

Manual of European Environmental Policy

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Overview of EU policy: Funding instruments

The European Union (EU) has traditionally had funds for pursuing some of its policies. The lion's share of these funds is currently spent on just two of the EU policies: the Common Agricultural Policy (CAP) and Cohesion Policy, whereas only a relatively minor fund ([LIFE+](#)) is dedicated to environmental objectives. However, environmental spending also takes place through a number of other funds including the [Structural and Cohesion Funds](#) used to pursue objectives for economic, social and territorial cohesion under EU's Cohesion Policy as well as the [European Agricultural Fund for Rural Development](#) that forms the Second Pillar of the CAP. Therefore, much of the EU's spending has implications, both positive and negative, on the environment and the EU's funding instruments are an important element of the supporting instruments for EU environmental policy. This chapter sets out the EU's main funding instruments that have environmental implications, whereas this overview section sets out some background on the EU budget as well as important ongoing debates in relation to the budget which have implications to the environment.

The EU budget

EU revenue and spending

In 2010, the EU's budget was around €141.5 billion¹, which was spent through a variety of instruments in order to contribute to achieving its policy objectives. While the EU budget appears quite large in absolute terms, it is relatively small compared to overall public expenditure across the EU 27. The EU budget is in fact only 2.5 per cent of public spending in the Union and around 1 per cent of the Union's Gross National Income (GNI), well below its official upper limit of 1.23 per cent². These funds come from three main sources:

- *Traditional Own Resources* – duties that are charged on imports of products coming from a non-EU state (approximately 15 per cent of total revenue).
- *A resource based on Value Added Tax (VAT)* – a uniform percentage rate that is applied to each of the Member States' harmonized VAT revenue (approximately 15 per cent of total revenue).
- *A resource based on GNI* – a uniform percentage rate (0.73 per cent) applied to the GNI of each Member State (approximately 69 per cent of total revenue).

The relative contribution of these sources to the EU budget has changed over the years. Initially, the EU budget was funded by contributions directly from the Member States. However, of the current three sources, Traditional Own Resources have declined, as has VAT-based resources. However, while the GNI-based resource was intended to be merely a balancing item, it has become the largest source of revenue.

Currently, around 76 per cent of the EU budget is spent on the CAP and Structural Funds. However, these spending priorities are not set in stone and the budget is subject to change. Over the past 20 years there have been significant shifts (albeit incremental) in patterns of EU spending, reflecting changing priorities. For instance, spending on the CAP has declined from 60 per cent of the budget in 1988 to around 40 per cent of the budget in 2009⁴. Conversely,

the Structural and Cohesion Funds have increased from 17 per cent to nearly 36 per cent of the budget in the same time frame. New funds and budget lines have been added over the years, such as the Cohesion Fund created in 1993 for the benefit of the poorest Member States.

The amount and distribution of these financial resources is set periodically by the EU institutions in a multi-annual ‘Financial Perspective’. This includes the maximum amounts (ceilings) of financial commitments and payments for different categories of spending priorities (budget headings), which must be respected in annual budgets. The current Financial Perspective, which runs from 2007 to 2013, was proposed by the Commission in 2004 in a Communication *Financial Perspectives 2007–2013* [COM\(2004\)487](#); was the subject of a political agreement by EU Heads of State and Government in December 2005 ((15915/05)) and was finally agreed in a new [Inter-Institutional Agreement with the European Parliament in May 2006](#). This sets a total budget for the seven-year period at €864 billion. [Table 1](#) shows a breakdown of EU spending in the current Financial Perspective according to these budget headings.

The Lisbon Treaty which entered into force in December 2009 introduced a new legal framework concerning the rules governing the EU’s Financial Perspective. Article 312 (2) of the Treaty of the Functioning of the European Union (TFEU), stipulates that now the Council, acting in accordance with a special legislative procedure requiring the consent of the European Parliament, shall adopt a Regulation laying down a multiannual financial framework (MFF). Therefore, the current Inter-Institutional Agreement needed to be codified in a Council Regulation in order to be aligned to the Lisbon Treaty.

Table 1. Breakdown of EU budget headings for 2010. Source: DG Financial programming and budget, 2011.

Budgetary heading	Commitment appropriations in million €
1a. Competitiveness	14 862
1b. Cohesion	49 388
2. Preservation and management of natural resources	59 499
3a. Freedom. security. justice	1 006
3b. Citizenship	748
4. the EU as a global player	8 141
5. Administration	7 908
Total	141 552

Decision-making on the EU budget

Decision-making on the EU budget is not straightforward. Annual budgets within the Financial Perspective framework are drafted by the European Commission and voted on by the European Council (by qualified majority voting) and by the European Parliament (by absolute majority). However, prior to the entry into force of the Lisbon Treaty, the budgetary powers of the Council went well beyond those of the Parliament whose powers differed according to the type of expenditure. For ‘compulsory’ expenditure – spending which is laid

down in the Treaties and most notably includes the CAP, the Parliament could propose modification provided that it did not increase the total budget. For ‘non-compulsory’ expenditure – all the remaining spending, the Parliament could not only modify its apportionment but also increase its volume, up to a given amount. The Treaty of Lisbon abolishes the distinction between compulsory and non-compulsory expenditure, with the result that the European Parliament and the Council now have equal powers for the whole budget (Article 314 of the TFEU)⁴.

The Multiannual Financial Framework, as arranged in Article 312 of the TFEU, on the other hand is proposed by the Commission, but decided by the Council by unanimity in accordance with a special legislative procedure after the consent of the European Parliament is obtained.

This dual system of Decision-making gives rise to a number of drawbacks. The yearly budget - which was the only budgetary instrument with legal value under the Treaty - was not the real seat of budgetary power. Significant Decisions on the EU budget (such as setting the ceilings for the CAP and Structural Funds) were in practice taken by the Council outside the Community Method for adoption of legislation and based on intergovernmental negotiations⁵. With the Lisbon Treaty, this practice is bound to change since the MFF will have a legally binding status and the involvement of the European Parliament will be enhanced.

In addition to these established and formal Decision-making processes for the EU's Financial Perspectives and yearly budgets, the EU underwent a wider budget review process, which included stakeholders as well as the EU institutions. This started in September 2007 when the Commission launched a consultation on the topic and continued well into 2010 and 2011. This process was a chance to reflect on the underlying principles and priorities on which the EU's budget is based, as well as some of the political compromises which also shape the EU's spending (see below).

EU funding instruments

The EU budget is spent through a number of funding instruments which are in general set up through Regulations or Decisions for the beginning of every Financial Perspective. Since the beginning of the current Financial Perspective, the European Regional Development Fund, the European Social Fund and the Cohesion Fund are under the same General Regulation (see [Structural Funds](#)).

European Regional Development Fund

The European Regional Development Fund (ERDF) aims to strengthen economic and social cohesion in the EU by correcting imbalances among its regions. It co-finances: direct aid to investments in companies (in particular small- to medium-sized enterprises (SMEs)) to create jobs; infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport; financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions; technical assistance measures. These activities are funded by the ERDF to pursue the three objectives of EU regional policy: convergence, competitiveness and territorial cooperation. Together with the European Social Fund (ESF), it comprises the EU Structural Funds. Most of the opportunities for funding environmental projects in these Structural Funds lie within the ERDF.

European Social Fund

The ESF sets out to improve employment and job opportunities in the EU. It supports actions in Member States in the following areas: adapting workers and enterprises; lifelong learning schemes, designing and spreading innovative working organizations; access to employment for job seekers, the unemployed, women and migrants; social integration of disadvantaged people and combating discrimination in the job market; strengthening human capital by reforming education systems and setting up a network of teaching establishments. These actions are funded by the ESF to pursue two of the three objectives of EU regional policy: convergence and competitiveness. While most of the opportunities for environmental spending are found within the ERDF, there are also some opportunities to fund environmental projects under the ESF such as new skill development, vocational training and capacity building to help implement programmes and projects improving energy efficiency in housing in Member States.

Cohesion Fund

The [Cohesion Fund](#) is intended to strengthen economic and social cohesion in the EU through the provision of EU finance to programmes and projects in the poorest Member States, specifically in the fields of environmental protection and transport infrastructure. The Cohesion Fund supplements the already substantial financial support (€160 billion) channelled to these Member States (the so-called convergence countries) through the EU's Structural Funds. The beneficiaries of the Cohesion Fund are restricted to those Member States with a GNP per capita less than 90 per cent of the EU's average. These are Bulgaria, the Czech Republic, Greece, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia. Spain is eligible on a transitional basis. In the current Financial Perspective, the administration of the Cohesion Fund has been aligned with that of the Structural Funds.

The European Agricultural Fund for Rural Development

[The European Agricultural Fund for Rural Development](#) is known as the 'second pillar' of the CAP and consists of a framework to support sustainable rural development objectives. It is based on the CAP reforms of 2003 which initiated a shift away from support for agricultural production along with a move towards supporting the 'multifunctionality' of European farming. Environmental management and support of the wider rural economy are important elements of the second pillar. The specific rural development support measures are based around four axes of rural development. Axis 2 has the most opportunities for environmental spending. This aims to improve the environment and the countryside, including agri-environmental schemes and Natura 2000 payments. There are also some opportunities in Axis 4 – Leader which includes area-based local development strategies, local public-private partnerships, bottom-up approach, multi-sectoral design and implementation of strategies.

LIFE+

[LIFE+](#) is the EU's only dedicated environment fund. It is relatively small (€2.14 billion 2007–2013), but aims to contribute to the implementation, updating and development of the EU's environment policy and legislation, in particular contributing to the integration of the

environment into other policies and to sustainable development in the Union. LIFE+ is the fourth phase of the LIFE programme and covers the period 2007–2013. It succeeds LIFE III, which ended on 31 December 2006. A minimum of 78 per cent of the LIFE+ budget is to be spent on projects allocated by the Member States, whereas the remaining 22 per cent is to be spent directly by the European Commission. LIFE+ may provide up to 50 per cent of eligible expenditure, or up to 75 per cent in the case of priority habitats and species. Potential beneficiaries may include a wide range of public or private bodies, actors or institutions.

European Fisheries Fund

The [European Fisheries Fund](#) (EFF) aims to support marine and inland fishing, as well as aquaculture and processing facilities. This includes restructuring support to the fishing industry, the processing and marketing of fish products, training activities and fisheries management initiatives. The EFF is a central element of the Common Fisheries Policy (CFP) structural policy and as such aims to contribute to attaining the objectives of the CFP, that is, to ‘ensure exploitation of living aquatic resources that provides sustainable economic, environmental and social conditions’. More specifically the EFF supports activities such as vessel decommissioning, fishing effort management plans, fisheries management plans, reducing the impact of fishing gear, environmentally sensitive aquaculture and the development of fishing communities.

EU Solidarity Fund

The [European Union Solidarity Fund](#) (EUSF) was set up to respond to natural disasters and express European solidarity to disaster-stricken regions. The Fund was created as a reaction to the severe floods in Central Europe in the summer of 2002. It has been used for disasters covering a range of different catastrophic events including floods, forest fires, an earthquake, a volcanic eruption, storms and drought.

Civil Protection Financial Instrument

The [Civil Protection Financial Instrument](#) is intended to support and complement the efforts of the Member States for the protection, primarily of people, but also the environment and property, including cultural heritage, in the event of natural and man-made disasters, acts of terrorism and technological, radiological or environmental accidents and to facilitate reinforced cooperation between the Member States in the field of civil protection.

Competitiveness and Innovation Programme

The [Competitiveness and Innovation Framework Programme](#) (CIP) aims to encourage the competitiveness of European enterprises, especially in SMEs. The programme supports innovation activities (including eco-innovation), provides better access to finance and delivers business support services in the regions. It encourages a better take-up and use of information and communications technologies (ICT) and helps to develop the information society. It also promotes the increased use of renewable energies and energy efficiency.

Seventh Research and Technology Development Framework Programme

The current [Seventh Research and Technology Development Framework Programme](#) (FP7) provides finance to selected academic research projects within the EU. These funds are allocated to different thematic areas including ‘energy’ and ‘environment and climate change’. The ‘energy’ theme includes the issue of sustainable energy. The ‘environment and climate change’ theme has the main objective of advancing knowledge of the interactions between climate, biosphere and ecosystems and human activities and to develop new technologies, tools and services for the sustainable development of the environment and its resources.

EU spending on the environment

Since potential EU spending on environmental objectives is spread across all these funds, rather than concentrated in one particular fund, analysis of the EU budget in terms of environmental funding is problematic. After the failure of the European Parliament in the early 1990s to establish a sizable, separate Environmental Fund, most environmental spending was ‘mainstreamed’ into other funds within the EU budget. LIFE+ is the only dedicated environment fund administered by DG Environment, and amounts to just 0.2 per cent of the EU budget. Mainstreaming of environmental spending can bring some advantages. For example, it makes use of existing funds to advance environmental objectives while also potentially reduces the chances that EU spending in relation to other objectives of the EU will undermine environmental objectives.

On the other hand, mainstreaming makes it difficult to assess what is actually spent on environment-related projects. Part of this is due to the way in which spending is categorized (see [Table 1](#)). For example, the heading ‘Preservation and management of natural resources’ is rather misleading as it is mainly spending on the CAP of which about 70 per cent is in direct aid to farmers. Even when looking at specific policies or funding instruments, it is often not easy to ascertain how spending is allocated between different priorities. This is further complicated by the variations between planned expenditure and actual spending Decisions that are highly decentralized and not transparent. Around 76 per cent of the EU's expenditure is not under the direct control of the Commission⁶. Instead it is actually spent indirectly through the governments or local authorities of Member States which make Decisions on detailed programmes and projects. While there are guidelines set by the Commission on how this money is spent, these are so broad and wide ranging that Member States still have extensive discretion on how they spend much of this money. This is particularly evident in the Structural and Cohesion Funds.

The most important areas in which environmental spending has been integrated are the Structural and Cohesion Funds and the CAP.

Environmental Mainstreaming in the Structural and Cohesion Funds

The principal purpose of the Structural Funds is to promote the economic and social development of disadvantaged regions, sectors and social groups within the EU. However, there has been a long-standing debate about the contribution (or lack of) from the Structural Funds to environmental objectives of which the budget review debate is the latest manifestation (see below). Expenditure by the Structural Funds and the Cohesion Fund on

large infrastructure projects has sometimes been criticized for its environmental insensitivity. Procedural safeguards were incorporated into the Structural Funds Regulations in 1993, but in the view of several NGOs and the European Parliament, they have not been sufficiently effective⁷. In response to MEPs' criticisms during negotiations over the EU's 1996 draft budget, the Commission issued a Communication in November 1995 titled *Cohesion Policy and the Environment* ([COM\(95\)509](#)). This set out a number of measures to strengthen the environmental dimension of the EU's 'cohesion policy', including better monitoring of its environmental effects, and the use of sanctions against Member States for failure to apply environmental safeguards.

In March 2000, the Environment and Regional Policy Commissioners jointly issued a formal warning to Member States that payments from the Structural Funds for new programmes for 2000–2006 would be withheld unless they fully implemented the Habitats Directive [92/43/EEC](#) and Birds Directive [79/409/EEC](#) – specifically in relation to the identification and protection of proposed Natura 2000 sites. The practical exercise for the first time by the Commission of this form of 'conditionality' has had a significant effect on the process of developing draft Structural Fund programmes.

Further moves to extend the Commission's control over the Member States' Structural and Cohesion Fund programmes were included in the revised 'General' Regulation for the 2007–2013 programming period ([Regulation \(EC\) No 1083/2006](#) OJ 210 31.7.2006). For the first time, legally binding 'Community Strategic Guidelines' have been issued on Cohesion as a Council Decision [2006/702/EC](#) to set the framework for 'National Strategic Reference Frameworks', which in turn will set the parameters for Member States' Operational Programmes. The Strategic Guidelines emphasise the synergies between environmental investments and economic development and refer to a number of environment-related projects that Member States are encouraged to develop. These include:

- Environmental infrastructure to comply with EU legislation in the fields of water, waste, air and nature protection;
- Waste prevention and recycling;
- Promotion of environmental management systems and clean technologies among small and medium enterprises;
- Rehabilitation of the physical environment, including natural and cultural assets, as attractive industrial locations;
- Energy efficiency initiatives;
- Renewable energy;
- Support for better programme and policy design.

In addition, the scope of the Cohesion Fund has been extended in the current Financial Perspective to include support for energy conservation and support for the development of renewable forms of energy. However, despite these new provisions in the Structural Funds for environmental spending, it is evident that these environmental objectives are not being given priority in the implementation of the funding instruments.

Environmental Mainstreaming in the CAP

Over time, support for environmental management has also become increasingly integrated within the framework of the CAP and this is reflected in agricultural spending. In particular, a new 'pillar' of the CAP (Pillar Two) concerned with rural development and funded by the

European Agricultural Fund for Rural Development (EAFRD) was created. This provides funding for national and regional rural development programmes, an objective of which – as set out in the Community Strategic Guidelines for Rural Development – is ‘improving the environment and the countryside by supporting land management’. These priorities primarily relate to the Göteborg sustainability goals laid down in the EU's original 2001 Sustainable Development Strategy and the objectives of the Lisbon Strategy for Growth and Jobs. However, despite the growth in the budget available for Pillar Two, environmental objectives still only play a limited role in the CAP.

The EU budget review

The EU has embarked on a strategic review of its budget. This review has its origins in the negotiations of the current financial perspective in 2005, which eventually led to a request by the Council for the Commission to ‘undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate’. Consequently, in September 2007, the Commission launched a consultation document *Reforming the budget, changing Europe* ([SEC \(2007\) 1188](#)) which considered the policy challenges facing Europe, and whether these are adequately reflected in spending priorities. A number of fundamental questions were raised about the added value of European spending, and the effectiveness, efficiency and transparency of budget delivery.

After an extended consultation period lasting until mid-June 2008, nearly 300 responses were received, the majority of which were posted on the Commission's website⁸. Contributions were submitted from all 27 Member States, Non-Governmental Organisations (NGOs), the private sector, academics, think tanks, regional authorities and agencies. A Commission Working Document summarizing these responses was presented at a stakeholder conference on 12 November 2008 ([SEC\(2008\)2739](#)). Climate change was at the top of the list of future challenges to the EU as highlighted in the consultation summary (two-thirds of contributors considered it Europe's biggest test for the future), followed by EU competitiveness in a global economy and energy security. A number of suggested changes to environmental spending were included in the Commission's summary including: increasing direct spending on the environment and climate change; aligning other policies with environmental needs; investing in energy-efficient technologies; and developing renewable energy. The Commission stated that the CAP was the most controversial area of current EU spending with a strong signal being given that it should be reformed.

After a long delay a draft version of the Commission's long anticipated budget review proposals was leaked in October 2009. This document proposed three priorities of a future EU budget: growth and jobs; climate and energy security; and a global Europe. The leaked paper also suggested: a significantly reduced CAP spending Budget (as well as an increasing role for rural development); less regional funding for well-off Member States; more conditionality on spending according to performance/results; increased cross border cooperation. Most significantly for the environmental point of view it called for cohesion and agriculture spending to be ‘climate proofed’ and linked to achievements of emission targets.

A year later, in October 2010, the formal proposal from the European Commission on the EU Budget Review ([COM\(2010\)700](#)) was finally adopted. It was considerably different than the leaked version in 2009. Its priorities were fully in line with the three-pillar goals for smart, sustainable and inclusive growth enshrined in the new overarching Strategy Europe 2020 ([COM\(2010\)2020](#)) as adopted by the European Council in June 2010 ([EUCO 13/10](#)) (see

section on the [Sustainable Development Strategy and the Lisbon Strategy](#)). It also set out the key principles of the future EU budget which include delivering key policy priorities, EU value added, a result-driven budget and mutual benefits through solidarity. The Communication proposed the creation of a ‘common strategic framework’, outlining a comprehensive investment strategy translating the targets and objectives of Europe 2020 into investment priorities’. The current financial perspectives were set for a period of seven years. The Commission however proposed a ‘5+5’ scheme which implied fixing the overall ceiling and the legal instrument (Regulation) for a period of ten years, but ensuring a mid-term review after the fifth year with the possibility of major re-prioritisation of objectives within programmes and instruments and redistribution of resources within headings. The question of the size of the future budget, perhaps one of the most contentious issues, was not dealt with, thereby creating further uncertainty and space for manoeuvring in the subsequent political debates.

The need to address climate change, resource efficiency and energy security was highlighted in the Communication and the case for ensuring the necessary investments in green technologies, services and jobs was clearly made. The mainstreaming of climate change into existing funds was put forward as a preferred option which should be underpinned by clear political ‘earmarking’ (attaching a share of the financing to climate change objectives) and could be linked to a cross-cutting requirement for reporting of the types and amounts of expenditure made. Broader environmental issues were mentioned briefly under the chapter dedicated to the CAP reform. Overall, the Communication remained relatively vague.

On 8 June, the European Parliament adopted its position on the post-2013 MFF ([2010/2211\(INI\)](#)). It sent challenging messages to the Council by demanding a five per cent increase in the future EU budget, a new own resources system and the scrapping of all correction mechanisms. At the same time, it made a number of important demands concerning climate change, energy and resource efficiency. The report called on the Commission to present a legislative proposal that will underpin a more efficient and effective allocation and use of funds under the future [Common Agricultural Policy](#) through a fairer distribution of direct payments and by strengthening conditionality towards the delivery of public goods. As far as fisheries are concerned, MEPs underlined that the [European Fisheries Fund](#) should provide support for sustainable fishery practices and the conservation of marine ecosystems. Spending under [LIFE+](#) was deemed important for safeguarding biodiversity and protecting the environment and therefore should be continued in order to meet the EU's environmental objectives, particularly those related to Natura 2000. Climate change should be mainstreamed across all relevant expenditure and a climate impact assessment should be conducted for new projects. Revenue generated through the EU Emission Trading Scheme (ETS) should be invested in projects for climate change mitigation and innovation. A global responsibility of the EU in tackling climate change was underlined through the provision of new and additional development aid and hence the creation of a new programme for this purpose was proposed. Spending should be increased particularly for renewable energy, energy efficiency and energy savings. The Parliament, within a special legislative procedure, should give its consent to the future MFF Regulation. However, the Parliament appeared to be seeking a more substantive role in the upcoming negotiations.

On June 29 2011, the European Commission formally tabled its proposals for the 2014-2020 MFF. The package included a two part Communication. The first, set out the principles, priorities, structure, duration and the size of the MFF ([COM\(2011\)500 - Part I](#)). The second, containing ‘policy fiches’ which set out specific objectives, instruments, implementation

mechanisms and budget allocations for the different policy areas, e.g. agriculture and rural development, Cohesion Policy, infrastructure, etc. ([COM\(2011\)500 - Part II](#)). The Commission proposed an overall increase of the EU long-term budget in terms of total commitment appropriations, i.e. €1,025 billion. However, measured in terms of share of European GNI, it would be a slight decrease: whereas the current budget represents 1.12 per cent of GNI, the proposal would bring that down to 1.05 per cent.

The [CAP](#) (€372 billion) remains a sizeable element of the proposed EU budget. The two Pillars of the CAP remain and the basic structure of the CAP is not radically altered although here the formal objectives now reflect the priorities of Europe 2020 Strategy much more explicitly. The key innovation is the greening of Pillar One. In future, 30 per cent of the direct payments ‘will be made contingent on a range of environmentally-sound practices, going beyond cross-compliance’. No further details were provided. This is a significant share of the CAP budget and could result in some major changes of practice on a European scale if well designed measures are put in place and then monitored effectively. It is also possible that farmers who fail to participate in the greening will risk losing the whole of their direct payments although this is not clear from the text. Expenditure on Pillar Two is scheduled to decline in real terms over the period.

[Cohesion Policy](#) (€336 billion) makes up the second biggest item in the proposed future budget. It remains largely an instrument for solidarity and investment for growth and jobs. A new category of regions is created — ‘transition regions’ — which captures the current system of ‘phasing in’ and ‘phasing out’ regions. The policy is brought closely to the Europe 2020 Strategy which will be reflected in a new system for the concentration of funds on fewer priorities, conditionality and improved performance mechanisms. Climate change and energy appear among the main priorities for action with a requirement for earmarking at least 20 per cent of the funding allocations in more developed and transition regions to energy efficiency and renewable energy sources. €10 billion of the Cohesion Fund will be earmarked for large-scale transport infrastructure under the newly introduced Connecting Europe Facility (bringing together the current TEN-T, TEN-E and infrastructure for ICT).

Regarding the [European Fisheries Fund](#), the proposals appear to be moving in the direction of sustainability not just of fisheries but the broader marine environment. The newly announced European Maritime Fisheries Fund (EMFF) (replacing the EFF) notably focuses on supporting fishing which is more selective, producing no discards, doing less damage to marine ecosystems and relating to the science that supports these activities, thereby contributing to the sustainable management of marine ecosystems. A single fund is proposed, integrating all fisheries and maritime instruments under one framework, with the exception of fisheries partnership agreements and EU membership in regional fisheries management organisations.

The [LIFE](#) instrument now includes both environment (including biodiversity) and climate change components. The budget is increased to €2.4 billion for projects related to the environment component plus €800 million for projects related to the climate change component (i.e. €3.2 billion in total, compared to the €2.14 billion presently available for this instrument). A new type of ‘integrated’ projects is envisaged where LIFE funding will act as a catalyst, ensuring consistency and a strategic environmental focus, exploiting synergies and complementarity with other EU funds.

With relatively small sums being allocated for the environment and climate change under LIFE+, mainstreaming is stressed as the main mechanism for environment and climate change financing. On climate change, the Commission proposes to increase the sum of 'mainstreamed' funds spent on climate action to at least 20 per cent of the EU budget, with contributions from all the major EU funds, i.e. Cohesion Policy, research and CAP, subject to impact assessment evidence. Priorities for funding include renovation of buildings, smart grids, renewable energies and innovation in transport. On biodiversity, mainstreaming is to cover spending both within the EU via the main funding instruments and through external action funding. This means that the integrated model for co-financing biodiversity and Natura 2000, as introduced in the context of the 2007-2013 financing framework, is foreseen to continue.

The Commission also proposes a new system of own resources (e.g. an EU financial transaction tax (FTT) and new VAT resources) and revisions in the correction system for all Member States. As concerns the latter, this is foreseen to replace the current levy on national VAT with a direct EU VAT (although Member States would still levy the EU VAT and pass the funds to the Commission).

The European Parliament and the Council are invited to support the orientations set out in the Communication, and ensure negotiations can be concluded in time to allow for the smooth implementation of the new multiannual financial framework as of 1 January 2014. Many of the details on financing and mainstreaming of the environment and climate change however were further elaborated in the proposals for Regulations on the separate funding instruments, which were published in the autumn of 2011. Within an ordinary legislative procedure the Council and Parliament should adopt these by mid 2013.

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