



**PRACTICAL OPTIONS FOR CLIMATE CHANGE
MAINSTREAMING IN THE 2014-2020 EU BUDGET**

Summary of discussions from policy dialogue workshop on 1 February 2012

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1 Introduction

On 1 February 2012, IEEP organised a policy dialogue workshop on ‘Practical options for climate change mainstreaming in the 2014-2020 EU budget’. The workshop was held in the IEEP Brussels office and was attended by participants from the European Commission, Member States, and other external experts.

The objective of the workshop was to bring together policy makers and stakeholders in a politically neutral setting, to provide a platform for discussing and sharing practical experiences on different approaches and tools for climate change mainstreaming in the future EU Cohesion Policy and the Connecting Europe Facility (CEF). The methodologies for tracking climate change expenditure and reporting progress towards the commitment for targeting at least 20 per cent of the 2014-2020 EU Budget on climate change related activities were a key topic.

The discussions at the workshop will be used to further develop a policy paper on practical ways of implementing climate mainstreaming in EU Cohesion Policy and the CEF. Some of the main findings and policy recommendations however could be useful in the context of other EU funding instruments. Similarly, while the focus is on climate change, many of the policy tools can also be applied to some extent in relation to other environmental issues such as biodiversity and resource efficiency.

2 Summary of discussions

- In the past, the mainstreaming of environment objectives in 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 in the fields of wastewater treatment, waste management and water supply. Horizontal instruments such as Strategic Environmental Assessment (SEA) for expenditure plans/programmes and Environmental Impact Assessments (EIA) for investment projects traditionally were important policy tools for this purpose.
- Over the same time, a number of good practices **‘beyond compliance’** have emerged in a few front-running Member States and regions, 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 the UK, 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.
- The mainstreaming of environmental objectives in different EU funding instruments is therefore not a new concept and there are some lessons to be learned. In the past, environmental mainstreaming has showed rather mixed results. Its **implementation on the ground** has been most difficult, especially at national and regional levels of governance. The importance of a **robust legal framework** with explicit requirements accompanied with **operational guidelines** for managing authorities for climate

change mainstreaming was therefore stressed. Another success factor emphasised was systematic **involvement of environmental/climate change authorities** at different tiers of governance in the planning, implementation and monitoring of expenditure programmes/projects.

- The mainstreaming of environment and climate change objectives is a cornerstone of the EU's proposals on the 2014-2020 EU Multi-annual Financial Framework (MFF). The proposals on both Cohesion Policy and the CEF spell out a number of provisions requiring that climate change mitigation and adaptation objectives are taken into account. Yet, there are a **number of questions that remain unresolved**. For example, how can the different funding instruments contribute sufficiently to the proposed 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?
- 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 could be topped up by additional allocations under the Cohesion Fund in CEE countries but the final figures will not be known until the approval of the Operational Programmes (due at the end of 2013). Under 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. This shows that **there is a significant funding gap if we are to achieve the proposed 20 per cent spending which would amount to approximately €200 billion, including all the funds not least the CAP**. Currently, it is unclear how to address this gap. One way to tackle this issue could be to specify ex-ante that climate change related activities should receive at least 20 per cent of the total EU's budget of each funding instrument.
- The Commission proposals have entered political negotiations in the Council. In order to make the **mainstreaming proposals acceptable to Member States**, they need to understand what 'mainstreaming' means, that it is not excessively bureaucratic, feasible in practice and what benefits it can bring them. One way to do it is to categorise ex-ante the specific types of interventions/projects that will count towards the proposed 20 per cent spending commitment and communicate this information clearly and in advance to Member States. Providing additional operational guidelines early enough in the programming process is another way.
- There are different tools and instruments available to operationalise mainstreaming. These can be applied at different stages of the programme/project cycles – from design, selection, through to monitoring, reporting and evaluation. There is already some experience with integrating climate change mitigation at a project level, for example by incorporating carbon accounting into **Cost-Benefit Analysis (CBA)** of large projects. The European Investment Bank (EIB) has been developing a

methodology for **carbon footprinting** of its operations. This gives an ex-ante estimation of the carbon performance of projects, most of which are large. The EIB's 'share' of impacts is calculated. While this is a work in progress the main purpose it demonstrates is the use of procedural tools for the integration of climate mitigation to aid the prioritisation and planning in programme and/or project development.

- **Integrating and monitoring climate change adaptation** systematically in a spending programme is more difficult. Firstly, there is no EU policy framework to define the EU's climate adaptation objectives and the precise scope of potential adaptation measures. At national level, there are only a few Member States which have national/regional climate change adaptation strategies. 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 Commission has proposed a modified **Rio Markers methodology** (with a simple scoring system attributing 100-40-0 per cent of the expenditure to climate goals) as a main tool for tracking climate change related expenditure. It is foreseen as a way to report the contribution of the different EU funding instruments towards the proposed 20 per cent spending commitment. While the Rio markers have a number of disadvantages (e.g. they indicate a commitment to achieve a policy objectives, not the outcome itself, are relatively imprecise in terms of providing a quantified estimate of spending, allow room for subjectivity in interpreting the data, etc.), they remain the only internationally accepted methodology. DG DEVCO has already had experience in applying the markers in the context of EU development cooperation funds since 2008. Some national governments (e.g. the Netherlands and Belgium) have also been using the markers in an international context. This means that **there is an important 'in-house' expertise** which should be better utilised.
- **Developing an effective tracking methodology is critical.** The Rio markers need to be further developed and operationalised in the context of the MFF. It is also important to establish a **coordinated and coherent approach** for tracking expenditure under the different funding instruments, to avoid inconsistencies and double counting. It was stressed that the definitions and criteria for what counts as climate related expenditure need to be clear in order to be correctly implemented and **avoid 'climate wash'** which many participants at the workshop regarded as a significant hazard. Also, if the Rio markers are applied at the level of individual projects (e.g. in the case of the CEF) a more flexible approach than the 100-40-0 per cent scoring can be applied. 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.
- The Rio markers show the climate relevance of planned expenditure but do not track the actual performance once the expenditure has taken place. Therefore, a robust

performance framework for climate change mainstreaming would require that the tracking is accompanied by a set of **performance indicators** which demonstrate the actual results of the investment ex-post.

- Several times the issue of appropriate **administrative capacity** to deliver the mainstreaming agenda was raised. On the one hand this concerns the capacity 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 SEA/EIA assessments. They are not necessarily equipped methodologically to incorporate carbon footprint and risk assessments. Building proper institutional capacity would require awareness raising, technical training and also negotiation skills and needs to be recognised on the EU and national agenda.
- Another key issue raised during the workshop was 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 data. One option is to provide for some share of Cohesion Policy (under technical assistance for example) and CEF expenditure to be allocated specifically for the development of indicator systems, the collection of data and the preparation of feasibility studies, vulnerability maps, etc.
- Another critical factor was stressed to be **time**. An effective climate change mainstreaming programme would require the timely involvement of environmental stakeholders in the programme and project planning as well as the timely execution of assessment procedures (SEA,EIA) and tools (carbon footprint) so that the decision-making process is adjusted in reality and not just in name. There is a sense of urgency at the political level in underlining that climate mainstreaming is a substantive endeavour and will be taken seriously. At a practical level, establishing a system that is workable over the next two years should be a priority. A first opportunity for the Commission to signal what is expected in terms of an implementation framework is the adoption of the forthcoming Common Strategic Framework at the end of February 2012.

Disclaimer:

This is a summary of discussions held at the workshop on 'Practical Options for Climate Change Mainstreaming in the 2014-2020 EU Budget', which took place on 1 February 2012 in Brussels. Support from the Dutch Ministry of Infrastructure and the Environment is gratefully acknowledged. For more information on IEEP's work on climate change mainstreaming and the 2014-2020 EU MFF, please contact Ketii Medarova-Bergstrom at kmedarova@ieep.eu and Axel Volkery avolkery@ieep.eu.

