



## MFF 2014-2020: Implementing the climate commitment

September 2012

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### SUMMARY

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To reach the EU agreed climate and energy targets by 2020, the European Commission states that at least 20% of the future Multiannual Financial Framework (MFF) 2014-2020 should support climate action<sup>1</sup>. Our environmental NGOs strongly support this initiative and ask to increase it to 25% of the next MFF. In order to have a proper legal basis, this commitment should be included in the Negotiating Box (in its Article 9) and in the Inter-Institutional Agreement.

Based on the current legislative proposals for EU funds and several assumptions, we calculate that only around 10% of the next MFF will support climate action: there is still a huge gap of €154 billion between current proposals and 25% climate spending in the next MFF. Only 3 funds representing 12% of the total MFF reach the target: LIFE (55% for climate action), Horizon 2020 (35%) and Connecting Europe Facility (33%). All others are far from the target: external action is at 14,3%, Cohesion Policy - even with a broad approach - only reaches 11,3%.

**With only 3,7% for climate action, CAP is by far the most worrying EU fund in terms of climate mainstreaming and tracking:**

- Within rural development, the share for climate and environment spending is small (25%) and legally weak;
- Within direct payments, Council and Parliament could weaken the Commission's proposals for the three measures of the greening component. It will be needed to examine how far the results of the compromises in Council and Parliament are stringent enough to be considered as 'significantly climate-related', as required by the European Commission's methodology to be counted as 40% climate-related.

**We therefore recommend to increase Rural Development support to climate change and to strengthen the three measures of the greening component (direct payments).**

Finally, we support the development of one common methodology for climate tracking by the Commission, in order to assess how much MFF money is actually spent for climate action and contributes to the EU 2020 target. It is a tool to improve the performance of EU spending in line with the Europe 2020 Strategy and to increase MFF efficiency in the mid-term. We have proposed default percentages based on categories of expenditures for a simple methodology.

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<sup>1</sup> European Commission (2011) A budget for Europe 2020 – Part II: Policy Fiches, COM(2011)500, 29.6.2011: "Already today, a proportion of the EU budget is related to climate mainstreaming and thus contributes to Europe's transition to a low carbon and climate resilient society. The Commission intends to increase the proportion to at least 20%, with contribution from different policies, subject to impact assessment evidence."

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## 1. SECURE A 25% CLIMATE SPENDING REQUIREMENT IN THE NEXT MFF

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### 1.1. Raise the climate commitment from 20% to 25% of MFF

In the current MFF 2007-2013, only a meager 5% or approximately €50 billion<sup>2</sup> delivers climate benefits: this is fully inadequate to match the EU climate commitments and targets. In June 2011, the European Commission published its Communication on the future Multiannual Financial Framework (MFF) 2014-2020<sup>3</sup>. The achievement of the Europe 2020 Strategy targets is considered as the main priority – including the “20/20/20” climate and energy targets. **To reach the climate and energy targets, the Commission states that at least 20% of the future MFF should support climate action<sup>4</sup>.**

**We strongly support this initiative and ask to increase it to 25% of the next MFF.** Notably, the EU is currently not on track to achieve the 2020 energy efficiency target and special emphasis and resources are required for energy saving investments in the next MFF. The Commission’s approach for ensuring 20% climate action in the future MFF is **climate mainstreaming**: it has been translated into the major sectoral proposals on CAP, Cohesion Policy, Horizon 2020, CEF and external action.

### 1.2. Include the 25% commitment in the Negotiating Box or in the IIA

It is essential to safeguard the overall objective of 25% climate mainstreaming in the next MFF, while ensuring specific EU funds’ implementation. It should therefore be added to the Negotiating Box as prepared by the Presidency for negotiation in the Council. We recommend the following addition:

“9. The optimal achievement of objectives in some policy areas depends on the mainstreaming of priorities into a range of instruments in other policy areas. Climate action and environment objectives will therefore be reflected in the appropriate instruments to ensure that they contribute to strengthen energy security, building a low-carbon, resource efficient and climate resilient economy that will enhance Europe’s competitiveness and create more and greener jobs. ***At least 25% of the MFF will be climate related expenditure.***”

**In addition, a similar paragraph should be added in the future Inter-institutional Agreement (IIA)<sup>5</sup>:** “8a (new). Climate mainstreaming will be reflected in the appropriate instruments to ensure that they contribute to strengthen energy security, building a low-

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<sup>2</sup> Medarova-Bergstrom, K., Volkery, A. Baldock, D. and Withana, S. (2011) When Financial Needs Meet Political Realities: Implications for Climate Change in the Post-2013 EU budget. DEEP 3, June 2011, IEEP

<sup>3</sup> European Commission (2011) A budget for Europe 2020, Commission Communication, COM(2011)500, 29.6.2011, Brussels

<sup>4</sup> European Commission (2011) A budget for Europe 2020 – Part II: Policy Fiches, COM(2011)500, 29.6.2011: “Already today, a proportion of the EU budget is related to climate mainstreaming and thus contributes to Europe’s transition to a low carbon and climate resilient society. The Commission intends to increase the proportion to at least 20%, with contribution from different policies, subject to impact assessment evidence.”

<sup>5</sup> Draft inter-institutional Agreement, between the Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management, COM(2011) 403 final

carbon, resource efficient and climate resilient economy that will enhance Europe's competitiveness and create more and greener jobs. At least 25% of the MFF will be climate related expenditure.”

## 2. CLOSE THE GAP BETWEEN CURRENT PROPOSALS AND 25% OF MFF FOR CLIMATE ACTION

The European Commission does not specify how and to what extent each EU fund will contribute to the minimum 20% funding for climate action in the overall MFF. Therefore, based on the legislative proposals from the Commission and several assumptions, we have calculated estimates of how much spending will support climate action<sup>6</sup>:

EU funding instrument	Total allocation (€billion)	Spending for climate action (€ billion)	Assumption for climate spending	% of EU fund for climate action
<b>Heading 1 Smart and inclusive growth</b>	<b>494,8</b>	<b>78,9</b>		<b>15,9%</b>
Horizon 2020	80	28	35% of Horizon 2020 spending is 100% climate-related Commission's figure (Recital, COM(2011)809 final)	35%
Connecting Europe Facility	40	13	In pre-identified priorities, renewable-related grids are 100% climate-related, railways are 40% climate-related	32,5%
Cohesion Policy	336	37,9		11,3%
<i>ERDF low carbon thematic concentration</i>	<i>ERDF 183,1</i>	<i>25,4</i>	22% in developed and transition regions, 12% in less developed regions (Parliament's figures, REGI committee vote, 11 July 2012)	
<i>Railway</i>	<i>23,9 today</i>	<i>9,56</i>	Not in low carbon concentration. Same investment in railways as in the current MFF, 40% climate-related	
<i>Climate adaptation</i>	<i>5,9 today</i>	<i>2,95</i>	Not in low carbon concentration. Same investment in risk prevention as today, half of which is 100% climate-related	
Other Heading 1	34	0	No information available	0%
<b>Heading 2 Sustainable growth</b>	<b>386,5</b>	<b>15,6</b>		<b>4,0%</b>
CAP	375	13,8		3,7%
<i>Direct payments</i>	<i>283</i>	<i>0</i>	30% for greening component (Commission's figure, art 33, COM(2011)625 final): no information available; unlikely that measures will have a 'significant' climate impact (for being 40% climate-related)	0%
<i>Rural development</i>	<i>92</i>	<i>13,8</i>	25% of EAFRD for climate and environment (COM figure, Recital 28, COM(2011)627final): assumption that half is 100% climate-related and a quarter is 40% climate-related	15%
EMFF	6,9	0	No information available	0%
LIFE	3,2	1,8		55%

<sup>6</sup> Calculation is based on the Rio markers methodology – already in use for EU development funds – that marks all expenditures in 3 categories: climate related only (100% of the spending is counted for climate action); significantly climate related (40%); not climate related (0%).

<i>LIFE Climate</i>	0,8	0,8	All is 100% climate-related	100%
<i>LIFE Environment</i>	2,4	0,96	All is 40% climate-related	40%
<b>Heading 3 Security and citizenship</b>	<b>18,5</b>	<b>0</b>	No information available	<b>0%</b>
<b>Heading 4 Global Europe</b>	<b>70</b>	<b>10,0</b>		<b>14,3%</b>
<i>Global Public Goods programme (DCI)</i>	6,3	2,2	50% is environment or climate-related (Commission's figure, Annex VII, COM(2011)840final): assumption that half of it is 100% climate related and half of it is 40% climate-related	35%
<i>Dvp Cooperation Instrument (DCI)</i>	14,3	2,9	20% is climate-related	20%
<i>Rest</i>	49,4	4,94	10% is climate-related	10%
<b>Heading 5 Administration</b>	<b>62,6</b>	<b>0</b>	No information available	<b>0%</b>
<b>Total MFF contribution</b>	<b>1033,5</b>	<b>104,5</b>		<b>10,1%</b>
<b>Climate spending needed in MFF</b>		<b>258,4</b>		<b>25%</b>
<b>Gap to close</b>		<b>153,9</b>		<b>14,9%</b>

Source: NGO coalition based on updated Commission's figures, July 2012

### Key concerns

- The result is that only around 10% of the next MFF supports climate action: there is still a huge €154 billion gap between current proposals and 25% climate spending in the next MFF.** Given that a lot of information is still not available, some climate spending will be likely added on top on these figures, but it seems unlikely that a 25% target could be reached: additional efforts are therefore needed. Only 3 funds reach the target: LIFE (55%), Horizon 2020 (35%) and CEF (33%). All others are far from achieving the target:

  - External dimension is at 14,3%;
  - Cohesion Policy, even with a broader approach than only the ERDF low carbon thematic concentration, reaches only 11,3%;
  - Even more worryingly CAP is at only 3,7%.
- CAP is by far the most worrying part of the EU budget in term of climate mainstreaming:**

  - Only a small part of rural development is devoted to environment and climate change (25% in a Commission's recital, with a very weak legal force). According to the Rio markers methodology, it is clear that not 100% of this share can be counted as 100% climate-related and will be at best 40% climate-related. In addition, several measures of rural development proposed by the Commission could be potentially counter-productive for climate action, notably on biomass without clear sustainability guidelines. In such cases, default percentages can't work and a case by case approach is required based on additional project information.
  - **Direct payments are even more preoccupying:** we consider that the three measures proposed by the Commission are a basic minimum for having a significant climate impact. Indeed, a study from the Netherlands Environmental

Assessment Agency<sup>7</sup> finds that “The positive impacts of the proposals for the Common Agricultural Policy for greening Pillar I on farmland biodiversity and reducing greenhouse gas emissions will probably be small.”

In addition, there are huge concerns that Council and Parliament could weaken the Commission’s proposal. It will be needed to examine in details how far the results of the compromises in Agriculture Council and Parliament’s AGRI Committee will be stringent enough to be considered as ‘significantly climate-related’, as required by the European Commission’s methodology to be counted as 40% climate-related.

The “menu” proposal for greening measures instead of the proposed package of three measures would likely make it a huge administrative nightmare – and thus impossible - to assess climate impacts properly.

### **Recommendations to enhance CAP positive climate impact**

- **To ensure that the three greening measures have a “significant” climate objective, our environmental NGOs are proposing to strengthen them in such a way:**
  - Real protection of permanent grasslands, by changing the definition (including no change of land use for 7 years minimum); removing the 5% conversion of permanent grasslands; setting 2011 as the earliest cut-off date for defining permanent grasslands;
  - Strengthening of Ecological Focus Areas (EFA): 10% of EFA designated at farm level; EFA should not only be landscape features (such as hedges and trees ), but also elements such as fallows, buffer strips, headlands, semi-natural farmland habitats etc; criteria for defining the types of crops allowed under EFA; no trading of EFA between farmers; no acceptance of low-level agri-environmental measures as EFA;
  - Genuine crop rotation instead of crop diversification, based on 3 crops including one legume; no crop representing more than 50% of the farmland. Benefits of crop rotation, including soil carbon storage, are well established.

**Our environmental NGOs believe that such improved greening measures would qualify for a 40% climate tracking.**

- **The need to increase rural development support to climate change**

Rural development is structurally much better suited than direct payments to deliver climate benefits: it is based on specific programmes and projects, has a multiannual approach and can therefore develop much more targeted and effective approaches. **Therefore, we demand that half of the CAP amount is allocated to rural development, and that 50% of the rural development fund is earmarked for environment and climate purposes.** This would ensure a much bigger delivery for climate change mitigation and adaptation – along with many other benefits (rural jobs, local community support, biodiversity protection, etc).

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<sup>7</sup> PBL - Netherlands Environmental Assessment Agency, Greening the CAP - An analysis of the effects of the European Commission’s proposals for the Common Agricultural Policy 2014-2020, February 2012

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