



How can the EU budget support EU climate policy?

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November 6, 2012
Berlin



- 1. Introduction: The ambition gap**
- 2. Mainstreaming climate action into the Multi-annual Financial Framework (MFF):**
 - The "20% objective"
 - Mainstreaming into different EU instruments (Cohesion, Research, Life, CAP)
- 3. Tracking of climate expenditures**
 - Method
 - Example: climate change windows in the regional investment facilities
- 4. On-going negotiations in co-decision**
- 5. Conclusions**



1 The ambition gap

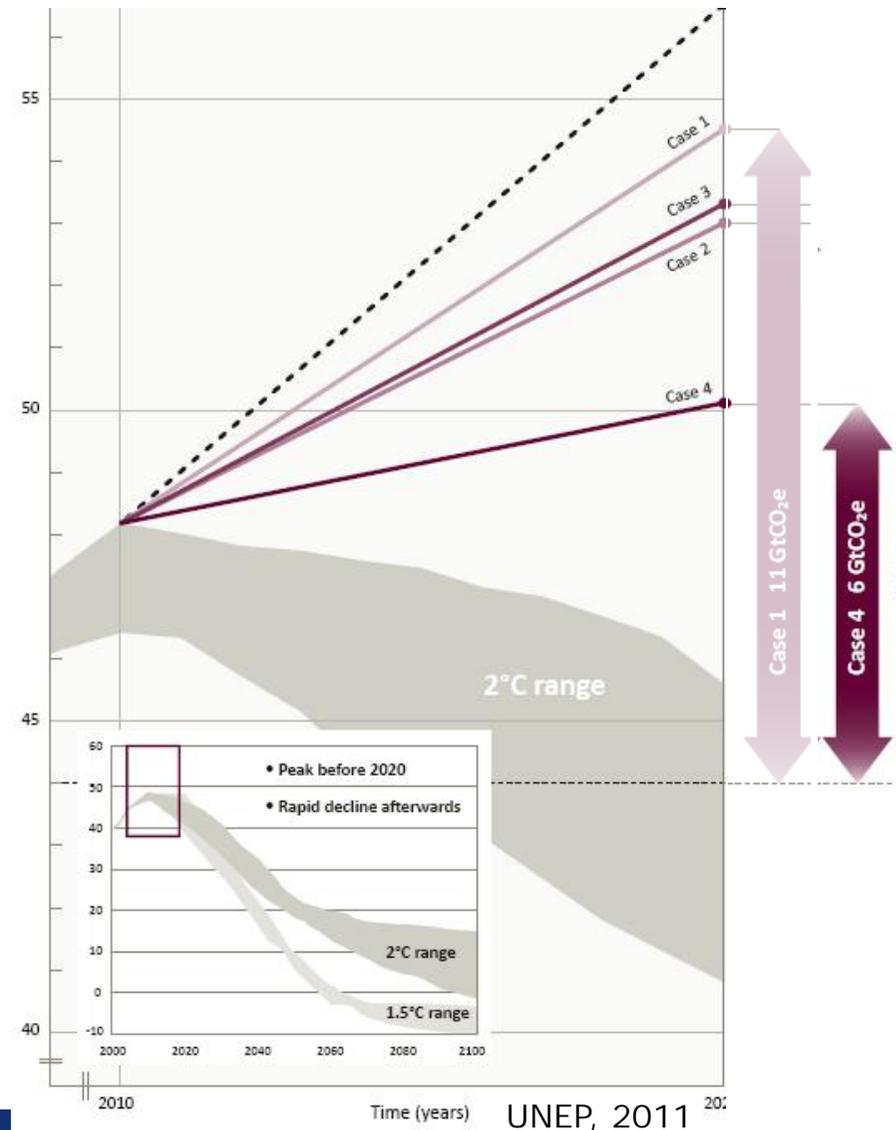


- Limit temperature increase to 2°C
- Durban decisions: note the ambition gap

- 2020 levels consistent with 2°C : ~44 GtCO₂e
- Ambition gap: 6-11 GtCO₂e

To stay below 2° C:

- For every \$1 of missed investment now, \$4.30 to invest after 2020
- 2011 global investments in renewable energy US\$240bn levels to sustain up to 2020



UNEP, 2011

1 The ambition gap



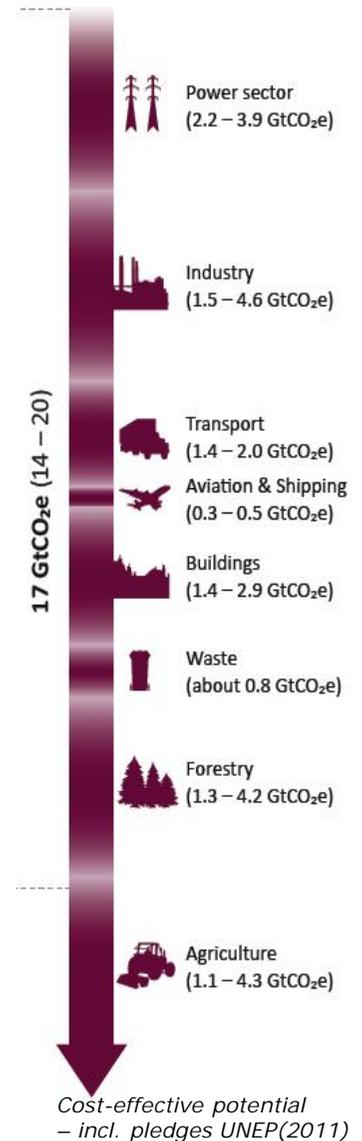
Leveraging complementary actions to bridge the gap

Recognise, promote, monitor initiatives to:

- *Accelerate the energy transition: Renewable energy, Energy efficiency*
- *Phase out fossil fuel subsidies*
- *Enable REDD+ initiatives, support climate friendly agriculture, incentives for increased carbon storage in forests and wood*
- *Address bunker fuels/maritime and aviation*
- *Consider short-lived climate pollutants*
- *Address HFC-gases*

What is needed to bridge the gap?

- *Technological and institutional innovation*
- *Climate finance*



2 Mainstreaming climate action into MFF



- **29 June Communication on MFF for 2014-2020: main orientations for delivering the Europe 2020 strategy**
- **Next MFF: catalyst for growth enhancing investment and convergence**
- **But: Growth should be sustainable and support transition to low carbon economy**
- **Climate is one of the five headline targets of EU2020**
- **Good economic justification: public good and cross-border;**
- **What is needed? Regulation or subsidies? Both**

EU climate policies: aim to correct market failures

EU instruments: can provide additional incentives to ensure that EU investment is facilitating transition to low carbon growth



2 Mainstreaming climate action into MFF



- How to reflect this in the post 2013 EU budget?
- Separate EU instrument/fund? No, this would duplicate instruments. Instead:
 - **“Mainstreaming” = Climate objectives “to be reflected in all [EU] main instruments to ensure that they contribute to building a low-carbon, resource efficient and climate resilient economy”**
- Intention to increase the proportion of climate related expenditure to at least 20% in the next EU budget (2014-2020)



2 Mainstreaming climate action into MFF



Multi-Financial Framework: proposal for 2014-2020 1 025 billion Euro

COMMITMENT APPROPRIATIONS		
HEADING	MAIN INSTRUMENTS INCLUDED	TOT 2014-2020 PROPOSED BY EUROPEAN COMMISSION*
1. Smart and inclusive growth		
1.a Competitiveness for growth and jobs	<ul style="list-style-type: none"> • Connecting Europe Facility (CEF) • CSF Research and Innovation (i.e. Horizon 2020) • Galileo • New Competitiveness/SMEs 	154.9 bn, which includes 40 bn for Connecting Europe Facility-CEF and 80 bn for Horizon 2020
1.b Economic, social and territorial cohesion (<i>Cohesion Policy</i>)	<ul style="list-style-type: none"> • EU Cohesion policy 	336 bn
2. Sustainable growth: natural resources (<i>including CAP</i>)	<ul style="list-style-type: none"> • CAP: Pillar I (direct payments+ market expenditure) and Pillar II (Rural development) • LIFE+ 	382.9 bn, of which for CAP 282 bn in Pillar I, 90 bn in Pillar II and LIFE+ 3.2 bn
3. Security and citizenship		18.5 bn
4. Global Europe	<ul style="list-style-type: none"> • Development Cooperation Instrument (DCI) • Instrument for Pre-accession (IPA) • Partnership Instrument (PI) 	70 bn
5. Administration		62.6 bn

*29/06/2011 - COM(2011)500 final, page 5 http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf





Cohesion Policy (6 October 2011)

- The new proposal is designed to **reinforce the strategic dimension** of the policy and to ensure that EU investment is targeted on Europe's long-term goals for growth and jobs ("Europe 2020").
- Through **Partnership Contracts** agreed with the Commission, Member States will commit to focussing on fewer investment priorities in line with these objectives.
- *The Partnership Contract shall set out the total indicative amount of support foreseen for climate change objectives.*
- *Thematic objectives and investment priorities explicitly address the climate change challenge by supporting the transition to a low carbon and climate resilient economy;*
- **Proposal:** *more developed and transition regions should allocate at least 20% and less developed regions to investment in energy efficiency and renewables; the less developed regions at least 6% of European Regional Development Fund*
- *Mainstreaming climate criteria in programming process will be key: identification of thematic priorities, selection criteria*





CEF - Connecting Europe Facility (18 October 2011):

- **Infrastructure instrument for trans-European networks in energy, transport, and telecommunications**
- **These networks play a very important role in decarbonisation of Europe's economy through**
 - Development of smart grids and integration of renewable energy
 - Shift of passengers and freight from road to rail





Common Agricultural Policy (12 Oct. 2011)

- **Climate smart agriculture: resilient, low emissions, high removals**
- **Pillar I:** 30% of Direct Payments to farmers conditional on **greening measures**, e.g. permanent grassland
- **Pillar II:** provides very good options for targeted climate and environment-friendly support. A **minimum** of 25% for environment and climate action, i.e. **for mitigation, adaptation, land management**
- **Programming decisive** to ensure that country- and region-specific climate hotspots will be addressed.



2 Mainstreaming climate action into MFF



Horizon 2020

Horizon 2020 *(Proposal of 30 Nov. 2011)*

- *Programme for Research, Innovation and Competitiveness*
- *Climate-related expenditure could reach approx. 35% of the budget;*
- *Climate research as part of societal challenges;*
- *Support for actions in the area of low carbon transport (e.g. cars, aviation), energy, materials, sustainable bio-economy.*

From the proposal:

It is expected that at least 60% of the overall Horizon 2020 budget should be related to sustainable development. It is also expected that climate-related expenditure should exceed 35% of the budget, including mutually compatible measures improving resource efficiency. The Commission should provide information on the scale and results of support to climate change objectives.

The Commission shall annually monitor the implementation of Horizon 2020 (...). This shall include information on cross-cutting topics such as sustainability and climate change, including information on the amount of climate related expenditure.



2 Mainstreaming climate action into MFF



Horizon 2020 (2)

Horizon 2020

From the proposals - lines of activities relevant for climate change:

PRIORITY "CLIMATE ACTION, RESOURCE EFFICIENCY AND RAW MATERIALS":

- To achieve a resource efficient and climate change resilient economy and a sustainable supply of raw materials
 - Fighting and adapting to climate change
 - Sustainably managing natural resources and ecosystems + Sustainable agriculture and forestry
 - Ensuring the sustainable supply of non-energy and non-agricultural raw materials
 - Enabling the transition towards a green economy through eco-innovation
 - Developing comprehensive and sustained global environmental observation and information systems (such as through Global Earth Observation System of Systems, the European satellite navigation programme Galileo or IPCC)

Other climate-change related activities:

- Access to risk finance (e.g. Debt and Equity facilities), also to help achieve the Research&Innovation objectives of all sectors and policy areas crucial for tackling societal challenges (such as climate change, energy and resource efficiency...)
- Food security through transition to a sustainable European bio-economy (in particular RE. primary production systems (agriculture, forestry, fisheries and aquaculture))
- A single, smart European electricity grid
- Resource efficient transport

2 Mainstreaming climate action into MFF



LIFE

LIFE (Proposal of 12 Oct. 2011)

- **The only dedicated instrument for environment and climate action. Targets projects at local level; Centrally managed**
- **Proposed increase funding to €3.6 bn.**
- **"Tradition and Innovation":**
 - 20 year history and positive track record;
 - new climate action sub-programme: approx. €900 M for climate action over 7 years; well received by European Parliament and Council
- **New elements include Integrated projects and possibility to contribute to financial instruments**
- **Open issues relate in particular to co-funding rates, eligibility of VAT and permanent staff costs, geographical balance criteria**



2 Mainstreaming climate action into MFF



External action (1)

External action

(Proposal of 7 Dec. 2011, 70 bn)

Main news in the instruments compared to 2007-13:

- DCI – Development and Cooperation Instrument: bilateral and regional programmes and 2 thematic instruments ("Global Public Goods and Challenges"; "Civil Society organisations and local authorities")
- PI - Partnership Instrument: the major innovation, a key external policy tool. To address strategic countries, not for development
- Instrument for Stability: to address global and trans-regional security threats, including – for the first time – climate change

Proposed budget:

Pre-accession instrument (IPA):	€14,110 million
European Neighbourhood Instrument (ENI):	€18,182 million
Development Cooperation Instrument (DCI):	€23,295 million
Partnership Instrument (PI):	€1,131 million
Instrument for Stability (IfS):	€2,829 million
European Instrument for Democracy & Human Rights (EIDHR):	€1,578 million
Instrument for Nuclear Safety Cooperation:	€631 million
Instrument for Greenland:	€219 million
European Development Fund (EDF, outside EU Budget):	€34,276 million

2 Mainstreaming climate action into MFF



External action (2)

External action

In connection to climate action:

- key signal to our developing countries partners
- At least 20% to climate (more than € 14 bn.) for climate mitigation and adaptation actions in the most vulnerable countries.
- Almost triple climate related finance if well programmed
- The new "Global Public Goods and Challenges" Thematic Programme (within DCI) foresees a minimum of €2bn for climate and environment.
- Clear EU commitment to contribute its fair share to long-term climate finance.
- The Partnership Instrument (1,1bn) has great chance to have climate relevant actions

Council

- prioritises European Neighbourhood instrument (ENI), the Partnership Instrument (PI) and the Pre-Accession Instrument (IPA)

EP: on-going work in Committees



3 Tracking climate expenditure (1)



- A common methodology for estimating climate expenditure of the EU budget across all instruments
- To ensure sufficient visibility and accountability of climate expenditure and avoid “window dressing”
- Approach is to limit administrative burden, by a common and simple, OECD based methodology (“Rio markers”) already used by Commission for external action instruments
- Expenditures (not projects, but categories) marked in three categories:
 - 1) climate related only (to be counted as 100%)
 - 2) significantly climate related (to be counted as 40%)
 - 3) not climate related (to be counted as 0%)but, does not exclude the use of more precise tracking



3 Tracking climate expenditure (2)



Climate Change Windows (CCW) in EU regional investment facilities

Commissioners Füle, Hedegaard and Piebalgs in November 2010, created specific "Climate Change Windows" (CCWs) in the EU regional blending mechanisms, now operational under the Investment Facilities for:

- Neighbourhood Investment Fund (NIF)
- EU Africa Infrastructure Trust Fund (EUAITF)
- Latin America Investment Facility (LAIF)
- Investment Facility for Central Asia (IFCA)
- Asian Investment Fund (AIF)

(under way for Western Balkans-WBIF; Caribbean-CIF and Pacific-IFP).

The climate change projects under the CCW are tracked using the: Rio marker 1: projects for which contribution to climate change mitigation or adaptation is a significant objective and Rio marker 2: projects for which such contribution is the principal objective.

The impact of projects on greenhouse gas emissions and climate risks is also assessed and reported by the finance institutions.

Additional € 17.3 million allocated to CCW for Rio marker 2 projects

¹ 40% of the NIF grant amount can be reported as climate action support.

² 100% of the NIF grant amount can be reported as climate action support.

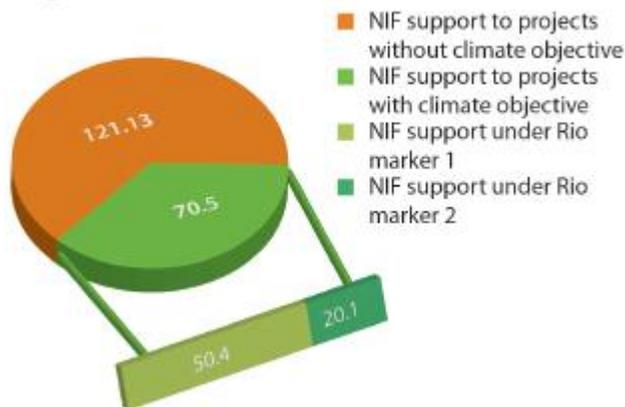
3 Tracking climate expenditure (3)



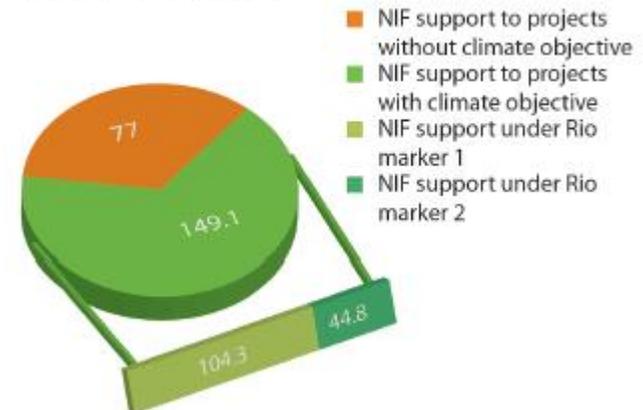
Overview on climate projects in NIF (Neighbourhood Investment Facility)

- Out of the 52 projects supported so far by the NIF, more than half (31) were low-carbon and climate-resilience projects and received NIF contributions worth €219.6 million.
- According to the Rio Markers accounting and these 31 projects trigger total investments of some €7.45 billion for fighting against climate change. *(source NIF annual report 2011)*

NIF support to Climate Actions in the Eastern neighbourhood (in € m)



NIF support to Climate Actions in the Southern neighbourhood (in € m)



4 On-going negotiations in co-decision process



- The MFF negotiations are now close to entering the final negotiation stages. Now that the CY Presidency published a revised "Negotiating Box", President Van Rompuy will hold bilateral consultations with the MS starting 5 November.
- EU leaders will meet for an extraordinary European Council dedicated to the MFF on 22-23 November. Should an agreement on the MFF not be possible, the European Council could finalise the MFF package at the 11-12 December meeting.
- The EP has made clear its intention to "enter fully-fledged" negotiations with the Council before it can give its consent to the MFF regulation. The actual adoption of the MFF regulation will therefore probably need to be finalized under the Irish presidency.
- The EP Interim Report on the next MFF was adopted in Plenary on 23 October. It strongly supports the climate mainstreaming approach and includes a clear reference to the 20% mainstreaming objective.

4 On-going negotiations (2)



MFF: Recent proposals by the EU CY Presidency Proposed reduction of 50 bn Euro (out of 1 025 bn)

COMMITMENT APPROPRIATIONS		
HEADING	TOT 2014-2020 PROPOSED BY EUROPEAN COMMISSION*	PROPOSED REDUCTION BY THE EU CY PRESIDENCY ON 29/10/2012
1. Smart and inclusive growth		
1.a Competitiveness for growth and jobs	154.9 bn, which includes 40 bn for Connecting Europe Facility-CEF and 80 bn for Horizon 2020 (CSF Research and Innovation)	18 bn (in particular the CEF by 10.6 and reduced transfer from cohesion policy from 10 bn to 7 bn)
1.b Economic, social and territorial cohesion (<i>Cohesion Policy</i>)	336 bn	12.5 bn
2. Sustainable growth: natural resources (<i>including CAP</i>)	382.9 bn, of which for CAP 282 bn in Pillar I, 90 bn in Pillar II	11 bn, of which around 10 bn for CAP and 0.7 bn for LIFE+ and EMFF-European Maritime and Fishery Fund
3. Security and citizenship	18.5 bn	0.7 bn
4. Global Europe	70 bn	5.3 bn. There are no figures on EDF
5. Administration	62.6 bn	No figures, but will be revised downwards

Quote of the week

The largest cuts are made where the EU needs to invest - in research, foreign policy and cross-border infrastructure. This budget does not face the future. It follows the fifties." Sweden's EU Affairs Minister Birgitta Ohlsson criticises the Cyprus Presidency proposals for not cutting deeply enough or in the right places

6 Conclusions



- ✓ What is needed for the transition to a low carbon economy:
 - ✓ Technological and institutional innovation!
 - ✓ A combination of regulatory and market-based approaches (e.g. ETS) to correct for market failures and incentives through smart subsidies
- ✓ Systematic mainstreaming of climate into all EU instruments is a major step forward
- ✓ Climate Finance not only about the external dimension, EU domestic climate finance equally important
- ✓ But: Effective climate mainstreaming into MFF relies on ambitious up-take of climate action in the on-going programming of all EU funds (cohesion, rural development etc.)
- ✓ Common rules for tracking of climate expenditures in EU budget will be essential to follow-up



Thank you for your interest!

Further information on:

Commissioner for climate action, Connie Hedegaard:

- http://ec.europa.eu/commission_2010-2014/hedegaard/

EU Climate Action:

- <http://ec.europa.eu/clima/>