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DRAFT STATEMENT OF THE COUNCIL'S REASONS

Subject: Position of the Council at first reading with a view to the adoption of a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL establishing a Programme for the Environment and Climate
Action (LIFE), and repealing Regulation (EU) No 1293/2013
– Draft Statement of the Council's reasons

I. INTRODUCTION

1. On 1 June 2018, the Commission transmitted to the Council and the European Parliament its proposal for a Regulation establishing a Programme for the Environment and Climate Action (LIFE). The proposal forms part of a series of proposed Union funding programmes under the multiannual financial framework (MFF) for the period 2021 to 2027.
2. The Parliament on 11 December 2018 adopted a set of amendments to the proposal in view of entering into negotiations with the Council¹.
3. The Council adopted a partial general approach² on 20 December 2018 setting aside (bracketing) all provisions with budgetary implications or of horizontal nature linked to the MFF pending agreement by the European Council on the MFF.
4. Following trilogue negotiations, the Parliament and the Council agreed on a "Common Understanding" on all non-bracketed provisions which was confirmed by the Permanent Representatives Committee on 20 March 2019³.
5. On 17 April 2019, the Parliament adopted its position at first reading⁴ endorsing the Common Understanding and adopting a limited number of amendments to the Commission's proposal on the remaining text.

¹ Document 15312/18.

² Documents 15489/18 + COR 1.

³ Document 7479/1/19 REV 1.

⁴ Document 8654/19.

6. Following the agreement of the European Council on the MFF at its meeting on 17 - 21 July 2020⁵ and subsequent agreement on the MFF Regulation⁶ and the Interinstitutional Agreement (IIA) linked thereto⁷, negotiations on the proposal were resumed resulting in a provisional agreement between the Council and the Parliament on 17 December 2020.
7. The provisional agreement was approved by the Permanent Representatives Committee on 13 January 2021 and by the ENVI Committee of the European Parliament on 15 January 2021.
8. On ... 2021, the Council adopted its position at first reading in accordance with Article 294 (5) TFEU.

II. OBJECTIVE

9. The purpose of the proposed Regulation on the LIFE Programme is to establish the Union's funding instrument for environment and climate action for the period 2021 to 2027. The LIFE Programme aims to contribute to the implementation, updating and development of Union's environmental and climate policies and legislation by co-financing projects with European added value. It will succeed and replace the LIFE Programme for 2014 to 2020 as set out in Regulation 1293/2013/EU.

⁵ Document EUCO 10/20.

⁶ Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433 I, 22.12.2020, p. 11).

⁷ Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433 I, 22.12.2020, p. 28).

III. ANALYSIS OF THE COUNCIL'S POSITION AT FIRST READING

10. The Council's position at first reading is the result of informal contacts between the European Parliament, the Commission and the Council as foreseen by the Joint declaration on practical arrangements for the co-decision procedure⁸.

The compromise found between the institutions contains *inter alia* the key elements set out hereafter.

General

11. The structure of the LIFE Programme, notably the division into fields and subprogrammes, as proposed by the Commission, was followed, including the integration of funding to support Clean Energy Transition, which until now has been funded under Horizon 2020.

As regards the objectives of the LIFE Programme set out in Article 3, these have been further detailed and clarified. In particular, increased emphasis has been put on nature and biodiversity to underline that this part is core to the LIFE Programme. A reference to a climate neutral economy has been included, as well as a specific reference to the support to implementing general Union action programmes to explicitly allow for taking into account the successor of the 7th Environment Action Programme⁹.

⁸ OJ C 145, 30.6.2007, p. 5.

⁹ A proposal for an 8th Environment Action Programme (Proposal for a Decision on a General Union Environment Action Programme to 2030) was submitted on 14 October 2020 - document 11987/20 - COM(2020) 652 final.

Key issues

Financial envelope (Article 5)

12. The size of the financial envelope for the LIFE Programme reflects the agreement reached by the European Council on the MFF and subsequent agreement on the MFF Regulation, resulting in a minor cut compared to the Commission proposal. The distribution of the financial envelope follows the distribution between fields and subprogrammes proposed by the Commission.

Climate mainstreaming and biodiversity ambition

13. The Council's position (Article 19 (5) and recital 29) reflects the agreement of European Council on the MFF and subsequent agreement on the MFF Regulation to increase the target for budget wide climate related spending from 25% to at least 30%. 61% of the financial envelope of LIFE is expected to contribute to the achievement of that target.
14. The importance of biodiversity related spending and of developing tracking methods for such spending has been highlighted by anchoring the agreement found on the biodiversity ambition in the IIA linked to the MFF in the LIFE Programme. Accordingly, the LIFE Programme shall contribute to mainstream biodiversity action in the Union policies and to the achievement of the overall ambition of providing 7,5% of annual spending under the MFF to biodiversity objectives in 2024 and 10% of annual spending under the MFF to biodiversity objectives in 2026 and 2027, while considering the existing overlaps between climate and biodiversity goals (Article 19 (5) and recital 16).

Implementation of funding (Article 9)

15. A more detailed framework for the implementation of funding, that ensures that funding is directed towards prioritised actions and projects, has been provided for. Accordingly, at least 85% of the budget for the LIFE Programme must be allocated to grants to finance inter alia strategic nature projects under the subprogramme Nature and Biodiversity, strategic integrated projects under the subprogrammes related to circular economy and climate action and projects related to technical assistance.
16. Further, overall maximum co-financing rates have been set in the LIFE Regulation itself at levels that are necessary to maintain the effective level of support provided by the Programme. In addition, and in order to take into account the necessary adaptability that is needed to respond to the existing range of actions and entities, specific co-financing rates are to be set out in the multiannual work programmes.

Award criteria and geographical balance (Articles 9 and 11 (4))

17. It was agreed to provide more overall direction for the implementation of funding in terms of both award criteria and pursuit of geographical balance in the LIFE Programme. It is made explicit that quality is the overarching criterion governing the award of projects under the LIFE Programme and that the Commission shall pursue an effective, quality-based geographical coverage across the Union. In order to facilitate the implementation of the Programme's objectives across the EU and to promote a high quality of project proposals, funding will be provided for capacity building related to Member State authorities' activities aimed at increasing effective participation in projects under the LIFE Programme. The maximum amount allocated to grants for support to capacity building for Member States with "low effective participation" is 15 Mio EUR with maximum co-financing rates not exceeding 95% of eligible costs for projects.

Multiannual work programmes (Article 18)

18. The Council's position provides for a duration of the first multiannual work programme of four years and a duration of the second multiannual work programme of three years. Further, in order to better frame and direct the programming of actions, it in comparison to the Commission's proposal sets out in more detail the elements to be contained in those work programmes, *inter alia*:
- performance indicators for each subprogramme;
 - further break down and specification of allocation of funds, including indications on maximum amounts for certain types of grants and co-financing rates (reflecting the provisions on implementation of funding);
 - indicative timetables for the calls for proposals, selection procedure and award criteria for project submissions.

The Commission must ensure stakeholder consultation when developing the work programmes.

19. The procedure for adoption of the multiannual work programmes is now specified in the LIFE Regulation. These will be adopted through implementing acts.

Duration and retroactivity (Articles 1 and 26)

20. In the Commission's proposal, the LIFE Programme was unlimited in duration. In order to ensure that the Commission will make a new proposal for a programme on funding environment and climate action for the next MFF, thereby enabling the co-legislators to revisit objectives and priorities together with the Commission, the Council's position specifies that the LIFE Programme is established for the period of the MFF 2021 to 2027. The duration of the LIFE Programme is aligned with the duration of the MFF.

In order to ensure a smooth transition without interruption between the previous LIFE Programme (2014 to 2020) and the new LIFE Programme and to align the start of the LIFE Programme with that of the MFF, retroactive application is provided for. The LIFE Programme shall thus apply from 1 January 2021.

Other issues

21. The text of the Regulation has been updated in order to reflect developments within environment and climate policies, in particular by including references to the European Green Deal.
22. The Commission's proposal as regards the participation of third countries in the LIFE Programme (Article 6) is supported (also reflecting the agreement of the European Council in July 2020). As concerns funding of activities outside the EU, the Council's position adds a specific and limited provision on the funding of support for the organisation of multilateral conferences outside the EU (Article 11 (5)).
23. Some provisions and recitals of horizontal nature have been adjusted to ensure alignment across MFF funding programmes (notably Article 16).
24. The Commission proposed to discontinue the use of the specific LIFE logo but it has been retained in the Council's position (Annex III).

IV. CONCLUSION

25. The Council's position at first reading fully reflects the compromise reached in the negotiations between the Council and the European Parliament, facilitated by the Commission. This compromise was confirmed by the letter of the Chair of the European Parliament's ENVI Committee to the Chair of the Permanent Representatives Committee dated 15 January 2021. In this letter, the Chair of the ENVI Committee indicated that provided that the Council adopt as its first reading position the provisionally agreed text, subject to legal-linguistic verification, the Chair would recommend that the Council's position be accepted without amendment in the Parliament's second reading.
