

CAMS output 4.5.

Policy recommendations for mainstreaming climate into MFF 2021-2027

Summary

„Climate mainstreaming“, a mechanism as described in the EU Funds’ legislation, requires the integration of climate change considerations into all investment areas, including those that do not specifically target climate change, energy, environment or other directly related topics.

The EU’s long-term budget, the Multiannual Financial Framework (MFF), is the EU’s main instrument for direct subsidies and objective oriented investments. It is a key policy tool to support the EU’s long-term strategic agenda, including climate objectives. It translates strategies and policy priorities into budgetary headings, programmes, and budgetary ceilings for seven-year periods, thereby creating a financial framework that guides investments at the regional, national and EU level.

The MFF can and should play a critical role in the fight against climate change by catalysing the transition towards a net-zero greenhouse gas emission economy. Investments in the energy sector, transport, housing and agriculture as well as resource use to reduce energy use, improve energy efficiency and transfer to renewable energies are crucial for achieving the 2030 climate and energy targets and the long-term goals defined in the Paris Agreement.

The European Commission proposal (COM (2018) 375 final from 28.05.2018) for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of 25% of EU expenditure contributing to climate objectives. In order to achieve agreed climate goal - carbon neutral EU by 2050, to close investment gap in the path towards this goal and to mainstream climate into MFF 2021-2027 and use EU taxpayers money efficient way, the Managing Authorities responsible for programming of MFF 2021-2027 should act according to following recommendations:

- Scale up climate action and fund the just and zero-emissions transition: Allocate 50% of the next MFF specifically to climate action, as the MFF then will be a lever to close the investment gap of around €180bn to €270bn per year needed and motivate private sector to invest zero-carbon transport, renewable energy, energy efficient buildings, sustainable agriculture and consumption.
- Insist on „climate proofing“ of Partnership Agreements and Operational Programmes, so that consistency and vertical coherence of programmes and spending plans with the EU’s overarching strategies and climate goals have to be ensured in these documents.

- Integrate Climate mitigation issues like increase of efficiency of energy use, reduction of GHG emissions etc. horizontally into all priorities and measures of MFF implementation principles and regulations and not only those national priority development areas addressing specifically gaps in energy and transport sectors.
- Ensure that financing priorities and guiding principles for project selection are including requirements for measurable energy efficiency and GHG reduction gains.
- Extended use of climate mitigation and adaptation relevant ex ante conditionalities
- While assessing the share of climate financing in MFF (and national OP-s), use formula for assessment of climate contribution not as expected average percentage of support allocated for investment objective (as was done planning current period ESIF (see attached)), but assess whether and how much GHG reduction priority investment projects and programmes deliver and/or how much those increase resilience to climate change.
- Establish specific reporting requirements on climate mainstreaming into the regulations of relevant programmes
- Consider mainstreaming climate change mitigation and adaptation into horizontal themes like information society and digitalisation, as well regional development and governance in order to secure coherence of planned measures there with climate goals by adding into the project selection criteria, that preference is given projects addressing energy efficiency, use of renewables and increased resilience to the climate impacts.
- No funds should be allowed to allocate on fossil fuel infrastructure
- Establish conditionalities, which ensure, among other things, compliance with the “energy efficiency first” principle and that specific decarbonisation pathways form a strategic basis at the centre of each EU budget spending plan.
- Secure that the preparation of the National Operational Programmes of MFF in an inclusive manner with enhanced public participation, secure higher transparency, and easy access to information.
- Strengthen international collaboration and support in mitigation/adaptation efforts in third countries, especially LDCs and countries that are highly vulnerable to climate change impacts.

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Abbreviations

BSR- Baltic Sea Region

CAMS – Climate adaptation and mitigation synergies

CBSS – Council of the Baltic Sea States

ESIF – European Structural Investment Funds

MFF- Multiannual Financial Framework

CEF - Connecting Europe Facility

ERDF - European Regional Development Fund

CF - Cohesion Fund

ESF - European Social Fund

EAGF - European Agricultural Guarantee Fund

EAFRD - European Agricultural Fund for Rural Development

EMFF - European Maritime and Fisheries Fund

LIFE - Programme for the Environment and Climate Action

IPA II - Instrument for Pre-accession Assistance

ENI -European Neighbourhood Instrument

DCI - Development Cooperation Instrument

ECA – European Court of Auditors

Background

CAMS Platform aims to capitalize results of ongoing EU INTERREG and other EU energy efficiency projects. The platform will explore how energy efficiency measures could be improved and used to increase the resilience of housing sector to negative effects of long-term climate change; how energy audits could be upgraded to serve relevant measures, developing accessible database for energy performance audits of buildings, especially the unified energy performance criteria for multi-storey buildings. Platform tackles the issue of how to use available financial sources better for achieving climate goals by developing policy recommendations for planning ESIF in coming EU MFF 2021-2027 and guidelines for further energy efficiency (EE) projects, so to create synergy between EE and climate change mitigation and adaptation.

Project activities are divided into 4 Work Packages (WPs). WP1 is for Project management, Communication, dissemination, and reporting, led by Tartu Regional Energy Agency - TREA. Activities within WP1 include management and communication, running project website for outreach and arranging 2 meetings in Tartu, Estonia: kick-off meeting for detailed planning of project activities and final conference for presenting and disseminating the results. All project partners contribute to WP1 tasks related to the activities they are involved and responsible for. WP2 is for capitalisation of ongoing energy efficiency projects in BSR, enhancing building energy performance auditing. Leader for this WP is County Government of Dalarna. Activities include development of energy audit database. For unification and harmonisation of the energy audits across the BSR, a series of pilot energy audits in Estonia, Latvia, Poland, and Sweden will be carried out by respective partner experts (licenced auditors). WP3 led by Baltic Environment Forum Germany, focuses on capitalisation of the results of the ARCEE project and foresees preparation of the Qualification programme on housing refurbishment for BSR which is adjusted to all participating BSR countries. WP4 led by CBSS Secretariat, facilitates the climate adaptation and mitigation policy dialogue, resulting in policy recommendations and guidance for climate proofing ESIF projects. The Russian contexts and dissemination for seeking mitigation-adaptation synergies is provided by Peter the Great St. Petersburg Polytechnic University.

Current Policy recommendations serve as CAMS Project output for Work Package 4.

CAMS Project Platform is financed by the INTERREG Baltic Sea Programme based on support from ERDF.

EU policy context for mainstreaming climate

EU common climate and energy policy is in constant development with important milestones providing guidance until 2050 for EU Member States policy making and for all stakeholders affected as follows:

- The Europe 2020 Strategy for 'smart, sustainable and inclusive growth' adopted in 2010, with 20/20/20 headline targets (20% reduction of greenhouse gas emissions compared to 1990, raising the share of EU energy consumption produced from renewable resources to 20% and a 20% improvement in the EU's energy efficiency);
- The Commission's roadmap for a shift towards a low-carbon and climate resilient economy by 2050 published in 2011, stating that by 2050, the EU should cut greenhouse gas emissions to 80% below 1990 levels and milestones to achieve this are 40% emissions cuts by 2030 and 60% by 2040
- The EU Adaptation Strategy adopted in 2013.
- The European Council 2030 Framework on climate and energy, encompassing a binding target at EU level of a domestic reduction in greenhouse gas emissions of at least 40% by 2030, compared to the 1990, to increase the share of renewable energy in the EU energy mix at EU level of at least a 27%, based on efforts to be made in each Member State, and an indicative target of a 27% improvement in energy efficiency with the aim of increasing this to 30%, endorsed of October 2014.

Revised EU Effort Sharing Regulation establishes binding annual greenhouse gas emission targets for Member States for the periods 2013–2020 and 2021–2030. These targets concern emissions from most sectors not included in the EU Emissions Trading System (EU ETS), such as transport, buildings, agriculture, and waste by Member States from -40% to 0%. The national targets will collectively deliver a reduction of around 10% in total EU emissions from the sectors covered by 2020 and of 30% by 2030, compared with 2005 levels.

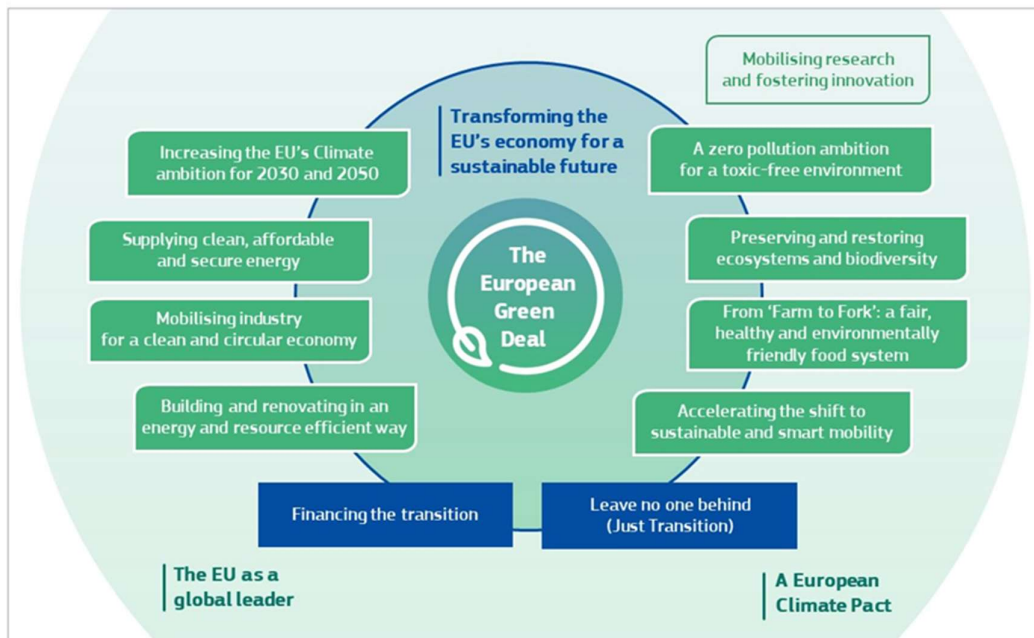
In 2018, the EU agreed on the 'Clean Energy Package', setting a new framework for climate and energy until 2030. Within this new set-up, Member States must develop by 2019 a national energy and climate plan (NECP). The process will serve as a planning tool for the next ten years during which Member States must name their own targets for 2030 within the framework of the EU's Long-Term Strategy for 2050.

Communication from the Commission A Clean Planet for all A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy (COM(2018) 773 final, issued on 28.11.2018), outlines a vision of the economic and societal transformations required, engaging all sectors of the economy and society, to achieve the transition to net-zero greenhouse gas emissions by 2050.

European Council on 12.12.2019 endorsed the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement. One Member State, at this stage, cannot commit

to implement this objective as far as it is concerned, and the European Council will come back to this in June 2020. In its decision, the Commission underlined that the next MFF will significantly contribute to climate action. InvestEU has an important role in leveraging private investments for the transition. Tailored support for regions and sectors most affected by the transition will be made available from the forthcoming Just Transition Mechanism. The European Council welcomed the European Commission’s announcement that its forthcoming proposals will aim at facilitating EUR 100 billion of investment through the Just Transition Mechanism. The Council stated that funding of transformation efforts must continue after 2030.

On 11th of December, the European Commission launched Communication on The European Green Deal. European Green Deal is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. The Communication also presented an initial roadmap of the key policies and measures needed to achieve the European Green Deal.



To set out clearly the conditions for an effective and fair transition, to provide predictability for investors, and to ensure that the transition is irreversible, the Commission will propose the first European ‘Climate Law’ by March 2020. This will enshrine the 2050 climate neutrality objective in legislation. The Climate Law will also ensure that all EU policies contribute to the climate neutrality objective and that all sectors play their part.

The EU has already started to modernise and transform the economy with the aim of climate neutrality. Between 1990 and 2018, it reduced greenhouse gas emissions by 23%, while the economy

grew by 61%. However, current policies will only reduce greenhouse gas emissions by 60% by 2050. Much remains to be done, starting with more ambitious climate action in the coming decade.

By summer 2020, the Commission will present an impact assessed plan to increase the EU's greenhouse gas emission reductions target for 2030 to at least 50% and towards 55% compared with 1990 levels in a responsible way. To deliver these additional greenhouse gas emissions reductions, the Commission will, by June 2021, review and propose to revise where necessary, all relevant climate-related policy instruments. This will comprise the Emissions Trading System, including a possible extension of European emissions trading to new sectors, Member State targets to reduce emissions in sectors outside the Emissions Trading System, and the regulation on land use, land use change and forestry.

The Commission will adopt a new, more ambitious EU strategy on adaptation to climate change. This is essential, as climate change will continue to create significant stress in Europe despite the mitigation efforts. Strengthening the efforts on climate-proofing, resilience building, prevention and preparedness is crucial. Work on climate adaptation should continue to influence public and private investments, including on nature-based solutions. It will be important to ensure that across the EU, investors, insurers, businesses, cities, and citizens are able to access data and to develop instruments to integrate climate change into their risk management practices.

Communication states that further decarbonising the energy system is critical to reach climate objectives in 2030 and 2050. The production and use of energy across economic sectors account for more than 75% of the EU's greenhouse gas emissions. Energy efficiency must be prioritised. A power sector must be developed that is based largely on renewable sources, complemented by the rapid phasing out of coal and decarbonising gas.

Importance for the context of the CAMS Project is that Communication pays great attention to energy efficiency in buildings. The construction, use and renovation of buildings require significant amounts of energy and mineral resources (e.g. sand, gravel, cement). Buildings also account for 40% of energy consumed. Today the annual renovation rate of the building stock varies from 0.4 to 1.2% in the Member States. This rate will need at least to double to reach the EU's energy efficiency and climate objectives. In parallel, 50 million consumers struggle to keep their homes adequately warm.

To address the twin challenge of energy efficiency and affordability, the EU and the Member States should engage in a 'renovation wave' of public and private buildings. While increasing renovation rates is a challenge, renovation lowers energy bills, and can reduce energy poverty. It can also boost the construction sector and is an opportunity to support SMEs and local jobs.

The Commission will rigorously enforce the legislation related to the energy performance of buildings. This will start with an assessment in 2020 of Member States' national long-term renovation strategies. The Commission will also launch work on the possibility of including emissions from buildings in European emissions trading, as part of broader efforts to ensure that the relative prices of different energy sources provide the right signals for energy efficiency. In addition, the Commission will review the Construction Products Regulation. It should ensure that the design of new and renovated buildings at all stages is in line with the needs of the circular economy and lead to increased digitalisation and climate-proofing of the building stock.

In parallel, the Commission proposes to work with stakeholders on a new initiative on renovation in 2020. This will include an open platform bringing together the buildings and construction sector, architects and engineers and local authorities to address the barriers to renovation. This initiative will also include innovative financing schemes under InvestEU. These could target housing associations or energy service companies that could roll out renovation including through energy performance contracting. An essential aim would be to organise renovation efforts into larger blocks to benefit from better financing conditions and economies of scale. The Commission will also work to lift national regulatory barriers that inhibit energy efficiency investments in rented and multi-ownership buildings. Particular attention will be paid to the renovation of social housing, to help households who struggle to pay their energy bills. Focus should also be put on renovating schools and hospitals, as the money saved through building efficiency could be reallocated for attracting private investments into energy efficiency renovation.

Lessons learnt from mainstreaming climate in ESIF 2014-2020

The European Structural and Investment Funds comprise five funds: the European Regional Development Fund (ERDF) and European Territorial Cooperation goal (ETC, which falls under ERDF); the Cohesion Fund (CF); the European Social Fund (ESF); the European Agricultural Fund for Rural Development (EAFRD); and the European Maritime and Fisheries Fund (EMFF).

Mainstreaming of adaptation in the 2014-2020 European Structural and Investment Funds programming has taken place at several levels: at the EU level, through the political objective that at least 20 % of EU spending should be for climate action; at the legislative level through regulations, delegated and implementing acts; through the programming of the funds and the negotiations between the Member States and the Commission, supported by technical assessments and CLIMA's proposals for enhanced climate action during 1000+ inter-service consultations; and through Commission guidance on programming, implementation of programmes and on major projects.

The Council conclusions of February 2013 on the Multiannual Financial Framework foresaw that climate action objectives will represent at least 20 % of EU spending in 2014-2020. The common methodology for tracking and monitoring climate expenditure under this Multiannual Financial Framework provided a method for calculating support for climate action (annexed).

According to EC/COWI reports (4,5), the European Structural and Investment Funds 2014-2020 allocate as much as 25.2 % of their support for climate action. Estimates of the contributions made towards climate change mitigation and climate change adaptation shows that 42 % of the support for climate action is marked towards mitigation purposes, while 15 % is for adaptation. Further, 42 % of the support for climate action can be categorised as being supportive for adaptation and/or mitigation. This means that the concerned investment types have the potential to contribute to both climate change adaptation and to climate change mitigation. The dominant share of this 42 % comes from the European Agricultural Rural Development Fund where the main allocation is likely to contribute directly or indirectly to climate change adaptation.

Table: Union Support for climate action under the European Structural and Investment Funds and estimated distribution of support over climate change adaptation and climate change mitigation

Fund/Programme	Total Support MEUR	Share for climate change mitigation, %	Share for climate change adaptation, %	Share for measures with potential to support climate policy goals, %	Total share of climate action, %
ERDF	187 468	15.9	1.6	1.7	19.1
CF	63 393	21.1	4.7	2.0	27.8
ESF	82 223	1.3	-	-	1.4
YEI	6 672	-	-	-	0
EAFRD	98 619	5.5	7.6	44.0	57.1
EMFF	5 749	-	-	-	17.7
Total	444 126	11.2	3.0	10.7	25.2
ETC	9 192	11.2	4.7	4.8	20.6
Grand Total	453 318	11.2	3.1	10.6	25.1

Source: COWI. Mainstreaming of climate action into ESI Funds

EU support for the European Structural and Investment Funds amounts to EUR 453.3 billion in total. Excluding the Youth Employment Initiative (YEI) which does not contain adaptation actions, this adds up to a total EUR 446.6 billion. The total share for climate action is EUR 113.8 billion, which is 25 % of the EU support excluding the Youth Employment Initiative. From this climate action amount, 54 % (EUR 62.1 billion) is dedicated for action related to adaptation (mainly through the European Agricultural Fund for Rural Development). Thus, about 14 % of total EU support (excluding Youth Employment Initiative) covers support that directly targets climate change adaptation as well as support that indirectly promotes this.

As for barriers in mainstreaming climate adaptation into ESIF, the report concludes that the absence of specific adaptation targets in the overall Europe 2020 strategy headline targets may be seen as a barrier when contrasted with the clear and well-articulated mitigation targets for 2020. Equally, the absence of dedicated EU legislation on adaptation could be seen as a barrier. Though ex-ante conditionality 5.1, on adaptation and risk management, supports adaptation by definition, slow progress by Member States in reaching compliance with ex-ante conditionalities and environmental policy objectives and legislation appears to nevertheless be a barrier for Member States' uptake of the European Structural and Investment Funds' funding for adaptation.

Lack of resources, awareness, skills, and knowledge at the Member State level may also lead to insufficient coordination between relevant authorities and governance levels at the programming stage. The thematic concentration requirements of the European Regional Development Fund may have resulted in a biased focus on climate change mitigation at the expense of adaptation. Lastly, explicit links to relevant national adaptation strategies and plans are often neither identified nor appropriately integrated into programmes, and the lack of coherence between National Adaptation Strategies, Partnership Agreements and measures chosen by Member States under different European Structural and Investment Funds may potentially hamper synergies and complementarities

Report highlights as one of the conclusions, that a clear earmarking of funding for adaptation is needed in the next programming period, to facilitate a higher uptake of adaptation measures. Any such earmarking must recognize that certain climate actions delivers both adaptation and mitigation benefits and that some funding can contribute to both at the same time. It also proposed that – where possible - a stronger and more explicit distinction within the focus areas between measures regarding their potential climate change adaptation effects be considered This could be done by ensuring that all programme contents that primarily target climate change adaptation are categorised under a dedicated Union Priority with a marker of 100 % for climate contribution. The need to focus the tracking methodology to better reflect real climate impact has recently been highlighted by the European Court of Auditors (10), although this report does not itself make the specific split between adaptation and mitigation. Report states that, there is a serious risk that the 20 % target will not be met without more effort. The implementation of the target has led to more, and better-focused, climate action funding in the European Regional Development Fund and the Cohesion Fund. In the European Social Fund, and in the areas of agriculture, rural development, and fisheries, however, there has been no significant shift towards climate action. ECA recommends that besides other undertakings, Commission should do following: Establish comprehensive reporting framework; Develop indicators monitoring actual spending on climate action and related results; and Explore all potential opportunities and ensure a real shift towards climate action.

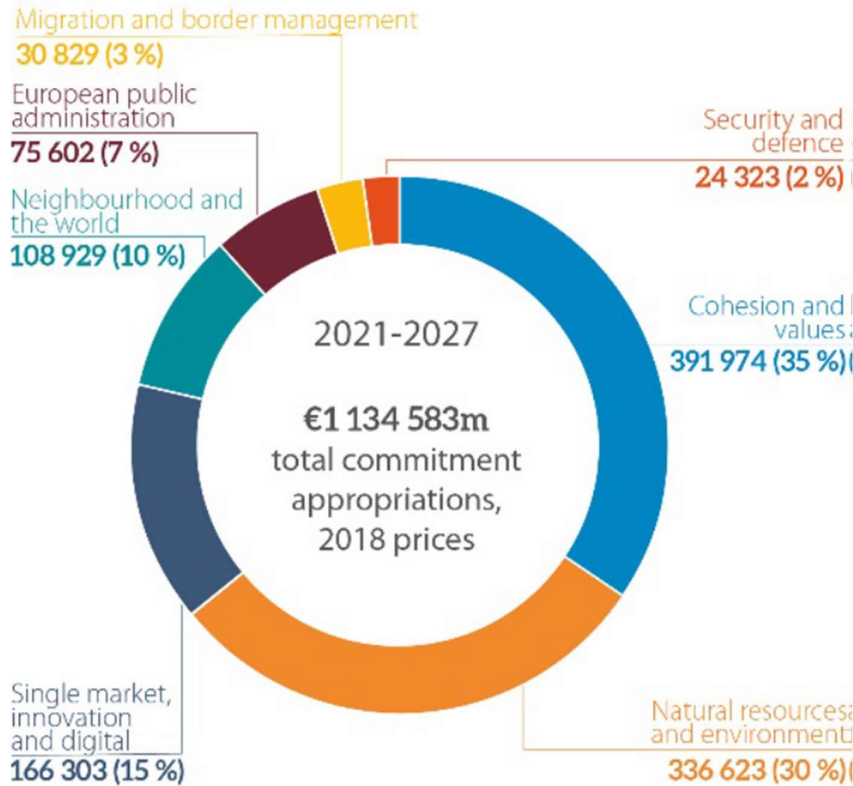
Recommendations for mainstreaming climate into MFF 2021-2027

The EU's long-term budget, the Multiannual Financial Framework (MFF), is the EU's main instrument for direct subsidies and objective oriented investments. It is a key policy tool to support the EU's long-term strategic agenda, including climate objectives. It translates strategies and policy priorities into budgetary headings, programmes, and budgetary ceilings for seven-year periods, thereby creating a financial framework that guides investments at the regional, national and EU level. The next such period will be 2021-2027, about which the negotiations are in full progress.

The Commission's proposals for a new MFF 2021-2027 and for a new system of own resources, were published on 2 May 2018. With the United Kingdom's withdrawal, the EU is losing a major net contributor of revenue. New priorities such as security and defence, migration, and support for refugees have also increased pressure on the expenditure side of the EU's long-term financial plan.

The European Commission has proposed a 2021-2027 MFF totalling €1 134 583 million in commitments and €1 104 805 million in payments (2018 prices). According to European Parliament Research Services analyse (12) the new budget compared in real terms with the 'virtual' current MFF (EU-27) it amounts to an increase of 5 % (€52.3 billion).

The MFF structure is more than just a way of classifying and presenting the EU's spending plan. First, it is a political statement of EU priorities. The titles chosen by the Commission for different headings show a move away from the current nomenclature based on the objectives of the Europe 2020 strategy, such as 'smart and inclusive growth', towards other EU priorities, such as the digital economy, migration, border management, defence and climate. The structure proposed by the Commission differs significantly from the current MFF. It increases the number of headings from five to seven (Table 1), reduces the number of programmes from 58 to 37, and shifts some programmes between headings. Within the headings, the programmes are grouped into 17 'policy clusters', designed to show how the programmes contribute to individual policy objectives. According to the Commission, the new structure makes the MFF clearer and aligns it more closely with the EU's priorities, helps to bring fragmented funding resources together, and streamlines the use of financial instruments.



Heading 3 Natural Resources and Environment is the second biggest heading in the proposal in terms of funding, and is dedicated to programmes supporting: agriculture and maritime policy, and environment and climate action. Heading 3 includes programmes and funds currently included under heading 2 and related to the common agricultural policy, the common fisheries policy, rural development, and environmental measures. The two agricultural funds – the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) – account for most of the funding under this heading. The allocation for the EAGF and EAFRD in comparison with the 'virtual' current MFF has been reduced by more than 15 %. The proposed European Maritime and Fisheries Fund (EMFF) would amount to €5.45 billion, or approximately 13 % less than in the current MFF, after deducting current UK spending. The LIFE programme for environment and climate action would increase from the current €3.2 billion to €4.8 billion (+50%). The Commission has proposed a relatively small margin in this heading, amounting to 0.24 % of the allocation.



Heading 3 Natural Resources and Environment

€ 336 623 million
29.7% of total EU 2021-2027 MFF

Programme for Environment and Climate Action (LIFE): 4 828
European Maritime and Fisheries Fund: 5 448

254 247

European Agricultural Guarantee Fund (EAGF)

70 037

European Agricultural Fund for Rural Development (EAFRD)

other

2 063

The MFF can play a critical role in the fight against climate change by catalysing the transition towards a net-zero greenhouse gas emission economy. Investments in the energy sector, transport, housing and agriculture as well as resource use to reduce energy use, improve energy efficiency and transfer to renewable energies are crucial for achieving the 2030 climate and energy targets and the long-term goals defined in the Paris Agreement.

European Commission analysis prepared by Ricardo Energetics (11) considers that (a) the overall estimated investment needs up to 2030 based on a business-as-usual pathway (REF2016 scenario), (b) the total investment needs based on achieving the EU's energy and climate targets (EUCO30 scenario), and (c) the remaining mitigation financing gap in Europe (i.e. the difference between EUCO30 and REF2016 scenario results). The REF2016 scenario is assumed to include all the planned and future anticipated public and private investments that are assumed to occur based on historic spending levels. As such, the difference between the REF2016 and EUCO30 scenarios represents the remaining financing gap for European domestic climate finance. This analysis suggests that the cumulative investment needs from 2021 to 2030 under BAU conditions are 9 448 bn EUR'15, total investment needs to achieve the EU's 2030 climate and energy targets are 11 230 bn EUR'15, therefore leaving a remaining finance gap for European domestic mitigation finance of 1 782 bn EUR'15. That is 178 bn annually between 2021-2030, and is distributed across various sectors of the economy, with highest remaining financing gap for European domestic climate finance.

Contrary to the mitigation challenge, there are currently no investment needs estimations on the adaptation challenge that best reflect the total, comprehensive (across all adaptation-relevant action areas and sectors) investment needs for Europe. The estimations that do exist cover rather different scopes and underlying assumptions. As a very rough indication, between 35bn EUR'15 up to more than 500bn EUR'15 and because there is no availability of reference scenarios as is the case for the mitigation field, it is currently impossible to establish a remaining financing gap for adaptation. However, what is clear from the analysis is that despite the many knowledge gaps and uncertainties involved, there is an urgent need for continued and up-scaled investment in climate adaptation across Europe, as well as the need for better risk models to make the economic case for adaptation.

The Commission proposal for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of 25% of EU expenditure contributing to climate objectives. As stated by the COM (2018) 375 final from 28.05.2018 (8), the contribution of this programme to the achievement of this overall target will be tracked through an EU climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available. The Commission will continue to present the information annually in terms of commitment appropriations in the context of the annual draft budget.

To support the full utilisation of the potential of the programme to contribute to climate objectives, the Commission will seek to identify relevant actions throughout the programme preparation, implementation, review, and evaluation processes. According to Article 4 of the, the Member States shall provide information on the support for environment and climate objectives using a methodology based on types of intervention for each of the Funds. That methodology shall consist of assigning a specific weighting to the support provided at a level which reflects the extent to which

such support contributes to environmental objectives and to climate objectives. In the case of the ERDF, the ESF+ and the Cohesion Fund weightings shall be attached to dimensions and codes for the types of intervention established in Annex I (attached). The mentioned Annex: Dimensions and codes for the types of intervention for the ERDF, the ESF+ and the Cohesion Fund - Article 17(5) and specifically the Table 1: CODES FOR THE INTERVENTION FIELD DIMENSION, determines coefficients for the calculation of support to climate change objectives like the Policy Objective 1: A SMARTER EUROPE BY PROMOTING INNOVATIVE AND SMART ECONOMIC TRANSFORMATION, only Research and innovation processes, technology transfer and cooperation between enterprises focusing on the low carbon economy, resilience and adaptation to climate change (022) is 100% contributing to climate and Research and innovation processes, technology transfer and cooperation between enterprises focusing on circular economy (023) contributes 40% to climate objectives. Or the Policy Objective 2: A GREENER, LOW CARBON EUROPE BY PROMOTING CLEAN AND FAIR ENERGY TRANSITION, GREEN AND BLUE INVESTMENT, THE CIRCULAR ECONOMY, CLIMATE ADAPTATION AND RISK PREVENTION AND MANAGEMENT, majority of actions are 100% contributing to climate objective. Under the Policy Objective 4, there is expected that only investments in rail infrastructure will complement climate goals and investing into other Policy Objectives the climate objectives are not met, but when National Authorities will establish guiding principles and criteria for project selection including requirements for measurable energy efficiency and GHG reduction gains, then so much more can be achieved.

One must also not forget that the Article 67 of COM(2018) 375 final states that in selecting operations, the managing authority shall besides other obligations, also „ensure the climate proofing of investments in infrastructure with an expected lifespan of at least five years“.

In order to close investment gap in the path towards achieving Carbon neutral Europe by 2050 goal, to mainstream climate into MFF 2021-2027 and use EU taxpayers money efficient way following is recommended in the programming of the National Partnership Agreements and Operational Programmes:

- Scale up climate action and fund the just and zero-emissions transition: Allocate 50% of the next MFF specifically to climate action, as the MFF then will be a lever to close the investment gap of around €180bn to €270bn per year needed and motivate private sector to invest zero-carbon transport, renewable energy, energy efficient buildings, sustainable agriculture and consumption.
- Insist on „climate proofing“ of the Partnership Agreements and Operational Programmes, so that consistency and vertical coherence of programmes and spending plans with the EU’s overarching strategies and climate goals have to be ensured in these documents.
- Integrate Climate mitigation issues like increase of efficiency of energy use, reduction of GHG emissions etc. horizontally into all priorities and measures of MFF implementation principles and regulations and not only those national priority development areas addressing specifically gaps in energy and transport sectors.
- Ensure that financing priorities and guiding principles for project selection are including requirements for measurable energy efficiency and GHG reduction gains.
- Extended use of climate mitigation and adaptation relevant ex ante conditionalities

- While assessing the share of climate financing in MFF (and national OP-s), use formula for assessment of climate contribution not as expected average percentages of support allocated for investment objective (as was done planning current period ESIF (see attached)), but assess whether and how much GHG reduction priority investment projects and programmes deliver and/or how much those increase resilience to climate change.
- Establish specific reporting requirements on climate mainstreaming into the regulations of relevant programmes
- Consider mainstreaming climate change mitigation and adaptation into horizontal themes like information society and digitalisation, as well regional development and governance in order to secure coherence of planned measures there with climate goals by adding into the project selection criteria, that preference is given projects addressing energy efficiency, use of renewables and increased resilience to the climate impacts.
- No funds should be allowed to allocate on fossil fuel infrastructure
- Establish conditionalities, which ensure, among other things, compliance with the “energy efficiency first” principle and that specific decarbonisation pathways form a strategic basis at the centre of each EU budget spending plan.
- Secure that the preparation of the National Operational Programmes of MFF in an inclusive manner with enhanced public participation, secure higher transparency, and easy access to information.
- Strengthen international collaboration and support in mitigation/adaptation efforts in third countries, especially LDCs and countries that are highly vulnerable to climate change impacts.

These recommendations will be introduced to and discussed by various pan-Baltic stakeholders including National Focal Points for HA Climate of the EUSBSR at the next BSR Climate Dialogue Platform Round-table meetings scheduled to take place on Autumn, 2020. Horizontal Action (HA) Climate is one of the four Horizontal Actions in the EU Strategy for the Baltic Sea Region. HA Climate represents Baltic Sea cooperation in the fields of climate adaptation as well as low emission development. The HA is led by the Sustainable and Prosperous Region Unit of the Permanent Secretariat of Council of the Baltic Sea States – CBSS. The Baltic Sea Region Climate Dialogue Platform is a Flagship project under EUSBSR, and a strategic action under the CBSS Priority “Sustainable and Prosperous region”. The aim of the Climate Policy Dialogue Platform is to facilitate policy dialogue and cooperation between National Governments and pan-Baltic stakeholders, to follow up the BSR Climate Change Adaptation Strategy and Action Plan, support the implementation the EU Adaptation Strategy, as well as to advance joint climate actions and exchange best practices to tackle climate issues in the region.

The recommendations will be also disseminated by the CAMS project partners to the national authorities responsible for preparation and implementation of National Operational programmes for EU Regional Development and Cohesion Policy beyond 2020.

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Annexes

Methodology for the calculation of support by the ERDF, the ESF and the Cohesion Fund for climate change objectives in programming ESIF 2014-2020.



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Methodology for the calculation of support by the ERDF, the ESF and the Cohesion Fund for climate change objectives in programming ESIF 2021-2027 - COM (2018) 375 final ANNEXES 1 to 22



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