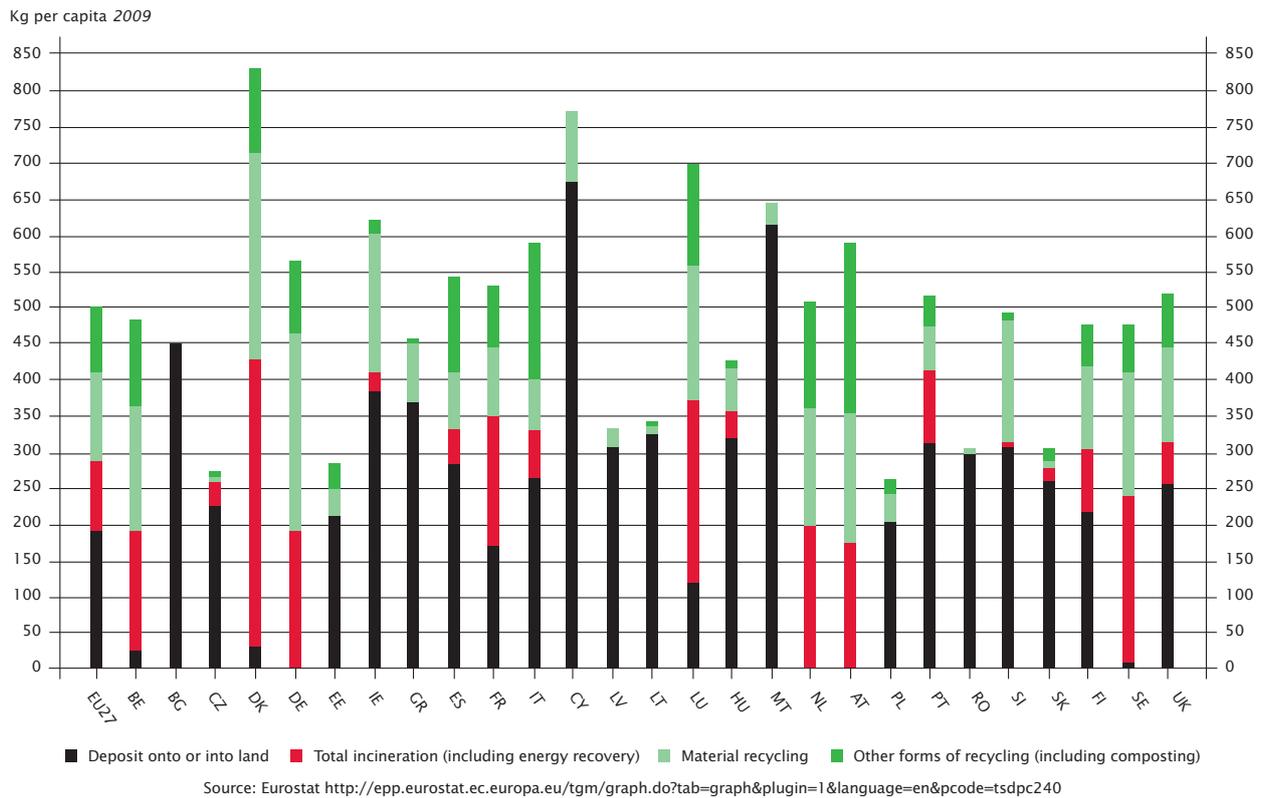


Figure 12: Municipal waste per capita and treatment, 2009 (% of total municipal waste treated)

€1.1 billion, approximately 66 percent of the entire allocation for waste management projects to be co-financed by the EU in the 2007-2013 budget period in Poland⁴³.

Such a major focus on incineration may leave other waste management options such as recycling and composting, which occupy a higher position in the waste hierarchy, underfinanced and may jeopardise the achievement of waste recycling targets set by the EU.

More widely, tackling the EU's startling levels of over-consumption must start now. According to a 2009 Friends of the Earth Europe analysis, the EU's ecological footprint exceeds its global carrying capacity by a factor of three. The EU is the biggest importer of resources worldwide – a longer term dead end that the 'Europe 2020' agenda appears to have in its sights with one of its flagship initiatives being a "Resource efficient Europe".

The options

The ways in which Europe treats its waste has large impacts on climate change: these include the release of fossil-fuel derived CO₂

from incineration and the release of methane from landfill, a much stronger greenhouse gas. Recycling, on the other hand, offers more environmental benefits and lower environmental and climate impacts than other waste management options. It is also more labour intensive, and thus creates more jobs – achieving 70 percent recycling of municipal waste around Europe, rather than the current 50 percent target, by 2020 would create more than 500,000 jobs.⁴⁴

Recycling also reduces the need for the extraction and processing of new resources, therefore further saving fossil fuel energy, and avoiding damage to ecosystems. Recycled materials also have value – the EU is currently burying or burning more than €5 billion worth of resources every year.⁴⁵

What to do?

Fundamental improvements in Europe's waste management are integral to minimising the footprint's impact. The priority for CEE countries should be to prevent an increase in waste volumes, while also rapidly increasing separate collection and recycling. The provision of

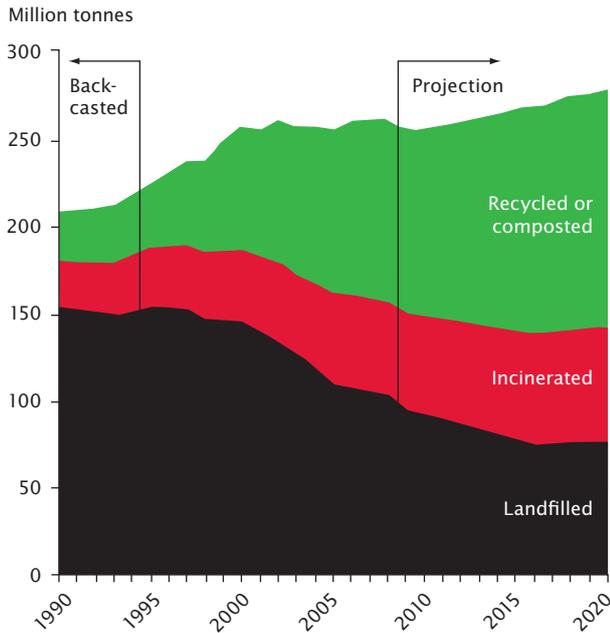


Figure 13: Waste generation in the EU-27 (without Cyprus) plus Norway and Switzerland, and the distribution between treatment paths from 1990 to 2020⁴²

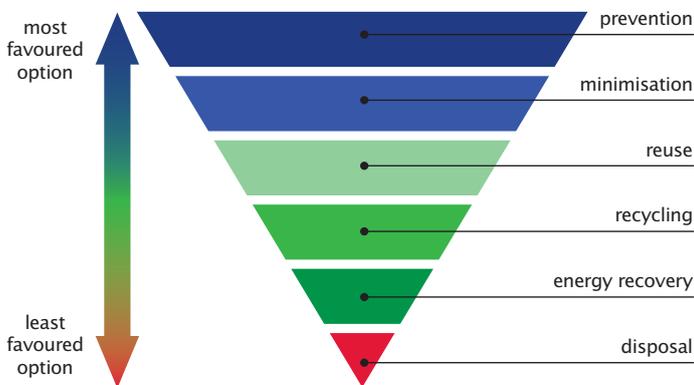


Figure 14 – EU waste hierarchy — with those towards the top of the list more desirable than those towards the bottom. (according to Directive 2008/98/EC on waste (Waste Framework Directive), Article 4)

public funds for waste management should prioritise solutions in line with the waste hierarchy, with prevention of waste production, reuse of waste, separate collection, recycling and composting to the fore.

The EU Cohesion Policy has to support the implementation of EU objectives – its preference for incineration investments must be halted. Waste incineration is an outdated and expensive technology, with poor climate performance. The inflexibility and long lifespan of incinerators (usually 20 years) freezes potential improvements in reducing and recycling waste because it needs to burn the same amount of waste to remain economically profitable. The current practice of supporting harmful waste treatment practices such as investments for incinerators or landfills should be replaced by integrated sustainable waste management concepts, tailor-made for the region concerned, and supported by the EU funds.

The EU’s Cohesion Policy has to promote already widespread non-incineration waste prevention and management methods, primarily:

- The prevention of waste by supporting cleaner production methods, rational purchasing and packaging reduction.
- The re-use of material and products through promoting re-usable packaging, second hand trade and repair centres.
- Recycling and composting – for example propagating the system of door-to-door separated waste collection can ensure higher levels of recycling and composting.
- Anaerobic digestion by composting under low-oxygen conditions, which produces methane that can then be burnt for energy.
- Mechanical-Biological Treatment – a range of technologies that can be used as a last resort to recover materials for recycling and low-grade composting. This cannot replace separated waste collection due to the low quality of the recovered materials, but it removes the remaining organic waste from the residual waste stream and results in stabilised waste that can be landfilled in a relatively safe manner.

Measure and reduce total resource use for Cohesion Policy projects

One first step to reduce its resource use is to apply indicators for all Cohesion Policy interventions to measure the respective use of natural resources through Structural and Cohesion Funds funded projects. In particular, the use of:

- Land, measured through the total area used in hectares and the structure of land used through measuring types of land used, with priority given to brownfield revitalisation and minimising agricultural land claims.
- Materials, by assessing the total tonnage used, divided into biological and mineral materials.
- Water, by calculating the water footprint measured in litres.
- Climate, through the carbon footprint, including the carbon emissions associated with imported products.
- Energy, by assessing the amount of energy per 1 unit of output.

Furthermore, the generation of waste and by-products should be measured by assessing total weight of by-products and waste from the production of 1 unit/weight of output.

The same attention should be dedicated to measure the generation of resource and energy savings through increased resource and energy efficiency of processes and technologies used during project implementation.

Chapter 6

The regions – a place for biodiversity and adaptation to climate change

The goal

Cohesion Policy funding should be, to a much larger extent than currently, directed towards measures that stop biodiversity loss, maintain ecosystem services and aid adaptation to climate change; equally, the funding should not finance measures that add to biodiversity decline.

Cohesion Policy funding should be invested in existing and new ecological, “green” infrastructures and not only in hard, physical “gray” infrastructure (e.g. ecosystem-based water treatment, Green infrastructure); in order to protect biodiversity, Cohesion funding should specifically contribute to the financing and management of Natura 2000 and the implementation of the EU 2020 Biodiversity Strategy⁴⁶ to halt biodiversity loss and the degradation of ecosystem services in the EU by 2020, and to avoid the provision of biodiversity harmful subsidies and harmful projects with negative impacts on ecosystems.

The reality

Biodiversity is a declared key environmental priority of the EU and its objectives are integrated in the EU Sustainable Development Strategy⁴⁷. The EU target to halt the loss of biodiversity by 2010⁴⁸ was the driving force behind the development of the Biodiversity Action Plan in 2006 and for increased efforts to implement directives which form the Natura 2000 network, the backbone of EU nature conservation.

Meanwhile, the EU’s 2010 biodiversity target to halt the loss of biodiversity has not been met. Biodiversity loss continues⁴⁹ unabated, causing very serious ecological, social and economic consequences, as biodiversity is crucial for the existence and quality of human life and societies’ well-being through the ecosystem services it provides. The reasons for not achieving the 2010 biodiversity target are mainly incomplete or inadequate implementation of certain legal instruments, and incomplete or low quality integration into sectoral policies.

The frequent under-evaluation of ecosystem services and its benefits for society (such as the provision of clean water through water purification, of healthy food through soil fertilisation, of breathable air through the carbon storage function of forests, of flood control, of tourism and recreation. and of wider cultural services) is a significant factor underlying today’s biodiversity crisis. Habitat destruction, fragmentation and degradation caused by detrimental changes in land use, spatial planning and urban sprawl, the unsustainable use of natural resources and their over-exploitation, pollution including by fertilizers, overlaid on climate change – all are factors currently exerting acute pressure on biodiversity.

Healthy ecosystems, though, play a central role in adapting to climate change by protecting inhabited areas against floods and other negative effects of changing climate conditions. For example, intact floodplains are important in alleviating floods by storing water and releasing it slowly back into streams and

ivers. Forests act as carbon sinks and prevent soil erosion and wetlands absorb pollutants and improve the quality of freshwater supply, whilst contributing to climate change adaptation and mitigation.

What to do?

Protection of biodiversity and the maintenance of ecosystem services require policies, funding and actions that go well beyond protected areas and ecological networks.

Taking into account the above-mentioned arguments and the relevant costs of required actions, halting biodiversity loss and the degradation of ecosystem services in the EU by 2020 should be fully reflected not only in the main cross-cutting policies and strategies, but also in the future Cohesion Policy. The priority now has to be full implementation of Natura 2000, with member states putting in place effective management as well as restoration measures to successfully conserve biological diversity. Cohesion Policy funding must contribute to the management and functioning of Natura 2000 sites⁵⁰, in step with the member states' Prioritised Action Frameworks, in order to follow an integrated funding approach for the Natura 2000 network within member states, thus creating a direct and strategic link to the financing of Natura 2000 and its management.

In order to tackle other reasons for biodiversity loss, such as land use change, ecosystems fragmentation, nutrient loading and overuse⁵¹, direct Cohesion Policy investments for biodiversity protection are necessary, such as investments in Green infrastructure⁵² and ecosystem based risk prevention.

The conventional remedies to environmental risks such as river floods, coastal floods, draughts and mud slides involve barrages, irrigation infrastructure, river and sea dikes etc. However, the implementation of such "hard" solutions has a severe impact on the environment, such as decreased biodiversity levels, water stress, river bed erosion, coastal erosion or higher flood risk.

To avoid such detrimental impacts, risk prevention and climate adaptation measures must prioritise multi-benefit, ecosystem based solutions such as floodplain restoration, mountain forest protection, beach nourishment and wise spatial planning.

Taking into account possible pressures on the environment coming from other investments, for example in transport infrastructure, safety and safeguard mechanisms must be applied to avoid the implementation of biodiversity harmful investments co-financed by EU tax-payers.



Southlake Moor in Somerset, England, which has been restored to a floodplain by the Parrett Internal Drainage Board

While focusing on legislation aimed at achieving a good status for ecosystems and providing for necessary co-financing to EU Structural and Cohesion Funds investments into Natura 2000, Green infrastructure and ecosystem based risk prevention and climate change adaptation, member states will have to implement the respective Strategic Environmental Assessment and Environmental Impact Assessment directives (2001/42/EC, 85/337/EEC) with much greater care than they have done to date. These tools, when properly used, should guarantee that the environment and biodiversity are not compromised by infrastructure development.



River flooding on the rise (Photo by USACE publicaffairs at flickr)

Green infrastructure

Green infrastructure is the strategically planned and managed interconnection of networks of natural lands, working landscapes, migration corridors and other open spaces that (re-) connect ecosystems and habitats, conserve ecosystem values and functions, and provide associated benefits to human populations. It consists of natural and man-made elements, such as reforestation zones, green bridges, green urban areas, green roofs and green walls, high nature value farmlands or forest areas. It ensures efficient and sustainable use of land by integrating interacting functions or activities on the same piece of land.

By investing into Green infrastructure, the Cohesion Policy can contribute to:

- Combating biodiversity loss by increasing connectivity between existing natural areas and increasing their ecological coherence (elements such as hedgerows, wildlife strips in fields, small watercourses, “eco-ducts”, green urban areas and habitat patches could help in this respect).
- Strengthening the functionality of ecosystems for delivering goods and services.
- Increasing the resilience of ecosystems by improving their functional and spatial connectivity, constituting an “insurance policy”, which is vital in the face of global change, including climate change.
- Promoting integrated spatial planning by identifying multi-functional zones or by incorporating habitat restoration measures and other connectivity elements into various land-use plans and policies.
- Developing a greener and more sustainable economy by investing in ecosystem services instead of purely technical solutions, and mitigating the adverse effects of transport and energy infrastructure.
- Reconstructing or adjusting existing or planned infrastructures (e.g. in the field of water management or transport, urban development) to mitigate barrier effects and create ecological corridors.

Chapter 7

Enhancing the Partnership Principle and public participation

The European Commission's proposal on the next Multi-annual Financial Framework (MFF) from June 2011 and the related Cohesion Policy fiche⁵³ lack any mention of transparency, public participation or the partnership principle. But these principles are important for a coherent planning of the Operational Programmes, taking into account the needs and priorities of the final beneficiaries on the ground.

Effective planning of objectives and achievable targets for regional development requires the integration of all partners and stakeholders into planning and programming, taking into account their specific knowledge of the local context and so guaranteeing the results orientation of Cohesion funding, a major condition set out by the MFF.

A close link to citizens is crucial for the realisation of the principle of subsidiarity within the EU, bringing EU policies closer to European citizens and thus improving the legitimacy of public spending. Only where citizens have the impression that their concerns are heard and that they are able to contribute to political decisions will EU actions find acceptance.

The involvement of civil society – given that the basic level of transparency is secured – serves as an additional control mechanism on the spending of EU funds, which is of particular importance especially in CEE countries where misuse of public money is much too often on the agenda.

Goal

Increased civic engagement and participation of environment stakeholders will help to

improve the quality, relevance and effectiveness of government policies and ensure that socio-environmental concerns are addressed alongside economic issues. An inclusive approach is likely to create more confidence in the policies and decisions, and in the institutions that develop and deliver them.⁵⁴

Only public participation, transparency and access to information can guarantee the proper application of different environmental safeguard procedures such as the EIA and SEA, and are essential for facilitating the accountability of political processes and decisions.

The reality

Member states interpret and implement the partnership principle in various ways, with varying intensity. Therefore, experiences are also mixed country by country, issue by issue. However currently, especially in CEE countries, in general the partnership principle is not implemented in such a way to achieve its purpose, namely to achieve a comprehensive programming and planning, including the needs and the knowledge from all stakeholders potentially affected, the consistent involvement of civil society into the political decision making process and openness and transparency in programming and implementation.

The requirements for publicity and information on the financing of regional programmes and major projects, however, appear to be inadequate given the amount and significance of public financing involved in Cohesion Policy programmes and projects. Furthermore, given the changes in the EU funds regulations that will permit even further simplification of rules

on disbursement as a response to the economic crisis, higher transparency standards are a must.

Comprehensive and transparent involvement of all stakeholders in planning, programming, implementation, monitoring and evaluation is not taking place. There is no clear and updated timeline of programming which makes the planning of the allocation of the low capacities of NGOs impossible. These deficiencies hinder meaningful input into programming and thus meeting the real needs of affected communities.

Even if there is some public consultation conducted during programming, it is generally not clear who – and along what principles – decides which comments to decline or take into consideration. The feedback to those participating in consultations is often also missing. This reduces the motivation of the public to invest capacities in participation.

Transparency of decision making and access to relevant information is deficient; and documentations for project selection, which contain a large number of documents, are often disclosed either incompletely or late. Often partnership is limited to formal participation in committees, which – on top of that – are too weak and irrelevant for decision-making. In the end, participation in these committees does not allow NGOs to become effective partners in programming, and the opportunity for the Cohesion Policy to benefit from the participatory approach is missed.

Furthermore, the interests and institutional settings of socio-economic partners often differ considerably from those of NGOs, especially environmental ones and those working on a non-profit basis. For example, a chambers of commerce or industry represent companies benefiting from Cohesion Policy funding and thus have a financial interest in supporting capacities to act as partners. Their capacity to influence the planning process is thus much greater than that of NGOs. This unbalanced power status of stakeholders entails the risk that Cohesion Policy decisions rather serve the particular interests of business only, neglecting the needs of serving the public interest.

What to do?

The funds regulation for the next period should set minimum standards for access to information, the role of partners and the procedures for involvement, and enhance several structural adjustments, including the following:

General access to information

National Cohesion Policy managing authorities should actively – not only upon request – provide for the public access to all information necessary to allow for informed participation in the decision-making process.

They should disclose information on programming procedures and documents drafts as well as detailed information on projects that are already available at national level in a timely fashion. This should be accompanied by an assessment and the publication of costs and impacts of programmes, subsidies and projects that affect the life of citizens.

The information should be timely and easily accessible at all relevant levels (European, national and regional) and should include the following documents: preparatory documentation within programming and implementation, the programmes, project selection criteria and processes, the composition of selection committees, project proposals, EIAs, selected projects, beneficiaries, auditing, monitoring and evaluation criteria and reports. Processes leading to decisions, and the implementation and enforcement of them, should be clear and accessible to everyone.

Partnership in programming

- The national and regional reform strategies and objectives on which the Partnership Contracts are based should be the result of a broad consultation process.
- Clear rules and timelines for programming shall be set and authorities shall adhere to them.
- Programming shall be based on partnership-based working groups with an even representation of partners; and voting rights given to all members.
- The aforementioned working groups shall be established via transparent processes and the list of their members should be made public.
- Drafts of programming documents shall be available publicly for comments.
- Working groups/authorities shall provide feedback to those commenting on draft documents, including providing explanations for the acceptance/rejection of comments.
- Programming shall be coupled with Strategic Environmental Assessment processes starting at an early phase of programming, with wide-scale documented public involvement.

Partnership in implementation

- Capacity building shall be provided for stakeholders (including NGOs and civil servants etc.) to participate in partnership processes (to understand each other's motivations, internal processes etc.).
- Assistance, consultation and trainings shall be provided to potential project applicants for Cohesion Policy funding.
- The EU and member states shall make sure that financial support can be allocated for NGOs' participation.
- In the case of some measures (eg. social development, community development), cooperation with NGOs shall be a mandatory prerequisite for applicants.
- Administrative and financial barriers in access to funding from the EU Funds for NGOs should be reduced;
- Member state authorities and the European Commission should publish information about the implementation of projects in their scope of competence in a coherent way on the Internet.
- NGO experts should be involved in project evaluation and selection teams.
- Partners' direct costs (eg. travel) related to their participation in planning, monitoring, project evaluation or other partnership-based bodies should be reimbursed.

Partnership in monitoring

- The scope of competence of monitoring committees should be enhanced (in terms of adopting any change to the relevant programming and implementation documents and also dealing with the "horizontal" performance of programmes).
- A monitoring committee supervising all Operational Programmes at national level should be set up..
- Partners should be evenly represented in monitoring committees and be selected via transparent processes respected by the authorities.
- Monitoring committees should operate in a transparent manner, including the regular publication of meeting documents.
- NGOs should be represented in all Monitoring Committees and their representatives would have voting rights.
- NGOs should be able to elect their own representatives and the authorities should not be able to influence these elections.
- There should be no requirements or restrictions for NGO representatives different than those for any other member of the Monitoring Committee.

Chapter 8

Looking ahead: the new EU budget 2014-2020 offers mixed signals for investing in sustainable development

Mitigating climate change, halting the loss of biodiversity and reversing Europe's over-consumption of natural resources are trans-national challenges that can not be dealt with within national borders alone, but require concerted efforts and coordination at the EU level.

This scenario is addressed without full conviction in the European Commission's communication on the next EU budget for 2014-2020.⁵⁵ Within the communication the European Commission calls for bold climate action. Environmental policy and climate change action should be included in all of the EU's main funding instruments, including cohesion, agriculture, maritime and fisheries policy, research and innovation and external aid.⁵⁶ The Commission plans to increase the share of climate-related expenditure to at least 20 percent of the overall financing framework, tracked by so called "Rio markers", providing a slight indication on climate related expenditures (not results), i.e. climate related only (100 percent); significantly climate related (40 percent); and not climate related (0 percent). However, these indications might be a helpful starting point for the negotiations around specific targets in the partnership contracts.

Mainstreaming climate change policies and objectives should aim at "climate- and environmental proofing" of all investments. The funding for cohesion policy would be more closely linked to the Europe 2020 objectives, for "richer member states" investments into energy efficiency and renewables are to become obligatory and beneficiaries of Cohesion Funds ("poorer member states below 90 percent of

GDP per capita average") can also support – besides transport and environment – projects related to energy, as long as they clearly present a benefit to the environment, i.e. promoting energy efficiency and renewable energy. The general reference, however, that energy efficiency and renewable energy objectives will be promoted, does not set a specific quantifiable objective for the CEE region.

Besides further financing of environmental infrastructure in order to implement the environmental acquis (water, waste, marine, air quality, flood legislation), the development of green infrastructure is to be promoted and eco-innovation supported more broadly. Mainstreamed support for the environment, such as environmental infrastructure, eco-systems and biodiversity is to become part of the EU's external action towards candidate, neighbouring and developing countries.

The Commission wants new conditionality rules so that there are stronger incentives for national governments to meet the Europe 2020 goals, as well as to guarantee the implementation of the EU's environmental acquis and the necessary institutional capacity. It even proposes sanctions in case pre-specified targets are not accomplished. Each member state will have partnership contracts setting out specific objectives based on agreed indicators and milestones, integrated into an annual monitoring and evaluation.

Yet in spite of these positive signs, the budget proposal in its current state, even though offering a couple of hooks, incentives and objectives

to make the EU budget more sustainable, still allows for the possibility that member states will choose a wasteful, fossil fuel inclined path, that serves only the short term.

These welcomed elements of the budget proposal outlined above need to be implemented within the reality of Cohesion Policy investments. This requires compelling regulations for the use of the funds, making sure that allocations for infrastructure and cohesion primarily go to low-carbon transport, energy savings, renewables and smart grids.

Specifically the climate and environmental mainstreaming needs to be operationalised, defined and fixed within the new regulations. "Mainstreaming" is meant to be the key instrument for focusing on environment related expenditures. But this approach is not new; it has been practiced since the 1990, with unconvincing results for the environment. Thus it

is important that this principle is specified and anchored in the new regulations. The proofing mechanisms, such as SEA or EIA, need to be adopted or further developed to make them sharp and practicable for their purposes. It has to be ensured that member states commit to specific targets related to climate change and resource efficiency, and that they can be held accountable for achieving these targets.

The issues of transparency, public participation and partnership are totally absent in the European Commission's latest proposal. In order to regain public legitimacy for its budget, and improve results oriented planning and implementation, the European Commission needs to make sure that the EU budget is no longer a thing of mystery, and so it needs to set high standards of transparency, access to information and the inclusion of the public into the decision making, planning and programming of its funds. ■

Footnotes

- 1 In March 2010 the European Council adopted the successor to its “Lisbon Agenda for Growth and Jobs”, namely the “Europe 2020 strategy for smart, inclusive and sustainable growth”. This strategy promotes collective action to turn the EU into a smart, sustainable and inclusive economy that delivers high levels of employment, productivity and social cohesion. The strategy includes the following targets:
 - Seventy five percent of the population aged 20-64 should be employed (presently this figure is around 69 percent).
 - Three percent of the EU’s GDP should be invested in research and development.
 - A 20 percent greenhouse gas emission reduction target compared to 1990 levels (including an increase to 30 percent of emissions reduction if the conditions are right), a 20 percent share of renewable energies (10 percent in transport), a 20 percent increase in energy efficiency and stopping biodiversity loss
 - The share of early school leavers should be under 10 percent and at least 40 percent of the younger generation should have a tertiary degree.
 - Twenty million fewer people should be at risk of poverty.
- 2 See the EU’s long term strategy and initiatives: Europe 2020, the Resource Efficient Europe flagship initiative and “Roadmap for moving to a competitive low-carbon economy in 2050”.
- 3 A point confirmed by EU commissioner for climate action, Connie Hedegaard, at ‘European Regions Energy Day’, Brussels, 12.4.2011.
- 4 Sustainable Development Strategies (SDSs) are regarded as an important policy tool to promote sustainable development. The European Council of June 2006 adopted a renewed SDS for an enlarged EU. It builds on the Gothenburg strategy of 2001 and is the result of an extensive review process that started in 2004. However the EU’s SDS is suffering from weak political commitment, poor participation and ownership by stakeholders both inside and outside EU level and national governments. The lack of implementing mechanisms and insufficiently strong mechanisms for monitoring and review make the EU SDS a minor matter alongside the economic strategies like “Lisbon” or “Europe 2020”; little coordination with these other strategic processes and a lack of coherence in vision abate its potential positive impact. In mid 2009 the Commission published its second review of the implementation of the revised EU SDS. The report notes that despite some significant developments, in particular with regard to climate change, unsustainable trends persist in a number of areas including biodiversity, natural resources and transport, and the EU needs to further intensify its efforts.
- 5 <http://www.ieep.eu/topics/governance/sustainable-development-strategies/2009/07/commission-issues-second-progress-report-on-implementation-of-the-eu-sustainable-development>
- 6 Eurostat SDS 2009 monitoring report, Luxembourg: Office for Official Publications of the European Communities, 2009: http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-78-09-865.
- 7 Source: European Commission, DG ECFIN In: COM(2011) 17 final Brussels, 26.1.2011, ec.europa.eu/regional_policy/sources/docoffic/official/communic/sustainable/comm2011_17_en.pdf Indicators for “ sustainable use of resources”:
 - Domestic material consumption per GDP
 - Total waste per capita
 - Municipal waste recycled (kg per capita) total - landfilled - incinerated
 - Collected Waste electr(on)ic equipment per total waste electr(on)ic equipment
 - Recycling of packaging waste (as % total packaging waste)
 - Ground water extraction as percentage of total available water resources

- Surface water extraction as percentage of total available water resources
 - Surface + ground water extraction as percentage of total available water resources
 - GHG Emissions from transport / GDP
 - Final energy consumption of transport / GDP
- 8 Source: Eurostat and OECD (DMC data); The Conference Board (a); Groningen, Growth and Development Centre (population data). <http://www.eea.europa.eu/soer/europe/material-resources-and-waste> , page 12, own edit
Note: Domestic material consumption (DMC) is an aggregate of materials (excluding water and air) which are actually consumed by a national economy. It includes used domestic extraction and physical imports (mass weight of imported goods) minus exports (mass weight of exported goods).
- 9 Data source: EEA 2010, SOER The European environment – state and outlook 2010, <http://www.eea.europa.eu/data-and-maps/figures/total-energy-intensity-1995-2007> , own adaptation
- 10 The European Commission’s concept of a “low-carbon economy” includes the exploitation of carbon capture and storage (CCS) technologies as well as further expansion of nuclear energy. Both approaches contradict sustainable development: investing in CCS extends dependency on fossil fuels and blocks resources needed for the development of CO2-free or neutral economies; and nuclear energy continues to prove to be a high-risk technology with unforeseeable impacts and consequences on human civilisation.
- 11 Brussels, 8.3.2011 COM(2011) 112 final, A Roadmap for moving to a competitive low carbon economy in 2050.
- 12 CEE Bankwatch 2010, “Potential unfulfilled”, <http://bankwatch.org/publications>
- 13 CEE Bankwatch 2010, “Potential unfulfilled”, <http://bankwatch.org/publications>
- 14 See European Commission: “Final assessment of the 6th Environment Action Programme shows progress in environment policy – but with shortfalls in implementation “, Brussels, 31.08.2011 <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/996&format=HTML&aged=0&language=EN&guiLanguage=en>
- 15 Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy, Brussels, 9.11.2010 COM(2010) 642 final
- 16 Currently - the General Regulation (1083/2006), the regulation on the European Regional Development Fund (ERDF) (1080/2006); the regulation on the European Social Fund (ESF) (1081/2006), the regulation on the Cohesion Fund (1084/2006) and the regulation on the European Grouping of territorial co-operation (EGTC) (1082/2006)
- 17 European Commission, A Budget for Europe 2020, Brussels, 29.6.2011, Part I+II, COM (2011) 500 final
- 18 It requires the monitoring of significant environmental effects of plans and programmes so that unforeseen adverse effects can be identified at an early stage and remedied accordingly. In Austria for example, a common SEA monitoring system has been developed in which every region is required to collect SEA monitoring data from their regional OPs and related projects and send this to a central database system. All regions use a common format for sending in the data to the central database based on a checklist which includes sections on air and climate change, and energy efficiency issues, and contains indicators and questions including on the use of fossil fuels, project impacts on energy efficiency etc. This SEA monitoring system is integrated in the overall Cohesion Policy monitoring system and once fully operational, should provide the basis for collecting and comparing data related to the climate change impacts of OPs and different projects. Evidence indicating that the SEA reporting is made a common part of the general EU funds indicator and monitoring systems across member states/regions, however, is not found.
- 19 European Commission, “A Roadmap for moving to a competitive low carbon economy in 2050”, 2011
- 20 Europe’s share of the climate challenge – Domestic actions and international obligations to protect the planet, SEI 2009, <http://www.sei-international.org/publications?pid=1318>
- 21 European Commission, “A Roadmap for

- moving to a competitive low carbon economy in 2050”, 2011
- 22 Greenpeace (2010). EU Energy [R] evolution – Towards a fully renewable energy supply in the EU27. Number valid under Advanced Energy Revolution Scenario pg. 53, tab. 4.3 [http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2010/7/EU-Energy-\(R\)-evolution-scenario.pdf](http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2010/7/EU-Energy-(R)-evolution-scenario.pdf)
- 23 Ibid.
- 24 COMMUNICATION STAFF WORKING DOCUMENT; Accompanying document to the PROPOSAL FOR A RECAST OF THE ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE IMPACT ASSESSMENT; SEC(2008) 2864 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2008:2864:FIN:EN:PDF>; pgs. 2, 18, 30
- 25 European Commission (2011): A Roadmap for moving to a competitive low carbon economy in 2050 COM(2011) 112 final pg. 8; http://ec.europa.eu/clima/documentation/roadmap/docs/com_2011_112_en.pdf
- 26 “I dare to say that in terms of the multiplication effect from one Crown invested [in the Green Investment Scheme] on the national economy, you will probably not find a better one.” Miroslav Záme ník, member of the Government Independent Committee on Economics on evaluation of Czech anti-crisis measures. Online: <http://tinyurl.com/6ck7ucp>
- 27 Úrge-Vorsatz, D. et al. (2010): Employment benefits of large-scale energy-efficient building renovations in Hungary; Budapest: Central European University. Online: <http://tinyurl.com/6ehv3sd>
- 28 Green Alliance: Unlocking a low-carbon Europe: perspectives on EU budget reform, http://www.green-alliance.org.uk/uploadedFiles/Publications/reports/unlocking_a_low-carbon_Europe.pdf, pg. 24
- 29 Even though the European Commission is attempting to set a clear guideline for reducing GHG by 2050 massively, particularly in the transport sector the Commission is failing to define the appropriate targets. The foreseen increase in GHG emissions in the transport sector is counter-productive for overall reduction targets and will lead to higher costs in the future.
- 30 Commissioner Kallas to journalists, 5.4.2011, see: <http://www.euractiv.com/en/transport/transport-remain-big-polluter-new-eu-plan-news-503579>
- 31 EU Transport GHG: Routes to 2050 project, EU27 greenhouse gas emissions by sector and mode of transport, 2007, <http://www.eustransportghg2050.eu/cms/the-contribution-of-transport-to-ghg-emissions/>
- 32 European Communities 2009, Statistical books, 2009 monitoring report of the EU sustainable development strategy Sustainable development in the European Union
- 33 Brussels, 28.3.2011, COM(2011) 144 final, “Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system”
- 34 Source: EEA, 2010. The European environment – state and outlook 2010: synthesis. European Environment Agency, Copenhagen, <http://www.eea.europa.eu/data-and-maps/figures/greenhouse-gas-emissions-in-the->
- 35 Source: Skinner, I., Van Essen, H., Smokers, R. & Hill, N 2010. EU Transport GHG: routes to 2050 ? – Towards the decarbonisation of the EU’s transport sector by 2050.
- 36 Brussels, 28.3.2011, COM(2011) 144 final, “Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system”
- 37 Source: EEA, 2010. The European environment – state and outlook 2010: synthesis. European Environment Agency, Copenhagen, <http://www.eea.europa.eu/data-and-maps/figures/greenhouse-gas-emissions-in-the->
- 38 ‘EU funds for transport used overwhelmingly for polluting roads in central and eastern Europe’, see: <http://bankwatch.org/news-media/for-journalists/press-releases/eu-funds-transport-used-overwhelmingly-polluting-roads-cen>
- 39 CEE Bankwatch Network 2010, EIB in practice: Negative impacts on climate and well-being, <http://bankwatch.org/our-work/who-we-monitor/eib/eib-negative-impacts>
- 40 Among them the Waste Framework Directive and the Landfill Directive, both aimed at reducing the amount of untreated organic waste going to landfill.
- 41 OVAM (2006). Jaarverslag 2005. Page 69. (only available in Dutch)
- 42 Source: EEA, based on Eurostat. Trends

- and outlook for management of municipal waste in the EU-27 (excluding Cyprus) plus Norway and Switzerland, baseline scenario
<http://www.eea.europa.eu/data-and-maps/figures/trends-and-outlook-for-management>
- 43 CEE Bankwatch Network (2009). Explanatory comments on the Polish incinerator project awarded with the RegioScars Award 2009, http://bankwatch.org/documents/RegioScars_PL_incinerators_comments_Feb09.pdf
- 44 Friends of the Earth Europe. (2010). More jobs, less waste.
- 45 Friends of the Earth Europe. (2009). Gone to Waste: The valuable resources that European countries bury and burn.
- 46 The EU 2020 Biodiversity Strategy, adopted by the Environment Council of 21 June 2011, includes six targets to halt the loss of biodiversity and ecosystem services in the EU by 2020:
- Full implementation of EU nature legislation to protect biodiversity
 - Better protection for ecosystems, and more use of green infrastructure
 - More sustainable agriculture and forestry
 - Better management of fish stocks
 - Tighter controls on invasive alien species
 - A bigger EU contribution to averting global biodiversity loss
- <http://ec.europa.eu/environment/nature/biodiversity/comm2006/2020.htm>
- 47 European Commission, Mainstreaming sustainable development into EU policies: 2009 Review of the European Union Strategy for Sustainable Development, Brussels, 24.7.2009, COM(2009) 400 final
- 48 Presidency Conclusions, Göteborg European Council –15 and 16 June 2001, SN 200/1/01 REV 1, p. 8
- 49 Authoritative reports (e.g. Global Biodiversity Outlook, CBD secretariat, May 2010; 'Growing within limits', Netherlands Environmental Assessment Agency, October 2009; 'Millennium Ecosystem Assessment', 2005; 'IUCN Red List', November 2009) confirm that global biodiversity remains under severe threat, with losses (species extinctions) occurring at 100 to 1000 times the "normal" (background) rate. We face now the sixth mass extinction period in the history of Earth (extinction of dinosaurs being the fifth one).
- 50 6.1 billion EUR per year (estimated by the European Commission for EU-25 in 2004: COM(2004) 431 final)
- 51 Millenium Assessment report (2002)
- 52 See also SURF NATURE, March 2011, Green Infrastructure – Sustainable Investments for the Benefit of Both People and Nature; http://wwf.panda.org/who_we_are/wwf_offices/bulgaria/news/?200156/Green-Infrastructure-Sustainable-Investments-for-the-Benefit-of-Both-People-and-Nature
- 53 European Commission, A Budget for Europe 2020, Brussels, 296.2011, Part I+II, COM (2011) 500 final
- 54 The Need for a Reform of the Future EU Cohesion Policy – Putting Our Money Where Our Mouth Is. Position paper of the European Environmental NGO Coalition for Sustainable EU Funds; January 2010
- 55 European Commission, A Budget for Europe 2020, Brussels, 296.2011, Part I+II, COM (2011) 500 final
- 56 Which, on the other hand, is not new, as mainstreaming of environmental concerns is part of the EU Treaty, TFEU 11.

“A revitalised, robust Cohesion Policy has a vital role to play in tackling climate change, stopping biodiversity loss and reversing the trend of resource-overconsumption across the European Union. It can also support the modernisation of central and eastern Europe’s economies and societies as a whole, creating millions of secure jobs in a truly sustainable way.”



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