Institute for European Environmental Policy

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

Keti Medarova-Bergstrom
Axel Volkery

__Disclaimer__: 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.

Recommended citation:
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.

The authors would like to thank Astrid Ladefoged and Simona Constantin (DG CLIMA), Agnes Kelemen (DG REGIO), Paul Renier (DG DEVCO), Sebastien Godinot (WWF-EPO) and Markus Trilling (CEE Bankwatch Network/Friends of the Earth Europe) for the insightful interviews. Further to this, our thanks are extended to Sjoerd Hoornstra (Dutch Ministry of Environment and Infrastructure), Agata Payne and Louis Meuleman (DG ENVI), Nancy Saich (European Investment Bank), Nina Renshaw (Transport and Environment), Morgan Hervé-Mignucci (Climate Policy Initiative), David Baldock (IEEP) and Paola Banfi (IEEP) as well as all participants for their contributions to the workshop on 'Practical options for climate change mainstreaming in the 2014-2020 EU budget' which was organized by IEEP on 1 February 2012 in Brussels.

Institute for European Environmental Policy

London Office
15 Queen Anne's Gate
London, SW1H 9BU
Tel: +44 (0) 20 7799 2244
Fax: +44 (0) 20 7799 2600

Brussels Office
Quai au Foin, 55
Hooikaai 55
B- 1000 Brussels
Tel: +32 (0) 2738 7482
Fax: +32 (0) 2732 4004

Table of Contents

EXECUTIVE SUMMARY 4

1 INTRODUCTION 8

1.1 Climate change in the 2014-2020 EU Multi-annual Financial Framework 8

1.2 What is climate mainstreaming? 9

1.3 Why tracking climate change expenditure is important? 11

1.4 Objective, scope and structure of this report 12

2 OVERVIEW OF THE COMMISSION'S PROPOSALS FOR CLIMATE CHANGE MAINSTREAMING UNDER COHESION POLICY AND CONNECTING EUROPE FACILITY 14

2.1 EU Cohesion Policy 14

2.1.1 A review of the legal provisions providing opportunities for climate mainstreaming 15

2.1.2 Summary 21

2.2 Connecting Europe Facility 21

2.2.1 A review of the legal provisions providing opportunities for climate mainstreaming 21

2.2.2 Summary 23

3 ANALYSIS OF GAPS AND CHALLENGES 24

4 TOWARDS A ROBUST POLICY AND IMPLEMENTATION FRAMEWORK 30

4.1 Creating a clear legal framework 31

4.2 Ensuring sufficient scale of funding and priority interventions (vertical mainstreaming) 33

4.3 Horizontal mainstreaming – a toolbox 35

5 TRACKING CLIMATE EXPENDITURE 42

5.1 What are Rio Markers? 42

5.2 Alternative tracking approaches 48

5.3 Applying the tracking methodology to Cohesion Policy 54

5.4 Applying the tracking methodology to CEF 57

5.5 Summary 59

6 CONCLUSIONS 61

ANNEX 1: APPLYING THE TRACKING METHODOLOGY TO COHESION POLICY 64

List of figures

Figure 1: Proposed allocations in 2014-2020 EU MFF 8
Figure 2. Entry points for climate mainstreaming in the policy process 30
Figure 3. Menu of instruments for climate mainstreaming along the policy cycle 35
Figure 4. Creditor Reporting System using Rio markers 45

List of tables

Table 1. Estimated expenditure for climate change under 2014-2020 EU MFF 24
Table 2. Eligibility criteria and activities counted as climate change mitigation and adaptation 44
Table 3. SWOT analysis 48
Table 4. List of sectors and activities for mitigation and adaptation 50
Table 5. Applying the tracking methodology to CEF 58

List of boxes

Box 1. NECATER tool for measuring carbon footprint of programmes (France) 38
Box 2. Environmental Sustainability Manager (South West England) 39
Box 3. DG DEVCO approach to climate mainstreaming in EU external aid 40
Box 4. Exemplification of 'principal' and 'significant' objective 46

EXECUTIVE SUMMARY

Background and rationale of this report

In its conclusions from 2 March 2012 the European Council has called for 'rapid progress on the low-carbon 2050 strategy', with a particular focus on the needs to mobilise sources of climate change finance. The European Commission has suggested in its proposal for the 2014-2020 EU Multi-Annual Financial Framework (MFF) that at least 20 per cent of the MFF should be spent on climate change related activities. The increase should primarily happen through the **mainstreaming** of climate-related objectives and requirements across the MFF. EU funds for cohesion, agriculture, infrastructure, research and innovation and external action are expected to contribute. This move could translate into approximately €200 billion being spent on climate change over the 2014-2020 period, creating a bold increase compared to approximately €50 billion spent on climate change being spent under the 2007-2013 EU MFF.

Such a bold move would support the creation of needed momentum for progress with the transition to a low-carbon, competitive economy in the EU. While the general ambition and direction of the approach is very laudable, the current proposals lack, however, some much needed details. These concern particularly the question how much each funding instrument should contribute. This omission leaves a considerable degree of political uncertainty.

This report explores options for advancing the overall 'greening' of the 2014-2020 MFF through better mainstreaming of climate change concerns. It focuses on the proposals for the future EU Cohesion Policy (CP) and the Connecting Europe Facility (CEF), which together constitute the biggest share of the proposed 2014-2020 MFF (€376 billion). The report does not explicitly cover the Commission proposals on the Common Agricultural Policy, the Horizon 2020 or external aid, nor expenditure on environmental issues as a whole, but many of the key findings and recommendations of this report apply to these areas as well.

Key findings

1. A number of **helpful mainstreaming provisions** are anchored in the Commission proposals for the future CP and the CEF. The horizontal principles, thematic objectives and quantified earmarking in the CP are particularly relevant. The proposed conditionality systems and performance framework would further advance climate change relevant activities. Under the CEF, stronger priority is given to the development of low-carbon transport modes and renewable energies than in previous programming periods.

2. Such a future CP and CEF would deliver approximately €30 billion for climate change related activities. This would mark a significant improvement compared to the present spending figures for cohesion and infrastructure. However, it represents only 15 per cent of the aspirational commitment of €200 billion. Given that other MFF headings do not foresee substantially more funding for climate change, a **considerable funding gap** in delivering on the overall commitment of 20 per cent is bound to materialise.

3. While a lot of attention is rightfully devoted to the 20 per cent commitment, it should not be forgotten that the full array of EU spending should support the achievement of the EU's climate objectives. If the CEF succeeds with favouring more climate friendly projects, there may be an increased pressure on the CP to support high-carbon infrastructure.

4. The success of the mainstreaming approach under the CP will largely depend on the design and implementation of the Operational Programmes. There are a number of **mainstreaming tools** that can help to implement an effective approach across different stages of the funds programming and implementation process. **Administrative capacity-building, awareness-raising** and improving **data and information** are also critical.

Policy recommendations

1. The climate-oriented provisions in the current **proposals for the CP and the CEF should be strengthened rather than weakened** in the on-going political negotiations. The move towards greater thematic concentration, ex-ante conditionality, result-orientation and greater sharing of responsibilities needs to be sustained. The *Council* and the *European Parliament* need to agree on ways to ensure a **sufficient scale of funding** and **improved performance** of EU funding for climate change mitigation and adaptation. The *Commission* should provide Member States with clear guidance on how to operationalise climate mainstreaming at each stage of the process of programming, implementing and monitoring of the funds.

2. Developing a **tracking methodology** for climate expenditure is amongst the most critical short-term needs. The proposed 'Rio markers' methodology is a good start, but it needs to be operationalised in a more precise way and should be applicable to all relevant funds. The definitions and criteria for what counts as climate related expenditure need to be clear in order to avoid 'climate wash'. This includes:
   - **At EU level:** determining ex-ante the categorisation of activities under different funding instruments and how they contribute to the commitment to spend at least 20 per cent of the EU MFF on climate related activities; and
   - **At national/regional level**: reporting spending on climate change based on both commitments (ex-ante) and disbursement (ex-post). A better tiered approach could be applied for large scale, major projects. Performance indicators need to accompany the tracking methodology.

3. Certain **key regulatory provisions require greater elaboration,** specifically the principle of horizontal integration of climate change, ex-ante conditionality, performance frameworks and the use of indicators. The Common Strategic Framework is helpful but lacks sufficient detail on some issues. Safeguards need to be put in place to avoid detrimental lock-in effects and to ensure an overall climate-friendly performance of EU funding. The *Commission* should further operationalise provisions in the Implementing Regulations, Delegated Acts, operational guidelines as well as in the negotiating mandates that will provide a basis for the negotiations on the Partnership Contracts and Operational programmes in the case of the CP.

4. Climate change expenditure should be promoted in a smart way. *The Commission* needs to provide guidance on how to enhance spending in a way that realises better **'win-win' solutions**. Managing authorities still lack sufficient information on the opportunities, technical feasibilities and multiple economic and social benefits related to low-carbon economy transitions, particularly in a longer term perspective. Programme and project appraisal needs to better account for direct and indirect impacts of actions funded to help with avoiding undesirable trade-offs.

5. Based on good practice on Member State level, the *Commission* and *Member States* need to agree **an implementation strategy** which includes a menu of instruments that can be used flexibly according to local circumstances.

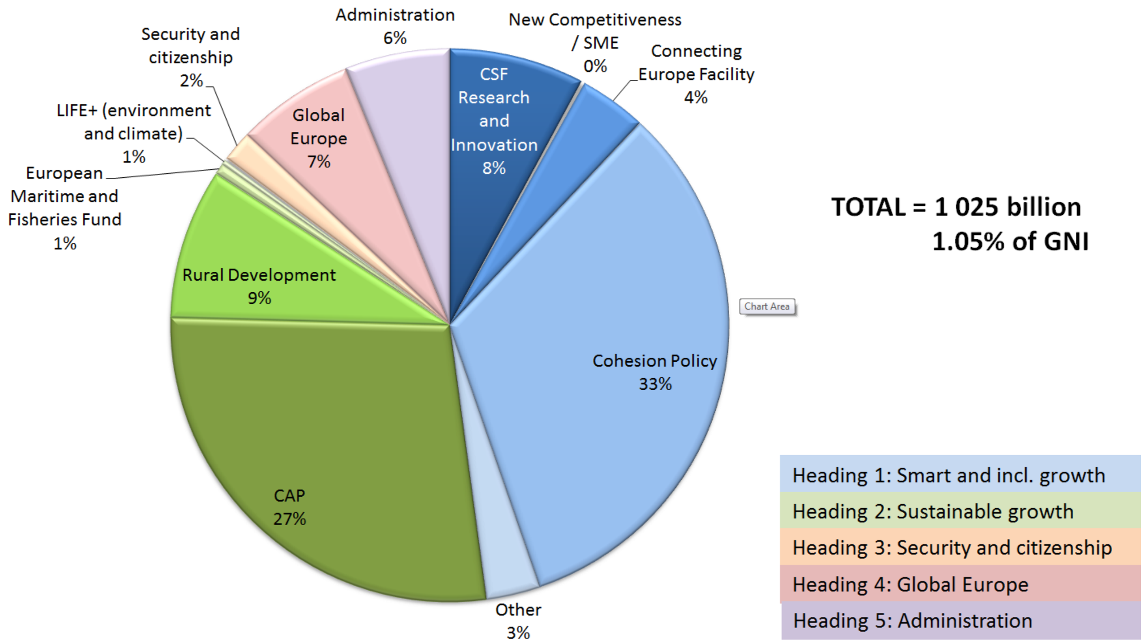
6. Finally, the *Commission* and *Member States* should make investments in raising awareness, developing the knowledge base and appropriate skills of managing authorities and their partners to deliver climate change mainstreaming a priority under the next MFF. Ideally, building **appropriate institutional capacity** should begin already in the current 2007-2013 period so as to underpin a successful programming process from the start. The use of the European Social Fund and technical assistance should be strengthened to this end.

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 2011[1] 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 intended to contribute to achieving the objectives and targets of the Europe 2020 Strategy, Europe's current mid-term economic strategy. An overview of the proposed allocations under the different headings is set out below (see Figure 1). The 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

The Europe 2020 Strategy creates a political momentum for better mainstreaming 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. Climate change therefore features prominently among the priorities of the future EU budget. It is envisioned that at least **20 per cent** of the EU budget should support climate change related activities[2]. The Commission proposes that the financing of actions to combat and adapt to climate change shall be mainly achieved through the '**mainstreaming'** of

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

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

climate change obligations across different funding instruments, ie mainly cohesion, agriculture, research and innovation and external action. Given the horizontal and cross-cutting nature of climate change, it seems sensible to integrate climate change objectives and actions in different policy areas and expenditure programmes. 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. Climate adaptation will also benefit from other spending under the LIFE programme.

The ambition to increase the EU's budget support for tackling climate change to at least 20 per cent is a bold step forward. It is the first time that a quantified commitment for a climate change spending has been made for the MFF. 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 approximately €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 current MFF. 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 2014-2020 EU MFF do not specify how and to what extent each funding instrument will contribute to the proposed minimum commitment of 20 per cent. This omission leaves the debate in a state of considerable uncertainty. There is a definite need for further operationalisation through the subsequent rounds of political negotiations between the Council and Parliament.

1.2 What is climate mainstreaming?

In the past, the mainstreaming of environment objectives in the EU Cohesion Policy primarily aimed to ensure Member States' compliance with EU environmental *acquis*. It was intended to meet the financial needs of the 'investment heavy' Directives through the provision of support for large-scale infrastructure projects in the fields of wastewater treatment, waste management and water supply. Over the same time, a number of good practices 'beyond compliance' with the EU *acquis* have emerged in a few Member States (and also at the regional level). This includes, for example, the introduction of a carbon screening tool NECATER to help French regions design 'carbon neutral' Operational Programmes, the framing of environmental investments as an economic driver for regional development in a UK region, the appointment of 'sustainability managers' who are tasked with the integration of sustainability objectives in regional planning and, the establishment of national environmental authorities networks to ensure the coordination of sectoral and environmental objectives.[4,5]

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

The mainstreaming of environmental objectives in different EU funding instruments is therefore not a new concept. There are some lessons to be learned. In the past, environmental mainstreaming has showed rather mixed results. A key difficulty has been its implementation on the ground, especially at national and regional levels of governance. Thus the importance of a robust legal framework with explicit requirements accompanied by operational guidelines for managing authorities needs to be highlighted in the mainstreaming of climate change. Another success factor usually emphasised by practitioners is the systematic and early-on involvement of environmental/climate change authorities at different tiers of governance in the planning, implementation and monitoring of expenditure programmes/projects.[6]

The terminology used in discussions about climate change and the EU budget, such as 'climate mainstreaming', 'climate-proofing' or 'climate integration', is often used interchangeably, creating some confusion. In spite of this confusion, one can identify two key components that are common to any of these discussions, namely scaling up funding and improving the performance of funding. Accordingly, we propose to define mainstreaming as a two-tiered approach, including:

1) **Vertical mainstreaming**: To ensure the **sufficient scale of dedicated funding** for climate change to reflect the magnitude of the proposed minimum commitment of 20 per cent and beyond; and
2) **Horizontal mainstreaming:** To improve the **effectiveness and result-orientation** of the remaining EU spending and to ensure, through adequate institutional safeguards and tools, that the programming of the entire portfolio of investments is not violating climate change objectives, including harmful subsidy reform.

It requires a combination of different operational instruments designed to facilitate and deliver the desired policy choices and climate change objectives.[7]

Importantly, there are different instruments that should be deployed at different stages of the funds' 'lifecycle' from strategic planning and implementation, to monitoring, reporting and evaluation. Even if convincingly designed as a concept, climate mainstreaming can fail if the corresponding implementing structures are not in place or the respective political conditions and their opportunity structures are not taken into account.

Finally, it needs to be recognised that climate mainstreaming is not a one-off exercise but a long-term process that will evolve and will need to be pursued beyond the 2020 horizon. While the challenge is huge, it is not insurmountable. Experience of good practices for all of

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[5] ENEA (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

[6] Medarova-Bergstrom, K. and Volkery, A. (2012) Summary of discussions of policy dialogue workshop 'Practical Portions for climate change mainstreaming in the 2014-2020 EU MFF', 1 February 2012, Brussels

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

these instruments exists in the EU Member States. Some of these instruments are already in use but need to be reviewed and strengthened so that they are focused specifically on climate change.[8] Most good practices can be either replicated elsewhere or can provide important lessons to improve the governance system of the post-2013 MFF. Although introducing new or strengthened procedural tools and governance structures might bring some additional administrative costs, tools to deliver more specific and effective results of EU spending are essential. In many cases, the costs incurred are likely to be outweighed by the long term benefits they yield.

1.3 Why tracking climate change expenditure is important?

One specific challenge for mainstreaming climate change concerns is the tracking of its' expenditure. According to the European Commission one of the key implementation mechanisms for the mainstreaming approach is the provision of information on how the EU budget is spent and how much can be attributed to climate change (ie 'tracking' of climate change expenditure). Given that much of EU spending is multi-purpose, disentangling climate change spending from other streams of spending is a difficult methodological challenge.

There is 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. However, a targeted and relevant methodology is needed as the proposed commitment to step up climate change financing from the EU MFF to at least 20 per cent in the post-2013 period cannot be operationalised otherwise. Setting out a transparent and adequate tracking methodology is also important in order to avoid potential misuse of the system where in an attempt to fulfil the 20 per cent spending commitment, policy actors are tempted to count climate change in a fairly broad manner.

Such a methodological approach to tracking expenditure is also needed in view of the aims that the post-2013 MFF should focus more on maximising 'the value added' of EU spending and its actual impacts . This implies increasing demand for rigorous assessment of the effectiveness and impact of expenditure, including climate expenditure,[9] thus calling for a suitable methodology for tracking climate related expenditure.

The EU can draw on experience with tracking expenditure in specific policy areas at both the international and European level. In the international context, a common methodology, known as the Rio Markers, has been designed to track international aid for climate change in the context of the UNFCCC.[10] It has been introduced in a slightly modified version in the

[8] Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) *Strategies and Instruments for Climate Proofing the EU Budget.* IEEP, Brussels.

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

[10] OECD (2009) Measuring aid targeting the objectives of the Rio Conventions, May 2009, OECD-DAC

EU as compulsory methodology since 2008, but the uptake has been limited to the area of development cooperation.[11]

1.4 Objective, scope and structure of this report

The main goal of the report is to describe the practical options for operationalising the mainstreaming of climate change concerns under the future EU MFF. In this respect the report:

- Presents an analysis of available opportunities and identified gaps for climate mainstreaming in the current suite of proposals for the future EU Cohesion Policy and Connecting Europe Facility (CEF); and
- Explores options for further operationalisation of the mainstreaming approach, focusing in particular on the implementation of the proposed 'tracking' climate change expenditure methodology.

The report bases its recommendation on case studies for the EU Cohesion Policy and the Connecting Europe Facility (CEF). These two cases provide examples for a set of funding instruments under shared management (Cohesion Policy) and for one centrally managed instrument (CEF). Moreover, the EU Cohesion Policy and the CEF together constitute the biggest share of the proposed 2014-2020 EU MFF or some €376 billion.

The specific Regulations that this report looks into include:

- Proposed Common Provisions Regulation, (COM(2011)615)
- Proposed European Regional Development Fund Regulation, (COM(2011)614)
- Proposed Cohesion Fund Regulation, (COM(2011)612)
- Proposed European Social Fund Regulation, (COM(2011)607)
- Proposed Regulation on European Territorial Cooperation, (COM(2011)611)
- Proposed Regulation establishing the Connecting Europe Facility, (COM(2011)665)

It needs to be noted that the analysis is based on the Commission proposals for the future Cohesion Policy and the CEF. These are currently undergoing a political negotiation process in the Council and the European Parliament and will change accordingly. The European Commission itself is yet to develop some of the secondary legislation and operational guidelines. However, our principal suggestions remain valid under any policy implementation scenario.

While the focus is on climate change, the key findings of this report could also be applicable to the mainstreaming of other environmental objectives (for example, biodiversity and resource efficiency) in the context of the 2014-2020 EU MFF.

[11] 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. "

The analysis is based on desk research focusing mainly on the respective policy documents and supported by an additional review of relevant literature. A policy dialogue workshop organised by IEEP on 1 February was used to collect additional information and obtain further insights on the perspectives of the Commission, Member States and external experts. In addition, six face-to-face interviews were conducted with relevant respondents in relation to the options for mainstreaming and the Rio Markers.

The report is structured as follows:

- Chapter 2 reviews the draft legislative proposals for the Cohesion Policy and the CEF. It identifies the relevant legal provisions with regards to climate change mainstreaming and assesses their potential to deliver the desired outcomes in practice.
- Chapter 3 explores potential gaps and weaknesses of the proposed mainstreaming approach for the two policies.
- Chapter 4 concerns itself with providing specific policy recommendations for the negotiations ahead. The report identifies concrete entry points for advancing a robust implementation framework for climate change mainstreaming under the 2014-2020 Cohesion Policy and the CEF.
- Chapter 5 devotes specific attention to the proposed methodology for tracking climate change expenditure[12]. We evaluate the advantages and disadvantages of the Rio-Markers based methodology using a SWOT analysis and put forward options for its improved application.
- In the final chapter, chapter 6, the report puts forward conclusions and policy recommendations on both the mainstreaming of climate change and the tracking of climate expenditure.

[12] European Commission (EC) (2011) *A budget for Europe 2020 – Part II*, Commission Communication, COM(2011)500, 29.6.2011, Brussels.

2 OVERVIEW OF THE COMMISSION'S PROPOSALS FOR CLIMATE CHANGE MAINSTREAMING UNDER COHESION POLICY AND CONNECTING EUROPE FACILITY

This chapter reviews the Commission proposals on the future Cohesion Policy and the CEF, and identifies the main provisions which are relevant to climate change mainstreaming. The purpose of the review is to determine the potential of these provisions to deliver the mainstreaming agenda and inform the gap analysis which follows in the next chapter.

2.1 EU Cohesion Policy

On 6 October, the European Commission unveiled a legislative package governing the 2014-2020 EU Cohesion Policy. The total proposed budget for the 2014-2020 EU Cohesion Policy is €336 billion[13] (€11 billion less than the 2007-2013 budget). Funds will underpin two new strategic goals: 1) '*Investment in growth and jobs*' and (2) '*European territorial cooperation',* with majority of funds concentrated in the poorer regions. These replace the current three objectives for convergence, competitiveness and employment, and territorial cooperation. Regions under the 'Investment in growth and jobs' goal are differentiated on the basis of GDP per capita as follows:

1. **More developed regions** (GDP per capita is more than 90 per cent of EU average). The total budget for this category of regions is €53.1bn;
2. **Transition regions** (GDP per capita is between 75-90 per cent of EU average). This is a new category which captures the current system of phasing in and phasing out regions. The total budget for this category of regions is €38.9bn; and
3. **Less developed regions** (GDP per capita is less that 75 per cent of EU average). This category of regions receives the biggest share of the budget with a total of €162.6bn.

The Commission proposes a number of important changes to the way EU Cohesion Policy is designed and implemented, namely:

- Concentrating on the objectives and targets of the Europe 2020 Strategy;
- Improving the coordination and strategic orientation of funds under shared management through the introduction of a Common Strategic Framework (CSF)[14];
- Reinforcing integrated programming and territorial cohesion;
- Focusing on improving the overall performance of the policy and result-orientation; and
- Simplifying delivery.

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

[14] These include 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

In addition, climate change and energy feature prominently among the policy priorities and a number of provisions are put forward to facilitate the mainstreaming of climate change.

2.1.1 A review of the legal provisions providing opportunities for climate mainstreaming

The adopted draft Regulations on the future Cohesion Policy put forward common principles, objectives and mechanisms. Those that refer to and/or aim to facilitate the mainstreaming of climate change are reviewed in the following sections.

- **Overarching and guiding principles**

The main draft Regulation laying down common provisions for the governance of the CSF funds[15] establishes the main principles governing the funds. These include partnership, multi-level governance, compliance with EU and national law, equality between men and women and sustainable development. **Recital 12 of the Preamble** stipulates that *'[t]he objectives of the CSF Funds should 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 Article 11 and 19 of the Treaty, taking into account the polluter pays principle. The Member States should provide information on the support for climate change objectives in line with the ambition to devote at least 20% of the Union budget to this end, using a methodology adopted by the Commission by implementing act*.'

This recital establishes that the principles of environmental integration and of pursuing the Union's objective for environmental protection (as stipulated in the Treaty) should be a guiding principle for all CSF funds operations. Explicit reference is made to the polluter pays principle. It is worth noting that the Treaty specifies additional EU environmental policy principles, including the precautionary principle, the need to take preventive action and to tackle pollution at its source. As can be seen from the quote, an explicit reference is made to the minimum commitment of assigning at least 20 per cent of the EU budget to climate change activities. However, the requirement for reporting is not fully explicit ('should' instead of 'need'). Tasking the Commission with developing a common approach is, however, a step into the right direction as it will enable, principally, a more coherent reporting from Member States.

Article 6 and particularly Article 8 are important articles for climate mainstreaming. **Article 6** stipulates that: '*Operations financed by the CSF Funds shall comply with applicable Union and national law.'* **Article 6** is softly formulated ('shall comply'), but there should be no doubt that full compliance with EU law is a requirement under the Treaty. This includes EU *environmental* law concerning different environmental themes (such as climate, biodiversity, waste, water) and also horizontal issues (for example, SEA, EIA). However, while climate change mitigation is addressed through a range of EU secondary law, there is

[15] 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

no direct equivalent for climate change adaptation. The reference point for adaptation is the White paper on climate adaptation.

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. The 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 is an important cornerstone for a climate mainstreaming approach. It reiterates 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.

The inclusion of the **horizontal requirement for climate change integration** with the principle of sustainable development marks a considerable advancement, as for the first time an explicit requirement for climate change mainstreaming is included. The proposed draft Common Provisions Regulation also embodies instructions for its operationalisation at different stages of the policy cycle, namely in the programming and implementation stages. In fact, Article 24 (4) and (5), regulating the content of the future expenditure for programmes, prescribe that each programme shall 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. Importantly, it concerns the whole portfolio of EU funding, not only funds earmarked for climate objectives. Depending on how it is further operationalised, it can have a positive effect for mainstreaming. For example, programmes aimed at developing transport systems, innovation, environmental infrastructure would need to 'promote' climate change mitigation and adaptation.

Additionally, **article 5(1) arranges the modalities of partnerships**, which are considered one of the cornerstones of the Cohesion Policy, in a multi-level context. It is explicitly stated that partners include 'bodies representing civil society, including **environmental partners'**. No such explicit reference is made for the participation of environmental/climate public authorities. This is an important pre-requisite for policy coordination and ensuring the compliance of EU funds with climate change policies (see article 6). Importantly, the draft Regulation spells out the requirement that 'partners' should be involved at each stage of the programme cycle and shall be members of the Monitoring Committees. An interesting novelty compared to previous programming periods is the proposed 'Code of Conduct' (article 5(3)) which should specify the objectives and criteria for the implementation of the partnership principle. A Delegated Act is envisioned to be adopted, which should determine the role of environmental partners (for both public officials and non-governmental organisations) in the preparation, implementation and monitoring of EU funding programmes.

- **Thematic objectives**

Strengthening the effectiveness of Cohesion Policy requires the concentration of funds on fewer objectives. Eleven thematic objectives are introduced in a 'choose-and-pick' menu, where Member States should concentrate the funds. Three of these objectives are of strong relevance for climate change. They 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 ie through support for railway and urban transport).

The thematic objectives provide an important step towards a greater rationalisation of Member State preparation of PCs and OPs.

- **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).[16] 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**.[17] However, its scope of intervention will be expanded to include actions on climate change adaptation, energy efficiency and renewable energy.

A quantified earmarking for energy efficiency and renewable energy also appears for a first time in the Commission proposals. Earmarking can be an important governance tool[18] to guarantee that a certain share of the funding is directed towards a specific policy objective and/or addresses a specific issue. It can also send an important signal to managing authorities which are ultimately the ones who are entrusted with the programming process where the funding allocations are decided. Essentially, it is a top-down instrument, and a

[16] 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

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

[18] Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) *Strategies and Instruments for Climate Proofing the EU Budget.* IEEP, Brussels.

number of Member States do not appear enthusiastic about it. However, from the perspective of the Commission it is a relatively effective tool to guarantee that a certain share of the Cohesion Policy budget will contribute to the proposed commitment to spend a minimum 20 per cent of the EU MFF on climate change. The link between the proposed earmarking in Cohesion Policy and the proposed MFF 20 per cent commitment however is not clearly established. This issue is discussed further in the gap analysis under chapter 3.

- **Community-led development**

A new initiative in the Common Provisions Regulation envisions the provision of support for community-led development schemes based on the LEADER experience (carried out with the support of the EAFRD in the past). Currently, the draft Regulation defines community-led development in relatively broad terms but the underlying idea is to promote integrated and multi-sectoral area-based development. Being a bottom-up initiative, the scope and type of activities that will be financed under the community-led development initiative will depend on the priorities of regions. However, there is certainly scope for incorporating climate change related activities especially in a horizontal manner both in terms of mitigation and adaptation. The initiative is in fact very suitable to enhance the integration of adaptation considerations and ensure that local developments are made resilient to potential climate change impacts.

- **Assessments**

The Commission proposals include provisions which require taking climate change into account in assessment procedures, such as ex-ante evaluations, SEAs and EIAs. A specific article in the proposed Common Provisions Regulations prescribes that an ex-ante evaluation of each programme shall assess the adequacy of planned measures to promote sustainable development which could also entail potential opportunities to mitigate GHG emissions and adapt to climate change impacts. Specific reference is made to the implementation of the EU SEA Directive in relation to carrying out SEAs as part of the ex-ante evaluation process. The expectation of the Commission is that climate change mitigation and adaptation needs and impacts shall be covered in the scope of the SEA in as much as this is possible. DG Environment is in fact currently developing a technical guidance on this requirement. For major projects, where the EIA is a compulsory instrument, the draft Regulation further specifies that the information that needs to be included in the environmental analysis must also concern climate mitigation and adaptation needs.

- **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.[19] 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 the satisfactory completion of actions to fulfil these conditionalities (ex-post).

[19] See Annex IV of the proposed Common Provisions Regulation

- **Performance incentives**

The proposals aim to improve the performance of EU spending, including in relation to climate change. 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).

- **Modulation of co-financing rates**

Using differentiated co-financing rates is another potential opportunity to boost climate related activities under the future Cohesion Policy. Article 111 of the proposed Common Provisions Regulation stipulates that the co-financing rate from Structural and Cohesion Funds to a priority axis may be modulated among other things to take into account of the following:

- ✓ The importance of the priority axis for the delivery of the Europe 2020 Strategy; and
- ✓ The 'protection and improvement of the environment, principally through the application of the precautionary principle, the principle of preventive action and the polluter pays principle.'

While there is no explicit mention of climate change, it can be assumed that environmentally and climate friendlier developments would receive a higher co-financing rate in view of the first point. The second point however makes a different case. Modulating co-financing rates in view of the polluter pays principle means that EU funds will contribute lower co-financing rate in the cases when charging systems can be introduced to cover investment costs and /or environmental externalities. The use of the polluter pays principle in the way co-financing rates are modulated is not new; in fact it has been introduced in the past in the context of Cohesion Policy.[20] The key aim was to encourage a greater application of the principle through differentiation of rates of assistance and thereby contribute both to a more effective use of public finance and the conservation of natural resources[21]. At the same time, Member States fear distortions of the level-playing field between Member States that apply the principle more strictly and those who do not. This is why its practical application is not widespread[22]. Using the precautionary principle and the principle of preventive action to modulate further the co-financing rates remains vague and further guidance needs to be provided.

[20] The General Regulation 1083/2006/EC which governs EU funds programmes and projects in 2007-2013 refers explicitly to the polluter pays principle in article 52, which prescribes that the contribution of EU funds can be modulated in light of *inter alia* protection of the environment and in particular through the precautionary principle, principle of prevention action and the polluter pays principle

[21] European Commission. 1999. Application of the polluter pays principle: differentiating rates of Community assistance for Structural Funds, Cohesion Fund and ISPA infrastructure operations. Technical Paper 1. 6/12/1999

[22] Hjerp, P., Medarova-Bergstrom, K, Skinner, I., Mazza, L. and ten Brink, P. (2011) *Cohesion Policy and Sustainable Development-Policy Instruments,* Supporting Paper 5. A report for DG Regio, February 2011.

- **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 based to more result-based indicators. These include a number of indicators for greenhouse gas emissions, energy, environmental infrastructure, risk prevention, biodiversity and soil.[23]

- **Financial instruments**

The Commission proposals introduce several novelties concerning the use of new financial instruments in EU Structural and Cohesion Funds. Building on the experience with financial engineering schemes such as JEREMIE/JESSICA, the draft Regulations introduce new types of financial instruments that can be developed to alleviate the pressures on public expenditure[24]. Furthermore, the current legislative framework limits their use to specific types of projects, for example SMEs and sustainable urban development[25]. The proposals for the post-2013 period remove this limitation, thereby expanding the scope of financial instruments to all types of projects. The only operational criterion that needs to be taken into account is that projects should be revenue-generating. This means that financial instruments, in the context of climate change objectives, could be used for renewable energy projects and related infrastructure, energy efficiency, sustainable transport, smart grids, electric cars, etc and to a lesser extent for climate adaptation. In any case, financial instruments offer new opportunities to mobilise additional public and private sources of financing using Structural Funds.

- **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[26]. This is an important opportunity for the provision of funds for 'soft measures' which can be critical during the programming, implementation and evaluation of programmes and projects. It could also have a beneficial effect for improving the absorption of funds and their overall performance for climate change objectives.

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[23] See Annexes to proposed Regulation on ERDF and Cohesion Fund

[24] According to the Commission proposals, Member States can continue creating tailor-made instruments under the shared management principle, based on experiences with JESSICA/JEREMIE; second option will be to create 'off-the-shelf instruments' where Member States/regions could use standardised templates for the use of financial instruments (developed by the Commission based on past experience) thereby establishing the financial instrument more easily/speedily; and the third option entails Member States investing part of their Structural Funds in EU level instruments (eg the EEEF).

[25] Article 44 on financial engineering instruments of Council Regulation (EC) 1083/2006 of 11 July 2006 laying down provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation 1260/1999

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

2.1.2 Summary

The proposed 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 to a lesser extent adaptation in the future Cohesion Policy. The proposed horizontal principles, thematic objectives, earmarking, conditionality system and performance framework are very welcome in this regard. In spite of the progress on enhancing the mainstreaming agenda in the future Cohesion Policy, there are still a number of outstanding questions that needs to be resolved. These are discussed in the gap analysis in chapter 3.

2.2 Connecting Europe Facility

On 19 October 2011, the European Commission tabled a plan for improving Europe's transport, energy and digital networks[27]. It consolidates previous investment efforts under the Trans-European transport and energy networks (TEN-T and TEN-E). The new centralised EU funding instrument brings together plans for financing large-scale, mainly cross-border, 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 Commission has also put forward a novel financial instrument to be used in the context of the CEF, the Europe 2020 Project Bond Initiative, which will be one of a number of risk-sharing instruments upon which the facility may draw from in order to attract private finance for projects. Among other things, the facility aims to promote greener transport modes and supply from renewable energy.

2.2.1 A review of the legal provisions providing opportunities for climate mainstreaming

The Commission proposals on the Connecting Europe Facility (CEF) integrate a number of provisions which take climate change considerations into account. 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 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. No explicit objectives related to climate change are stipulated for the telecommunication

[27] 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

sector, however in the annexes where the lists of priorities are defined, some climate related activities can be identified.

In the field of transport, the CEF will finance projects of 'common interest' as identified in the revised TEN-T guidelines[28]. 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[29]. 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.

In the telecommunications sector, under horizontal priorities, there is a specific activity regarding the 'analysis of the environmental impacts, taking into account climate change adaptation and mitigation needs, and disaster resilience'. While this provision is welcome, it is a bit vague. In fact, the wording is the exact wording as in the Common Provisions Regulation for CSF funds under Article 91 which specifies the information that needs to be submitted to the Commission in the case of major projects. Therefore, the exact application in the context of telecommunications is not entirely clear and needs to be further clarified. Apart from that, specific activities for the deployment of intelligent energy networks are also foreseen under priority infrastructure for digital services, which can have important climate benefits.

Article 22 of the draft Regulation stipulates that '*only actions in **conformity with the Union law** and which are in line with the relevant Union policies shall be financed under this Regulation*'. This provision is similar to the Article 6 of the Common provisions Regulation requiring compliance with EU law. As discussed in the previous section, this includes also EU environmental and climate law and relevant policies.

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.

Article 21 refers to the responsibilities of Member States concerning the implementation of projects. It requires that Member States report *inter alia* 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

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

[29] 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

(Article 26(2)), will be strengthened against performance indicators as specified in the proposed Regulation.

Additionally, any expenditure related to **environmental studies** will be an eligible cost for receiving a grant under the CEF.

2.2.2 Summary

The Commission proposals on the 2014-2020 CEF to a large extent reflect the commitment to mainstream climate change in the EU budget. The objectives of the facility explicitly recognised not only the 20-20-20 climate and energy targets but also refer to the 2011 White Paper which sets out a reduction target of at least 60 per cent of greenhouse gas emission of the transport sector by 2050 in relation to 1990[30]. The list of priority projects in the transport sector tends to favour the development of railways and ports while road development is envisioned to be supported through the Project Bonds Initiative. The prioritised energy projects also give stronger emphasis to renewable energy compared to previous programming periods.

[30] EC (2010) White Paper 'A Roadmap to a single transport area – towards a competitive and resource-efficient transport system, Communication from the Commission, (COM(2011)144).

3 ANALYSIS OF GAPS AND CHALLENGES

The proposals for the future Cohesion Policy and the CEF contain a number of important provisions for climate mainstreaming. Yet, there are a **number of questions that remain unresolved**. For example, how can the different funding instruments contribute sufficiently to the proposed minimum target of 20 per cent climate spending commitment? What should be counted as climate change expenditure? What tools and mechanisms are needed to operationalise mainstreaming at the stages of expenditure planning, implementation, tracking and reporting?

- **Funding gap**

Perhaps one of the most serious gaps in the Commission proposals is the failure to specify the role of the different funding instruments' in achieving the proposed minimum requirement of 20 per cent spending of relevance to climate change concerns (see Table 1). With no overarching guidance in place, the decision is left to a bottom-up decision-making process on the basis of individual funds regulations. Of course, the 20 per cent proposal is currently being debated in the context of Council negotiation on the 2014-2020 EU MFF. It is also an aspirational target, not a strict requirement. If it is watered down or deleted during negotiations, the discussion about the funding gap will appear in a different light. But it is worthwhile noting that assessments show a growing gap between perceived investment needs and available investment resources. A funding gap will remain, independent of the outcome following the post-2013 MFF discussion.

Table 1. Estimated expenditure for climate change under 2014-2020 EU MFF

EU funding Instrument	Proposed CC earmarking	Estimated funding in bn €
Horizon 2020	35% for CC	28
EU Cohesion Policy	20% ERDF in dev./transition regions EE/RES 6% ERDF in less dev. region EE/RES	17
CEF	n.a.	13
CAP	30% 'greening'	?
Rural development	25% for CC and environment	11.25
LIFE	Direct spending under CC component	0.8
Development Cooperation Instrument	16% of the programme for 'Global public goods and challenges' for CC 13% for sustainable energy	1.14
Total		71.19
MFF commitment		**200**
Funding gap		**128.81**

Source: IEEP compilation

The proposed earmarking within Cohesion Policy should result in approximately €17 billion for renewable energy and energy efficiency projects in all regions of Europe. This is almost double the spending compared to current levels.[31] It could be topped up by additional allocations under both the ERDF and the Cohesion Fund in CEE countries but the final figures will not be known until the approval of the national and regional Operational Programmes (due at the end of 2013). Depending on what is counted as climate change expenditure (using the Rio markers), the share of EU Cohesion Policy for 'climate-related activities' could theoretically rise. The issue of ex-ante categorisation and tracking of expenditure is therefore important.

Under the CEF, if all projects for railways and renewable energy are counted (applying a differentiated weight according to the Rio markers methodology), one could assume that approximately €10-15 billion will be climate related. Altogether, the two instruments under the largest Heading of the MFF, Cohesion Policy and the CEF, are likely to contribute roughly €30 billion for climate change objectives.

There are other opportunities for climate change related expenditure particularly under the 2014-2020 Horizon 2020, rural development and external action. The proposed 30 per cent greening of Pillar One of the CAP is likely to materialise in some share of the direct payments having climate change benefits. However it is not possible to determine the exact amount as much of the details will be regulated in forthcoming Delegated Acts. For rural development, the estimated figure is around €11 billion if we assume that the allocations will be equally divided between environment and climate change. It is possible to assume that some funds might be climate related under various external action instruments (eg IPA, ENI, PI, IfS and Greenland). Specific earmarking is proposed only for the 'Global Public Goods and Challenges' Programme under the DCI. The contribution of other funds is likely to be minimal.

Table 1 therefore shows two things:

1) There is a significant gap between the proposed aspirational target of devoting at least 20 per cent of EU MFF spending on climate change related activities and the earmarked allocations of resources under the different fund regulations. Even if the greening of Pillar One together with some additional opportunities under other instruments delivers some additional €30 billion, the commitment will be fulfilled only halfway. The EU is likely to fall short on its ambition, as there is currently no strategic approach visible on how to close this gap.
2) Albeit presenting the highest potential for expenditure on climate change in European regions, the contribution of the future Cohesion Policy remains comparatively low.

- **Mitigation vs adaptation**

While Commission proposals on the future Cohesion Policy put forward quantified earmarking for energy efficiency and renewables, no such commitment is made for climate change adaptation. Similarly, under the CEF, the majority of the climate-related activities will have a strong mitigation focus.

[31] Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) *Strategies and Instruments for Climate Proofing the EU Budget.* IEEP, Brussels

Negotiations between the Commission and Member States should make sure that no undesired competition between climate change mitigation and adaption objectives as well as with other environmental policy objectives emerge. For example, developed and transition regions are required to select fewer priorities from the menu of thematic objectives. The requirement for at least 20 per cent earmarking for energy efficiency and renewable energy could lead to a situation where the rest of the 80 per cent is unlikely to include any other adaptation or environmental objective. This might be less probable for Member States with high funding allocations (such as Germany, Spain) but could be more probable for Member States with relatively small allocations.

Financing climate adaptation action also has to meet the test of EU value added. A lot of adaptation action is considered to be most effectively dealt with at local and regional levels. Hence, consideration needs to be given to define those areas where EU funding can add value to climate change adaptation funding at national and local level. A prescriptive approach might not work very well in light of evolving local circumstances. In addition, what the Commission proposals currently lack are more explicit provisions that will guarantee that any future EU investment and expenditure is made resilient to future climate change risks.

- **Funds are still allowed for potentially carbon intensive developments**

Even under a scenario with an effective allocation of 20 per cent of funding related to climate change activities, a strategy for making sure that the remaining 80 per cent is in line with overall EU climate change policy objectives is indispensable. Under Cohesion Policy, less developed regions will receive the majority of the total funding. They are allowed to finance a wider range of interventions some of which can be counterproductive to efforts addressing climate change. For example, following historical patterns of EU funds planning (both in Cohesion Policy and TEN-T), road building has been usually favoured over other modes of transport. It is often perceived as easier to administer, entailing less administrative costs. The Commission proposals on CEF try to prioritise mainly railway and port development for grant schemes. Road building will be supported by financial instruments that leverage private financing. However, CEF proposals are also undergoing a political negotiation process. In fact, if funding for roads remains a non-priority for CEF, pressure on the Cohesion Policy to support road development might actually increase. Road building with EU funds can be justified in certain cases, but the transition towards a low-carbon economy points to the need to prioritise other transport modes. This does not necessary implies a complete phasing out of support to road development. However, related expenditure needs to be carefully assessed and alternatives need to be adequately checked in order to minimise potentially negative impacts on GHG emissions.

There are other controversial activities, including support to regional airports under the Cohesion Policy funding. Under the CEF, gas pipelines are part of the priority actions. Since the allocation of funds between the different types of projects is not decided yet, they might receive much higher allocations than renewable energy. The so called 'carbon dioxide networks' will most likely result in carbon capture and storage facilities. So far, there is no widely agreed, empirically proven evidence for the benefits of CCS in terms of climate change mitigation compared to other alternatives. Existing studies are non inclusive and valid questions remain if funding of CCS represents a case of high EU value added.

- **Clarification and operationalisation needs for single requirements**

Further revision and clarification needs concern Article 8 requirements, the system of ex-ante conditionality and green public procurement as well as the tracking methodology approach (analysed in details in chapter 5 of this report).

Article 8 of the draft Common Provisions Regulation requires further operational guidance for implementing authorities. Otherwise it runs the risk of becoming a mere 'tick the box' exercise with little effect on the actual priority setting and implementation of EU funds on the ground[32]. This includes further detail for the Implementing Regulations and operational guidance for managing authorities. It should clearly be established what sustainability means vis-à-vis climate integration and what the implications for Partnership Contracts (PCs) and Operational Programmes (OPs) are.

Ex-ante conditionality appears to be one of the controversial issues discussed during the orientation debate held during the General Council in December 2012[33]. Some Member States maintained the argument that imposing additional conditions seem to be inappropriate particularly for Member States and regions with smaller EU funds allocations. They also see ex-ante conditionality as an inappropriate way for the EU to interfere in other national policies and competences. The use of conditionality in Cohesion Policy is however not new. In fact, evaluations of the Cohesion Policy register considerable positive unintended effects (for example, improved governance systems and strengthened partnerships) and these are exactly due to the use of such 'strings attached'[34]. Ex-ante conditionality will certainly improve policy coordination. It can further improve investment planning by linking the award of funding to existing national and regional policies, plans, and strategies for climate change mitigation and adaptation. For example, this applies to the proposed conditionality linked to railways which requires that EU funds are underpinned by national transport plans clearly stipulating investments needs and their priorities.

The proposed ex-ante conditionality on climate adaptation is not formulated in a clear manner. It requires the existence of national or regional risk assessment for disaster management, referring to conclusions of the Justice and Home Affairs Council from April 2011[35]. The Conclusions mostly address disaster management (including both natural and man-made) and invite Member States to develop national risks assessment by the end of 2011. The relation to climate adaptation however is largely indirect. A more important aspect of this conditionality is linking the programming of funds to the existence of national and regional climate change adaptation strategies. In this way, EU co-financing for adaptation measures would be used to promote the implementation of EU efforts in this regard while at the same time better tailoring investments to regional circumstances and

[32] Hjerp, P., Medarova-Bergstrom, K, Skinner, I., Mazza, L. and ten Brink, P. (2011) *Cohesion Policy and Sustainable Development-Policy Instruments,* Supporting Paper 5. A report for DG Regio, February 2011.

[33] Council of the European Union - General Affairs - 3138th meeting, 16 December 2011, Brussels, live webstreaming

[34] Jouen, M. and Rubio, E. (2007) *Synthesis Paper. Seminar "The EU Budget: What for?",* 19 April 2007, Brussels.

[35] Conclusions of the Justice and Home Affairs Council, 11-12 April 2011, Conclusions on the further developing risk assessments for disaster management in the European Union.

needs. It could also be better linked to the implementation of the Floods Directive 2007/60/EC[36]. However, a majority of Member States do not have a national adaptation strategy or plan yet.

There is definite room for improving the ambition of the currently proposed system of ex-ante conditionality. For example, the promotion of **green public procurement** in the implementation of EU funds programmes and projects is omitted. There are, however, existing specific cross-compliance requirements under different parts of the *acquis* that could be utilised in this regard. For example, the provisions of the clean vehicles Directive[37] require that public authorities, as well as organisations principally financed or administered by such authorities, take account of the environmental performance of road vehicles when they are purchased. A specific conditionality could be included in relation to this Directive[38] coupled with operational guidelines for voluntary approaches to apply the GPP concept in countries that want to further promote it.

- **Awareness and institutional capacities at national/regional levels**

Much of the implementation of the climate mainstreaming approach will depend on domestic action. The success of the whole approach will very much depend on the national and regional managing authorities, particularly their awareness and their commitment, their knowledge and skills and their available resources. For example, the final decision on funding allocation is decided at national and regional levels. The Partnership Contracts, Operational programmes and project applications will need to operationalise the proposed mainstreaming provisions. The performance framework and result indicators will have to be developed at national and regional levels.

Issues of administrative capacity, awareness, technical skills, availability of data are not sufficiently dealt with in the Commission proposals. A 'general' ex-ante conditionality in the Cohesion Policy requires that the authorities ensure the enhancement of their institutional capacity, the existence of a mechanisms to guarantee the effective implementation of EIAs and SEAs and the existence of statistical and indicator systems. No explicit reference is made to climate change mainstreaming and/or the inclusion of climate change mitigation and adaptation information in either EIA or SEA systems. If these issues are not properly addressed, they can pose a considerable obstacle for delivering the mainstreaming agenda.

Similarly, the performance frameworks proposed by the Commission as a way to enhance the quality and effectiveness of EU spending will be designed and reported against at national and regional levels. This will require setting out logical frameworks with ambitious objectives, quantifiable (to the extent possible) targets, interim milestones and performance indicators. Embedding climate change targets, milestones and indicators in the performance frameworks is essential for mainstreaming (simple tracking of climate change expenditure is insufficient in that respect). Designing effective indicator systems however has often been

36 IEEP (2010) Manual for European Environmental Policy. Earthscan.

37 Directive 2009/33/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of clean and energy-efficient road transport vehicles

38 Hjerp, P., Medarova-Bergstrom, K, Skinner, I., Mazza, L. and ten Brink, P. (2011) *Cohesion Policy and Sustainable Development-Policy Instruments,* Supporting Paper 5. A report for DG Regio, February 2011.

raised as a challenge not least in relation to environmental and climate change issues. Two obstacles are usually identified, namely methodological (in terms of measuring causation) and implementation (in terms of designing and negotiation appropriate indicators and targets as well as potentially imposing additional administrative burden)[39].

Administrative capacities to monitor, report and evaluate are the Achilles heel of the European governance model. If performance and result-orientation shall improve, institutional capacity building should become a priority. Ideally, some form of soft investments in capacity building and developing the technical base for indicators should materialise already at the end of the current 2007-2013 period in view of the timely preparation of the performance frameworks for the next cycle of Operational Programmes. However, the current orientation in the public debate in most of the Member States and on the EU level point to the opposite direction, namely into a non-specified and generic cut of administrative resources.

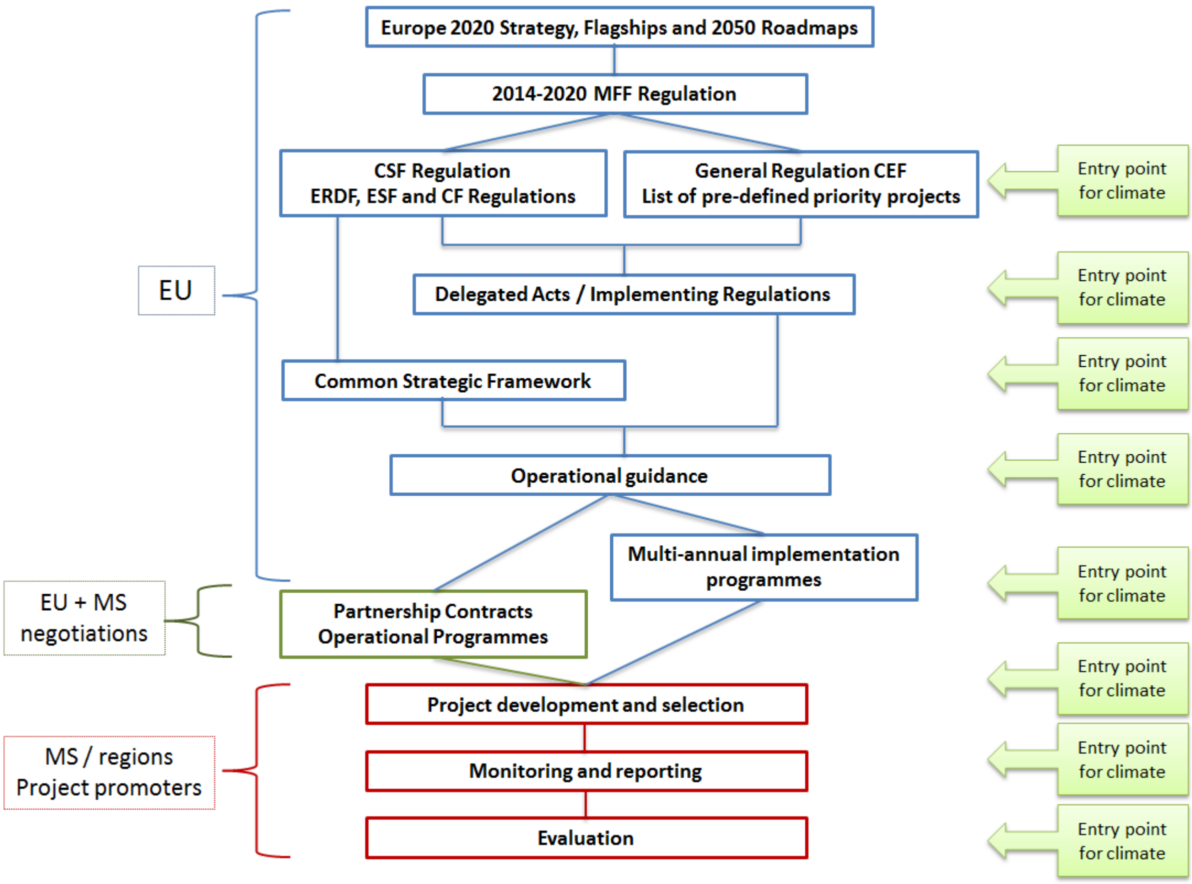
[39] Mendez, C. et al. (2011) Setting the stage for the reform of Cohesion Policy after 2013. Research paper. European Policies Research Centre (EPRC), Glasgow.

4 TOWARDS A ROBUST POLICY AND IMPLEMENTATION FRAMEWORK

The Commission proposals have entered political negotiations in the Council. In order to gain a common ground in decision-making, options for effective implementation need to be found that are feasible to administer. A clear and robust legal framework will help the effective implementation and information about the multiple longer-term benefits that need to underpin this discussion. This chapter explores the options that can aid the effective implementation of mainstreaming through the application of various tools and mechanisms. It also looks at the options for improving the legal framework for mainstreaming climate change under Cohesion Policy and CEF during the political negotiations ahead.

Following the publication of the Commission proposals on the 2014-2020 EU Cohesion Policy and the CEF, there are different entry points in the policy process for elaborating and improving climate mainstreaming provisions. Figure 2 presents an overview of these entry-points.

Figure 2. Entry points for climate mainstreaming in the policy process



Source: IEEP complication

4.1 Creating a clear legal framework

Legal options include amendments to the proposed Regulations, the Common Strategic Framework, specific Implementing Regulations and Delegated Acts and additional operational guidelines.

- **Amendments to the proposed Regulations**

The draft proposals contain already a number of good hooks for effective climate mainstreaming that need to be retained and strengthened during discussions. These include provisions on the horizontal principles, explicit thematic objectives for low carbon development and climate adaptation, an ex-ante conditionality, performance frameworks, an incentive structure and a penalty system, and requirements for SEA and EIA (in the case of Cohesion Policy) and general and sector specific objectives, the focus on more climate friendly modes of transport, a differentiated co-financing rate and the opportunity to finance environmental studies (in the case of CEF).

However, an important amendment is needed - in both the Cohesion Policy and CEF Regulations – to provide a clear stipulation on how proposed allocations link to the proposed objective that 20 per cent of the next MFF should be climate-relevant. The mainstreaming agenda would also benefit if the relationship between the proposed earmarking under the ERDF and the 20 per cent ambition is clarified. Similarly, in the case of the CEF draft Regulations, there is a need to display proportions of allocations between the different modes of transport and the different priority measures in the field of energy in a clearer way.

In both funds, more specific provisions could also be embedded to assess the relevance and effectiveness of carbon-intensive spending and feasibility of less-harmful alternatives. This is already implicit in the CEF proposals. Amendments to the Cohesion Policy Regulations could clearly stipulate that transport investments in less developed Member States should be based on a robust needs assessment, including sufficient assessment of alternative options and with a view to favour the least-carbon intensive model where feasible.

The final Regulations on both Cohesion and the CEF could introduce explicit requirements on climate-'proofing' all spending. Specific measures should always be incorporated in project proposals so as to ensure that infrastructures, communities and natural systems are made resilient to climate change impacts unfolding under different climate scenarios.

In both Regulations, the link between the proposed tracking methodology and common indicators needs to be strengthened. The proposed common indicators in both the Cohesion Policy and CEF are still largely output based. The list of indicators should include more result-based indicators for both mitigation and adaptation.

Additional improvement can be achieved by specifying more concretely in the ESF Regulation how funds for job creation, institutional capacity building and governance can support climate change mainstreaming purposes. Similarly, explicit reference to climate change adaptation can be made in relation to the community-led development initiative and local development strategies in the Common Provisions Regulation.

- **Common Strategic Framework**

The CSF is an important policy novelty. It is intended to improve the strategic orientation and coordination of planned investments for the five funds under shared management[40]. On 14 March 2012, the Commission unveiled 'elements' for the CSF for 2014-2020 which set out priority actions, implementation principles and coordination mechanisms for the funds at national and regional levels[41]. Some of the provisions concerning a better targeting for investments will deliver benefits for climate mainstreaming, ie by elaborating which priority actions can be promoted under the thematic objectives dedicated to low carbon development, climate adaptation and risk prevention, protection of the environment and resource efficiency, and sustainable transport. The requirement to adopt a more sustainable overall investment portfolio (such as ecosystem based approaches to adaptation, polluter pays principle, carbon footprint assessments in transport, etc) is another helpful element.

The original intention of the Commission was to adopt the CSF as a Delegated Act. Given a different positioning of Council and Parliament it is most likely that it will be negotiated as an Annex to the Common Provisions Regulation by the Council and the European Parliament now[42]. As such it would be a legally binding document.

In order to guarantee effective thematic concentration, coordination and implementation, some of the provisions of the Commission proposal could be strengthened, particularly with a view to further clarify relevant main provisions of the Common Provisions Regulation. This refers particularly to the operationalisation of the sustainable development principle and climate change integration needs at the different stages of the funds implementation cycle – programming, implementation, monitoring and reporting - and its implications for Partnership Contracts, programmes and projects. Additionally, a set of criteria for assessing European added value could aid the priority setting and the project selection at national and regional levels. Further to this, a list of possible projects and examples of good practices could provide Member States with a menu to pick from.

The link between the CSF and the national and regional Partnership Contracts and Operational programmes will be established through country negotiation mandates[43]. The draft negotiation mandates expected to be prepared by the geographical units in DG Regional Policy and circulated on an informal basis to Member States by June 2012. They present a good opportunity to clearly communicate to Member States the opportunities and expectations for Partnership Contracts and Operational Programmes.

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[40] These include 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

[41] European Commission (2012) Elements for a Common Strategic Framework 2014-2020, Part I and II, Commission staff working document, SWD(2012)61, 14.3.2012, Brussels

[42] Council of the European Union (2011) Press release – 3138th Council meeting: General Affairs, 18720/11, 16.12.2011, Brussels

[43] Directorate General Regional Policy (2011) Management Plan 2012. Public version. European Union, 14.12.2011, Brussels.

- **Implementing Regulations**

Implementing Regulations provide additional clarification for the implementation of the main Regulations. While the details cannot be covered in the main Regulation, such an act can guide managing authorities and project developers. An Implementing Regulation on the implementation of climate change mainstreaming would be an immense support for ensuring an effective implementation process for the Cohesion Policy and the CEF. The performance frameworks and the links to ex-ante conditionality, performance reserve, correction system, performance review, should also be regulated in this Implementing Regulation.

The proposed tracking methodology and ex-ante categorisation of climate-related actions should also be regulated in an Implementing Regulation which should establish a common approach to all EU funding instruments, not only Cohesion Policy and the CEF.

- **Technical Guidance**

In addition to Implementing Regulations, technical guidance will be produced by the Commission at both operational and project levels. The guidance can have different target groups – from geographical officers at DG Regio and project evaluators at the TEN-T Executive Agency, to managing authorities at national and regional levels, to project promoters and final beneficiaries.

Technical guidance could be particularly helpful for demonstrating a step by step process of climate mainstreaming in Partnership Contracts, Operational programmes and subsequent project development. Guidance would need to be responsive to regional needs and be able to focus on key sectors and related thematic issues. Managing authorities would need specific guidance on climate change adaptation actions in different sectors. Guidance will also be important for complementing SEA and EIA procedures with more targeted carbon footprint assessment and risk assessments. Other guidance could be issued for defining the project selection criteria for supporting climate friendly projects.

4.2 Ensuring sufficient scale of funding and priority interventions (vertical mainstreaming)

The Partnership Contracts and Operation Programmes as well as the multi-year implementation programmes need to achieve a sufficient allocation of funds related to climate change mitigation and adaptation issues. The proposals for earmarking are helpful to guarantee that a minimum share of the funds is being targeted on energy efficiency and renewable energy action. Member States can go beyond the proposed earmarking, particularly in the case of the Cohesion Policy. The rightfully strong emphasis on mitigation of climate change should not translate into a decrease of ambition for funding climate change adaptation. In addition, needs in terms of improving the information and knowledge base, administrative capacities and better governance for climate change financing should be addressed as a priority. This is critical not only for the Cohesion Policy but also for the CEF.

Since the funding is limited, competition among relevant different objectives needs to be avoided. Therefore, it is important to promote climate change expenditure in a smart way and identify win-win solutions, where possible. There are a number of **synergies** between mitigation and adaptation, especially in urban settings, such as green roofs or green buildings. Similarly, an assessment of possible co-benefits between climate adaptation and biodiversity and ecosystem services needs to identify actions with a high synergy potential. In addition, many measures for improving energy efficiency and resilience to climate impacts are having positive economic, fiscal and social effects. Such **'win-win' solutions** should be identified and promoted in future funding programmes.[44]

In fact, communicating clearly the potential ancillary effects and win-win opportunities of climate change measures can be a winning argument in political negotiations. It could also help the programming process if sectoral administrations realise the multiple longer-term benefits of looking at infrastructure development, economic and social cohesion and low-carbon economy transitions from a better integrated perspective. Low-carbon investment opportunities are not always fully recognised by relevant sectoral policy administrations. However, there will also be cases where a win-win approach is not possible but climate measures should be given priority due to their relevance for avoiding high-carbon development pathways or securing fundamental ecosystem services that are crucial for climate change adaptation.

Climate change related spending needs to respond to criteria of result orientation and performance improvement as well. Particularly, it needs to clearly appraise all direct and indirect impacts to avoid that project's positive impacts in one area being offset by another project's negative impacts in others. The well documented case of indirect impacts of land use change induced by biofuels is one prominent example. In the expansion of energy infrastructure for renewable energies in areas with sensitive ecosystems could create lasting damage to the natural environment, if not planned well. Also, adaptation options, if not properly assessed and designed can easily turn out to be maladaptation. For example, prioritising large scale technology-based options might not always be the most sustainable option in the long-term. Impacts on ecosystem based approaches to climate change should always be considered when project options are assessed.

Another aspect of an effective implementation would require better **coordination** among EU funds and improved **complementarity**. If climate change is to be mainstreamed across different funding instruments a major question is how to ensure that there are no overlaps between actions. This requires effective coordination during the design of different funding instruments and specifically the criteria for priority-setting. Upfront investments in terms of administrative efforts are likely to be over-compensated through better result performance and effectiveness of project spending. This is critical for the PCs in the Cohesion Policy. For example, while CEF could focus on large scale cross-border infrastructure developments, the Cohesion Policy could focus on developing secondary links and connecting nodes as well as regional and local infrastructures.

[44] Link to DG REGIO SD Cohesion Policy study?

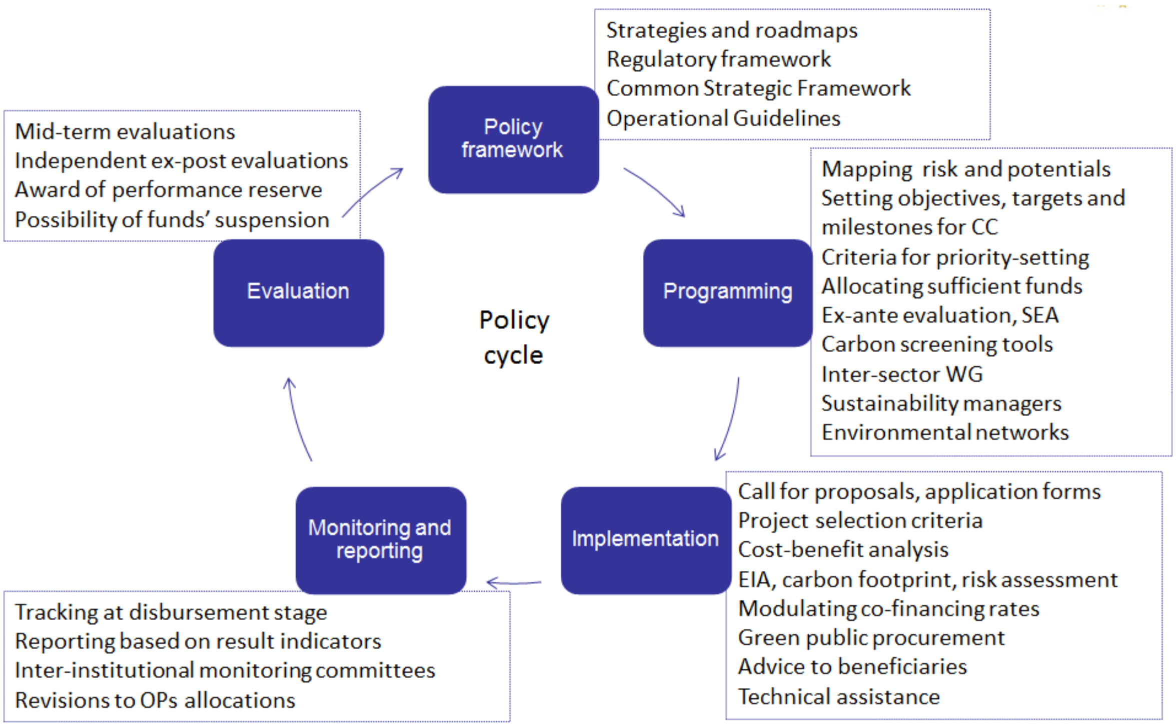
Also, at national level there are already **existing different funding schemes** to support different climate-related activities. Their availability and effectiveness varies significantly from one Member States to another. However, EU funds should not duplicate existing national funding schemes and/or crowd out potential private financing.

Many infrastructure projects could be revenue-generating and hence delivered through the market. The need for grants is debatable in this context. Instead, public funding can use conditionality requirements to enhance user charges and/or apply lower co-financing rates in the case of grants. Another way in this case would be to use EU funds for **financial instruments** and financial engineering. The need to strike an optimal balance between grant schemes and financial instruments is important.

4.3 Horizontal mainstreaming – a toolbox

Horizontal mainstreaming needs to deliver an accessible box of institutional safeguards and instruments to help with improving the overall performance and effectiveness of spending. There are different instruments that can help to implement climate change mainstreaming in EU funds. Some of them are already being applied in several Member States or regions. These instruments should be designed in accordance with national circumstances and capacities; a 'one size fits all' approach would not be suitable. **A menu of such instruments** is shown in Figure 3. We discuss a selected number of them in more detail.

Figure 3. Menu of instruments for climate mainstreaming along the policy cycle



Source: Adapted from Hjerp et al. 2011[45]

[45] 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, A report for DG Regio, October 2011.

The first step in the implementation of this horizontal approach to mainstreaming is to set suitable **objectives, targets, milestones and indicators** for the PC, OPs and multi-annual programmes early in the programming process. The choice of objective will largely determine the appropriateness of the priority actions/project as well as the allocation of funds (see previous chapter). Moving to greater performance based EU spending requires clear and easy communicating of objectives. A set of criteria to define value added of EU expenditure will need to come in here as well.

Another option in implementing this horizontal mainstreaming is to identify any **climate harmful spending** among the planned funding allocations. There is already a useful tool developed for DG Environment which provides a methodology for identifying broader EHS[46] which could be adapted to the specifics of climate change[47]. At this point, it is important to note that subsidy reform concerns both the removal, where needed, and the revision of subsidies, where possible. Following this line of argument, there can be different stages of the process of removal of carbon harmful spending – from absolute phasing out to incremental reform of investments. Different options in this respect include[48]:

- ***Shifting from one sub-sector to another more climate-friendly sub-sector***, for example, meeting mobility needs through providing for rail, rather than road infrastructure, or encouraging other mobility services;
- ***Shifting within a subsector to more climate-friendly activities***, for example, enabling transport to be powered by less carbon intensive energy sources through investing in the development of networks of electricity charging points for road infrastructure; and
- ***Keeping subsidies but tightening 'conditionality'*** to design them in a way that environmental damage is mitigated to the extent possible, or reduce the level of investment needed. For example, using whole life costing and green public procurement has the potential to mitigate environmental damage.

This option has potentially two positive outcomes – on the one hand, it could free up funds for more carbon-saving and/or climate resilient expenditure, and on the other hand, it could improve the overall climate performance of EU funding instruments.

Developing an effective **tracking methodology** is another critical need. The proposed Rio markers methodology needs to be further developed and operationalised. The definitions and criteria for what counts as climate related expenditure needs to be clear in order to avoid incoherent reporting among Member States. They also need to be sufficiently tight to

[46] Valsecchi C., ten Brink P., Bassi S., Withana S., Lewis M., Best A., Oosterhuis F., Dias Soares C., Rogers-Ganter H., Kaphengst T. (2009) Environmentally Harmful Subsidies: Identification and Assessment, Final report for the European Commission's DG Environment, November 2009.

[47] It can be used to assess whether the subsidy removal will benefit the environment; understand the wider implications of subsidy removal including the economic and social dimensions; provide simple guidance on the use of indicators, referring to the levels of subsidisation of an industry and its environmental and social cost; would be relevant to future measurements and useful in setting baselines for 'reduction rounds' by certain target dates

[48] Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) *Strategies and Instruments for Climate Proofing the EU Budget.* IEEP, Brussels

avoid counting projects as “climate-friendly” which are not’. One option is to use the proposed tracking methodology for **categorising ex-ante** the specific types of interventions and projects that will count towards the proposed 20 per cent spending commitment. The Commission is currently working on such a methodology. Also, if the Rio markers are applied at the level of individual projects (for example, in the case of the CEF) a more flexible approach than the 100-40-0 per cent scoring could be applied to improve precision. However the flexibility options need to be transparently described in operational guidelines issued by the Commission. The information available for large projects is often more detailed (compared to decentralised expenditure programmes) which allows for a more precise account of the respective climate change components (see Part II, chapter 5 for more detailed discussion on a tracking methodology).

There is already some experience with integrating climate change mitigation at a project level, for example by incorporating carbon accounting into the **Cost-Benefit Analysis** (CBA) of large projects. DG Regional Policy has published a common guide to CBA[49], which can aid managing public authorities with examining project ideas or pre-feasibility studies at an early stage of the project cycle. The guide explicitly stipulates that the ‘economic analysis’ should take into account externalities and assign monetary value. Externalities in this case could include social costs associated with adverse environmental impacts of the planned project. CBA also includes an analysis of options for the realisation of a project, which usually assesses different locations of the project but could also consider the implementation of energy efficiency measures instead of the construction of energy production plants[50]. The CBA includes a risk assessment, which currently focuses on identifying and mitigating risks associated with economic and financial performance of the project. However, impacts of climate change, which could pose significant risk in terms of costs of damage repair in the case of infrastructure projects, are not currently included in the calculations.

One example of an interesting carbon footprint tool from the 2007-2013 period is the NECATER tools applied by French regions with the objective of achieving carbon neutrality of their OPs (see Box 1 below).

49 Directorate General Regional Policy (2008) Guide to cost-benefit analysis of investment projects, European Commission. July 2008, Brussels.

50 Directorate General Regional Policy (2008) Guide to cost-benefit analysis of investment projects, European Commission. July 2008, Brussels.

Box 1. NECATER tool for measuring carbon footprint of programmes (France)

The French NSRF for 2007-2013 states 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.

Carbon neutrality is measured through the NECATER tool for monitoring the carbon performance of regional programmes based on an aggregation of project-specific data. This tool 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. NECATAR will eventually be linked to the national monitoring system PRESAGE which is in place for OPs and CPREs.
The tool is based on several factors linked to initial hypotheses:

- Job creations per sector — the effect of Structural Funds on employment. It allows the development of ratios and references later translated into carbon emissions, based on the fact that a job creates added value, economic activity and additional transportation, which in turn creates GHGs. Data comes from the already available evaluations of employment and its impact on carbon emissions.
- State of the region — as each region is unique, its social and economic development through the demography and added value of each economic sector must be taken into consideration. The already available statistical data are used.
- Structural data — available through national statistics: transport flow per mode of transport, size of vehicle fleet, size of the region, infrastructure, housing typology, local weather conditions, etc.

Project allocations are to be quantified ex ante and can be amended during the implementation stage. NECATAR will provide information on energy savings as one of its core indicators at the aggregate level. The tool is only suitable for climate change mitigation projects

Source: *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*

Integrating and monitoring climate change adaptation systematically in a spending programme is more challenging. First, there is no EU coherent policy framework to define the EU's climate adaptation objectives and related action requirements. At a national level, not all Member States have national and/or regional climate change adaptation strategies or equivalent policy frameworks in place. The knowledge base for integrating climate change adaptation in the context of EU spending is therefore limited. There is however emerging practice to carry out 'climate change risk assessments' by the EIB and some Commission services as a means of assessing the vulnerability of EU planned expenditure and/or investment projects to potential climate change impacts and factor those into the planning and design of programmes/projects.

The proper implementation of different tools for climate change mainstreaming is also linked to the availability of **appropriate administrative** and **technical capacities** at different levels of governance (Box 2). Administrative capacities on Member State level are affected by financial consolidation 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.

Box 2. Environmental Sustainability Manager (South West England)

The South West region in England has introduced a novel governance mechanism to ensure the integration of broader sustainability issues, including climate change, in Cohesion Policy programmes, in particular in the programming and project selection phases. The Environmental Sustainability Manager therefore has critical responsibilities in integrating environmental concerns including:

- 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 complementarily; and
- Ensuring that different advisory groups such and the Programme Monitoring Committee are up to date on progress and new developments and good examples.

Although the success of this institutional innovation is largely due to the dedication and commitment of the individual, the creation of such governance mechanisms for policy integration can be cited as good practice for other programmes. The environmental sustainability manager is viewed as a vital position by stakeholders in the region who feel that its role should be continued to ensure that environmental issues remain high on the agenda and are strongly encouraged and enabled.

Source*: 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, A*

Capacity limitations affect the ability of national and regional authorities to integrate climate change objectives, priorities and requirements in the Partnership Contracts and Operational Programmes. However, the capacity of project developers and consultants to incorporate climate change mitigation and adaptation in the feasibility studies of large scale infrastructure projects is also a challenge that needs to be addressed. There is also an issue with the capacity of practitioners carrying out SEAs and EIAs. They need to be methodologically equipped to incorporate carbon footprint and risk assessments. Building proper institutional capacity would require awareness raising, technical training and also negotiation skills that need to be recognised on the EU and national agendas. Using the European Social Fund for such soft measures is another option. Another opportunity would be to make better use of the funding allocated to technical assistance under EU Structural

Funds and environmental studies under CEF. Expanding the scope of JASPERS[51] to provide technical expertise to carbon footprints and risk assessment of projects should also be considered.

Using **'in-house' expertise** is essential opportunity in this regard. DG DEVCO's related experience demonstrates the added value (Box 3).

Box 3. DG DEVCO approach to climate mainstreaming in EU external aid

The mainstreaming approach is applied at three levels – at the level of country strategy papers, activity programmes and projects. In the country strategy papers, it is obligatory to include environmental profile which includes climate change considerations. The recommendations of the environmental profile are then translated into strategic objectives in the country strategy papers and specific activities in the respective programmes. In addition, Strategic Environmental Assessments (SEA) are applied at the level of programmes where climate change considerations are also taken into account to the extent possible. At the project level, project promoters develop 'identification fiches' which include the results of a 'screening questionnaire' on environmental and climate change mainstreaming. The identification fiche also includes a DAC form where the Rio markers should indicate if the project has a principle, significant or no climate change objective. The project promoter is also asked to carry out climate risk assessment which evaluates the potential exposure of the project to climate change impacts.

***Source**: Renier, P. (2012) Climate change mainstreaming and the use of Rio markers in development cooperation. Presentation at the workshop 'Practical options for climate mainstreaming in the 2014-2020 EU MFF', 1 February 2012, Brussels*

Furthermore, clear and detailed **guidance** on projects and measures should be provided for each thematic objective and intervention field. Internal **seminars and skill shares** between the Commission and Member State officials can help improve national and regional expertise in utilising the opportunities provided by climate-related measures. This approach was successful when EU Funds Regulations were modified to harness EU funds for energy efficiency and renewable energies for social housing as part of the European Economic Recovery Plan[52]. Another essential aspect of this is the encouragement of **pilot projects** as well as the collection and promotion of **good practices** across European regions. This could strengthen both the administrative capacity and knowledge management of national administrations and their institutional memory.

The negotiation process between the Commission and Member States preceding the approval of the national and regional Operational Programmes is one of the most important coordination mechanisms. Especially in new Member States, the negotiations process in the

[51] JASPERS is a new instrument under the 2007-2013 Cohesion Policy managed by DG Regional Policy and the EIB which is aimed at providing technical assistance (e.g. feasibility studies, project preparation, technical issues, etc.) to new Member States in the preparation of big infrastructure projects.

[52] Medarova-Bergstrom, K., Volkery, A., Schiellerup, P., Withana, S., Baldock, D. (2011) *Strategies and Instruments for Climate Proofing the EU Budget.* IEEP, Brussels

past programming period resulted in the articulation of better objectives for environmental protection and the integration of environmental concerns horizontally across EU funds programmes[53]. **The Commission needs to take a strong role** in the negotiations of both PCs and Ops ensuring a minimum degree of coherence across PCs and Ops and to ensure high added value of EU spending. This should include the agreement of a robust performance framework in view of the performance reserve, permitting financial correction when evidence shows that targets and milestones are not met and verifying the fulfilment of ex-ante conditionality which will be reported by the Member States themselves.

Another key issue is the **availability of data**, especially at national and regional levels. The majority of tools (assessment procedures, indicator systems) for climate mainstreaming require the availability of and accessibility to relevant data. However, current availability, particularly on the project outcome level, is patchy. One option is to provide for some share of the Cohesion Policy (under technical assistance for example) to be allocated specifically to the development of indicator systems, including data collection where needed. In the CEF, the use of funds for environmental studies is already envisioned but this could be expanded to include any technical support explicitly in relation to climate change mitigation options and assessing climate impacts.

Stakeholders can helpfully contribute to climate-mainstreaming activities, but an effective consultation process requires a sufficient timing, both for the programme and project planning as well as for the assessment procedures (SEA, EIA).

Establishing an overall approach to operationalising effective climate mainstreaming should be a priority for the Commission and Member States over the next two years. Providing a robust legal framework based on clear stipulations in the different Regulations, the Common Strategic Framework and the implementing Regulations as well as clear operational guidance for managing authorities are key needs to live up to the expectation that the next MFF should deliver better on result-orientation, performance and in terms of overall high value added of EU funding.

[53] Hjerp, P., Medarova-Bergstrom, K, Skinner, I., Mazza, L. and ten Brink, P. (2011) *Cohesion Policy and Sustainable Development-Policy Instruments,* Supporting Paper 5. A report for DG Regio, February 2011.

5 TRACKING CLIMATE EXPENDITURE

The Commission has proposed to apply a slightly modified Rio markers methodology, in the format applied by DG DEVCO, as the main approach to tracking climate change expenditure. 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 (ie 100 per cent as climate expenditure);
- **Significantly climate related**, which will be counted partially (ie 40 per cent as climate expenditure); and
- **Not climate related**, which will not be counted (0 per cent climate expenditure).

5.1 What are Rio Markers?

The United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992, adopted the three 'Rio Conventions' on climate change, biological diversity and desertification respectively. Developed countries committed to assist *inter alia* 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-DAC[54] 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.

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*.'[55]

In 2009, in response to increasing attention and financial flows for climate change adaptation, OECD-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*'[56]. This encompasses a range of activities in different sectors promoting a change in practices with a view to respond to climate impacts,

[54] 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

[55] OECD-DAC, Focus on aid targeting the objectives of the Rio Conventions, www.oecd.org/dac/stats/rioconventions

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

strengthening governance and the institutional basis to risk management and preparedness for natural disasters.

The system of markers indicates ‘*donor’s policy objectives in relation to aid activity’ or ‘best estimate’*.[57] It is applied to each funded project or programme. Activities fall under three main categories:

1. Activities where climate change is a ‘**principal’ objective**. This includes activities which documentation[58] explicitly refers to a climate change objective or in other words includes activities which would not have been funded but for this objective. This category of activities are marked as ‘2’;
2. Activities where climate change is a **‘significant’ objective**. This means that the activity has other prime objectives, which however, have been formulated or adjusted to accommodate climate change concerns. These activities are marked as ‘1’; and
3. Activities which do **not target climate change objectives** are marked with ‘0’.

‘Climate change objectives’ as referred to in the above categorisation are further elaborated in the ‘eligibility criteria’ for the Markers (see Table 2). The use of eligibility criteria is different for mitigation and adaption. In the case of mitigation, a principal objective can be assigned to an activity if the activity explicitly refers to any of the four eligibility criteria. For adaptation a principal objective will be assigned only to activities that comply with both of the two eligibility criteria for adaptation at the same time. Furthermore, the way the eligibility criteria is formulated for adaptation is much more vague, but more details are provided regarding possible types of activities that can be counted towards markers ‘1’ and ‘2’.

57 OECD (2001) Handbook on the OECD-DAC Climate Markers, September 2011

58 Activity documentation is a set of documents based on which a decision of the allocation of funds is being made. These can include operational programmes, project application forms, etc.

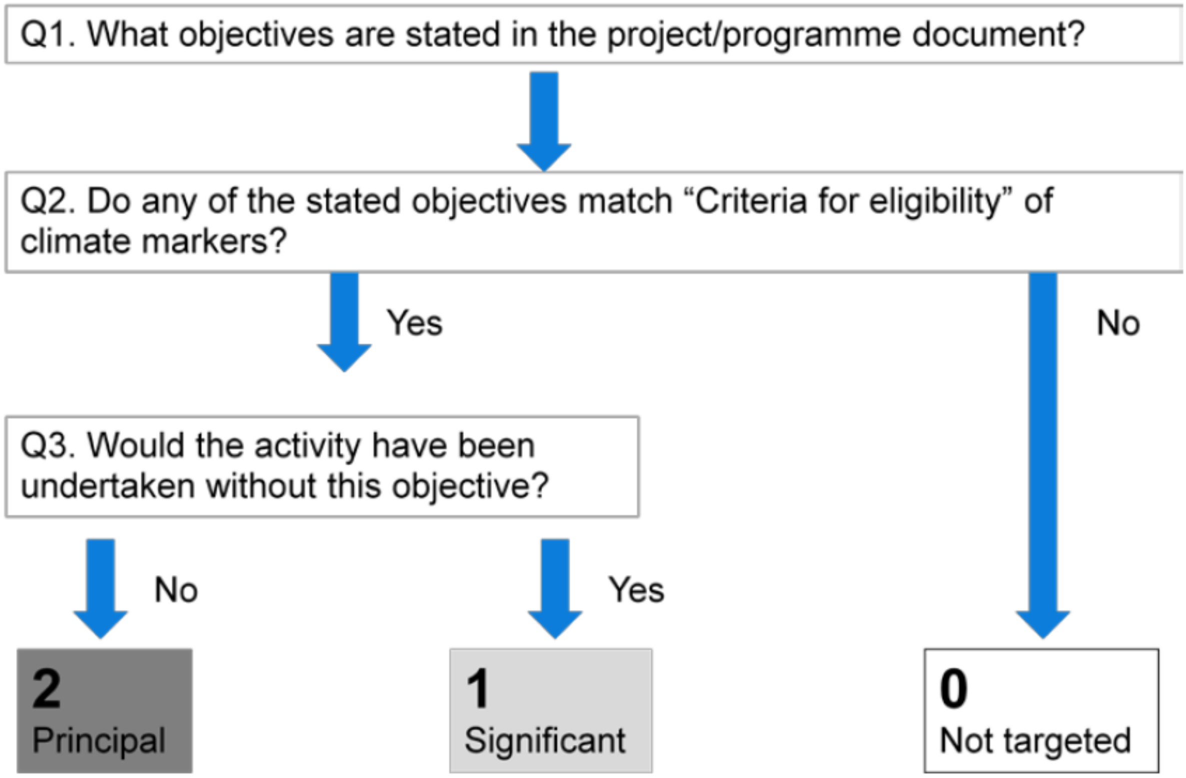
Table 2. Eligibility criteria and activities counted as climate change mitigation and adaptation

	Mitigation	Adaptation
Eligibility criteria	• 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.	• Climate change adaptation objective is explicitly indicated in the activity documentation; **and** • Activity contains specific measures targeting the definition above.
Type of activities[59]	• GHG emission reductions or stabilisation in the energy, transport, industry and agricultural sectors (eg 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	• 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

[59] The lists are intended to have an orientation character; they are not exhaustive

When applying the methodology it is critical to identify if a climate change objective is the main objective or if climate change objectives are of secondary importance. This will determine whether an activity falls under marker '2' or '1'. A step by step application of the Rio Markers is presented in Figure 4.

Figure 4. Creditor Reporting System using Rio markers



Source: OECD Handbook, 2011

A strong advantage of the Rio Markers is that they have been in use for quite some time and can rely on a comprehensive data base. 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. It has been used for more than 10 years and has been improved over time. Data is publically available in databases which cover more than 90 per cent of all aid funds flowing from OECD countries and multilateral organizations.[60] Another advantage is that both the EU and some Member States are already using the system in the context of development aid.

At the same time, the Rio Markers face a number of methodological challenges. First, the fact that it indicates the volume of financial streams based on stated policy objectives, means that the markers allow only for an approximation and not an exact quantification of

[60] Buchner, B et al (2011) The landscape of climate finance. A CPI report, 27 October 20122, Venice.

aid flows.[61] For example, the 'significant objective' category can include projects exhibiting various degrees of mitigation significance (20 or 80 per cent).[62] Although there are definitions and eligibility criteria for climate change mitigation and adaptation activities, 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[63]. This can affect the comparability and aggregation of results[64]. Previous evaluations have found that the methodology provides significant room for interpretation and incorrect policy signals[65]. Therefore, the definitions should be understood as providing guidance rather than a clear approach to rank projects and programmes individually.

Second, the demarcation between principle and significant objective is not always easy to establish. Box 4 exemplifies how a distinction between the two can be established. These two examples are important as they can be used to understand how to differentiate between the '100' and '40' per cent markers in the modified methodology as proposed by the Commission.

Box 4. Exemplification of 'principal' and 'significant' objective

Activity 1: Principal objective
If an activity aims to **limit anthropogenic greenhouse gas emissions** through switching from a coal-fired power plant to cleaner energy sources including a mix of geothermal, hydro-electric and solar power, it means that climate change mitigation is a primary motivation for undertaking this activity, and therefore should be marked as a principal objective '2'.

Activity 2: Significant objective
If an activity aims to provide **access to safe and reliable energy services** as a means of achieving social and economic development and only one component of the activity is supposed to support end users in obtaining access to reliable and cleaner energy services, then energy provision is the primary objective whereas climate change mitigation is a secondary objective. It should be marked as significant objective '1'.

Source: OECD Handbook, 2011

[61] OECD (2011) Handbook on the OECD-DAC Climate Markers, September 2011

[62] Hervé-Mignucci, M. (2012) Pros and cons of the Rio Markers. Presentation at the workshop 'Practical options for climate mainstreaming in the 2014-2020 EU MFF', 1 February 2012, Brussels.

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

[64] Hervé-Mignucci, M. (2012) Pros and cons of the Rio Markers. Presentation at the workshop 'Practical options for climate mainstreaming in the 2014-2020 EU MFF', 1 February 2012, Brussels.

[65] 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.

Sometimes, it has been difficult to discern between funds dedicated to support mitigation and adaptation activities. Hence, an activity can be allowed to be marked as both mitigation and adaptation. This can lead to double-counting; therefore, it is recommended that the total amount of targeting for the different objectives should not be added-up. This requires that in the original version of the Rio markers an account is always been kept separately for mitigation and adaptation.

The case of adaptation is particularly difficult as it can be integrated in other development objectives (eg access to energy or poverty alleviation). The OECD-DAC definition is rather too broad to be helpful in such cases. Also, it has been pointed out that activities that support adaptation in one case may be maladaptive in another, depending on climatic, environmental, socio-economic, cultural and institutional factors.[66] One way of dealing with this is to simplify the coding for adaptation and restrict the adaptation Rio Marker to certain activities[67]. For example, it has been suggested to count activities as climate change adaptation only if they are based on national/regional climate vulnerability assessments, strategic planning documents or climate risk screening studies[68].

Another problem concerns tracking of planned expenditure (commitments) against tracking of funds actually disbursed. It has been more difficult to track and report funding based on actual disbursement[69]. Commitments usually span several years and reflect planned initial allocations of funding. Disbursements are closely linked to actual signed contracts for projects and/or are done on an annual basis. Albeit more difficult to implement in practice, tracking and reporting based on disbursement levels are more accurate in terms of actual money spent. Tracking based on disbursement levels can also show trends in absorption levels and progress in project and programme implementation.

Table 3 contains a synoptic SWOT analysis of the Rio Markers. Despite of existing weaknesses, it remains the only system that is commonly accepted at international level and where some experience with practical application already exists. It therefore provides a good point of departure. Clearly, in order to apply it to the EU budget, the system will need to be further developed in a way that it strikes a balance between achieving a high degree of precision and the administrative costs it might give rise to.

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

67 Hervé-Mignucci, M. (2012) Pros and cons of the Rio Markers. Presentation at the workshop 'Practical options for climate mainstreaming in the 2014-2020 EU MFF', 1 February 2012, Brussels.

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

69 http://www.unep.org/pdf/dtie/BilateralFinanceInstitutionsCC.pdf

Table 3. SWOT analysis

Strengths	***Weaknesses***
• Commonly used internationally by EU and MS • Some experience and knowledge already existing • Relatively straightforward to apply	• Relatively imprecise • Measures aid contribution to policy objectives • The actual impact on GHG emission is unknown • Report funds that are 'committed' and not 'disbursed' • Definition for climate adaptation is vague • Overlap between types of activities which can be counted as both mitigation and adaptation
Opportunities	***Threats***
• Good basis for developing further the methodology • Build on existing knowledge • Establish a common approach to counting CC expenditure in the EU budget • Improve transparency and accountability of EU spending • Can be integrated in existing reporting systems of EU Funds (e.g. Cohesion Policy)	• Provide relatively imprecise data on climate spending • If not designed properly, might not allow for aggregation and comparability of data at EU level • Focus reporting on the scale of funding, not on actual results • Not revealing trends in spending that can have potentially negative impacts on CC • Cannot be directly applied to the EU budget • Preparation, guidance and capacity building is needed in advance • Could induce additional administrative costs

5.2 Alternative tracking approaches

There are variations of the original Rio Markers methodology[70]. To overcome the weaknesses of the binary classification, one suggestion was to move to a percentage allocation for each programme and project. This is the approach undertaken by the European Commission in the context of EU development aid.

DG DEVCO

The use of Rio markers in EU's development cooperation has been compulsory since 2008. The system is designed to allow for a quick identification of projects contributing to climate change objectives. EU's approach was to apply a 'fixed adjustment factor' for activities only partially relevant to climate change – 40 per cent of the allocated budget if the Rio Marker is 1 and 100 per cent if it is 2. This was undertaken as an improvement of the original Rio markers methodology where the binary classification is deemed as a source of imprecisions. This way, it was perceived to provide a more realistic reflection of total financial support provided to climate related projects than original Rio marker reporting[71]. It is also specified

[70] Buchner, B et al (2011) The landscape of climate finance. A CPI report, 27 October 20122, Venice.

[71] European Commission/EuropeAid. EU regional blending mechanisms. Leveraging fund for climate change in developing countries, http://ec.europa.eu/clima/events/0046/auropeaid_en.pdf

that the implementation of the EIA or additional mitigation measures does not suffice to code measures and projects with 40 or 100 per cent marker. Methodologies indicating the expected impact on CO_2 reduction could accompany the tracking system but these are optional.

The markers are encoded at the identification stage of measures and projects by project promoters in the so called ‘identification fiches’. The identification fiche contains templates (‘DAC form’) for the Rio markers. Importantly, the correct encoding is double checked by the Commission. In fact, in certain cases, the markers can be modified during the formulation stage of a project, where the activity is fine-tuned and the potential impacts of the action can be clarified. At the beginning, project promoters did not fill in the DAC forms. The Commission corrected this by making the use of the markers conditional for the funding. Additionally, the Commission invested a lot of time and efforts into automatising the system, working with recipient countries, conducting training workshops and developing guidance booklets for practitioners. Establishing a common precise methodology was also a tool for trust building among all stakeholders, including the Commission and recipient countries[72].

DG DEVCO has also developed a list of sectors and activities that can aid the encoding with markers 40 or 100 per cent (see Table 4). It is interesting to see that there are still some overlaps between mitigation and adaptation, leading to the possibility of double counting if numbers of mitigation and adaptation are added up. Institutional support and awareness raising cuts across all sectors and indicates the importance of instructional systems and administrative capacity to manage projects. A broad array of sectors is included. This is important as it highlights the interlinkages between the sectors and the opportunities for co-benefits and win-win solutions. At the same time, this can complicate the tracking methodology as climate related activity can be attributed to almost everything.

[72] Renier, P. (2012) The use of Rio markers in development cooperation. Presentation at the workshop ‘Practical options for climate mainstreaming in the 2014-2020 EU MFF’, 1 February 2012, Brussels

Table 4. List of sectors and activities for mitigation and adaptation

Mitigation	Adaptation
Renewable energy Windmills Solar energy (thermal, photovoltaic, solar over, etc.) Use of biomass (including waste) Sustainable management of forests for fuel wood Hydroelectric, geothermal Institutional support, awareness	***Disaster reduction/preparedness*** Early warning systems for droughts, floods, etc. Sea defences, wetlands, mangroves and coral reefs preservation/restoration Infrastructure for the weather-related extreme events (against floods, storms, storm surges, hurricanes, etc.) Raising awareness activities/disaster preparedness Institutional support on statistical systems, information systems on disaster preparedness, etc. Emergency prevention and preparedness measures, including insurance schemes Respond to glacial lake outburst flood risks (including widening or deepening of glacial lake outlets channels)
Energy efficiency EE in industry, housing, etc. Rehabilitation /renovation of coal, oil energy plants Promotion of energy-efficient transport (river, rail) Awareness raising, projects acting on the 'demand' side (consumer organisations) Institutional support	***Water sanitation*** Sustainable water management, river basin management Water efficiency in areas potentially under water stress Construction of dams in order to compensate for the regulator role of melting glaciers
Agriculture Promotion of efficient fertilization (efficiency in nitrate fertilisers, organic farming, etc.) Promotion of agroforestry, projects limiting slash and burn in agriculture Activities to reduce land use change and expansion of agriculture at the expose of forested areas Use of biomass, agricultural by-products for energy purposes Fight against erosion, soil loss, soil salinization Rehabilitation of areas affected by desertification	***Rural development and food security*** Promotion of crops resistant to droughts Promotion of water efficient agriculture in areas under water stress Promote the conservation and production of different animal and crop species Support to food security systems in order to cope with crop destruction due to weather extreme events
Forestry Preservation of forests Sustainable forest management (community forestry) Fight against illegal logging, against deforestation for agriculture, livestock Reforestation Rehabilitation of areas affected by desertification Institutional support, awareness	***Forestry*** Promoting a diverse mix of forest management practices and species to provide a buffer against uncertainty of climate change

Biodiversity/Protected areas Sustainable management of protected/natural areas (forests, coastal ecosystems and mangroves, wetlands Institutional support	***Fishing*** Prompting changes in fishing practices to adapt to changes in stocks and target species
Waste Reducing methane emissions, waste burning Promotion of recycling Use of biomass/waste for energy production	***Health*** Improvement of health systems to cope with new outbreaks of malaria, dengue and other infectious diseases Early warning systems for extreme weather events
Institutional support/obligations under the UNFCC Preparation/implementation of GHG inventories Economic analysis, development, integration of climate change into development strategies and policies Implementation of national plans for mitigation of CC Organisation/participation of authorities and civil society to national/regional/global CC meetings Promotion of CDM Capacity building	***Environmental policy and administrative management*** Supporting the integration of CC adaptation into national and international policy, plans and programmes Improving regulations and legislation to provide incentives to adapt
Research Support for meteorological services, oceanographic and atmospheric research centres All research, including social and economics on climate change and its impacts	***Research*** Adaptation-related climate research, including meteorological and hydrological observations and forecasting, impacts and vulnerability assessments, etc.
Strengthening civil society [no specific activities listed]	***Capacity building / education*** Education, training and public awareness raising to the cause and impacts of CC and the role of adaptation
Fight against pollution Transfer of clean technologies in the industrial sector Limiting emissions of CFCs, HCFCs (Montreal Protocol)	

Source: EuropeAid[73]

World Bank

The World Bank is currently working towards tracking the adaptation and mitigation 'co-benefits' of their investments, based on the percentage to which each project supports climate change objectives. This is yet another modification of the Rio markers. The difference with the EU system is that the adjustment factor is not fixed. The approach for

[73] EC (2010) The multilateral environmental agreements and the Rio markers: Information note on environment and climate change, September 2010, EuropeAid.

assigning percentage scores is more flexible and is applied on a project by project basis. Following the sector and theme code model of the OECD DAC system, the World Bank aims to introduce two new fields in its production system that will be linked to existing sector codes. These will be based on a series of investment activity typologies. Each World Bank project task team leader will then allocate what percentage of a project's individual sub-sector allocations could be attributed as adaptation and/or mitigation co-benefits. The tracking of the mitigation co-benefits is considered an interim solution and will be followed by an ex-post GHG analysis if and when it is approved[74].

European Investment Bank (EIB)

In January 2009, the EIB launched a three-year pilot exercise to assess the carbon footprint induced by the projects the Bank finances with the aim of gaining a better understanding of its contribution to global GHG emissions[75]. As part of the pilot, sector-specific assessment methodologies have been developed internally. The aim has been to develop a practical guide for EIB staff undertaking the pilot footprint calculations. The results can be used to facilitate carbon reduction decision making. The objective of the methodology is twofold:

1) To assess the absolute GHG emissions of the projects financed by the EIB; and
2) To assess any emission variations compared to a baseline, referred to as the relative emission.

The main principles that underpin the methodology include: *completeness* (methods and procedures are always applied in the same manner, the same criteria and assumptions are used), *transparency* (clear and sufficient information is used), *conservativeness* (use conservative assumptions, values, and procedures)[76], *balance* (the data set should reflect both the positive and negative aspects of the reported emissions) and accuracy (uncertainties with respect to GHG measurements, estimates, or calculations should be reduced to the extent possible)[77]. This is very much work in progress, so it remains to be seen how the methodology would be used to steer the investment portfolio of the Bank. If the in-house expertise for carrying out these assessments is built, the extent to which this tool could be used for projects that the bank co-finances in relation to Cohesion Policy and CEF projects should be explored.

French Development Agency (AFD)

The AFD measures projected emissions using a carbon Footprint tool (Bilan Carbone tool)[78]. The agency uses this tool to calculate the overall emissions associated with every project it

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

[75] EIB (2011) EIB Pilot carbon footprint exercise. Luxembourg.

[76] Conservative values and assumptions are those that are more likely to overestimate absolute emissions and underestimate negative relative emissions

[77] More information about the methodology used, you can visit: http://www.eib.org/attachments/strategies/footprint_summary_of_the_methodologies_en.pdf

[78] The Bilan Carbone was developed by the French Environment and Energy Management Agency (ADEME) as a tool for assessing GHG emissions resulting from the activities of a given organisation (community or company).

finances (except those where AFD involvement is in the form of financial intermediation or budget support), as well as emission reductions. Its main indicators are tCO_2 emitted annually, tCO_2 avoided annually, and amount (€) invested in projects per tCO_2 avoided.[79] The design of the tool was driven by several objectives: an easy to handle instrument for a decentralised use; an early assessment of the footprint of a project in the project cycle to influence the decision process; an indication of the order of magnitude of the emission impact by focusing only on main emission sources; an indication of emissions generated by a project by comparing gross emissions with emissions from a reference situation or estimated baseline; a life-cycle-analysis, taking into account construction and operation phases and the global impact of the project over its lifetime; effective use of financial resources through the requirement to avoid 'green-washing'[80]. Importantly, in order to structure the use of the tool AFD developed a methodology to ensure transparency and comparability of results across projects, providing specific details on:

- the definition of what is meant by a climate versus a non-climate project, and more specifically by a mitigation project (ie, a project avoiding more emissions than it generated during its lifetime);
- the scope of the impact assessment (eg, direct emissions, electricity and heat consumption, indirect emissions);
- the definition of the reference situation;
- possible exceptions due to countries' international commitments. [81]

In summary, the Rio Markers remains the only methodology that is most commonly used in the international context; other methodologies are usually variations of it. The modifications introduced by the EU in the field of development cooperation are an improvement. Moving away of the binary system of 2-1-0 to a fixed adjustment factor of 100-40-0 per cent can improve the precision of calculation, if definitions and eligibility criteria are properly set out. However, it should be stressed that in order to be applied to the EU budget, the Rio Markers methodology still needs to be tailored to the specifics of the EU funding instruments. It should also be remembered that it is a tool to improve transparency of spending and therefore is only a first step in measuring progress towards climate change objectives. Ideally, it should be combined with other tools such as footprint methodologies and performance indicators.

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

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

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

5.3 Applying the tracking methodology to Cohesion Policy

Following Article 8 of the draft Common Provisions Regulation (see chapter 2.1.1) DG REGIO intends to develop guidance on how to apply the overall Commission approach to spending under the ERDF and the Cohesion Fund. The purpose of this Act will be to instruct and guide national and regional administration because the responsibility for the actual tracking and reporting is entrusted to them. The question that remains to be clarified is what is meant by ‘climate change objectives’ because this will determine the scope of what and how the funding support is counted.

Article 9 of the proposed Common Provisions Regulation establishes 11 thematic objectives, two of which directly refer to climate change mitigation and adaptation and one which indirectly contributes to addressing climate change in transport (see Chapter 2.1). Arguably, the coding of Cohesion Policy activities should be linked to these objectives and the specific priorities stipulated in the ERDF and Cohesion Fund Regulations. The investment priorities which should contribute to the achievement of each of the aforementioned thematic objectives related to climate change include:

1) **Supporting the shift towards a low-carbon economy in all sectors**, by:
    a. Production and distribution of renewable energy sources;
    b. Energy efficiency and renewable energy use in small and medium-sized enterprises;
    c. Energy efficiency and renewable energy use in public infrastructure;
    d. Developing smart distribution systems at low voltage levels; and
    e. Promoting low-carbon strategies for urban areas.
2) **Promoting climate change adaptation, risk prevention and management**, by:
    a. Dedicated investment for adaptation to climate change;
    b. Dedicated investment to address specific risks, ensuring disaster resilience and developing disaster management systems;
3) **Promoting sustainable transport** and removing bottlenecks in key network infrastructures[82], by:
    a. Environmentally friendly and low-carbon transport systems including promoting sustainable urban mobility;
    b. Developing a comprehensive, high quality and interoperable railway system.

This list of priority investments can guide the coding exercise by managing authorities. All investment priorities for low-carbon economy could easily be coded with the 100 per cent marker. Investment dedicated to climate change adaptation should also get the 100 per cent marker. More caution is necessary when coding investments addressing risks and management systems. Here, the scope is wider and could include activities related to man-induced disasters (such as chemical spills from industrial facilities). At the same time, disaster resilience can include early warning systems and developing adaptive capacities, which would be a straightforward adaptation activity. This issue could be dealt with at the level of ‘intervention fields’.

[82] This thematic objective indirectly and only partly contributes to tackling climate change in the transport sector (relevant provision in bold) and only investment priorities related to this part of the objective are included in the list above.

A list of predefined 'Intervention fields' will substitute the current system of categories of expenditure, which is the existing system for reporting by managing authorities on general expenditure under the entire Cohesion Policy to the Commission. The current thinking at DG Regio is that the Rio Markers would be best applied at the level of intervention fields. The system is known to the managing authorities and with an ex-ante categorisation of 100-40-0 markers, the climate tracking would entail a minimum administrative burden.

We have done a preliminary test-run of the Rio markers methodology for the intervention fields for the future Cohesion Policy (see Annex 1)[83]. It shows that such an ex-ante categorisation according to the Rio markers can be applied using the 100-40-0 markers. However, the level of difficulty changes according to the intervention field. There are some intervention fields that are quite straightforward to qualify following the objectives and priority investments outlined above'. However, there are other fields that are trickier and need more attention (underlined in yellow). For example, the field 'Civil protection and disaster management systems and infrastructures' can be understood as climate adaptation but in practice is more likely to be broader than that. How to qualify 'infrastructure' is also complicated. It would need greater clarity in terms of operational guidance. Depending on what this field specifically entails, a more precise coding could be applied.

For example, the OECD Handbook on the Rio markers explicitly discusses the issue of automatic counting of disaster prevention and preparedness as climate related.[84] It is specified that in fact activities for disaster prevention and preparedness do not necessarily qualify for the adaptation marker. What could count though are activities which enhance disaster prevention and preparedness in such a way that it contributes to climate change adaptation. Examples include:

- Developing emergency preparedness plans and disaster risk reduction strategies in order to protect key infrastructure assets from the impacts of climate change (this includes setting up early warning systems, addressing governance issues and promoting awareness);
- Promoting disaster preparedness and the links to climate change adaptation at various levels of government as well as at community level; and
- Developing, testing and building capacity for emergency preparedness plans at various levels, in collaboration with other relevant authorities, to improve the handling of extreme weather events.

Similarly, flood prevention and control does not automatically qualify for the adaptation marker[85]. Only activities which enhance flood prevention and control in such a way that it contributes specifically to climate change adaptation can be marked. Examples include:

83 Note that the intervention fields are drawn from a leaked version of a staff working document by DG Regio, so the final list might be slightly modified.

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

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

- Restoring the function of floodplains in combination with sound land-use planning of watersheds and wetlands thereby reducing the exposure to floods and improving water availability in areas affected by water scarcity and /or variable rainfall patterns.
- Flood control measures in areas which are becoming increasingly flood-sensitive (for example, the closing of estuaries, the building of dikes and sea defences) – with due consideration for the potential environmental impacts of such measures.

Other fields can also assume climate related activities but they are not explicitly mentioned. This means that we give a 0 marker whereas in reality this might not be the case. For example, climate related projects can be assumed under fields such as:

- Integrated schemes for urban and rural development
- Community led local development initiatives in urban and rural areas
- Adaptation of workers, enterprises and entrepreneurs to change
- Community led local development strategies
- Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance
- Capacity building for stakeholders delivering employment, education and social policies and sectoral and territorial pacts to mobilise for reform at national, regional and local level
- Preparation, implementation, monitoring and inspection
- Evaluation and studies
- Information and communication

The climate components of these intervention fields will be difficult to track. At the same time, it seems unreasonable to presume that the application of the markers can go downstream at the level of small scale regional projects. Due to the complexity of Cohesion funding there will always be some degree of imprecision built in the system.

More examples that require consideration include public transport and waste management. We code public transport with a 40 per cent marker but in fact sometimes projects for urban transport may primarily be concerned with achieving social objectives, for example improving infrastructure and access of disabled people.

Following some of the reviewed types of activities in the OECD documentation and the DG DEVCO information note, certain activities related to waste management or pollution control could be counted as climate-change mitigation. We argue that in the case of Cohesion Policy however, waste project mostly concern the construction of regional landfills while pollution projects usually are related to the implementation of the IPPC Directive. Therefore, they should not be qualified as climate-related.

More precision in the applied methodology can be achieved in the case of major projects. These are usually infrastructural projects, for which the total cost is above €50mln in the area of transport and environment. More information is provided in the next subchapter on CEF.

5.4 Applying the tracking methodology to CEF

In the case of the Connecting Europe Facility, no specific details are provided with regard to a methodology for tracking climate change expenditure made and its contribution to the 20 per cent aspirational objective. Article 21 only mentions that Member States shall inform the Commission among other things about the '*investments made for this purpose* [the implementation of projects] *including the amount of support used for climate change objectives*'. On the one hand, this provision implies that Member States are responsible for tracking and reporting investments contributing to climate change objectives. On the other hand, it is unclear what precisely should be counted and what methodology should be used. For example, many CEF projects will be large enough to apply the 100-40-0 methodology directly at the level of projects. This means, for example, that 40 per cent of the total cost of rail projects could be counted and reported as 'significantly climate related' expenditure while sea port projects would not be counted at all.

At the same time, however, sea port projects might foresee partial investment into construction activities to reduce the port's vulnerability to expected climate change impacts in this coastal area. This means that any transport projects might contain a certain climate adaptation element. This however cannot be captured by the 100-40-0 methodology. As more information is usually available at the level of projects, perhaps the 100-40-0 markers can be used for an ex-ante categorisation of activities. However, at the implementation stage, based on the project application forms, feasibility studies and cost-benefits analysis, one could apply a more flexible and hence broader diversified approach to the exact percentage of a project that can be climate related (eg also account for 20 or 80 per cent). This would increase the precision of the overall counting.

Based on the lists of pre-identified priorities and areas of intervention as specified in the draft Regulation, we have applied the 100-40-0 markers (see Table 5). This exercise can be helpful in establishing the ex-ante categorisation. As discussed earlier, providing ex-ante clarity on what could be counted as climate change, bringing more clarity and hence defending the climate mainstreaming agenda during the political negotiations.

Table 5. Applying the tracking methodology to CEF

Lists of pre-identified priorities	**Marker**
Transport	
a) Horizontal priorities	
Single European Sky	0
Traffic management systems for roads, rail, etc.	0
Core network ports and airports	0
a) Core network Corridors and c) and other sections	
Rail	40
Port	0
Inland waterways (IWW)	0
Multimodal	0
Energy	
a) Priority corridors	
Northern Seas offshore grid (RES)	100
North-south electricity interconnections in South-Western Europe (RES)	100
North-south electricity interconnections in Central Eastern and South Eastern Europe (RES)	100
North-west gas interconnections in Western Europe	0
North-west gas interconnections Central Eastern and South Eastern Europe	0
Baltic energy market interconnection plan in electricity	0
Baltic energy market interconnection plan in gas	0
Southern gas corridor	0
b) Priority areas	
Smart grids deployment	0
Electricity highways	0
Cross-border carbon dioxide networks (CCS)	0
Telecommunications	
a) Horizontal priorities	
Innovation management, mapping and services	0
Support actions and other technical support measures	0
b) Broadband networks	
Investment to achieve the Digital Agenda 2020	0
Deployment of passive physical, combined passive and active physical, and ancillary infrastructures	0
Associated facilities and services	0
Exploitation of potential synergies between the roll-out broadband networks and other utilities (e.g. energy transport, water and sewage) in particular those related to smart electricity distribution	40
c) Digital service infrastructure	
Trans-European high-speed backbone connections for public administrations	0
Cross-border delivery of eGovernment services	0
Enabling access to public information and multilingual services	0
Safety and security	0
Deployment of ICT technology solutions for intelligent energy networks and for the provision of smart energy services	100

In the transport sector, priority projects are grouped per mode which allows a straightforward application of the Rio markers. Railways development is coded with a 40 per cent marker.

In the energy sector, priority corridors which clearly indicate a priority for renewable energy development are coded with 100 per cent. Where no specific corridors are indicated, it is more difficult to apply the markers because the selection of projects could include both conventional and renewable energy. Also, the development of smart grids does not necessarily mean connections and transmission of renewable energy. We code those with the 0 per cent marker but note that during the selection of projects, there might be climate related ones which can be accounted during the implementation stage of CEF.

In the telecommunication sector, activities seeking to achieve synergies with other utilities such as energy, transport, water and sewage, can potentially have positive climate effect although it is not explicitly mentioned. Therefore, we apply a 40 per cent marker. For activities designed to deploy ICT technology solutions for intelligent energy networks and for the provision of smart energy services however, we apply the 100 per cent marker.

Since CEF will finance mainly large scale projects, additional data can also be requested that can give more information about the actual performance of a project, based on carbon footprint and/or risk assessments. The draft CEF Regulation puts forward a number of result-based indicators which should ideally be applied in combination with the Rio markers in this regard.

5.5 Summary

The tracking methodology is an important and necessary instrument from the mainstreaming toolbox. A commonly agreed and coordinated approach for all EU funding instruments is necessary. The modified version of the Rio Markers provides a good starting point. This includes the development of common definitions, an ex-ante categorisation of activities and assigning the appropriate weight for both mitigation and adaptation activities. It can be implemented in two ways:

- **At EU level:** determine ex-ante the categorisation of activities in relation to their contribution of the different EU funding instruments to the proposed commitment to spend at least 20 per cent of the EU MFF of climate related activities; and
- **At national/regional level**: report spending on climate change based on both commitment (ex-ante) and disbursement (ex-post).

If applied at the level of projects, more precision in the tracking is possible (apply 20 or 80 per cent metric). However, in the case of funds under shared management where majority of actions or projects are small, tracking should not happen at project level. It needs to look at broader aggregation levels, ie best intervention fields in the case of the Cohesion Policy). The drawback of this approach is that there will always be a margin of approximation.

The tracking should not be understood as a one-off exercise. The data could be regularly updated so that funds are tracked and reported not only at the stage of commitment but also disbursement. Tracking is only a first step in monitoring of climate change spending. It should be accompanied by other tools facilitating climate change mainstreaming such as carbon footprint assessments and appropriate climate change indicators that can link better the amount of spending to actual outcomes in terms of GHG emissions.

To reduce administrative burdens, the tracking and reporting requirements on climate change could be integrated into existing reporting systems, for example annual reporting on implementation. This could allow for an automatisation of the process. While this will certainly reduce administrative burden, it will require initial investments, people and skills.

Both the Commission (donor) and Member States (recipients) are important actors in a tracking system. Their capacity to collect, classify, process, analyse and report data is therefore critical. A number of support actions can be launched to help managing authorities to develop capacity to track and evaluate climate performance of programmes and projects (ie using funds from technical assistance and ESF; use of JASPERS for technical expertise).

6 CONCLUSIONS

In its conclusions from 2 March 2012 the European Council has called for 'rapid progress on the low-carbon 2050 strategy', with a particular focus on the needs to mobilise sources of climate change finance. The Commission proposal that at least 20 per cent of the 2014-2020 EU Multi-Annual Financial Framework (MFF) should be spent on climate change related activities is an important milestone in this regard. Funds for cohesion, agriculture, infrastructure, research and innovation and external action are expected to contribute to this commitment. The move could translate into approximately €200 billion being spent on climate change over the 2014-2020 MFF period, creating a bold increase compared to approximately €50 billion spent on climate change under the 2007-2013 EU MFF. The mainstreaming of climate change concerns into other funds is the main delivery mechanism foreseen. This approach is to be welcomed.

This report has analysed specifically the proposed Regulations on the 2014-2020 EU Cohesion Policy and the CEF. They include a number of novel and useful elements to further the case of climate mainstreaming. For Cohesion Policy this includes the proposed horizontal principles, thematic objectives, earmarking, conditionality system and performance frameworks. For the CEF it is relevant to note the strong links to the climate and energy package (20/20/20), the prioritisation of railways and ports over roads and the stronger emphasis on renewable energy compared to previous programming periods.

In spite of this laudable progress, the current proposals would still benefit from operationalising essential elements of the mainstreaming approach in greater detail. Rather than weakening current content provisions the Parliament and Council should address remaining gaps and clarification needs. Some of the most pertinent issues include:

- ***The funding gap****:* The planned expenditure in Cohesion Policy and the CEF in relation to climate change is estimated at approximately €30 billion for the seven year period. This would represent a substantive funding gap if the EU is serious about achieving the proposed minimum requirement of spending 20 per cent on climate change related activities.
- ***The coherence gap****:* Climate change mainstreaming requires the total of EU spending under the MFF to be coherent with EU climate change objectives. Funding for potentially carbon intensive developments remains possible and the pressure for their financing under the future Cohesion Policy is likely to increase given attempts to prioritise climate-friendlier investments under the CEF. Current proposals lack sufficient requirements for putting in place institutional safeguards and tools to help ensure adequate reflection of climate change implications and overall coherence with climate change objectives when programming and implementing the funds.
- ***The risk of a mitigation-adaptation imbalance****:* While there is a clear priority for financing mitigation action, stemming from the Europe 2020 Strategy, investments in climate change adaptation should not be neglected. Member States should not use earmarking for mitigation as an excuse for downsizing or abandoning adaptation action. Furthermore, no explicit provisions are included in the proposals to guarantee that future investments are 'proofed' in terms of their resilience to a wider range of potential climate change impacts.

- ***The challenge of avoiding tick-boxing:*** A number of provisions need to be further elaborated in the final legislative documents framing the Cohesion Policy and the CEF. This concerns particularly the provisions for the horizontal principle of sustainable development and climate change integration, the system of ex-ante conditionality and the performance framework. The current format remains open to very divergent interpretations. Applications might also be fraught by uncertainties about what actually needs to be done for implementation. Differing experience and administrative capacities at Member State level need to be taken into account.

Currently, it is not clear how these challenges should be addressed. Leaving them unanswered could jeopardise the ambition to effectively mainstream climate change under the future MFF. The issue of sufficient dedicated funding for climate change needs to be tackled in the regulatory framework of the various funds, not least Cohesion Policy and the CEF. More emphasis needs to be dedicated to allocating funding to climate relevant activities. This would include more efforts to clearly identify synergies and win-win solutions under other spending (eg research, innovation, business developments and infrastructure) and leverage private financing by financing instruments.

There will be case for maintaining support in some less developed regions for high-carbon project activities. Yet, much greater consideration would need to be given to assessing potential lock-in effects in terms of long-term socio-economic pathways, including more specific requirements to apply Strategic Environmental Assessment and Environmental Impact Assessment tools as well as complementing tools for carbon accounting. Project appraisals also need to look at long-term impacts and indirect impacts, which should inform the checking and weighting of alternatives in decision-making.

A very important short-term policy deliverable is the tracking methodology to help Commission and Member States to better account for climate change relevant expenditure. A commonly agreed and coordinated approach for all EU funding instruments is necessary. The modified version of the Rio Markers provides a good starting point. This includes the development of common definition, ex-ante categorisation of activities and assigning appropriate weight for both mitigation and adaptation activities. However, drawbacks of the approach need to be clearly reflected and accepting unavoidable margins of approximation.

The successful implementation of the mainstreaming provisions will depend on the awareness and technical capacities available at domestic level, mainly through the interplay of responsible public authorities, project developers as well as non-governmental organisations representing broader public concerns. Investing in developing administrative capacity should be a priority for future EU spending action. There are already various tools and practices across different Member States and regions that integrate effectively climate change considerations in expenditure programmes as well as project design and selection. These demonstrate practical ways how climate change mainstreaming can be organised on the ground. Administrative burden implications need to be considered, but also balanced against multiple benefits of better performance and result-orientation of spending and avoiding damage costs.

Providing for an effective climate mainstreaming framework does not stop at the level of the EU legislative framework, but getting the overall legislative and policy framework right is the most important priority ahead. The Commission could better elaborate quite a few of the positive climate mainstreaming elements in the current set of legislative proposals through targeted Implementing Regulations or Delegated Acts. It could also develop additional operational guidelines on selected strategic issues. A core responsibility lies, however, with Member States and regions that are entrusted to implement climate mainstreaming in the respective Partnership Contracts, Operational Programmes and project development. The next two years are therefore critical to get the policy and implementation frameworks right.

ANNEX 1: APPLYING THE TRACKING METHODOLOGY TO COHESION POLICY

Codes for intervention fields in Cohesion Policy, 2014-2020[86]	Proposed weight for accounting CC related expenditure
I PRODUCTIVE INVESTMENT:	
01 Generic productive investment in SMEs	0
II INFRASTRUCTURE PROVIDING BASIC SERVICES AND RELATED INVESTMENT:	
Energy infrastructure	
02 Energy infrastructure	0
Environmental infrastructure	
03 Management of household and industrial waste	0
04 Management and distribution of water (drinking water)	0
05 Water treatment (waste water)	0
Transport Infrastructure	
06 Railways (TEN-T Core)	40
07 Railways (TEN-T comprehensive)	40
08 Other Railways	40
09 Mobile rail assets	40
010 TEN-T motorways and roads - Core network	0
011 TEN-T motorways and roads - Comprehensive network	0
012 Secondary road links to TEN-T road network and nodes	0
013 Other national and regional roads	0
014 Local access roads	0
015 Multimodal transport (TEN-T)	0
016 Multimodal transport	0
017 Airports (TEN-T)	0
018 Other airports	0
019 Seaports (TEN-T)	0
020 Other seaports	0
021 Inland waterways and ports (TEN-T)	0

[86] The list of codes for intervention fields in Cohesion Policy is based on a draft working document by the European Commission. Fiche 6, 12.11.2011, Brussels

	022 Inland waterways and ports (regional and local)	0
	Information and Communication Technology Infrastructure	
	023 ICT backbone investment (>/= 30 mbps)	0
	024 ICT backbone investment (>/= 100 mbps)	0
III	**SOCIAL, HEALTH AND EDUCATION INFRASTRUCTURE AND RELATED INVESTMENT:**	
	Investments in social and educational infrastructure	
	025 Education infrastructure (tertiary, vocational and adult learning)	0
	026 Education infrastructure (primary and secondary)	0
	027 Childcare infrastructure (pre-school)	0
	028 Health infrastructure	0
	029 Housing infrastructure	0
	030 Other social infrastructure contributing to regional and local development	0
IV	**DEVELOPMENT OF ENDOGENOUS POTENTIAL:**	
	Research and development and innovation	
	031 Investment in infrastructure, capacities and equipment in SMEs directly linked to research and innovation activities	0
	032 Investment in infrastructure, capacities and equipment in large companies directly linked to research and innovation activities	0
	033 Research and innovation infrastructures (public)	0
	034 Research and innovation infrastructures (private, including science parks)	0
	035 Research and innovation activities in public research centres and centres of competence including networking	0
	036 Research and innovation activities in private research centres including networking	0
	037 Technology transfer and university-enterprise cooperation primarily benefitting SMEs	0
	038 Cluster Support and business networks primarily benefitting SMEs	0
	039 Research and innovation processes in SMEs (including voucher schemes, process, design, service and social innovation)	0
	040 Research and innovation processes in large enterprises	0
	Business development	
	041 Advanced support services for SMEs and groups of SMEs (including management, marketing and design services)	0
	042 Business development, support to entrepreneurship and incubation (including support to spin offs, spin outs)	0
	043 Support to environmentally-friendly production processes and resource efficiency in SMEs[87]	0

[87] This intervention field will not be counted as climate relevant since a more appropriate category for this is 060 ‘Energy Efficiency in SME’. However, this intervention field should be used to account for spending on

044 Business infrastructure (including industrial parks, sites)	0
045 Support to social businesses	0
046 Development and promotion of commercial tourism and culture assets	0
047 Development and promotion of commercial tourism and culture services	0
Information and communication technology and information society	
048 ICT local loop investment (>/= 30 mbps)	0
049 ICT local loop investment (>/= 100 mbps)	0
050 e-Government services and applications, including e-Procurement, access to public information	0
051 Supporting inclusion: e-Inclusion, e-Accessibility, e-Learning and e-Education services	0
052 Addressing Societal Challenges: E-Health, e-Care and scaling up and replication of innovative ICT solutions to health ageing	0
053 Services and applications for SMEs (e-commerce, education and training, networked business processes, etc.) and other measures to improve use of ICT by SMEs	0
Renewable Energy	
054 Renewable energy: wind	100
055 Renewable energy: solar	100
056 Renewable energy: biomass	100
057 Renewable energy: hydroelectric, geothermal, marine energy and other	100
Energy efficiency	
058 Energy efficiency renovation of public infrastructure	100
059 Energy efficiency renovation of existing housing stock	100
060 Energy efficiency in SMEs	100
061 Intelligent Energy Distribution Systems at low voltage levels (smart grids)	100
062 Co-generation and district heating	100
Environment	
063 Air quality measures	0
064 Protection and enhancement biodiversity, nature protection (including Natura 2000) and green infrastructure	0
065 Adaptation to climate change and natural risk prevention	100
066 Risk prevention linked to human activities	0
067 Civil protection and disaster management systems and infrastructures	100
068 Rehabilitation of industrial sites and contaminated land	0
069 Development and promotion of the tourism potential of natural areas	0

resource efficiency in relation to the requirements for tracking expenditure on the environment that is also mainstreamed.

070 Protection, development and promotion of public tourism and cultural heritage assets	0
071 Development and promotion of public tourism and cultural heritage services	0
Sustainable Transport	0
072 Clean urban transport infrastructure and promotion	40
073 Intelligent transport systems (including the introduction of demand management or tolling systems)	40
074 Cycle tracks	40
Integrated urban and rural development	
075 Integrated schemes for urban and rural development	0
076 Community led local development initiatives in urban and rural areas	0
Capacity building	
077 Improving the delivery of policies and programmes	0
Compensation for additional costs hampering the Outermost regions	
078 Outermost regions : Compensation of any additional costs due to accessibility deficit and territorial fragmentation	0
079 Outermost regions : Specific action addressed to compensate additional costs due to size market factors	0
080 Outermost regions :Support to compensate additional costs due to climate conditions and relief difficulties	0
IV PROMOTING EMPLOYMENT AND SUPPORTING LABOUR MOBILITY:	
081 Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility	0
082 Sustainable integration of young people not in employment, education or training in the labour market	0
083 Self-employment, entrepreneurship and business creation	
084 Equality between men and women and reconciliation between work and private life	0
085 Adaptation of workers, enterprises and entrepreneurs to change	0
086 Active and healthy ageing	0
087 Modernization and strengthening of labour market institutions, including actions aimed at enhancing transnational labour mobility	0
V INVESTING IN EDUCATION, SKILLS AND LIFE-LONG LEARNING:	
088 Reducing early school leaving and promoting equal access to good quality early childhood, elementary and secondary education	0
089 Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels	0
090 Enhancing equal access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems	0
VI PROMOTING SOCIAL INCLUSION AND COMBATING POVERTY:	

091 Active inclusion;	0
092 Integration of marginalized communities such as the Roma;	0
093 Combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation	0
094 Enhancing access to affordable, sustainable and high quality services, including health care and social services of general interest.	0
095 Promoting social economy and social enterprises	0
096 Community led local development strategies	0
VII ENHANCING INSTITUTIONAL CAPACITY AND EFFICIENT PUBLIC ADMINISTRATION:	
097 Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance	0
098 Capacity building for stakeholders delivering employment, education and social policies and sectoral and territorial pacts to mobilise for reform at national, regional and local level	0
VIII TECHNICAL ASSISTANCE:	
099 Preparation, implementation, monitoring and inspection	0
0100 Evaluation and studies	0
100 Information and communication	0