

Climate Change Mainstreaming In 2014-2020 EU Cohesion Policy:

Background document



This background document is prepared
by the Institute for European
Environmental Policy (IEEP) for the
workshop 'Climate change
mainstreaming in the 2014-2020 EU
Cohesion Policy', taking place on 12
September 2012 in Warsaw, Poland

1 INTRODUCTION

1.1 Objective of this background document

The main objective of this document is to provide background information for the workshop on 'Climate Change Mainstreaming in the 2014-2020 EU Cohesion Policy' taking place on 12 September 2012 in Warsaw, Poland. The workshop is organised by the Institute for European Environmental Policy (IEEP) in cooperation with the Polish Ministry of the Environment. It is the first event in a series of workshops designed to aid the work of national and regional managing authorities dealing with EU Cohesion Policy on the ground by advancing their understanding and knowledge how to 'mainstreaming' effectively climate change mitigation and adaptation objectives, particularly during the forthcoming programming of the 2014-2020 Partnership Agreements (PA) and Operational Programmes (OPs). The background paper presents a brief overview of the Commission proposals on the 2014-2020 EU Cohesion Policy and sets out the main questions that the workshop will address.

1.2 Why act on climate change?

The EU emitted close to 5 billion tonnes of CO₂-equivalent emissions in 2008 thereby contributing 12 per cent to annual global anthropogenic direct greenhouse gas (GHG) emissions.¹ After a drop of 7 per cent due to the economic recession in 2009, EU's emissions increased again by 2.4 per cent in 2010.² In 2007, the EU agreed on an independent binding target to reduce its emissions by at least 20 per cent by 2020 compared to 1990 levels, ensure that 20 per cent of EU energy consumption comes from renewable resources and achieve 20 per cent reduction in primary energy use through improving energy efficiency. Overall, the EU is making good progress towards achieving its emission reduction targets but difficulties remain in sectors such as power generation, transport, residential and waste. The challenges are even greater in a long term perspective – the European Council has also reaffirmed the Union's commitment to reduce GHG emissions by 80-95 per cent by 2050 as a means of staying below a 2C° increase in global temperatures.

Climate change is projected to have far-reaching consequences for human and natural systems, which impacts and associated vulnerabilities are expected to vary considerably across European regions, territories and economic sectors in Europe. According to European Commission figures, annual investments of around €270 billion are needed over the next 40 years to meet emerging needs and achieve a transition to a low carbon economy by 2050.³ Varying estimates have been put forward in relation to adaptation costs, for example one study suggests adaptation-related infrastructure costs will vary between €4 to 60 billion/year⁴, while another estimates a cost of 0.2 per cent to 0.5 per cent of GDP, or €20 billion to €65 billion, for the EU.⁵

1.3 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 2011⁶ 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

¹ EEA (2010) Mitigating climate change - SOER 2010 thematic assessment. European Environment Agency, Copenhagen.

² EEA (2011) Tracking progress towards Kyoto protocol and 2020 targets in Europe. EEA Technical report 4/2011. European Environment Agency, Copenhagen.

³ EC (2011) A Roadmap for moving to a low carbon economy in 2050. Communication from the Commission. (COM (2011)112), 8.3.2011, Brussels.

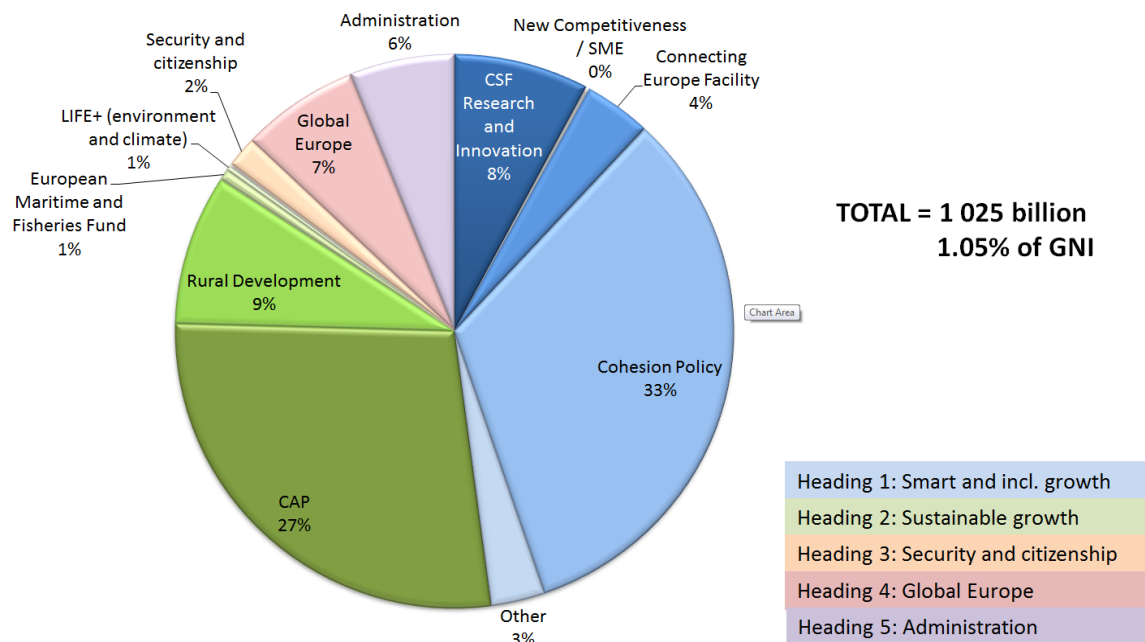
⁴ Climate Cost. The Costs and Benefits of Adaptation in Europe: Review Summary and Synthesis. Policy brief.

⁵ Joint Research Centre, Institute for Prospective Technological Studies, Institute for Environment and Sustainability (2009). Climate Change Impacts in Europe. Final report of the PESETA research project. Luxembourg, Publications Office of the European Union

⁶ European Commission (EC) (2011) A budget for Europe 2020, Commission Communication, COM(2011)500, 29.6.2011, Brussels

budget is supposed to contribute to achieving the objectives and targets of the Europe 2020 Strategy, Europe's current mid-term economic strategy. The Europe 2020 Strategy creates a political momentum for better mainstreaming of climate change concerns in the post-2013 MFF. The Flagship Initiatives on Innovation Union and Resource Efficiency, and their related Roadmaps, highlight the need to utilise the EU budget as a tool for transitioning to a low-carbon, resource efficient and climate-resilient economy. An overview of the proposed allocations under the different headings is set out below (see Figure 1). EU Cohesion Policy and the Common Agricultural Policy (CAP), receive the biggest allocation of funds thereby offering great potential for acting on climate change.

Figure 1: Proposed allocations in 2014-2020 EU MFF



Source: IEEP compilation

Climate change features prominently among the priorities of the future EU budget. It is envisioned that at least **20 per cent** (or some €205 billion over a seven year period; €29 billion annually) of the EU budget should support climate change activities⁷. This is considerably higher than what is currently being spent on climate change under the EU budget (approximately €50 billion for the 2007-2013 period⁸). The Commission proposes that the financing of actions to combat and adapt to climate change shall be mainly achieved through the '**mainstreaming**' of climate change obligations across different funding instruments, i.e. cohesion, agriculture, research and innovation and external action. In addition to this, a rather small climate change component of the new **LIFE programme** (€800 million for seven years), is envisioned to secure direct spending on climate change mitigation and adaptation.

The concept of '**mainstreaming**' is not new. In the past, spending on the environment has been delivered under funding instruments such as EU structural funds and rural development. However, results on the ground have been rather mixed due primarily to the weak implementation of this

⁷ EC (2011) A budget for Europe 2020, Commission Communication, COM(2011)500, 29.6.2011, Brussels.

⁸ 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.

approach.⁹ The Commission has now proposed some mechanisms to better facilitate the mainstreaming of climate change concerns, including better objective and target-setting, tracking expenditure (via a modified methodology of the so-called Rio markers) and using result indicators. The key test regards the practical implementation of the proposed provisions concerns which will need to be operationalised in the future PA, OPs and project development activities in the respective Member States and regions.

2 CLIMATE CHANGE MAINSTREAMING IN THE FUTURE COHESION POLICY

It has been increasingly acknowledged that the context and drivers for regional development are changing and therefore the relevant policies need to evolve accordingly. In 2007, EU's Cohesion Policy has embarked on a comprehensive policy review seeking to reflect on its investment patterns and adapt the policy to newly emerging challenges and needs. Climate change has been identified as one of the main long term drivers of economic, social and environmental change.¹⁰ Impacts of climate change are projected to be asymmetric across European regions, depending on the scale of impacts, the exposure and sensitivity of ecological and socio-economic systems, and the ability of communities to adapt to these changes. More than one third of the EU population (approximately 170 million) lives in the regions which are likely to be most affected by climate change.¹¹

On 6 October 2011, the Commission unveiled a legislative package on the 2014-2020 EU Cohesion Policy with a total proposed budget of €336 billion (which is €11 billion less than the 2007-2013 budget for Cohesion Policy). EU funds are to underpin two new main goals: (1) 'Investment in growth and jobs' and (2) 'European territorial cooperation' with the majority of funds concentrated in poorer regions of the EU. For a first time, a single Regulation is to be adopted which sets out common rules governing the five EU funds under shared management,¹² which are to be placed under the umbrella of a Common Strategic Framework (CSF)¹³. The draft Regulation puts forward common principles, objectives and coordination mechanisms, including provisions aimed to facilitate the mainstreaming of climate change. These provisions are briefly outlined below.

2.1 Common Strategic Framework

Elements of the 2014-2020 Common Strategic Framework, proposed by the Commission¹⁴, is a very helpful tool not only to strengthen the strategic orientation of expenditure programmes and improve their links to the Europe 2020 Strategy but also because it puts forward key actions for intervention and implementation principles, some of which are linked to climate change. It is stressed that the CSF funds should contribute not only to the 2020 climate and energy targets but

⁹ Adelle, C. et al. (2008) Turning the EU Budget into an Instrument to Support the Fight against Climate Change. SIEPS: Stockholm.

¹⁰ European Commission, DG Regional Policy (2009) Regions 2020: the climate change challenges for European regions. Brussels.

¹¹ European Commission. Fifth Cohesion report. November 2010. Brussels.

¹² 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

¹³ The Commission proposes that the CSF is a document that translates the objectives and targets of the Europe 2020 Strategy into key actions for the CSF Funds, establishes key areas of priority support, territorial challenges to be addressed, policy objectives as well as coordination mechanisms among CSF Funds and other EU funding instruments and mechanisms for coherence and consistency with the economic policies of Member States and the Union.

¹⁴ 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

also to the long-term decarbonisation agenda of the EU by 2050. The proposed CSF includes specific language on climate-proofing investments by stating that future expenditure should be made resilient to the impact of climate change and natural disasters. It further specifies that cross-border cooperation actions should be enhanced particularly in relation to risk prevention and synergies with climate mitigation, environmental protection and resource efficiency should be exploited.

2.2 Overarching and guiding principles

Article 8 of the draft Common Provisions Regulation 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. It also specifies that Member States 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 PA and programmes. The inclusion of climate change in the definition of the horizontal principle of sustainable development marks a considerable advancement, as for the first time an explicit requirement for climate change integration is included, embodying also instructions for its operationalization at different stages of the policy cycle (namely programming and implementation).

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

2.3 Thematic objectives and concentration

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

- 1) Supporting the *shift towards the low-carbon economy* in all;
- 2) Promoting *climate change adaptation* and risk prevention and management; and
- 3) Promoting *sustainable transport* and removing bottlenecks in key network infrastructures (this objective is only partly relevant for climate change i.e. through support for railway and urban transport).

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).¹⁵ 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**.¹⁶ However, its scope of intervention will be

¹⁵ 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

¹⁶ Proposal for a Regulation on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006, COM(2011)612, 6.10.2011, Brussels

expanded to include actions including on climate change adaptation, energy efficiency and renewable energy.

2.4 Climate-related ex-ante 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**, reference is made to national adaptation strategies which should be taken into account where appropriate.¹⁷ The fulfilment of relevant ex-ante conditionality will be reviewed by the Commission before approving the Partnership Agreements and may lead to the suspension of funds pending on the satisfactory completion of actions to fulfil this ex-ante conditionality.

2.5 Integrating climate change in assessment procedures

Commission proposals include provisions which require taking sustainable development / climate change into account in assessment procedures, such as the **ex-ante evaluation** and the **Strategic Environmental Assessment** for OPs. The draft CPR Regulation further specifies that the **environmental analysis**, prepared for large scale projects, should take into account climate change mitigation and adaptation needs and disaster resilience. The practical application of these provisions however raises a number of questions.

2.6 Project selection

The provisions in the Common Provisions Regulation also indicate that as regards the selection of projects, managing authorities should take into account the horizontal principles of sustainable development, which includes climate change, disaster resilience and risk prevention (article 114).

2.7 Modulating co-financing rates

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 to take into account of the following *inter alia*: the importance of the priority axes for the delivery of the Europe 2020 Strategy, which includes the 3x20 climate and energy targets as well as 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 mentioning of climate change, the provisions could be broadly interpreted as providing an opportunity to modulate co-financing rates for projects that integrate effectively climate change considerations and objectives.

2.8 Reporting

Provision indicates that in 2017 and 2019, **annual implementation reports** should take stock of actions undertaken to integrate sustainable development (including climate change) and a report on support provided for climate change targets.

2.9 Improving performance and result-orientation

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

¹⁷ See Annex IV of the proposed Common Provisions Regulation

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.¹⁸

2.10 Awareness, skills and institutional 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.¹⁹

2.11 Summary

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

3 TOWARDS IMPLEMENTATION

The draft legislative package on Cohesion Policy sets out a general framework for climate change mainstreaming. Putting forward priority actions, procedural tools and institutional mechanisms to deliver this in the future Partnership Agreement, Operational Programmes and investment projects will be the main success factor for guaranteeing the desirable 'climate' performance of the EU budget in practice. The proper implementation of different options and tools for climate change mainstreaming will therefore depend on the willingness, initiative and ability of the responsible managing authorities and their partners in Member States /regions. The availability of appropriate institutional and technical capacities at different levels of governance however varies across the EU. Furthermore, administrative capacities are under severe pressure in Member States and are being affected by austerity programmes introduced in response to the on-going economic and financial crises in the EU. Awareness raising, training, skills development should therefore be undertaken prior to the beginning of the programming process. Finding capacity-saving solutions and practical tools to ensure the effective climate change mainstreaming without adding unnecessary administrative burden, becomes a priority.

At the same time, a timely action on climate change is proven to have multiple positive spill over effects on economic and social indicators and therefore could be seen as a 'smart' way for ensuring that scarce resources are concentrated on important 'win-win' solutions that contribute to *inter alia*

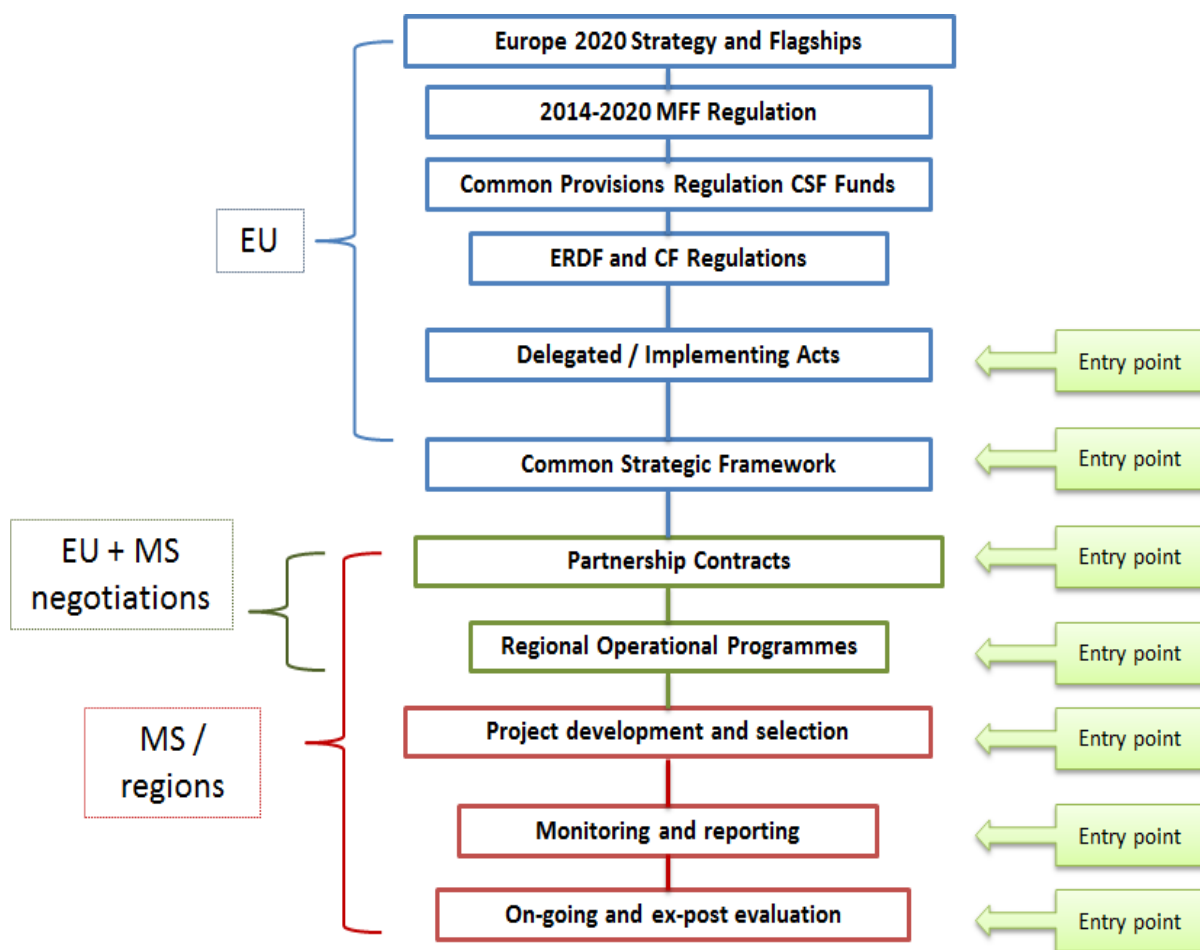
¹⁸ See Annexes to proposed Regulation on ERDF and Cohesion Fund

¹⁹ Proposal for a Regulation on the European Social Fund and repealing Regulation (EC) No 1081/2006, COM(2011)607, 6.10.2011, Brussels

energy security, alleviating energy poverty, creating new jobs and developing skills, providing competitive advantage, etc. Climate proofing existing and future infrastructure and investments in the built environment and natural systems by strengthening their resilience to future climate change impacts and natural disasters are also likely to have broader economic and social co-benefits and should not be postponed for later.

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

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



Source: IEEP compilation

Questions to be addressed at the workshop:

- What is the importance and role of the future EU Cohesion Policy for climate change mainstreaming?
- What does climate ‘mainstreaming’ and ‘proofing’ mean in practices?
- What investment options should be prioritised?
- What procedural and institutional mechanisms and tools are necessary to operationalize the proposed mainstreaming provisions? What examples / practices

already exist? Can these be transferable in the Polish context?

- What are the implications for Partnership Agreements, Operational Programmes and investment projects?
- What are the key success factors and barriers to developing an effective policy framework for climate change mainstreaming, i.e. political, implementation, information, capacity, etc.?
- What is the role of different policy actors /partners in implementing the tools for climate mainstreaming along the entire programme/project cycle?

For more information about the workshop or IEEP's work on greening Cohesion Policy, please contact:
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This workshop is implemented thanks to the financial support of the European Climate Foundation.

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