

FINANCING A BETTER FUTURE: THE ENVIRONMENTAL CHALLENGES FOR THE FINANCIAL PERSPECTIVES 2007-2013

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Introduction

The next financial perspective - which will determine how Europe's annual budget of EUR 120 billion is spent over the period 2007-2013 – will have a major impact on Europe's citizens, economy and environment. For too long, major EU budget lines such as the Common Agricultural Policy have failed to deliver public benefits in return for payments from the public purse. The Green 10 believes that the debate on the financial perspective presents a crucial opportunity to reverse this trend by ensuring that funds are clearly linked to the EU's sustainable development objectives.

European leaders failed to reach an agreement on the EU's financial perspective for the period 2007-2013 at the European Council on 16-17 June. The CAP budget and the UK rebate were the two most difficult issues to resolve. Talks will therefore continue during the UK Presidency with a view to reaching an agreement at the European Council in December.

The importance of the environment in the next financial perspective

The European Council in March 2005 concluded that "...the Lisbon Strategy [must] be seen in the wider context of the sustainable development requirement that present needs be met without compromising the ability of future generations to meet their own needs". The Green 10 shares this view and believes that the environment must not simply be viewed as an 'add on' or a resource to be exploited for economic growth. Instead, environmental protection should be considered as the precursor for sustainable development, without which economies and communities cannot thrive. The financing priorities outlined in the next financial perspective must contribute to this vision. For example, dramatic improvements in energy and resource efficiency would improve competitiveness, reduce dependency on oil imports and other resources, encourage innovation, create jobs and reduce carbon dioxide emissions.

Key principles for the next financial perspective

The Green 10 believes that the following principles must apply with regard to the next financial perspective:

- **Key budget lines which deliver public benefits must be well resourced, whatever the outcome of the debate about Member States' contributions to the EU's budget.** There is a great risk that key budget lines that deliver public and environmental benefits, such as the rural development programme (Pillar 2 of the CAP) and the environment budget line (LIFE+) will be cut if the overall EU budget is reduced, particularly as the European Council agreement

of October 2002 effectively fixes CAP direct payments and market spending at a constant level until 2013. Whatever the outcome of the debate on Member States' contributions to the budget, EU spending programmes that contribute to the EU's sustainable development objectives must be well resourced and not cut.

- **Priorities and objectives should be defined with regard to integrated economic, social and environmental priorities of the European Union, and EU funds should only be allocated to policies, programmes or projects that contribute to the EU's objectives.** EU funds should be clearly targeted at delivering the EU's economic, environmental and social objectives in an integrated manner.
- **The budget should be 'greened' and resources specifically targeted towards the achievement of the EU's environmental objectives from the major funding programmes, particularly from the CAP and the Structural Funds.** It is very difficult to judge from the draft financial perspective presented by the Commission how much priority will be given to the environment compared with the Lisbon economic development objectives and fixed agricultural subsidies. While there are plenty of opportunities, there are no guarantees that environmental needs will be met. The financial perspective should clearly state that the Commission should only release EU funds when it is certain that sufficient funds will be allocated to environmental priorities (e.g. Natura 2000).

Ten environmental challenges for the next financial perspective

The Green 10 has the following ten specific challenges to decision-makers for the next financial perspective:

1) The Common Agricultural Policy should deliver public benefits in return for public payments (Heading 2). The CAP reforms in 2003 decoupled subsidies from agricultural production and linked funding to the respect of environmental rules ('cross compliance'). However, Europe's rural areas need more than just decoupled agricultural payments; these areas need a sensible, well-resourced rural policy focused on the delivery of public goods which would otherwise have no marketplace (e.g. wildlife, clean water, landscapes). Any further reductions in the proposed budget for rural development would seriously compromise its potential to deliver environmental objectives, such as implementation of Natura 2000 and the Water Framework Directive or the sustainable production of renewable energy sources from agriculture and forestry. Further transfers from CAP market expenditure (Pillar 1) to rural development (Pillar 2) are essential. In order to deliver value for taxpayers' money in the longer-term, all Pillar 1 and 2 funds should be merged into a single financing instrument supporting environmentally friendly farming practices and other rural activities with demonstrable public benefits.

2) The Structural and Cohesion Funds must support sustainable development (Heading 1b). The Structural and Cohesion Funds have great potential to assist the sustainable development of poorer and disadvantaged regions. In order to do this, the funds must give much more targeted support to measures which decouple economic growth from resource use - by improving energy efficiency and promoting renewable energy and promoting a shift from road to rail. The funds must also protect and enhance the natural environment - by supporting the management of the Natura 2000 network and the implementation of the Water Framework Directive. The funds' performance should be measured against delivery of sustainable development objectives, through the use of appropriate indicators, and rewarded by the performance reserve.

3) Any spending on the trans-European transport networks (TEN-T) should be preceded by a thorough, transparent and audited cost-benefit analysis taking into account environmental and resource costs (Heading 1a). The Commission's proposed budget for the trans-European transport and energy networks represents a massive increase in funding compared to the previous financing period. The Commission has stated that such funding increases are necessary to boost

economic growth. However, the Commission's own Extended Impact Assessments demonstrate that this potential growth is at best questionable and at worst completely untrue. Any transport spending should be preceded by a thorough, transparent and audited cost-benefit analysis which takes into account environmental and natural resource costs, including the socio-economic benefits and services provided by ecological systems affected by TEN-T projects. Moreover, EU funds should only be made available to projects that are fully consistent with EU environmental legislation and policies.

4) Sufficient funds should be allocated to the Natura 2000 network of EU protected areas (Headings 1 and 2). The Habitats Directive requires the EU to adopt measures to co-finance the management of the EU's Natura 2000 network, which protects Europe's most valuable wildlife and covers around 17 per cent of the EU's territory. The Commission estimates that the total cost of managing the network is EUR 6.1 billion per year, although this is likely to be a significant underestimate. The EU must dedicate funds to the co-financing of Natura 2000 from the rural development programme (Pillar 2 of the CAP), the Structural Funds, the European Fisheries Fund and the LIFE+ instrument. This is vital to ensure that the environmental, economic, employment, health, tourism and education benefits associated with the network are fully realised. The European Parliament's proposal to ring-fence EUR 21 billion for Natura 2000 from the EU budget in the next financial perspective should be strongly supported by the Council.

5) The environment budget line (LIFE+) should be enhanced and clarified (Heading 2). The environmental funding programme managed by DG Environment, LIFE+, which currently represents around 0.2 per cent of the overall budget, must be significantly enhanced to fund EU environmental protection measures that cannot be financed from the other spending programmes. As LIFE + will provide essential support for Natura 2000 activities that cannot be financed by other programmes, the overall budget for the instrument must be increased in line with proposals from the European Parliament to around 9.540 billion Euro over the period 2007-2013.

6) Fisheries funding should serve multiple objectives, including nature protection and environmental management (Heading 2). The limited funding under the new European Fisheries Fund should be used in ways that serve multiple objectives, including nature conservation and environmental management where there is interaction with fish stock management, so that resources are exploited in a sustainable way. The introduction of measures that run counter to sustainable development, such as the opening up of opportunities for investment in fishing fleet capacity, must be resisted as such measures would conflict with the recent reforms of the Common Fisheries Policy.

7) A properly funded thematic programme for environment and natural resources should be introduced to allow the EU to meet global environmental and sustainable development commitments (Heading 4). Previous budget lines that covered global environmental issues are set to disappear. Without a properly funded thematic programme for environment and natural resources under Heading 4, the EU will not be able to meet its international commitments to environmental protection. The objectives should be: to improve environmental governance internationally and in EU partner countries; to meet international environmental commitments including on biodiversity conservation, fisheries, forestry, water resource management, renewable energy and energy efficiency; and to ensure effective environmental integration across EU aid programmes and other policies that affect the environment of EU partner countries and the global environment. This thematic programme should draw funding from across all relevant instruments and amount to a minimum of EUR 450 million per year for the period 2007-2013. Funding transferred from CAP expenditure (Heading 2) to support environmentally and socially sustainable adjustment by developing countries to EU sugar reform should also be included in this budget. Moreover, the environment should be fully integrated into the EU's near neighbourhood policy, which covers seventeen countries.

8) Sustainable Development must guide innovation (Heading 1a). The Commission proposes to triple funding for research and development in the next financial perspective. In line with Article 6 of the EC Treaty, EU policies on research and innovation must “integrate environmental requirements with a view to promoting sustainable development”. Funds for innovation should be specifically targeted at delivering the EU’s sustainable development objectives such as reducing greenhouse gas emissions, preventing waste, dematerialisation, efficient use of water, reducing transport growth and the development of environmentally-friendly modes of transport. The objective to make Europe more competitive goes hand in hand with the development of environmentally friendly technology and innovation practices. Such investment must be coupled with further reform of EU and national policies on subsidies, tax and public procurement to encourage environmental innovation.

9) The environment and health agenda must be supported and promoted (Headings 1a, 1b and 2). It is essential that the future European Chemicals Agency and the new European Centre for Disease Prevention and Control are adequately funded. In addition, there must be a clear funding strategy to implement the Environment and Health Action Plan 2004-2010, including EU Human Biomonitoring, and the second phase of SCALE under the Public Health Programme, the Research, Technology and Development Programme and LIFE+. The implementation of REACH requires adequate funding under the above-mentioned instruments.

10) The Commission should be adequately resourced so that it can effectively play its role as ‘guardian of the Treaties’. Member States have agreed to EU legislation in order to tackle trans-boundary environmental problems and to create a level playing field for business across Europe. However, once agreed, the implementation and enforcement of environmental legislation is at best uneven and at worst completely inadequate. This creates a serious problem for people, the environment and business. The role of the Commission as ‘guardian of the Treaties’ is essential and, through the complaint procedure, it is responsible for bringing the European Union closer to the citizens and their demand for a better environment. The Commission should have both the will and the resources to carry out this role in an effective way.

For further information, please contact:

Claire Papazoglou, Head of EU Policy, Bird Life International, Tel:+32 2 280 08 30, e-mail: bleco@birdlifeeco.net
Matthias Duwe, Director, Climate Action Network Europe, Tel:+32 2 229 52 20, e-mail: info@climnet.org
John Hontelez, Secretary General, The European Environmental Bureau, Tel:+32 2 289 10 90, e-mail: info@eeb.org
Genon K. Jensen, Director, European Public Health Alliance, Tel:+ 32 2 233 38 75, e-mail: genon@env-health.org
Christian Baumgartner, Secretary General, International Friends of Nature, Tel:+ 43 1 892 38 77, e-mail: nfi@nfi.at
Paul Declercq, Director, Friends of the Earth, Tel:+ 32 2 542 01 80, e-mail: info@foeeurope.org
Jorgo Riss, EU Policy Director, Greenpeace, Tel+: 32 2 274 19 00, e-mail: European.unit@greenpeace.org
Jos Dings, Director, The European Federation for Transport & Environment, Tel:+ 32 2 502 99 09, e-mail: jos.dings@t-e.nu
Magda Stoczkiewicz, Policy Officer, CEE Bankwatch Network
Tony Long, Director, WWF European Policy Office, Tel:+ 32 2 743 88 00, e-mail: wwf-epo@wwfepo.org