



Council of the
European Union

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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: European Court of Auditors' special report n° 31: 'Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but serious risk of falling short'
- Draft Council conclusions

Delegations will find attached the draft Council conclusions on Climate Finance.

Draft

Council conclusions on the 2016 European Court of Auditors' special report n° 31: '*Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but serious risk of falling short*'

The Council of the European Union:

1. Considering the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC, Paris, 30 November to 12 December 2015), where the Parties agreed to strengthen the global response to the threat of climate change (*'the Paris Agreement'*)¹;
2. Considering that the Paris Agreement sets out to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to keep it at least 1.5°C below those levels. In order to achieve that goal, the Parties will prepare, communicate and maintain successive nationally determined contributions to the global response to climate change;
3. Acknowledging the Europe 2020 strategy, which sets targets for climate action and energy in 2020 whereby greenhouse gas emissions are to be 20 % lower than 1990 levels; 20 % of energy should come from renewable energy sources and a 20 % increase in energy efficiency should have taken place²;
4. Noting the Union's nationally determined contribution comprises a binding target of at least a 40 % domestic reduction in greenhouse gas emissions by 2030 compared to 1990. Also stressing the target that at least 27 % of energy consumed in the EU should be from renewables by 2030, and the indicative target at EU level of improving energy efficiency by at least 27 % by that year³;

¹ FCCC/CP/2015/L.9.

² European Council conclusions of 11-12 December 2008 - 17271/1/08 REV1

³ Conclusions of the European Council of 23-24 October 2014 - EUCO 169/14.

5. Recognizing that, in line with the Commission proposal⁴ and European Council conclusions⁵ on the 2014-2020 Multiannual Financial Framework (MFF), the European Commission and Member States have striven to integrate climate action throughout the EU budget, including by aiming to increase climate-related spending to at least 20 % of the MFF 2014-2020, including in European development aid for the poorest parts of the world;
6. Noting that the Commission has presented to the Council⁶ its communication taking stock of progress towards the climate mainstreaming target in the context of the MFF's mid-term review/revision⁷, and that the European Parliament has expressed concern that the goal of spending at least 20 % of the EU budget (under the current MFF) on climate-change-related action has not been reached⁸;
7. Acknowledging that the Commission has adapted the OECD external aid tracking methodology ('Rio markers')⁹ to the specific context of EU budget spending to provide quantified financial data;

⁴ Commission communication: 'A Budget for Europe 2020' (12475/11).

⁵ Conclusions of the European Council of 7-8 February 2013 - EUCO 37/13. (*The optimal achievement of objectives in some policy areas depends on the mainstreaming of priorities such as environmental protection into a range of instruments in other policy areas. Climate action objectives will represent at least 20 % of EU spending in the period 2014-2020 and therefore be reflected in the appropriate instruments [...]*).

⁶ General Affairs Council on 20 September 2016.

⁷ Commission communication: 'Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results' (12183/16 + COR 1).

⁸ 6 July 2016 - P8_TA(2016)0309.

⁹ OECD: DCD/DAC(2016)3/ADD2/FINAL.

The Council:

8. Welcomes the 2016 Special Report of the European Court of Auditors n° 31: 'Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but serious risk of falling short'¹⁰, which constitutes a valuable assessment of how the MFF 2014-20 contributes to the Union's commitment to fighting climate change and puts forward relevant proposals for further improvement;
9. Also welcomes the Commission's replies to the Court's recommendations, including the follow up actions foreseen by the Commission, while stressing that major revisions of the spending programmes are not practicable and feasible under the current MFF;
10. Notes that since the beginning of the MFF 2014-2020 the Commission has implemented its commitment to mainstream climate-relevant action in the EU budget;
11. Confirms the commitment of the Council and Member States to achieving the 20% target and considers that forecast average spending for the period 2014-2020 of some 19 % of the EU budget¹¹ is very encouraging, but recognises that further efforts beyond business as usual are needed. Underlines that a budget spending target constitutes only one part of the budget practice that is needed to make best use of scarce budgetary resources;
12. Stresses that mainstreaming climate action into a range of instruments in relevant policy areas is an effective approach for achieving the EU's climate objectives, which is also in line with the Commission's Budget Focused on Results¹² approach of ensuring that EU budget spending serves multiple EU objectives simultaneously;

¹⁰ <http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=39853>

¹¹ See footnote 7

¹² http://ec.europa.eu/budget/budget4results/index_en.cfm

13. Underlines that climate action is being increasingly integrated, into all major EU policies, such as the EU's common agriculture policy, cohesion policy, the Union's research and innovation programme (Horizon 2020), the infrastructure instrument (Connecting Europe Facility), the EU's Programme for Environment and Climate Action (the LIFE programme) and EU external action (in particular its development policy);
14. Urges the Commission and Member States to identify areas in spending programmes with untapped potential and to consider opportunities and action to increase climate relevance as well as the efficiency and effectiveness of investments in those areas. Encourages the Commission and Member States to mobilize private climate finance by leveraging public funds;
15. Emphasises that the common tracking methodology for climate-related spending established by the Commission¹³, which is based on the OECD '*Rio markers*', is suitable but should be further improved to provide relevant and substantiated information for policy decisions, to enhance its consistency across spending programmes, taking into account the OECD work, to limit the possibility of overestimation, as well as to consider differentiating between mitigation and adaptation measures when the methodology is revised, without creating an excessive administrative burden on national administrations or the Commission;
16. Further emphasises the need to improve the coherence of indicators on the impact and results of the programmes with regard to climate change, to monitor the climate-related performance of EU budget;

¹³ EU climate coefficients: 100% (significant contribution), 40% (moderate contribution), 0% (no contribution), e.g. the Commission implementing regulation No 215/2014 of 7 March 2014

17. Further underlines that climate mainstreaming is also an important element in EU financial instruments; in this context recalls that the Commission proposal for extending the European Fund for Strategic Investments (EFSI)¹⁴ includes a proposal to target at least 40 % of EFSI financing under the infrastructure and innovation window to contribute to climate action;
18. Therefore, invites the Commission and the Member States, *inter alia* to follow up on relevant recommendations in the above Special Report, to further mainstream climate action in EU spending programmes, thereby seeking to spend a higher proportion of the EU budget during the remaining period of the MFF 2014-2020 on climate action. Further invites the Commission to set out next steps in connection with mainstreaming climate action in the EU budget at the time of the Commission proposal for the next financial framework¹⁵.
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¹⁴ 12201/16 + ADD1 (COM(2016) 597 final) - On 6 December 2016, the Council adopted its General Approach (14981) on the Commission proposal, whilst awaiting the first reading opinion of the European Parliament.

¹⁵ See Council Regulation No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020, Article 25