



Practical Options for Climate Change Mainstreaming in the 2014-2020 EU Budget

Disclaimer:

This is a background document for the workshop on 'Practical Options for Climate Change Mainstreaming in the 2014-2020 EU Budget', taking place on 1 February 2012 in Brussels. It is prepared by Keti Medarova-Bergstrom (kmedarova@ieep.eu) and Axel Volkery (avolkery@ieep.eu). The arguments expressed in this report are solely those of the authors, and do not reflect the opinion of any other party. Any errors that remain in the report are the responsibility of the authors. Funding from the Dutch Ministry of Infrastructure and the Environment is gratefully acknowledged.

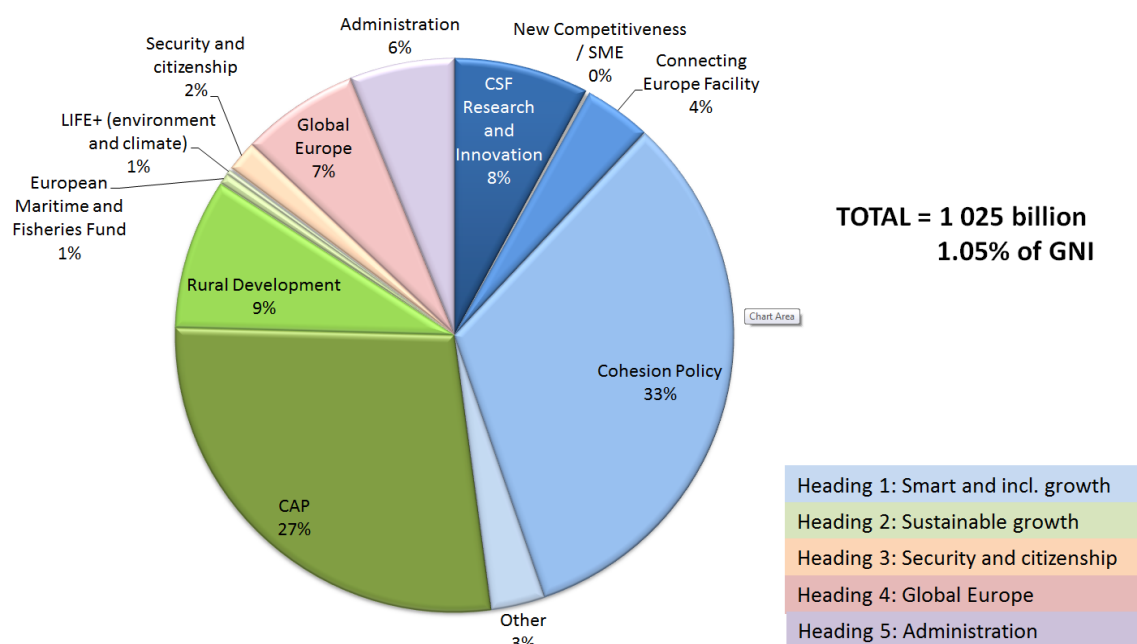
*Brussels
January 2012*

1 INTRODUCTION

1.1 Climate change in the 2014-2020 EU Multi-annual Financial Framework

The Commission Communication on the 2014-2020 EU Multi-annual Financial Framework (MFF) published on 29 June 2011¹ sets out strategic orientations to govern the development and implementation of future EU funding instruments. With a proposed total of €1,025 billion, the EU budget is supposed to contribute to achieving the objectives and targets of the Europe 2020 Strategy, Europe’s current mid-term economic strategy. The Europe 2020 Strategy creates a political momentum for better mainstreaming of climate change concerns in the post-2013 MFF. The Flagship Initiatives on Innovation Union and Resource Efficiency, and their related Roadmaps, highlight the need to utilise the EU budget as a tool for transitioning to a low-carbon, resource efficient and climate-resilient economy. An overview of the proposed allocations under the different headings is set out below (see Figure 1). EU Cohesion Policy and the Common Agricultural Policy (CAP), similar to past programming periods, receive the biggest allocation of funds.

Figure 1: Proposed allocations in 2014-2020 EU MFF



Source: IEEP compilation

Climate change features prominently among the priorities of the future EU budget. It is envisioned that at least **20 per cent** of the EU budget support climate change activities². The Commission proposes that the financing of actions to combat and adapt to climate change shall be mainly achieved through the ‘**mainstreaming**’ of climate change obligations across different funding instruments, i.e. cohesion, agriculture, research and innovation and external action. Given the horizontal and cross-cutting nature of climate change, it seems

¹ European Commission (EC) (2011) *A budget for Europe 2020*, Commission Communication, COM(2011)500, 29.6.2011, Brussels

² EC (2011) *A budget for Europe 2020*, Commission Communication, COM(2011)500, 29.6.2011, Brussels.

sensible to integrate climate change objectives and actions in different policy areas/expenditure programmes so as to ensure the effective decarbonisation and resilience of a wide range of activities/investments. In addition to this, a rather small climate change component of the new **LIFE programme** (€800 million for seven years), is envisioned to secure direct spending on climate change mitigation and adaptation.

The ambition to increase EU budget's support up to 20 per cent is a bold step forward as it represents the first quantified commitment for climate change spending specified by the EU. In this sense, it is definitely a step in the right direction with a view to secure an adequate scale of financing for climate change objectives and targets. The target translates into €205 billion for the entire seven year period of the MFF or €29 billion annually. This is considerably higher than what is currently being spent on climate change under the EU budget. According to IEEP calculations, approximately €50 billion is spent on climate change over the entire 2007-2013 period.³ While the mainstreaming approach is essential for the financing of the EU's climate change policies, the Commission proposals on the EU MFF do not specify how and to what extent each funding instrument will contribute to this 20 per cent commitment. This omission leaves the debate in a state of considerable uncertainty.

The concept of '**mainstreaming**' is not new. In the past, spending on the environment has been delivered under funding instruments such as EU structural funds and rural development. However, results on the ground have been rather mixed due primarily to the weak implementation of this approach.⁴ The Commission has now proposed some mechanisms to better facilitate the mainstreaming of climate change concerns, including better objective and target-setting, tracking expenditure (via a modified methodology of the so-called Rio markers) and using result indicators. As always, the key litmus test concerns the practical implementation of the proposed provisions which need to be further advanced and operationalised in the regulatory framework of the different funding instruments.

In this context, two main questions arise:

- 1) How to ensure a sufficient **scale of funding** for climate change under the different funding instruments to reflect the magnitude of the 20 per cent commitment?
- 2) What tools for climate change mainstreaming need to be incorporated in the respective policy frameworks so as to improve the **effectiveness and delivery of EU spending and ensure better results?**

1.2 Objective and structure of this background document

The main objective of this background document is to inform discussions at the workshop on 'Practical Options for Climate Change Mainstreaming in the EU Budget' taking place on 1 February 2012 in Brussels. The workshop is organised and hosted by the Institute for European Environmental Policy (IEEP) with the support of the Dutch Ministry of Infrastructure and the Environment. Discussions will focus on the Commission proposals on

³ 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.

⁴ Adelle, C. et al. (2008) Turning the EU Budget into an Instrument to Support the Fight against Climate Change. SIEPS: Stockholm.

climate change mainstreaming, options for better implementation of the mainstreaming agenda and needs relating to the tracking of expenditure on climate change.

The remainder of this paper is structured as follows: Section 2 reviews the Commission proposals on climate change mainstreaming in the future Cohesion Policy and the Connecting Europe Facility (CEF). The focus is on EU Cohesion Policy and the CEF as together they take up the biggest share of the proposed 2014-2020 EU MFF or some €376 billion. Section 3 sets out a framework for options for the way ahead in terms of ensuring an effective implementation. Section 4 outlines the proposed methodology for tracking and reporting climate change expenditure. Each section includes a list of questions for discussion at the workshop. Annex 1 contains a draft agenda for the workshop and Annex 2 sets out further details on the OECD-DAC tracking system.

2 THE ROLE, OPPORTUNITIES AND CHALLENGES FOR CLIMATE CHANGE MAINSTREAMING

This section reviews the Commission proposals on the future Cohesion Policy and CEF, and identifies the main provisions in the proposals which are relevant to climate change mainstreaming.

2.1 EU Cohesion Policy

On 6 October 2011, the Commission unveiled a legislative package on the 2014-2020 EU Cohesion Policy with a total proposed budget of €336 billion (which is €11 billion less than the 2007-2013 budget for Cohesion Policy). EU funds are to underpin **two new main goals**: (1) 'Investment in growth and jobs' and (2) 'European territorial cooperation' with the majority of funds concentrated in poorer regions of the EU. For a first time, a single Regulation is to be adopted which sets out common rules governing the five EU funds under shared management,⁵ which are to be placed under the umbrella of a Common Strategic Framework (CSF)⁶. The draft Regulation puts forward common principles, objectives and coordination mechanisms, including provisions aimed to facilitate the mainstreaming of climate change. These provisions are briefly outlined below.

⁵ Proposal for a Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006, COM(2011)615, 6.10.2011, Brussels

⁶ The Commission proposes that the CSF is a document that translates the objectives and targets of the Europe 2020 Strategy into key actions for the CSF Funds, establishes key areas of priority support, territorial challenges to be addressed, policy objectives as well as coordination mechanisms among CSF Funds and other EU funding instruments and mechanisms for coherence and consistency with the economic policies of Member States and the Union.

- **Overarching and guiding principles**

Article 8 prescribes that: *'The objectives of the CSF Funds shall be pursued in the framework of sustainable development and the Union's promotion of the aim of protecting and improving the environment, as set out in Articles 11 and 19 of the Treaty, taking into account the polluter pays principle. Member States and the Commission shall ensure that environmental protection requirements, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management are promoted in the preparation and implementation of Partnership Contracts and programmes. Member States shall provide information on the support for climate change objectives using the methodology adopted by the Commission. The Commission shall adopt this methodology by means of an implementing act. The implementing act shall be adopted in accordance with the examination procedure referred to in Article 143(3).'*

This principle reiterates the same text of the horizontal principle of **'sustainable development'** as well as the **'principle of integration of environmental concerns'** which have been two of the guiding principles for EU funds interventions in previous programming periods. Importantly, they have been extended to include references for climate change integration. Depending on how this principle is operationalised, it can have a positive effect for mainstreaming. Importantly, it concerns the whole portfolio of EU funding, and not only funds earmarked for climate objectives. In fact, Article 24 (4) and (5) regulating the content of the future expenditure programmes prescribe that each programme shall include a description of actions to take into account the principles set out in Article 8 and shall set out an indicative amount of support to be used for climate change objectives. With a view to improve the transparency and accountability of this support, the Commission is tasked with adopting a methodology for tracking and reporting climate change expenditure (see section 4).

Another relevant principle requires the compliance of CSF operations with EU and national law (Article 6) which includes environmental and climate change law. The participation of environmental partners is guaranteed through the partnership principle as stipulated in Article 5(3) for which a special Code of conduct will be developed.

- **Thematic objectives**

Strengthening the effectiveness of Cohesion Policy requires the concentration of funds on fewer objectives. Eleven new thematic objectives are introduced, three of which are of strong relevance for climate change. These include:

- 1) Supporting the *shift towards the low-carbon economy* in all sectors (mainly through increased support for energy efficiency and renewable energy);
- 2) Promoting *climate change adaptation* and risk prevention and management (focus on adapting to climate change impacts and increasing the resilience of systems); and
- 3) Promoting *sustainable transport* and removing bottlenecks in key network infrastructures (this objective is only partly relevant for climate change i.e. through support for railway and urban transport).

- **Earmarking**

The concentration of funds on the proposed thematic objectives is envisioned to be reinforced through quantified earmarking for the European Fund for Regional Development

(ERDF).⁷ Specific earmarking is proposed with regards to the thematic objective supporting the *shift towards the low-carbon economy* in the following way:

- At least **20 per cent** of the total ERDF resources in more developed and transition regions, shall be allocated to low carbon measures, particularly energy efficiency and renewable energy; and
- At least **6 per cent** of the total ERDF allocations in less developed regions shall target low carbon measures, particularly energy efficiency and renewable energy.

In addition, 5 per cent of the ERDF shall be earmarked for actions promoting sustainable urban development, which can include actions aimed to tackle and adapt to climate change. No earmarking is proposed for the **Cohesion Fund**.⁸ However, its scope of intervention will be expanded to include actions including on climate change adaptation, energy efficiency and renewable energy.

- **Climate-related conditionality**

A new system of ex-ante conditionality is proposed (Article 17), which includes requirements aimed at reinforcing the compliance with EU legislation in the field of energy efficiency and renewable energy. Concerning risk prevention, the proposed ex-ante conditionality requires that Member States have national/regional risk assessments in place.⁹ The fulfilment of relevant ex-ante conditionality will be reviewed by the Commission before approving the Partnership Contracts and may lead to the suspension of funds pending on the satisfactory completion of actions to fulfil this ex ante conditionality.

- **Performance incentives**

The proposals aim to improve the performance of EU spending. The Commission foresees two consecutive performance reviews, in 2017 and 2019 respectively, against the preliminary established milestones for climate change among others in a performance framework (Article 19). The latter shall be determined in each Operational Programme. Based on the 2019 review, a performance reserve (5 per cent of the resources allocated to each CSF Fund and Member States) will be awarded to the best performing Member States or funds may be suspended in the case of failing to achieve the established milestones (Article 20).

- **Common indicators**

A set of 'common indicators', proposed by the Commission in the Annexes of the fund-specific Regulations, should be accompanied by programme-specific indicators and used in the context of the performance framework. An attempt is made to move away from output

⁷ Proposal for a Regulation on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006, COM(2011)614, 6.10.2011, Brussels

⁸ Proposal for a Regulation on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006, COM(2011)612, 6.10.2011, Brussels

⁹ See Annex IV of the proposed Common Provisions Regulation

based to more result-based indicators. These include a number of indicators for greenhouse gas emissions, energy, environmental infrastructure, risk prevention, biodiversity and soil.¹⁰

- **Administrative capacity**

In line with the proposed thematic objective for low carbon transformations, the European Social Fund (ESF) is now envisioned to support projects promoting the reform of education and training systems, adaptation of skills and qualifications, up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy.¹¹

Summary of provisions

The proposed Cohesion Policy Regulations indicate the introduction of a number of positive developments and novel governance mechanisms which are likely to aid the mainstreaming of climate change mitigation and adaptation considerations in the future Cohesion Policy. The thematic objectives, the conditionality system and the performance framework are very welcome in this regard. The proposed earmarking will result in approximately €17 billion being channelled to energy efficiency and renewable energy. This is almost double the spending compared to current levels. However if the 20 per cent commitment for the overall budget is to be taken serious, under the current proposals Cohesion Policy will not make an adequate contribution to this objective and fail to utilise the full potential for low-carbon development pathways. Furthermore, less developed regions, which receive the majority of the total funding, will be allowed to finance a wider range of interventions including traditional transport infrastructure that can be counterproductive to efforts aimed at tackling climate change.

2.2 Connecting Europe Facility

The Commission proposals on the Connecting Europe Facility (CEF), presented on 19 October 2011, integrate a number of provisions which take climate change considerations into account.¹² The new centralised EU funding instrument brings together plans for financing large-scale priority projects of EU significance in the field of transport, energy and communications. The total budget of the CEF is set to €40 billion, and additional €10 billion is foreseen to be earmarked from the Cohesion Fund for transport projects.

The preamble of the draft Regulation stipulates that infrastructure investments under the CEF should contribute to promoting the transition to a low-carbon and climate-resilient economy by incorporating mitigation and adaptation measures in the preparation, design and implementation of projects of common interest, explicitly referring to the commitment of securing 20 per cent of the EU budget for climate change policy purposes. Importantly, one of the **general objectives** of the CEF is to enable the EU to reach its 20-20-20 climate

¹⁰ See Annexes to proposed Regulation on ERDF and Cohesion Fund

¹¹ Proposal for a Regulation on the European Social Fund and repealing Regulation (EC) No 1081/2006, COM(2011)607, 6.10.2011, Brussels

¹² European Commission (2011) Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility, COM(2011)665/3, Brussels

and energy targets while ensuring greater solidarity among Member States. A **specific objective** for transport includes the promotion of 'sustainable and efficient transport' (by focusing primarily on rail), whereas a specific objective for energy sets out the integration of energy from renewable sources in the transmission network and the development of carbon dioxide networks.

In the field of transport, the CEF will finance projects of 'common interest' as identified in the revised TEN-T guidelines¹³. In this regard, a list of **pre-defined priority projects** is included in an Annex to the draft Regulation on the CEF which mainly favour the development of railways and inland waterways with the objective of tackling existing network bottlenecks and building connecting nodes.¹⁴ In the field of energy, the priority list is of a broader nature and includes 'priority corridors' for renewable energy and gas interconnectors across Europe and 'priority areas' for the development of smart grids, electricity highways and cross-border carbon capture and storage facilities.

Another mechanism to stimulate more climate friendly projects is the proposal for using **differentiated co-financing rates**. For example, the amount of EU financing for grants for building transport infrastructure is 20 per cent of the eligible cost; this rate may increase by 10 per cent for projects that support climate change objectives, enhance climate resilience or reduce greenhouse gas emissions. Additionally, any expenditure related to environmental studies will be an eligible cost for receiving a grant under the CEF.

Article 21 refers to responsibilities of Member States concerning the implementation of projects. It requires that Member States *inter alia* report to the Commission on the amount of support being used for climate change objectives, or in other words to track and report spending on climate change related activities. Further to this, the evaluation of CEF objectives, including **the scale and results of support used for climate change objectives** (Article 26(2)), will be strengthened against performance indicators as specified in the proposed Regulation.

Questions for discussion:

- What is the role and objective for climate change mainstreaming in future EU Cohesion Policy and the CEF?
- What opportunities exist under the proposed approach in both areas?
- What potential weaknesses / gaps can be identified?
- What are the key challenges to developing an effective policy framework for climate change mainstreaming, i.e. political, implementation, information, capacity, etc.?

¹³ EC (2011) Proposal for a Regulation on Union guidelines for the development of the trans-European transport network, COM(2011) 650/2, Brussels

¹⁴ European Commission (2011) Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility, COM(2011)665/3, Brussels

3 TOWARDS MEANINGFUL IMPLEMENTATION

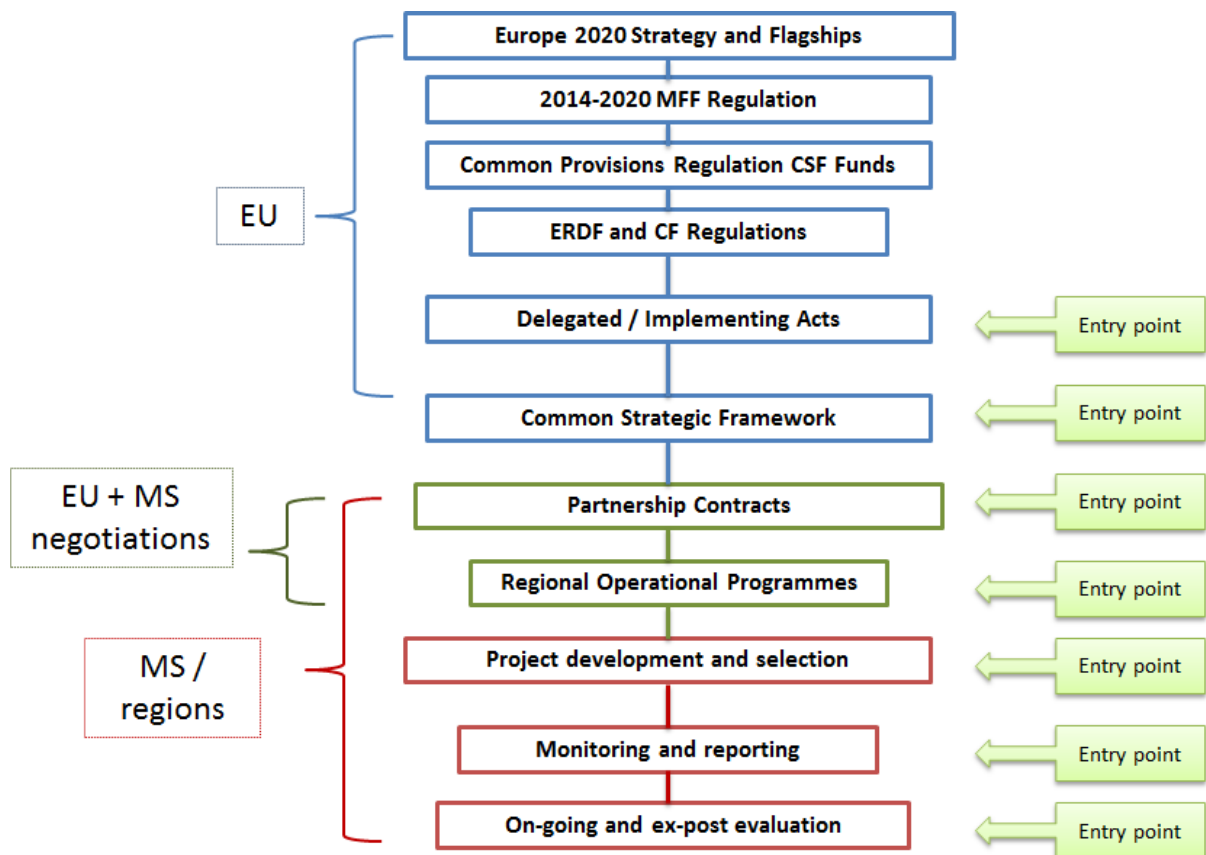
The draft legislative packages on Cohesion Policy and the CEF set out a general framework for climate change mainstreaming. Putting forward explicit mechanisms and tools to deliver this in practice will be the main success factor for improving the 'climate' performance of the EU budget. The proper implementation of different tools for climate change mainstreaming is also linked to the availability of appropriate institutional and technical capacities at different levels of governance. Administrative capacities are under severe pressure in several Member States and are being affected by austerity programmes introduced in response to the on-going economic and financial crises in the EU. Finding capacity-saving solutions is therefore a key requirement, as any proposal for additional requirements attached to the allocation of EU funds will be carefully scrutinised and is likely to face rejection if the impact on domestic administrative burden is considered unacceptable.

There are different instruments that can help to implement climate change mainstreaming in EU funds. These instruments should be designed in accordance with national circumstances and capacities, a 'one size fits all' approach will not be suitable. **A menu of such instruments** could include:

- **Substantive instruments** – objective- and target-setting followed by adequate earmarking/allocation of funds, milestones and result indicators, eco-conditionality and performance incentives and corrections ('carrots and sticks'), concrete requirements for climate proofing and policy coherence, etc.
- **Procedural instruments** – SEA/EIA, tracking expenditure accompanied with carbon screening and risk assessment tools, climate favourable project selection criteria, independent ex-ante, on-going and ex-post evaluations and verification of results, etc.
- **Institutional instruments** – dedicated administrative units/institutional arrangements tasked with climate change mainstreaming, cross-sectoral coordination and communication mechanisms, environmental networks, working groups and monitoring committees, institutional capacity building and training, improving the knowledge/technical base for expenditure planning etc.

With the draft Commission proposals on the 2014-2020 Cohesion Policy and the CEF unveiled at the end of 2011, the negotiation process is already underway and preparations for the next programming period are to begin in 2012. There are a number of entry points along the entire budgetary cycle which should be used to advance the climate mainstreaming agenda. Figure 2 illustrates these different entry points.

Figure 2: Entry points for climate change mainstreaming in the 2014-2020 Cohesion Policy process



Source: IEEP compilation

Furthermore, EU spending operates in a multi-level governance system which means that each tier of governance has an important role in advancing and implementing the mainstreaming objectives and tools, which include **EU, national and regional authorities**.

Questions for discussion:

- What mechanisms and tools are necessary to operationalize the proposed mainstreaming provisions?
- What are the main entry points in the policy process to cement an effective mainstreaming framework? Which entry points seem most promising in terms of political feasibility?
- What is role of different policy actors in implementing the tools for climate mainstreaming along the entire budgetary cycle?

4 TRACKING AND REPORTING CLIMATE CHANGE MAINSTREAMING

In the past, the tracking of environment/climate change expenditure mainstreamed under the EU budget has not been an easy task. It has been particularly difficult in the case of instruments which are managed at national and regional levels of governance (e.g. Cohesion Policy). There is currently no widespread agreement on what is understood and therefore should be counted as ‘climate change related expenditure’, nor is there a commonly accepted methodology for tracking climate change expenditure.

Maximising ‘the value added’ and the actual impacts of EU spending is a key objective for the post-2013 MFF. This suggests an increasing demand for rigorous assessment of the effectiveness and impact of climate expenditure. Improving the transparency of climate spending is therefore a key prerequisite for the overall effectiveness, result orientation and accountability.¹⁵ The commitment to step up climate change financing from the EU budget to at least 20 per cent in the post-2013 period **requires a clearer and more robust system of tracking and reporting climate change mainstreaming** under different funding instruments.

The Commission proposals on the MFF propose to apply a slightly modified Rio markers methodology (see Box 1). All expenditure under the EU budget is to be marked into one of three possible categories, each of which is assigned a different weight. The three options include:

- **Climate related only**, which will be counted fully (i.e. 100 per cent as climate expenditure);
- **Significantly climate related**, which will be counted partially (i.e. 40 per cent as climate expenditure); and
- **Not climate related**, which will not be counted (0 per cent climate expenditure).

Box 1: What are the Rio markers?

The United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992, resulted in three important international legal documents – the three ‘Rio Conventions’ on climate change, biological diversity and desertification. Developed countries committed to *inter alia* assist developing countries in the implementation of these Conventions through the provision of international financial aid. In order to account and report on progress in this regard, since 1998 the OECD-DAC¹⁶ has monitored aid targeting the objectives of the Rio Conventions through a Creditor Reporting System (CRS) which includes the so-called ‘Rio markers’ for biodiversity, climate change, and desertification. The OECD’s Creditor Reporting System (CRS) is considered by some as the most comprehensive source of data on bilateral and multilateral Official Development Assistance (ODA) and to some extent Other Official resource Flows (OOF) that currently exists. Data is publically available in databases which cover more than 90 per cent of all aid funds flowing from OECD countries and multilateral organizations.¹⁷

¹⁵ ODI, EDF, CPI and Brookings (2011) Improving the effectiveness of climate finance: key lessons. Climate Policy Initiative: November 2011.

¹⁶ Organisation for Economic Cooperation and Development – Development Assistance Committee, http://www.oecd.org/department/0,2688,en_2649_33721_1_1_1_1_1,00.html

¹⁷ Buchner, B et al (2011) The landscape of climate finance. A CPI report, 27 October 2012, Venice.

Originally, the CRS system was monitoring only climate mitigation types of activities. According to the Rio Marker definition on **climate change mitigation-related funding**, an activity should be classified as climate change-related if *'it contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.'*¹⁸

In 2009, in response to increasing attention and financial flows for climate change adaptation, DAC developed a new marker to track financing that targets **climate change adaptation**. According to the new marker, the definition of climate adaptation related activity is one that *'intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.'*¹⁹ This encompasses a range of activities in different sectors promoting a change in practices with a view to respond to climate impacts, strengthening governance and institutional basis to risk management and preparedness to natural disasters. See Annex 1 for a detailed overview of the eligibility criteria and examples of types of activities which are counted as climate change mitigation and adaptation funding.

One of the main advantages of the Rio markers is that they are already in use at the international level. They have been designed to track international aid for climate change in the context of the UNFCCC and have been introduced in the EU as a compulsory methodology since 2008.²⁰ DG DEVCO as well as some national administrations dealing with international climate finance already have useful experience in applying the Rio markers methodology.

At the same time, the Rio Markers face criticisms on methodological grounds. Firstly, the methodology estimates the volume of finance streams based on stated policy objectives. This means that the markers only allow for an approximation as opposed to an exact quantification of spending.²¹ Although there are definitions and eligibility criteria for climate change mitigation and adaptation activities (see Annex 2), these can be interpreted very broadly and can lead to very different estimates, depending on the subjective assessment of the person carrying out the tracking exercise.²² Previous evaluations have found that the

¹⁸ www.oecd.org/dac/stats/rioconventions

¹⁹ OECD-DAC (2010) Reporting directives for the creditor reporting system: Addendum on the climate change adaptation marker, 10.2.2010.

²⁰ European Council 10.2009, Presidency Conclusions: "[a] comprehensive set of statistics for climate financing and support ...[to] be established, preferably by building on existing reporting mechanisms such as the OECD-DAC system for monitoring financial flows to developing countries, including ODA, based on proper engagement of developing countries. "

²¹ OECD (2011) Handbook on the OECD-DAC Climate Markers, September 2011

²² Buchner, B. et al (2011) Monitoring and tracking long-term finance to support climate action. OECD and IEA, May 2011

methodology provides significant room for interpretation and incorrect policy signals.²³ The case of adaptation is particularly difficult as it is often integrated in other development objectives and the OECD-DAC definition is rather broad. It has been pointed out that activities that support adaptation in one context may be maladaptive in another, depending on climatic, environmental, socio-economic, cultural and institutional factors.²⁴

In the context of its application to the EU budget, a tracking system based on the Rio markers would not be able to say much about the actual carbon performance and resilience of EU spending. The Rio markers are usually applied ex-ante to funding allocations which means that there is scope to consider a similar exercise during the implementation stage and/or ex-post so that the tracking can show expenditure on climate change based on the actual disbursement of funds. This provides scope for combining the tracking system with a set of performance indicators which can illustrate a more multi-faced picture of the actual results of EU spending. Moreover, if applied in the current format, the Rio markers would not account spending which might have potentially negative effects on greenhouse gas emissions and expose human and natural systems to climatic risks. However, any approach to tracking expenditure is faced with methodological challenges on the one hand and the need to come forward with a manageable approach which can be practically implemented on the other. Hence, the key question is how to strike the right balance between manageability and the need for accuracy.

Questions for discussion:

- Is the proposed tracking system an adequate tool to facilitate the mainstreaming of climate change? What are the advantages and disadvantages of the proposed system?
- What are possible criteria for accounting and weighing climate change expenditure in EU Cohesion Policy and the CEF?
- How can one go beyond tracking to measure for example carbon footprints and risk exposure? What are the opportunities and limitations of such an approach?

²³ Michaelowa, A. and Michaelowa, K. (2010) Coding error or statistical embellishment: the political economy of reporting climate aid, CIS Working Paper No.56, Centre for Comparative and International Studies, ETH Zurich and University of Zurich.

²⁴ Tirpak, D. et al (2010) Guidelines for reporting information on climate finance. WRI Working Paper. World Resource Institute, Washington DC.

Annex 1: Provisional agenda for workshop on ‘Practical options for climate change mainstreaming in the 2014-2020 EU budget’, 1 February 2012, Brussels

10:30 – 11:00	Arrival at IEEP office, coffee/tea served
11:00 – 11:15	<p>Welcome, objectives and expected results of the workshop</p> <ul style="list-style-type: none"> • David Baldock, Executive Director, IEEP • Sjoerd Hoornstra, Dutch Ministry of Environment and Infrastructure
11:15 – 12:30	<p>Mainstreaming – A cornerstone in the Commission proposals</p> <p><i>Lessons learnt from the past</i> - Agata Payne, Cohesion Unit, DG ENVI <i>Opportunities and key issues in the Commission proposals</i> - Keti Medarova, IEEP</p> <p>Discussion questions:</p> <ul style="list-style-type: none"> • What is the role and objective of mainstreaming? • What are the opportunities for climate change in the Commission proposals? • What are the gaps and challenges?
12:30 – 13:00	Lunch
13:00 – 14:30	<p>Towards meaningful implementation – how, when, who?</p> <p>Discussion:</p> <ul style="list-style-type: none"> • What could be an effective implementation toolbox? • What are the entry points in the policy process? • What is the role of different policy actors? <p>With interventions from: <i>Carbon screening and risk assessment tools</i> Nancy Saich, EIB <i>Carbon rating of transport projects</i> Nina Renshaw, T&E</p>
14:30 – 15:00	Coffee/tea break
15:00 - 17:00	<p>Tracking and monitoring progress to climate mainstreaming</p> <p><i>Pros and cons of the Rio markers? What other methodologies for climate finance tracking?</i> Dr. Morgan Hervé-Mignucci, Climate Policy Initiative <i>EU’s experience in using methodologies for tracking climate expenditure</i> Paul Renier, DG DEVCO</p> <p>Discussion:</p> <ul style="list-style-type: none"> • How to count climate change expenditure in EU budget? • How to design an effective, yet feasible tracking system? • Beyond tracking: carbon footprint, climate vulnerability?
17:00 – 17:15	<p>Conclusions and closing remarks</p> <ul style="list-style-type: none"> • David Baldock, Executive Director, IEEP • Sjoerd Hoornstra, Dutch Ministry of Environment and Infrastructure

Annex 2. Eligibility criteria and activities counted as climate change mitigation and adaptation under the OECD-DAC tracking system

	Mitigation	Adaptation
Eligibility criteria	<ul style="list-style-type: none"> • Limiting GHG emissions; or • Protection and enhancement of GHG sinks and reservoirs; or • Institutional capacity building and strengthening the regulatory and policy frameworks of recipient countries; or • Helping countries to meet obligations under the UNFCCC. 	<ul style="list-style-type: none"> • Climate change adaptation objective is explicitly indicated in the activity documentation; and • Activity contains specific measures targeting the definition above.
Type of activities²⁵	<ul style="list-style-type: none"> • GHG emission reductions or stabilisation in the energy, transport, industry and agricultural sectors (e.g. focus on renewable energy and energy efficiency) • Methane emissions reductions through waste management or sewerage treatment • Development, transfer and promotion of low-carbon technologies • Sustainable forest management, rehabilitation of areas affected by desertification • Sustainable management and conservation of oceans and other marine and coastal ecosystems, wetlands, wilderness areas and other ecosystems • Preparation of national inventories of greenhouse gases; climate change related policy and economic analysis and instruments; development of climate-change-related legislation; climate technology needs surveys and assessments; institutional capacity building • Education, training and public awareness • Climate-change-related research and monitoring as well as impact and vulnerability assessments. • Oceanographic and atmospheric research and monitoring 	<ul style="list-style-type: none"> • Promoting water conservation in areas where enhanced water stress • Promoting heat and drought resistant crops and water saving irrigation methods • Promoting a diverse mix of forest management practices and species • Promoting changes in fishing practices to adapt to changes in stocks and target species • Measures for flood prevention and management such as watershed management, reforestation or wetland restoration • Measure to control malaria in specific areas • Developing emergency prevention and preparedness measures to cope with potential climatic disasters • Measures to respond to glacial lake outburst flood risk • Supporting the integration of climate change adaptation into national and international policy, plans and programmes • Improving regulations and legislation • Education, training and public awareness • Adaptation-related climate research

²⁵ The lists are intended to have an orientation character; they are not exhaustive

