

# To: Heads of State and Government and Ministers of Finance of EU Member State

17 February 2020

## Civil society urges fundamental changes in the use of the EU budget to finance the climate emergency and the European Green Deal.

Civil society experts across the EU are highly concerned that if the present system of EU funding continues, EU taxpayers' money, instead of contributing to the attainment of the EU's objectives, especially in relation to the European citizens' most urgent call to tackle environmental and climate challenges, might instead contribute to undermining them. This is the conclusion of a recent survey we conducted in various EU Member States.

The main problems identified include the fact that only part of the EU money has been spent efficiently on good projects effectively delivering climate and environmental benefits and that this remains but a fraction of what is needed and is often weakened by poorly targeted funding. Furthermore, EU funding at the national level has been often riddled with poor governance and corruption, which undermine the trust in and credibility of some Member State governments and the EU overall. In addition, indicators measuring the contributions of EU funding to climate mitigation often overstate such contributions, thus creating a risk of greenwashed spending, and playing against the commitment to decarbonise the economy and achieve the objectives of the European Green Deal (EGD). We urge you to promote the following actions:

- **Scale up the EU funding for climate and environment action and for a just zero emissions transition** to align the MFF 2021-2027 in the ongoing negotiations with the achievement of carbon neutrality by 2050, as set in the EGD and in Paris Agreement, and address biodiversity loss. Allocate at least 40% of EU funding to climate and environment related actions to facilitate the step change needed to decarbonise the European economy and implement the European Green Deal.
- **Better target the EU funding** to avoid that European and national public money is spent to support fossil-fuel based projects in energy production and consumption and environmentally harmful subsidies, that would still lock Europe in a highly emission-intensive path for decades. Prioritise win-win investments such as energy efficiency, low emissions transport, clean energy and a carbon neutral grid, ecosystem restoration, nature conservation and ecological farming.
- **Ensure due level of ambition of climate actions in strategy planning, strategies and programming.** The Partnership Agreements (PAs), Operational Programmes (OPs) and CAP Strategic Plans need to integrate clear positive priorities and be explicit about excluding spending where incompatible with the EGD, EU and national commitments on climate and the environment.
- **Improve governance to ensure compliance with strict conditionalities.** The European Commission must guarantee a closer and continuous monitoring of the enabling conditions.

Details of the results of our survey are given in the annex.

What is financed today will be the energy system and economy of the future: we have to prepare the current investment for net-zero carbon and protection of our natural capital, and ensure that what we spend actually delivers on long-term greenhouse gas reduction and the wider commitments of the European Green Deal. If not, green-spending risks becoming green-washing and a major missed opportunity. We are asking for your help to achieve this.

Sincerely yours,

*Jeremy Wates*, Secretary General, European Environmental Bureau  
*András Lukács*, President, Clean Air Action Group  
*Uwe Nestle*, Managing Director, Green Budget Germany



## Annex

### **Civil society urges fundamental changes in the use of the EU budget to finance the climate emergency and the European Green Deal**

In a 2019 survey of civil society across various EU Member States,<sup>i</sup> the consulted experts identified a range of problems with EU funding and made a number of proposals which, if implemented, would greatly help the EU budget to achieve the EU's aims, support its role as Guardian of the Treaties and help implement the European Green Deal.

The main problems identified in the survey are the following:

- While part of EU money has been spent efficiently on good projects, this remains a small fraction of what is needed and is often eclipsed by poorly targeted funding.
- National governments have often been financing activities which have been running counter to the EU's aims on climate and environment, and the sum spent on such activities has often been much greater than the EU money spent for achieving the EU's aims. There is, for example, still far too much "Paris incompatible funding" locking in greenhouse gas emissions into the future.
- In many cases, EU money has also been spent on activities which contradicted the EU's declared aims. There are particular concerns regarding funding for transport infrastructure and intensive agriculture that creates problems for human health and nature.
- Even where the EU money has been spent in principle on good projects, these projects have often been oversized and overpriced. Furthermore, there has often been insufficient money for operation and maintenance after the end of a project financed by the EU.
- EU funding on national level has been often riddled with corruption. The present system of EU funding has in several countries even contributed to a substantial increase of corruption.
- Although in most cases EU legislation has been correctly transposed into national legislation, in many cases the lack of appropriate institutional culture and systems, and lack of inspection capacity, have resulted in existing legislation not being enforced. In spite of this fact, the European Commission controls practically only the transposal of legislation, but to date has allocated insufficient resources and political attention to enforcement.
- Representatives of the European Commission often turn a blind eye to the misuse and inefficient use of EU money.
- The indicators measuring the effects of EU funding are often inappropriate. For example, the proposals for estimating the climate contribution of agricultural spending are very weak, and risk creating a greenwashed spending, undermining the commitment to decarbonise the economy
- The provisions of the European Code of Conduct on Partnership have often been violated by Member States, resulting in insufficient public participation and thus public control.

The consulted experts have made a number of proposals to remedy the situation described above. There are two main threads of recommendations: first on targeting of EU spending; and second on the governance of EU spending and setting of conditionalities to ensure due use of public funds.

#### **Targeting of EU funding<sup>ii</sup>**

- Scale up climate action and fund the just and zero emissions transition: allocate 40% of the next MFF 2021-27 to climate and environment. The MFF is a lever to close the investment gaps of around EUR180bn to EUR270bn per year needed.
- Allocate 10% of the EU budget to biodiversity. This will support needed action to battle the biodiversity crisis while supporting climate mitigation, adaptation and ecosystem resilience.

- Establish a transparent and evidence-based methodology, including reformed performance indicators, for defining and tracking climate and biodiversity expenditure.
- Prioritise funding for energy efficiency, clean transport and charging infrastructures, renewable energy, a zero-carbon electricity grid, environmentally sustainable agriculture and forestry, restoration of land and sea ecosystems, management of protected areas and public awareness raising.
- 'Ring-fence' 50% of the budget of each pillar of the Common Agricultural Policy for environmental and climate objectives, delivered through agri-environment and climate measures and eco-schemes.<sup>iii</sup>
- Improve climate proofing to make the entire EU budget Paris compatible – opportunities need to be seized to ensure that the Cohesion Fund rules out funding Paris-incompatible projects.
- Projects of Community Interest should not enable fossil fuel infrastructure projects, such as natural gas, that lock in emissions for decades to come.
- Ensure EGD-proof National Energy and Climate Plans (NECPs) and National Reform Programmes (NRPs) by embracing due ambition as regards tackling the climate emergency and wider European Green Deal objectives.
- The Partnership Agreements (PAs), Operational Programmes (OPs) and CAP Strategic Plans need to integrate both clear positive priorities and be explicit about excluding spending where incompatible with the EGD, EU and national commitments as regards climate and the environment.
- Blacklist Paris incompatible funding and harmful subsidies.

### **Governance and conditionalities**

Strict conditionalities (enabling conditions) must be set for EU funding, and the European Commission must continuously monitor the fulfilment of these enabling conditions. According to the overwhelming majority of the respondents, EU funding must not be provided to governments that do not fulfil the enabling conditions. If the enabling conditions are violated at any time during the financial period, EU funding must be suspended immediately as this is absolutely necessary to avoid further aggravation of the problem. (Quite a number of experts asked stated that tolerating the violation of EU rules undermines the very foundations of the EU. In the longer term, this would have much graver consequences even for local communities than the suspension of EU funding.) The most important enabling conditions proposed have been the following:

- The National Energy and Climate Plan and its implementation must enable the Member State to reach its 2030 goals set forth by the EU legislation.
- The Partnership Agreement between each Member State and the Commission must be in full conformity with the EU's goals. It must be prepared with the involvement of civil society and other stakeholders, and after it is adopted, its provisions must be continuously implemented.
- The recommendations of the Country-Specific Recommendations and of the European Semester Country Reports must be implemented.
- Best practice measures must be implemented to ensure EU added value and to reduce corruption.
- The Member State must join the European Public Prosecutor's Office.

- There must be no discretionary funding for companies (with the exception of companies providing public services).
- The Member State must fully implement the provisions of the European Code of Conduct on Partnership.
- It is also necessary to apply better indicators, increase the monitoring and response capacity of the European Commission.

**For additional details:**

***A budget to address the climate crisis*** by EEB and the **Heinrich Böll Foundation** (December 2019), building on joint project with **CAN European, Clean Air Action Group (CAAG), Green Budget Germany** and **Green Budget Europe** <https://eeb.org/library/a-budget-to-address-the-climate-crisis/>

And in <https://eeb.org/work-areas/climate-energy/an-eu-budget-to-address-the-climate-crisis/> :

- **Policy brief: *An EU Budget to Address the Climate Emergency***
- **Report: *Climate Change and the EU Budget***
- **Questionnaire responses: *Supplement to the Climate Change and the EU Budget Report***

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<sup>i</sup> The survey was conducted within the framework of the Project “An MFF for the Climate” carried out by Climate Action Network Europe, European Environmental Bureau, Green Budget Europe, Green Budget Germany, and Clean Air Action Group (Hungary) with the financial support of the European Climate Initiative (EUKI) and Heinrich Böll Stiftung. EUKI is a project financing instrument by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Its implementation is supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions.

The opinions put forward in this letter are the sole responsibility of the project partners and do not necessarily reflect the views of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety or those of Heinrich Böll Foundation. The website of the project: <https://eeb.org/work-areas/climate-energy/an-eu-budget-to-address-the-climate-crisis/>

<sup>ii</sup> For more details see:

<https://eeb.org/library/a-budget-to-address-the-climate-crisis>

<https://eeb.org/work-areas/climate-energy/an-eu-budget-to-address-the-climate-crisis/>

<https://eeb.org/library/destination-climate-neutrality/>

<sup>iii</sup> <https://eeb.org/library/last-chance-cap/>