

What should EU funding focus on – an NGO opinion

As part of the project “An MFF for the Climate”, the project partners made a number of interviews with experts of civil society organisations, asking them about the positive and negative experiences of the implementation of the current EU budget (2014-2020) and their suggestions for the next one (2021-2027). The responses of the interviewees have been very useful and instructive. As an example, below we quote from the response of Márton Vargha, transport project manager of the Hungarian NGO Clean Air Action Group, to the following question: “In your opinion, which are the main areas and objectives that the future EU funding should focus on in order to support your country to deliver on the Paris Agreement objectives to limit global warming at 1.5C?”

“As far as transport is concerned, the material investments for which EU funding should be provided are well-known: improving public transport and the conditions for non-motorized transport, enhancing electromobility, etc. (Naturally, the details vary in accordance with the local conditions.) The main problem is, however, not technical or economic, but political. In order to achieve the EU’s environmental and climate targets in transport, in my opinion, financing should be mainstreamed first of all to the following fields:

Raising public awareness. In order to achieve a breakthrough in the process towards sustainable transport, the most important (and most difficult) task is to change the mindset of people. The present situation is characterised by the overwhelming dominance of the promotion of car culture and consumption society: in the media, social media, advertisements, speeches of politicians, etc. this culture is continuously presented as something very positive which must be continued. Supporting all this is the enormous power of the related industry. (For example, the media is dependent, to a large extent, on advertisements by car and oil companies.) On the other hand, the voices of those promoting sustainable transport systems are extremely weak due to the lack of resources. For example, in Hungary, a few hundred thousand Euros are spent each year to promote sustainable transport modes, while a thousand times more is spent just on advertising cars. This is like trying to extinguish a forest fire with a glass of water. Therefore, in Hungary, at least 50 million Euros should be provided annually to raise awareness about environmentally sustainable transport systems.

Overcompensation for raising taxes and fees on environmentally harmful transport modes. Environmentally harmful transport modes are heavily subsidized. For example, a common study¹ by the Institute for Transport Sciences (Budapest) and CAAG, published in 2011, came to the conclusion that road transport in Hungary each year receives a state subsidy equalling to 7 to 13 percent of the GDP. A study² published recently by the European Commission shows that road transport is heavily subsidised all over Europe. No subsidy for sustainable transport modes will ever be able to compete with such an enormous subsidy. Therefore, it is absolutely necessary to remove this subsidy as soon as possible. As this would mean a drastic increase in the prices of road transport, such a measure can be implemented only with appropriate compensation. (There are excellent best practice examples for such measures in a range of countries.³) In view of the magnitude of the increase, simple

¹ The social balance of road and rail transport in Hungary, https://www.levego.hu/site/assets/files/5819/social_balance_transport_hungary_20110131.pdf

² Internalisation of transport external costs, https://ec.europa.eu/transport/themes/sustainable-transport/internalisation-transport-external-costs_en

³ See, for example:

- Iran – The Chronicles of the Subsidy Reform. IMF Working Paper WP/11/167, <http://www.imf.org/external/pubs/ft/wp/2011/wp11167.pdf>

compensation (i.e. just returning the revenue from the increased taxes and fees) will certainly not be sufficient to avoid political unrest: therefore overcompensation is necessary. (Some extra funding is needed also for the operation of the system.)”

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- Fossil Fuel Subsidy Reform in Indonesia, <https://www.cambridge.org/core/books/politics-of-fossil-fuel-subsidies-and-their-reform/fossil-fuel-subsidy-reform-in-indonesia/69E6706F3ABFB80052B20E3772404138/core-reader>
 - Case Studies on Energy Subsidy Reform: Lessons and Implications, <https://www.imf.org/external/np/pp/eng/2013/012813a.pdf>