

# Mainstreaming climate objectives in EU Cohesion Policy – a guidance briefing



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January 2014

## 1 INTRODUCTION

### 1.1 The 2014-2020 MFF and the principle of climate mainstreaming

In February 2013, the European Council agreed the final overall figures for EU spending in 2014-2020, known as the Multi-Annual Financial Framework (MFF). A total of €960 billion was agreed for commitment appropriations and €908 billion for payment appropriations.<sup>1</sup> On 27 June 2013 the Council and the Parliament reached agreement on a compromise that did not change the overall figures but allowed for additional flexibility in the implementation of the budget and scheduled a mid-term review of this process.

The 2014-2020 MFF is characterised by a range of policy innovations, some of which are highly relevant with regards to the environment and climate change. Importantly the Council and the Parliament have for the first time endorsed a specific spending objective for climate related activities, amounting to 20 per cent of the overall MFF.

The main approach to achieving this objective is via the ‘mainstreaming’ of **climate change objectives and obligations** across different funding instruments. Climate mainstreaming can be understood as a two-tiered approach, which includes:<sup>2</sup>

- *Vertical mainstreaming*: Setting out investment priorities and ensuring a sufficient scale of dedicated funding for climate mitigation and adaptation activities; and
- *Horizontal mainstreaming*: Ensuring the effectiveness and result-orientation of funding through adequate procedural and institutional safeguards and tools so that the entire portfolio of investments is in line with climate policy objectives.

Climate mainstreaming is particularly relevant for the future Cohesion Policy, which is the key investment policy tool for Europe’s regions. For the period of 2014-2020 Cohesion Policy will provide €325 billion<sup>3</sup>, which will trigger sustainable growth across Europe’s regions. It is important to note that the future Cohesion Policy will be governed by a restricted set of thematically concentrated spending areas, including a stronger focus on low carbon developments in all sectors, and will require Member States to spend a defined minimum shares of ERDF funding on climate-relevant activities.

### 1.2 Challenges to mainstreaming climate action across Cohesion Funds

The mainstreaming of climate change across different EU funding instruments is not a new aspiration; a more efficient integration of environmental and climate concerns into EU expenditure programming is an objective under the 2007-2013 MFF. In the 2007-2013 Cohesion Policy, for instance, Member States are required to integrate the horizontal principles of sustainable development and the **integration of environmental concerns**, into their Operational Programmes (OPs). According to Article 17 of the General Regulation of

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<sup>1</sup> European Council (2013) Conclusions (Multi-annual Financial Framework) EUCO 37/13, 08.02.2013, Brussels

<sup>2</sup> Medarova-Bergstrom, K. and Volkery, A. (2012) Walking the talk - practical options for making the 2014-2020 EU MFF deliver on climate change. Final report for the Dutch Ministry of Infrastructure and the Environment, IEEP, Brussels

<sup>3</sup> €325 billion in 2011 prices; equivalent in current prices is €366.8 billion

Cohesion Policy<sup>4</sup> *‘the objectives of the Funds shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty’*. Therefore managing authorities have to take relevant environmental concerns, including climate change, into consideration. However, the implementation of this has had mixed results.<sup>5</sup>

**Key challenges** have been the lack of widely shared agreement about definitions, approaches, practical implementation and particular guidance on how best to incorporate climate change concerns into the sequence of programming, implementing, monitoring and reporting of Cohesion Policy at national and regional levels. The main difficulties of mainstreaming climate change into Cohesion Policy implementation are found ‘on the ground’.<sup>6</sup> National and regional authorities often have major problems with operationalising an adequate approach, due to a lack of capacities, information and skills. There have been no shortages of attempts, though: different Member States have tried to achieve climate mainstreaming through a variety of procedural tools, including for example stricter application of eligibility criteria or environmental assessments. However, the approaches and tools deployed have frequently been insufficiently resourced or ill-equipped, particularly with regard to clearly stating climate change impacts of foreseen expenditure at the right level of aggregation, i.e. at the project level.<sup>7</sup> Although good examples exist (see section 3), these have usually been linked only to certain aspects of the project cycle.<sup>8</sup>

In summary a number of studies<sup>9</sup> have come to the same conclusion: for climate mainstreaming to work effectively it needs to be anchored in regulation and supported by clear guidance on implementation. Legislative provisions for both vertical and horizontal mainstreaming of climate action have been embedded in the regulatory framework for the 2014-2020 EU Cohesion Policy. The question for managing authorities is how to implement these provisions on the ground, how to translate them into effective investment priorities, procedures and good practice tools that will ensure that climate objectives are integrated along the different programme and project phases.

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<sup>4</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, Official Journal of the European Union, L 210/25, 31.7.2006

<sup>5</sup> Hjern, P., Medarova-Bergstrom, K., Cachia, F., Evers, D., Grubbe, M., Hausemer, P., Kalinka, P., Kettunen, M., Medhurst, J., Peterlongo, G., Skinner, I. and ten Brink, P., (2011) Cohesion Policy and Sustainable Development, Final Synthesis Report, A report for DG Regio, October 2011

<sup>6</sup> Medarova-Bergstrom, K. and Volkery, A. (2012) Walking the talk - practical options for making the 2014-2020 EU MFF deliver on climate change. Final report for the Dutch Ministry of Infrastructure and the Environment, IEEP, Brussels

<sup>7</sup> Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) Strategies and Instruments for Climate Proofing the EU Budget, IEEP, Brussels

<sup>8</sup> ENEA - REC (2009) Improving the Climate Resilience of Cohesion Policy Funding Programmes: An overview of member states’ measures and tools for climate proofing Cohesion Policy funds. ENEA Working Group on Climate Change and Cohesion Policy, November 2009

<sup>9</sup> Hjern, P. et al (2011) Cohesion Policy and Sustainable Development, Final Synthesis Report, A report for DG Regio, October 2011; Hjern, P. et al (2012), Methodologies for Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy, A report for DG Climate, August 2012.; Medarova-Bergstrom, K. et al(2013) A greener EU budget in the balance: the 2014-2020 MFF deal, IEEP; Medarova, K. and Baldock, D., (2012) Climate mainstreaming in the next MFF and Cohesion Policy: Progress to date

### 1.3 The purpose and structure of this guidance briefing

The main goal of this guidance briefing is to contribute to the debate about climate mainstreaming under the 2014-2020 Cohesion Policy. Summing up relevant insights and experiences from a range of projects, this paper outlines a framework and approach to climate mainstreaming that can provide practical guidance for managing authorities. The authors have been involved in recent studies for the European Commission<sup>10</sup> on this matter and this paper complements related guidance documents from the European Commission.

**Section 2** reviews the new **legislative framework for the 2014-2020 EU Cohesion Policy**. It identifies the relevant legal provisions with regards to climate change mainstreaming and assesses their potential to deliver the desired outcomes in practice.

**Section 3** presents **four case studies** which provide some examples of climate mainstreaming and demonstrate their benefits.

**Section 4** provides a **set of questions** for managing authorities, which can be used as a checklist during programming and implementation activities.

Finally, **section 5** lists a set of **relevant studies** for further reading.

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<sup>10</sup> European Commission (2013) Commission Staff Working Document, Technical guidance on integrating climate change adaptation in programmes and investments of Cohesion Policy, SWD(2013) 135, Brussels, 16.4.2013; European Commission (EC) (2013) Commission Staff Working Documents, Principles and recommendations for integrating climate change adaptation considerations under the 2014-2020 rural development programmes, SWD(2013) 139, Brussels, 16.4.2013

## 2 STRICTER REQUIREMENTS FOR CLIMATE MAINSTREAMING IN THE 2014-2020 EU COHESION POLICY

### 2.1 Legal provisions of EU Cohesion Policy

One of the important changes under the 2014-2020 MFF concerns the improvement of the coordination and strategic orientation of funds under shared management, also called European Structural and Investment (ESI) funds<sup>11</sup>, through the introduction of a **Common Strategic Framework (CSF)**.

The main regulation governing the 2014-2020 ESI funds, also referred to as the **Common Provisions Regulation (CPR)**<sup>12</sup>, puts forward common principles, objectives and mechanisms for all funds while specific provisions for the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF), which are the focus of this guidance briefing, can be found in Fund-specific Regulations.<sup>13</sup> Those that refer to and/or aim to facilitate the mainstreaming of climate change are reviewed in the following section.

#### 2.1.1 Overarching and guiding principles

The **horizontal principle of sustainable development** and the **principle of integration of environmental concerns**, which have been two guiding principles for EU funded interventions in previous programming periods, are reiterated in the Regulation. However, for the first time **Article 8** also includes a **horizontal requirement for climate change integration** (Box 1). This is an important cornerstone for a climate mainstreaming approach. In addition, Member States are asked to report on the programme related climate change expenditure, for which the Commission is preparing a tracking methodology.<sup>14</sup> This requirement feeds into the commitment of assigning at least 20 per cent of the EU budget to activities relating to climate change, which was established for the first time in the EU MFF 2014-2020. Additionally, **Article 27 (5) and (6)**, regulating the content of the future expenditure for programmes, prescribes that each programme should include a description of actions to take into account the principles set out in Article 8 and that they shall set out an indicative amount of support to be used for climate change objectives.

#### Box 1: Article 8 of the Common Provisions Regulation

*[...] The Member States and the Commission shall ensure that environmental protection requirements, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience and risk*

<sup>11</sup> The ESI Funds include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

<sup>12</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 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 and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 *OJ L 347, 20/12/2013, p. 320–469*

<sup>13</sup> Regulation (EC) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006; and Council Regulation (EC) No 1300/2013 of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006, and Regulation (EC) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006

<sup>14</sup> For more information see: European Commission (2013) Fiche No 28: Draft implementing act on the climate change tracking methodology for the ESI Funds, the arrangements for the set-up of the performance framework and the categories of intervention for the IGJ goal and for the ETC goal, Version 1 – 29 November 2013, [http://ec.europa.eu/regional\\_policy/what/future/pdf/preparation/fiche28\\_climate\\_tracking\\_2013\\_11\\_29.pdf](http://ec.europa.eu/regional_policy/what/future/pdf/preparation/fiche28_climate_tracking_2013_11_29.pdf)

**prevention and management are promoted in the preparation and implementation of Partnership Agreements and programmes.** Member States shall provide information on the support for climate change objectives using a methodology based on the categories of intervention, focus areas or measures, as appropriate, for each of the ESI Funds. **That methodology shall consist of assigning a specific weighting to the support provided under the ESI Funds at a level which reflects the extent to which such support makes a contribution to climate change mitigation and adaptation goals.** The specific weighting assigned shall be differentiated on the basis of whether the support makes a significant or a moderate contribution towards climate change objectives. Where the support does not contribute towards these objectives or the contribution is insignificant, a weighting of zero shall be assigned. In the case of the ERDF, the ESF and the CF weightings shall be attached to categories of intervention established within the nomenclature adopted by the Commission. [...]

The Regulation introduces a new annex, which covers **Common Strategic Framework elements**, in order to maximise the contribution of ESI funds to smart, sustainable and inclusive growth. **Annex I, section 5.2** of the CPR covers the horizontal principles and cross-cutting policy objectives, which specify **requirements for sustainable development and climate change mitigation and adaptation** (see Box 2).

This is a remarkable development in the approach to climate mainstreaming. Managing authorities are asked to ensure climate benefits and reduce environmentally harmful effects through specific actions, such as avoiding investments that have a negative climate impact. In addition, investments should consider climate change mitigation and adaptation potential and both mitigation and adaptation shall be integrated into the whole policy cycle.

**Box 2: Annex I of the Common Provisions Regulation - Horizontal Principles and Cross-cutting Policy Objectives**

*5.2 Sustainable development*

1. [...] Managing authorities shall undertake actions throughout the programme lifecycle, to avoid or reduce environmentally harmful effects of interventions and ensure results in net social, environmental and climate benefits. Actions to be undertaken may include the following:

- (a) directing investments towards the most resource-efficient and sustainable options,
- (b) avoiding investments that may have a significant negative environmental or climate impact, and supporting actions to mitigate any remaining impacts,
- (c) taking a long-term perspective when 'life-cycle' costs of alternative options for investment are compared,
- (d) increasing the use of green public procurement.

2. Member States shall **take into consideration the climate change mitigation and adaptation potential of investments made with the support of the ESI Funds, in accordance with Article 8 of this Regulation, and ensure that they are resilient to the impact of climate change and natural disasters** such as increased risks of flooding, droughts, heat waves, forest fires and extreme weather events. [...]

*5.6 Climate change mitigation and adaptation*

In accordance with Article 8 of this Regulation **climate change mitigation and adaptation and risk prevention shall be integrated in the preparation and implementation of Partnership Agreements and programmes.**

**2.1.2 Provisions for Partnership Agreements, Operational Programmes and major projects**

**Partnership Agreements (PAs)** establish an integrated approach and strategic objectives to territorial development that address specific needs and priorities, set out arrangements to

ensure the effective and efficient implementation of funds, and ensure alignment to the objectives of the Europe 2020 Strategy. For the PAs each Member State should organise a partnership which should include among others environmental partners (Article 5).

The Common Provisions Regulation also includes general provisions applicable only to the Cohesion Policy, including rules on the **content and adoption of Operational Programmes** (Article 96). Article 96 (7a) specifically prescribes that each OP, except those where technical assistance is undertaken, should include a description of specific actions to take into account climate change mitigation and adaptation in the selection of operations.

In addition, an analysis of the environmental impact of **major projects** should be provided, taking into consideration climate change adaptation and mitigation needs and disaster resilience (Article 101 (f)).

### 2.1.3 Thematic concentration

Eleven **thematic objectives** are introduced, where Member States should concentrate the funds (Article 9). Two of these objectives are of highly relevant to climate change: Thematic objective 4: supporting the shift towards the low-carbon economy in all sectors and Thematic objective 5: promoting climate change adaptation and risk prevention and management. Two additional objectives focusing on environmental protection (Thematic objective 6) and sustainable transport (Thematic objective 7) could also contribute indirectly to the achievement of climate change objectives.

The concentration of funds on the proposed thematic objectives is envisioned to be reinforced through quantified **earmarking** for the ERDF (Article 4).<sup>15</sup> Specific earmarking is proposed with regards to the thematic objective supporting the shift towards the low-carbon economy with at least 20 per cent in more developed, 15 per cent in transition, and 12 per cent in less developed regions.

In line with the proposed thematic objective for low carbon transformations, the **European Social Fund (ESF)** will 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 (Article 3(2a)).<sup>16</sup>

### 2.1.4 Ex-ante conditionalities

In the context of the preparation of Partnership Agreements and programmes Member States should take into consideration and fulfil the thematic and general **ex-ante conditionalities** established in the CPR. Annex XI of the CPR sets out ex-ante conditionalities concerning inter alia thematic objectives on the shift towards a low-carbon economy and the promotion of climate change adaptation. The following conditionalities need to be fulfilled by Member States:

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<sup>15</sup> Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 OJ L 347, 20/12/2013, p. 289–302

<sup>16</sup> Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 OJ L 347, 20/12/2013, p. 470–486

- Actions have been carried out to promote cost-effective improvements of energy end use efficiency and cost-effective investment in energy efficiency when constructing or renovating buildings.
- Actions have been carried out to promote high-efficiency co-generation of heat and power.
- Actions have been carried out to promote the production and distribution of renewable energy sources.
- Risk prevention and risk management: the existence of national or regional risk assessments for disaster management, taking into account climate change adaptation.

For those Member States who do not fulfil the ex-ante conditionalities the Commission can decide to suspend all or part of the interim payments (Article 19).

### **2.1.5 Performance framework and reporting**

A **performance review** is foreseen in 2019 against preliminary established milestones set out in a performance framework covering many areas, including climate change (Article 21).

Annual **implementation reports** should be submitted by each Member State from 2016 until 2023 to provide information on financial data, common and programme-specific indicators and quantified target values (Article 50). In addition, Member States are required to submit two **progress reports** (in 2017 and 2019) to report on among other things progress towards achievement of the Europe 2020 Strategy, in particular in respect to the milestones set out in the performance framework for each programme and to the support used for climate change objectives and whether actions have been taken to fulfil the ex-ante conditionalities (Article 52).

### **2.1.6 Evaluation**

Several provisions require that climate change be taken into account in the assessment procedures, such as ex-ante evaluations, SEAs and EIAs. Article 55(4) prescribes that an **ex-ante evaluation** of each programme must assess the adequacy of planned measures to promote sustainable development and incorporate SEA requirements, which should consider climate change mitigation needs.

### **2.1.7 Territorial development instruments**

At least 5 per cent of the ERDF should be allocated to integrated actions for **sustainable urban development** in order to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas (Article 7).<sup>17</sup>

In order to reinforce integrated territorial developments in the future policy, the CPR puts forward two new investment approaches. **Integrated Territorial Investments (ITI)** using all ESI funds can be support for the implementation of urban/territorial development strategies which can have relevance for climate mitigation and adaptation (art. 36). **Community-led**

<sup>17</sup> Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 OJ L 347, 20/12/2013, p. 289–302

**local developments** could be also supported by the ERDF and the ESF and could provide opportunities to carry out climate change related actions (Article 32).

### 2.1.8 Use of financial instruments

Finally, ESI funds can be delivered through **financial instruments** (e.g. loans, guarantees, equity, etc.) which could provide innovative financing opportunities to projects which are economically viable but fail to attract private financing due to market failures or sub-optimal investment situations (Article 37).<sup>18</sup> The use of financial instruments have some advantages to using pure grant support in that they can be set up in the form of revolving funds where the funding to be reinvested in new projects. Financial instruments, if properly set out, have proved to be particularly useful for energy efficiency projects in buildings.<sup>19</sup>

## 2.2 Implementing acts considering Operational Programmes, Partnership Agreements and major projects

In the course of 2013, the Commission prepared implementing acts focusing on the content of OPs and Partnership Agreements (PAs) and the format of major projects. The following sections review those requirements which are relevant to the climate mainstreaming process. Nevertheless, as implementing acts are only approved after the official publication of the main regulations only draft versions are examined below.

The draft implementing act on the content of the **Operational Programmes**<sup>20</sup> recalls Article 97 (7) (a) of the CPR, indicating that OPs shall include a **description of climate change aspects** taken into account in project selection.

The template for the content of the **Partnership Agreements**<sup>21</sup> also includes a dedicated section on the **horizontal principle of sustainable development**, with a reference to Article 8 of the CPR, as well as details of the indicative allocation of EU support for climate change objectives.

The most important change compared to the 2007-2013 programming period is that managing authorities are now required to provide **information of major projects on climate change** related issues. The annex of the draft template<sup>22</sup> includes the format to be adopted via an independent quality review report, in which provisions related to climate change require that a summary of relevant information from the project documents on climate change adaptation and mitigation and disaster resilience are provided.

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<sup>18</sup> For more information on how financial instrument can be used to achieve EU climate policy objectives see: Medarova-Bergstrom, K., Volkery, A., Sauter, R., Skinner, I. and Núñez Ferrer, J. (2013) Optimal use of the EU grant and financial instruments in the next multiannual financial framework to address the climate objective. Final report for DG Climate Action, European Commission. Institute for European Environmental Policy, London/Brussels.

<sup>19</sup> Medarova-Bergstrom, K., Volkery, A., Sauter, R., Skinner, I. and Núñez Ferrer, J. (2013) *Optimal use of the EU grant and financial instruments in the next multiannual financial framework to address the climate objective*. Final report for DG Climate Action, European Commission. Institute for European Environmental Policy, London/Brussels.

<sup>20</sup> European Commission (2013) Fiche N. 26: Draft implementing act on the model for the Operational Programme and the Cooperation Programme, 29 November 2013, [http://ec.europa.eu/regional\\_policy/what/future/pdf/preparation/fiche26\\_models\\_2013\\_11\\_29.pdf](http://ec.europa.eu/regional_policy/what/future/pdf/preparation/fiche26_models_2013_11_29.pdf)

<sup>21</sup> European Commission (2013) Draft template and guidelines on the content of the Partnership Agreement, Version 2, 26.2.2013, [http://ec.europa.eu/regional\\_policy/what/future/pdf/preparation/pa\\_template\\_guidance\\_2013\\_02\\_26.pdf](http://ec.europa.eu/regional_policy/what/future/pdf/preparation/pa_template_guidance_2013_02_26.pdf)

<sup>22</sup> European Commission (2013) Fiche 3: Implementing act on formats for major projects, Version 3 – 20/09/2013, [http://ec.europa.eu/regional\\_policy/what/future/pdf/preparation/262709\\_ia\\_5\\_format\\_majior%20projects\\_annex.pdf](http://ec.europa.eu/regional_policy/what/future/pdf/preparation/262709_ia_5_format_majior%20projects_annex.pdf)

### 3 EXAMPLES OF GOOD PRACTICES IN MAINSTREAMING CLIMATE CHANGE IN THE 2007-2013 OPERATIONAL PROGRAMMES

It is important to stress that climate mainstreaming is not a one-off, 'tick the box' exercise. It should instead be understood as a long-term participatory process which will evolve over time and will need to be pursued beyond the 2020 horizon. In this context, experiences from Member States offer some relevant insights and lessons learnt.

To facilitate this assessment, we categorise the existing instruments for climate mainstreaming under Cohesion Policy into three groups:<sup>23</sup>

- **Strategic instruments**, such as environmental objectives and indicators and the principle of carbon neutrality, apply to all administrative levels of the policy cycle.
- **Procedural tools** involve a set of assessment procedures, proofing tools, and monitoring and reporting systems (e.g. SEA, EIA and performance reserve funds).
- Finally, **organisational instruments** relate to wider governance changes which involving changes in institutional structures, enforcement of the partnership principle and consultations.

Each instrument has a different entry point in the cycle of expenditure programming, implementation and monitoring, and therefore a comprehensive strategy for climate mainstreaming would require a mix of the different types of instruments applied and enforced at each stage of the programme cycle.

In the following we describe four example instruments deployed to foster climate mainstreaming. These are

- anchoring and implementing the principle of carbon-neutrality;
- using project-eligibility criteria;
- rewarding specific performance; and
- creating institutional ownership.

All examples have been taken from a previous IEEP study<sup>24</sup> in which more detailed information is available. Where additional information is available from other publications references are indicated.

#### 3.1 The principle of carbon neutrality

The 2007-2013 period introduced the **principle of 'carbon neutrality'** to Operational Programmes. In compliance with this principle, projects which emit GHG emissions have to offset these by other investments, such as efforts on energy control, supply of alternatives to road transport, development of renewable energies and promotion of energy efficiency. Although not a legally binding requirement, it has been introduced to a few OPs.

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<sup>23</sup> For more information see: Hjerp, P. et al (2011) Cohesion Policy and Sustainable Development, Final Synthesis Report, A report for DG Regio, October 2011. and Hjerp, P. et al (2011) Cohesion Policy and Sustainable Development-Policy Instruments, Supporting Paper 5. A report for DG Regio, February 2011

<sup>24</sup> Hjerp, P. et al (2011) Cohesion Policy and Sustainable Development: Supporting Paper 4: Case Studies, An Annex to the Final Report. A report for DG Regio, October 2011.

The principle was taken up effectively in the French NSRF for 2007-2013 which stated that *'all state-region project contracts and operational programmes should aim to be carbon neutral. A monitoring system will be put in place to ensure this.'* The principle of carbon neutrality is aggregated at the national level, but is to be organised at the regional level and should be adhered to throughout the lifecycle of the contract, with corrective measures introduced as necessary.

### 3.1.1 **NECATER, the French carbon proofing tool**

In order to ensure the application of this principle throughout the entire programme cycle a special tool - **NECATER**<sup>25</sup> - has been developed in France, which helps to monitor the carbon performance of regional programmes based on an aggregation of project-specific data. NECATER is used for projects funded under the Structural and Cohesion Funds and for state-region contracts (CPER) and is the most elaborated software tool in the EU for measuring the carbon impact of individual projects and programmes on an aggregated regional or national level. Carbon neutrality of programmes will be achieved through actions favouring energy control, renewable energies and waste which compensate emissions from industrial activity road freight, and home/work commuting induced by urban developments, for example. Carbon emissions evaluated by NECATER are only industrial and energy related emissions and do not include emissions generated by land-use changes, for example. The tool is only suitable for climate change mitigation projects.

#### Governance of NECATER

NECATER has been developed at national level by the French administration in charge of regional planning (DATAR). Evaluations are generally performed by the prefectures, which are the representatives of national authorities at the regional level. The specific unit actually carrying out the evaluations in each prefecture de region is the secretariat for regional affairs (SGAR). Regional authorities (Conseils régionaux) are not at present directly involved at the evaluation phase but there are no legal barriers to their future involvement: as the tool is simplified and becomes more user-friendly regional authorities will find it easier to become involved.

#### NECATER in practice

NECATER has been developed for non-technical users. The tool transforms investment amounts in different sectors concerned by the programme into GHG emissions through the use of a set of regional ratios. These ratios, embodying relevant information, such as the share of a given sector in the region's value added, or its carbon intensity, have been derived from region specific data provided by regional data centres. Users can also change some key parameters of the model so as to allow them to incorporate more precise regional information. For example modal shift, which can differ significantly across regions, according to the available and projected transport infrastructures, is best captured in this manner.

#### Transferability of the tool to other Member States

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<sup>25</sup> Also see: ENEA-REC (2009) Improving the Climate Resilience of Cohesion Policy Funding Programmes: An overview of member states' measures and tools for climate proofing Cohesion Policy funds. ENEA Working Group on Climate Change and Cohesion Policy. November 2009

There is significant potential to transfer this tool to other Member States. However, this would take some time, and there are several restrictions at play. Currently NECATER can only be used at the regional level and is not designed to track sectoral or sub-sectoral emissions. In future it could be modified to focus exclusively on estimating sectoral emissions, provided that appropriate economic and theoretical data are available. The existence of such data can be a limiting factor given that developed regional information systems do not exist in all of the Member States. Finally, given the current level of accuracy of the tool, results are reliable and interpretable only if the levels of investment are sufficiently distinct and numerous sectors are involved.

With a view to improve the carbon management of OPs, DG REGIO has developed a new tool called CO2MPARE.<sup>26</sup> The tool enables the comparison of CO2 emission of different spending scenarios by assessing the emission impact per euro spent for a given type of activity and multiplying this by the amount spent on the activity. The use of the tool is not compulsory but it presents an excellent instrument to operationalize the climate mainstreaming principle and aid managing authorities in making balanced decisions for their investment portfolio under their OPs.

### 3.2 Environmental project selection criteria

The establishment of explicit **environmental criteria** and assigning sufficient weight to it is a straightforward way to stimulate environmentally sound projects. However, it is important to set clear criteria and underpinning processes to avoid “tick-boxing” exercises.

#### 3.2.1 Higher weighting of environmental criteria in the Southern Finland OP

Finnish Operational Programmes all included environmental project selection criteria, however, the **Southern Finland OP**<sup>27</sup> included a **higher weighting of environmental criteria** than others, which led to a correspondingly higher percentage of environmentally beneficial projects (Box 3).

#### The environmental project selection criteria in practice

Environmental impacts are one of the six main selection criteria for project proposals which apply to all priorities. These environmental selection criteria are further broken down into the following sub-categories:

- The promotion of environmental know-how and environmental management;
- Impacts on consumption and production, production, energy use, emissions, transport and climate change; and
- Welfare factors with regards to society and the environment.

Furthermore, an additional supporting sheet has been developed with definitions of the selection criteria and sustainable development in order to give more detailed guidance.

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<sup>26</sup> More information about the CO2MPARE tool can be found here: [http://ec.europa.eu/regional\\_policy/newsroom/detail.cfm?id=673&lang=en](http://ec.europa.eu/regional_policy/newsroom/detail.cfm?id=673&lang=en)

<sup>27</sup> Also see: Hjerp, P. et al (2011) Cohesion Policy and Sustainable Development: Supporting Paper 4: Case Studies, An Annex to the Final Report. A report for DG Regio, October 2011 and ENEA-REC (2009) Improving the Climate Resilience of Cohesion Policy Funding Programmes: An overview of member states’ measures and tools for climate proofing Cohesion Policy funds. ENEA Working Group on Climate Change and Cohesion Policy. November 2009

### Box 3: Weighting of environmental criteria and environmental projects funded in Finland

The table below clearly shows that Southern Finland has the highest weighting for environmental criteria when compared to the other Finish OPs. In the table Priority 1 is 'Promotion of business activity', Priority 2 is 'Promotion of innovation activity and networking, and reinforcing knowledge structures', Priority 3 is 'Improving regional accessibility and operational environments', Priority 4 is 'Development of larger urban areas' and Priority 5 is 'Thematic development at regional level'.

Programme	Priority 1	Priority 2	Priority 3	Priorities 4 and 5	Weight
<b>Southern Finland</b>	1/6	1/6	1/6	1/6	17%
<b>Western Finland</b>	1/10	2/12	3/8	0/10	7%
<b>Eastern Finland</b>	0/9	0/7	1/5	-	2%
<b>Northern Finland</b>	0/8	0/11	0/5	-	0%

Source: Kallio, T. (2009), Environmental Integration in the Implementation of Structural Funds Programmes in Finland, Finnish Environment Institute, Helsinki 2009

In order to get an indication of the potential influence these have had on project selection in practice the type of projects that had been funded were assessed. The table below shows the percentage and number of environmentally beneficial projects (in brackets) funded by the end of 2009 based on the annual implementation report.

Programme	Priority 1	Priority 2	Priority 3	Priorities 4 and 5
<b>Southern Finland</b>	11 % (26)	29% (14)	46% (46)	43% (18)
<b>Western Finland</b>	9% (60)	14% (29)	45% (56)	24% (2)
<b>Eastern Finland</b>	3% (37)	8% (35)	33% (64)	
<b>Northern Finland</b>	4% (45)	11% (35)	42% (87)	

Source: Hjerp, P. et al (2011) Cohesion Policy and Sustainable Development: Supporting Paper 4: Case Studies, An Annex to the Final Report. A report for DG Regio, October 2011.

The tables above clearly indicate that the number of environmentally beneficial projects funded is proportionally much higher in Southern Finland than in other Finish OPs and this implies that the environmental prioritisation for environmentally-friendly projects has had an impact on the proportion of environmentally positive projects funded.

### 3.3 Rewarding performance

Within Cohesion Policy there are mechanisms to reward performance. Article 20 of the Common Provisions Regulation sets out that 6 per cent of each ESI fund appropriations

allocated to Member States shall constitute a **performance reserve**. The reserve in this sense acts as a performance-based financial incentive scheme to inspire Member States and regions to improve the implementation of programmes and projects, including environmental objectives.

### 3.3.1 *Dedicated investments in the Piemonte region, Italy*

Best practice examples of performance rewards in the 2007-2013 Cohesion Policy framework include actions in the **Piemonte Region**, which assign extra funds to SMEs which are able to demonstrate that the innovative projects for which they require financing (under Priority Axis 1 in the OP) will have positive environmental impacts.

#### Extra environmental funding

Under the so-called '*maggiorazione ambientale*' (extra environmental funding) SMEs are able to receive additional funding for projects that entail:

- a) An improvement in the environmental performance of the production system through:
  - a reduction of atmospheric emissions of at least 50 per cent (with respect to the pre-existing situation) and to levels that are lower than those required by existing legislation, or
  - a reduction of emissions in water to levels that are lower than those required by existing legislation and that can be proved through an analytic mass analysis, or
  - an improvement of the waste cycle, or
  - a rationalisation of water consumption, or
  - an environmental analysis of the enterprise, to verify its environmental sustainability and plan interventions to improve its environmental performance.
- b) An improvement in the energy efficiency of the production cycle (energy saving of or above 1.5 kWh, for each 1€ invested and benchmarked to the pre-existing production capacity).

In addition, funds are allocated only on the basis of specific and challenging environmental indicators, which are also used in the monitoring phase. Environmental authorities have a key role and their involvement in the evaluation of application is crucial.

Both the Environment Authority and the Managing Authority have stressed that the targets and indicators used to assign additional environmental funds to these projects are more demanding than those applied to direct environmental investments listed in the OP. 40 per cent of the enterprises that applied for funding proved, through detailed indicators (which will be used in the monitoring phase), that their project would have a positive environmental impact and thus they have obtained extra funding.

### 3.4 **Creation of institutional ownership to facilitate the integration of sustainable development**

**Organisational instruments** have significant potential to catalyse environmental integration by providing an opportunity to strengthen the position of environmental actors, spur on the development of collaborative networks, and drive engagement amongst new

environmentally driven stakeholders. In some Member States, such as the **United Kingdom**, improved institutional mechanisms have been implemented, and this resulted in more sustainable Operational Programmes being delivered under the Cohesion Policy.

### **3.4.1 Innovative governance tools in the South West England OP**

An example of the deployment of Organisational Instruments on the ground can be seen in the South West England OP, where numerous innovative and well-structured governance approaches have been employed in order to integrate environmental sustainability into the Operational Programme.<sup>28</sup> These include the followings:

- A **Programme Monitoring Committee** and an **Environmental Advisory Group** which give advice on environmental issues at a Programme level.
- The creation of a specific environmental role - an **Environmental Sustainability Manager**.
- **Environmental Steering Groups** which give advice on environmental issues at a project level.

Additionally, in the programming phase ex-ante evaluations and SEAs were carried out in order to ensure the integration of environmental issues.

#### **Programme Monitoring Committee (PMC)**

During implementation phases the Programme Monitoring Committee (PMC) retains a strategic steer over the programme and becomes involved in investment decisions if a project in question is particularly novel or contentious. In recent years environmental considerations, including climate change, have become more recognised by the PMC, which has helped to steer the programme and led to more environmentally beneficial investments. In addition, a joint PMC has been created with ESF Programmes, which has helped to align policies and ensure a cross-cutting environmental approach.

#### **Environmental Advisory Group**

In addition to the PMC a Cross Programme Environmental Advisory Group has been created which gives advice to the Programming board as to whether its environmental priorities and foci are fulfilling the objectives of the OP. The group is comprised of members representing a range of environmental partners (e.g. Environmental Agency, Natural England) and it meets on a regular basis.

#### **Environmental Sustainability Manager**

The effective integration of environmental considerations is seen as the result of the OP's innovative governance mechanisms. However the most potentially important innovation was establishing the role of the Environmental Sustainability Manager. Although the success of this role is largely due to the dedication and commitment of the individual, creating a focused role for individual with a relevant background such as this can be cited as good practice for other programmes. The manager has a critical role in the integration process through the following responsibilities:

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<sup>28</sup> Also see: UK Government (n.d.) The South West Competitiveness and Employment Operational Programme, 2007-2013, URL: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/120687/ERDF\\_South\\_West\\_Competitiveness\\_Operational\\_Programme.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/120687/ERDF_South_West_Competitiveness_Operational_Programme.pdf) [Accessed: 17/04/2013]

- Working with beneficiaries in the pre-approval stage to raise their environmental awareness;
- Assessing applications to determine if projects have taken adequate account of environmental impacts;
- Championing new projects with an environmental focus, such as the low carbon grant programme for businesses, the domestic energy efficiency scheme and the deep geothermal scheme. This has collectively resulted in a pipeline of activity that, if achieved, will result in £40-50million worth of investment;
- Liaising across programmes to ensure synergy and complementarity; and
- Ensuring that different advisory groups, such as the Programme Monitoring Committee, are up to date on progress, new developments and good examples.

#### Environmental Steering Groups

In the Newquay Airport Development project environmental steering groups have been developed in order to mitigate potential risks to the environment associated with large-scale infrastructure projects. Originally, environmental concerns were not acknowledged in the plan of activities, so a specific steering group was created to monitor and advise on environmental impacts.

#### 4 A STEP-BY-STEP APPROACH TO OPERATIONALISE THE INTEGRATION OF CLIMATE CHANGE INTO COHESION POLICY

The tables below provide a set of guiding questions to help operationalise climate mainstreaming at each stage of the expenditure programming, implementation and monitoring cycle under 2014-2020 Operational Programmes. By answering the questions and completing the checklist, managing authorities can strengthen and evaluate their progress with regard to climate change mainstreaming and obtain new ideas for additional actions.

1) What to do at the Programming Stage?	
Have you done an assessment and mapping of <b>climate change risks and potentials for emission reductions across sectors and regions</b> ?	
Have you done an assessment and mapping of related <b>investment needs</b> for decarbonising and making climate resilient key economic sectors and regions?	
Have you considered climate change in the <b>SWOT analysis</b> ?	
Have you considered both climate change mitigation and adaptation in the <b>ex-ante evaluation</b> and the Strategic Environmental Assessment (SEA)?	
Have you taken into account national/regional <b>climate change mitigation and adaptation strategies / plans</b> already in place, e.g. National Climate Change Action Plans, National Adaptation Strategies etc.?	
Have you set specific <b>climate change objectives and targets</b> ?	
Have you included specific <b>climate related milestones and result indicators</b> in the performance framework?	
Have you used <b>carbon screening and management tools (e.g. CO2MPARE tool)</b> ?	
Have you consulted and used the expertise of <b>environmental authorities</b> and <b>environmental networks</b> in your region/country?	
Have you consulted and engaged with <b>NGOs, academia and other stakeholders</b> during working groups and other formal and informal consultation processes?	
Have you appointed / created a <b>specific institutional structure / role</b> , e.g. sustainability manager, to coordinate climate mainstreaming efforts and activities?	
Have you created <b>special advisory groups</b> who have expertise on climate change that will provide information to stakeholders and possible beneficiaries?	
Have you ensured that climate relevant authorities, NGOs and other stakeholders are represented in the <b>Programme Monitoring Committee</b> ?	
Have you allocated <b>sufficient funding</b> for climate change related activities under Thematic objective 4 and 5?	
Have you allocated <b>sufficient funding</b> for climate change related activities under other Thematic objectives?	
Have you estimated the amount allocated for climate related activities across the different Thematic Objectives using a robust <b>tracking methodology and reported</b> them in the draft	

OPs?	
Have you considered reserving <b>extra funding</b> for highly innovative projects which achieve improved environmental sustainability?	
Have you included <b>climate mitigation and adaptation considerations</b> and <b>activities in sustainable urban development</b> actions, integrated <b>territorial investments and/or community-led local development</b> ?	
Have you planned the <b>use of financial instruments and technical assistance</b> for climate-related projects which could be used to leverage additional private investment?	
Have you identified any potentially <b>environmentally/climate harmful spending</b> ? Have you considered any mitigation measures and possible changes in priority areas in order to minimise potential harmful effects?	
Have you considered using Cohesion Policy funds to <b>support research and strategic planning</b> for climate change where information is lacking?	
Have you complied with all elements of the <b>EU environmental acquis</b> ?	

## 2) What to do at the Implementation Stage?

### A. Project Preparation Stage

Have you set up specific <b>tenders or calls for proposal</b> that focus on climate change mitigation and adaptation?	
Have you <b>raised awareness</b> on climate change when communicating the programmes to stakeholders?	
Have you provided <b>training, seminars and skill shares</b> for project applicants to learn about how climate change impacts their projects?	
Have you provided <b>specialised expertise</b> to project developers for integrating climate change mitigation and adaptation?	
Have you provided <b>guidance and resources</b> on climate change integration for applicants?	
Have you provided examples of <b>good practice</b> in the area of climate change mainstreaming?	
Have you included climate change in the <b>project selection criteria</b> ?	

### B. Project Evaluation and Selection Stage

Have you taken climate change into consideration in the <b>cost-benefit analysis</b> , e.g. incorporated carbon accounting into the CBA?	
Have you considered climate change in the <b>risk assessment</b> ?	
Have you included <b>external experts</b> on climate change when evaluating and selecting the projects?	
Have you considered climate change in the <b>EIA</b> ?	
Have you measured the <b>carbon footprint</b> of the projects?	

### C. Project Implementation Stage

Have you used <b>green public procurement</b> ?	
Have you provided <b>technical support and advice</b> for beneficiaries about climate change?	

### 3) What to do at the Monitoring and Evaluation Stage?

Have you created a solid <b>environmental indicator framework</b> which can be used for monitoring and reporting?	
Have you established <b>reporting requirements</b> on climate related aspects?	
Have you included <b>climate change experts</b> in the monitoring process?	
Have you considered <b>awarding funds</b> to well-performing projects?	
Have you planned for thematic climate related <b>mid-term evaluations</b> ?	

## 5 OVERVIEW OF RELEVANT STUDIES FOR FURTHER READING

More information on climate mainstreaming practices can be found in the following studies:

- Hjerp, P., Medarova-Bergstrom, K., Cachia, F., Evers, D., Grubbe, M., Hausemer, P., Kalinka, P., Kettunen, M., Medhurst, J., Peterlongo, G., Skinner, I. and ten Brink, P., (2011) Cohesion Policy and Sustainable Development, Final Synthesis Report, A report for DG Regio, October 2011
- Hjerp, P., Volkery, A., Lückge, H., Medhurst, J., Hart, K., Medarova-Bergstrom, K., Tröltzsch, J., McGuinn, J., Skinner, I., Desbarats, J., Slater, C., Bartel, A., Freluh-Larsen, A., and ten Brink, P., (2012), Methodologies for Climate Proofing Investments and Measures under Cohesion and Regional Policy and the Common Agricultural Policy, A report for DG Climate, August 2012.
- Hjerp, P., ten Brink, P., Medarova-Bergstrom, K., Mazza, L. and Kettunen M. of IEEP, together with McGuinn, J., Banfi P. and Hernández G. of Milieu. (2013). *The Guide to Multi-Benefit Cohesion Policy Investments in Nature and Green Infrastructure*. A Report for the European Commission. Brussels
- Medarova, K. and Baldock, D., (2012) Climate mainstreaming in the next MFF and Cohesion Policy: Progress to date
- Medarova-Bergstrom, K. and Volkery, A. (2012) Walking the talk - practical options for making the 2014-2020 EU MFF deliver on climate change. Final report for the Dutch Ministry of Infrastructure and the Environment. IEEP, Brussels.
- Medarova-Bergstrom, K., Baldock, D., Hart, K. and Volkery, A., (2013) A greener EU budget in the balance: the 2014-2020 MFF deal, IEEP.
- Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) Strategies and Instruments for Climate Proofing the EU Budget. IEEP, Brussels.

**Disclaimer:** The arguments expressed in this policy brief remain solely those of IEEP, and do not reflect the opinion of any other party. Any errors that remain in the paper are solely those of the author. Funding from the European Climate Foundation is acknowledged. For more information about IEEP's work on greening the 2014-2020 EU MFF, please contact: Andrea Illes at [ailles@ieep.eu](mailto:ailles@ieep.eu).

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