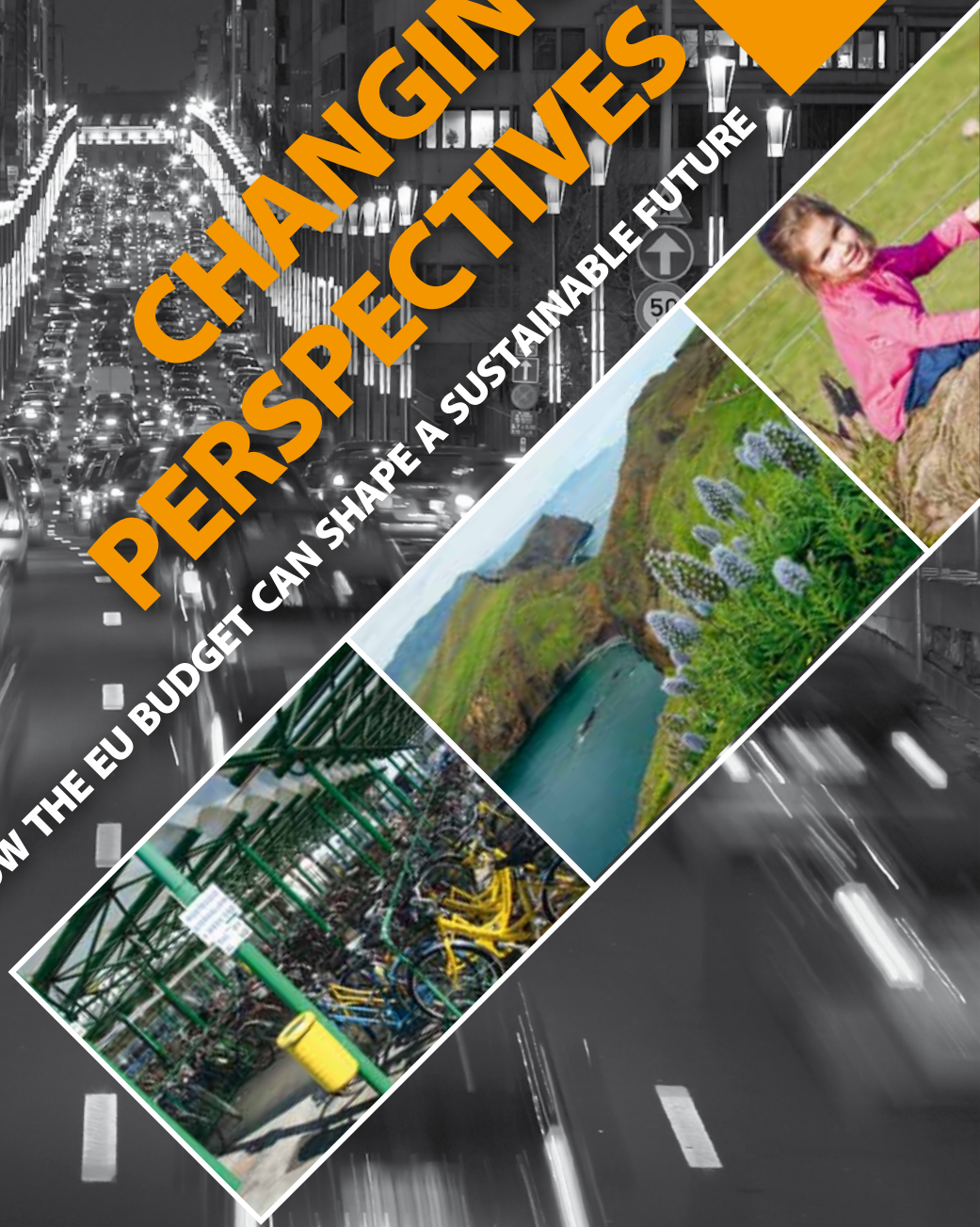




CHANGING PERSPECTIVES

HOW THE EU BUDGET CAN SHAPE A SUSTAINABLE FUTURE





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Long-eared Owl *Asio otus* Richard T. Mills

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Executive Summary

Protecting the environment and improving the quality of life for European citizens are integral aims and purposes for the European Union. Its policies and activities are mandated to be defined and implemented in line with environmental protection requirements¹. EU public spending should, therefore, be in accord with those policies and objectives.

The Multiannual Financial Framework (hereafter called EU-Budget), although small in relation to the annual GDP² of the EU, is an important financial source for European investments. Its impact on development in the EU and beyond has been significant, and therefore needs a new direction to ensure that it fits with the current challenges facing Europe. There are obvious gaps currently existing in delivering European public benefits that citizens expect such as tackling climate change, promoting green jobs, or halting the decline of biodiversity and the planet's resources. European taxpayers' money is not delivering what it could and should for the citizens of Europe. It is clear that the EU-Budget can do much better, and is a tool that can potentially accelerate the EU's transition to a renewable and resource efficient society.

The EU-Budget 2014-2020 is a rare opportunity to match deeds to words, and ensure that taxpayers' scarce money is used to deliver European public goods.

This report, written by a coalition of environmental NGOs, offers an assessment of the extent to which the EU-Budget is currently contributing to tackling the challenges of climate change, biodiversity loss and resource overconsumption. It sets out clear recommendations for the next EU-Budget to catalyse the transition towards a just society that guarantees the well-being of citizens in a globally and fiscally responsible way, within the ecological limits of the planet. This report focuses on the expenditure of the EU-Budget

and does not provide an opinion on the ongoing income debate.

The report consists of three parts: the first part presents 10 guiding principles, proposed to ensure a sound EU-Budget with clear targets, improved efficiency and accountability. The second part flags the three most detrimental environmental challenges that the budget must address in order to place Europe on a sustainable development path. In the third part, it presents concrete steps for reforming the major European funding instruments and policies so that they can catalyse the transition.

The 10 guiding principles are integral to the functioning of the EU-Budget and should apply to all EU funding instruments and policies:

- **Public money for public goods and ecosystem services** – the EU-Budget should provide for public goods, such as the preservation of biodiversity, ecosystems, climate stability, water quality, air quality and soil quality.
- **Targeted spending** – the EU-Budget should support a limited number of priorities which are clearly identified and justified.
- **Coherence within and across European policies and instruments** – European spending should not undermine any EU policy objectives or the effectiveness of other European policies.
- **Maximising EU leverage** – the EU-Budget should concentrate on projects that deliver the most public benefits at European level and reflect European priorities.
- **Long term cost effectiveness** – the EU-Budget should support solutions which are the most cost-effective over time.
- **Integrated strategy** – the EU-Budget should be the result of an integrated strategy, to ensure coherence.

1. "Environmental protection requirements must be integrated into the definition and implementation of the Union policies and activities, in particular with a view to promoting sustainable development" - Treaty of the Functioning of the European Union, Article 11.

2. For the financial period 2007-2013, €976 billion has been allocated, around 1% of the Union's GDP. http://ec.europa.eu/budget/budget_glance/index_en.htm

- **Transparency** – the EU-Budget should provide full disclosure of its spending in a timely and accessible fashion.
- **Partnership** – the EU-Budget should apply binding rules for meaningful public participation and partnership of all relevant stakeholders.
- **Accountability** – European payments should ensure the achievement of targets and comply with the requirements that are attached to the payment schemes.
- **Environmental proofing (climate, energy efficiency, biodiversity and resource use)** – European payments must be assessed, prior to implementation, to ensure that they do not produce negative effects or undermine European climate, energy, biodiversity and resource objectives.

This report analyses the effective use of EU-Budget spending through the lens of three core challenges:

- 1. Climate change and energy:** The EU-Budget should promote a transition to a sustainable low carbon society through reduced energy consumption, the decentralisation of energy supply, increased use of renewable energy and by ensuring ecosystem resilience (i.e., ecosystem based adaptation to climate change). In so doing, the EU-Budget would support a decrease in energy dependency on non-renewable energies, reduce demand and cut energy expenditure, create large amounts of long term jobs and help to close the current social gaps. Furthermore, taking into account the EU's historical responsibility to support climate mitigation and adaptation outside its borders, new and additional financial support should be provided to developing countries to tackle climate change and its consequences.
- 2. Biodiversity and ecosystems:** Biodiversity preservation is integral to sustainable development, and

offers many benefits to Europe. The EU's responsibility should be to maintain or enhance this capital for future generations. In its commitments to stop biodiversity loss, the EU-Budget should provide the financial means to reach the agreed EU 2020 biodiversity headline target³, to achieve effective implementation of relevant EU environmental legislation (such as Natura 2000), and ensure the proper integration of biodiversity in other sectors (such as agriculture and fisheries), while stopping the negative impacts of European subsidies. In addition, it should provide increased support to biodiversity protection at international level.

- 3. Resource efficiency:** In order to become the most resource efficient economy in the world, and to enable us to live within the limits of the planet, the EU should use its budget to drive reductions in the use of resources and dependency on imports, while increasing recycling and restoration in the fields of waste, water, materials and land.

Finally, concrete suggestions are made in this report for mainstreaming the environmental challenges into the various EU funding instruments, and for related policy reforms. The analysis shows that the EU-Budget requires a much stronger emphasis on the most relevant funds to achieve the climate change, biodiversity, and resource efficiency objectives that the EU upholds.

The main proposals are:

- **Common Agricultural Policy** – should reward farmers and land managers for the delivery of public goods, such as an attractive countryside rich in wildlife.
- **Structural and Cohesion Funds** – should foster ecological sustainable development and the transition to a low-energy-consumption and resource-efficient society.

3. In March 2010 the European Council endorsed the headline target of "halting the loss of biodiversity and the degradation of ecosystem services in the EU by 2020, and restoring them in so far as feasible, while stepping up the EU contribution to averting global biodiversity loss." http://ec.europa.eu/environment/nature/biodiversity/policy/index_en.htm

- **Transport funding** – should only target plans and projects which actively reduce greenhouse gas (GHG) emissions and maintain green infrastructures.
- **LIFE programme (the single EU instrument directly allocated to the environment)** – should reach at least 1% of the EU-Budget⁴.
- **European research funding** – should be refocused on delivering breakthroughs on the core challenges.
- **Marine and fisheries funding** – should ensure the protection of both the EU's and the global marine environment by supporting a sustainability shift in fisheries.
- **The EU Overseas entities** – funds dedicated to overseas entities need to reflect the EU's priorities, responsibilities and objectives for tackling climate change, biodiversity loss and resource efficiency.
- **External dimension** – environmental sustainability must be mainstreamed within all external dimension policies and spending, along with a significant increase in financial support for sustainable development in the least developed countries.

The assessments in this report are systematically followed by clear and concrete recommendations for the next EU-Budget for the 2014-2020 period. These have strong potential to deliver on key European environmental objectives while maximising the leverage effect of EU spending.

The EU can and must take responsibility in ensuring that European taxpayers' money is invested in an economy for the future, based on the well-being of citizens within the ecological limits of the planet.



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4. Based on the current annual budget (significant to a 5 fold increase).

1. Ten principles for a sustainable EU Budget 2014-2020

Our Vision

The EU-Budget should catalyse the transition towards a just society that guarantees the well-being of citizens in a globally responsible way, within the ecological limits of the planet.

The EU-Budget should play a key role in addressing the great environmental challenges of our time:

- Climate change and energy crisis
- Biodiversity loss and ecosystems collapse
- Resource inefficiency

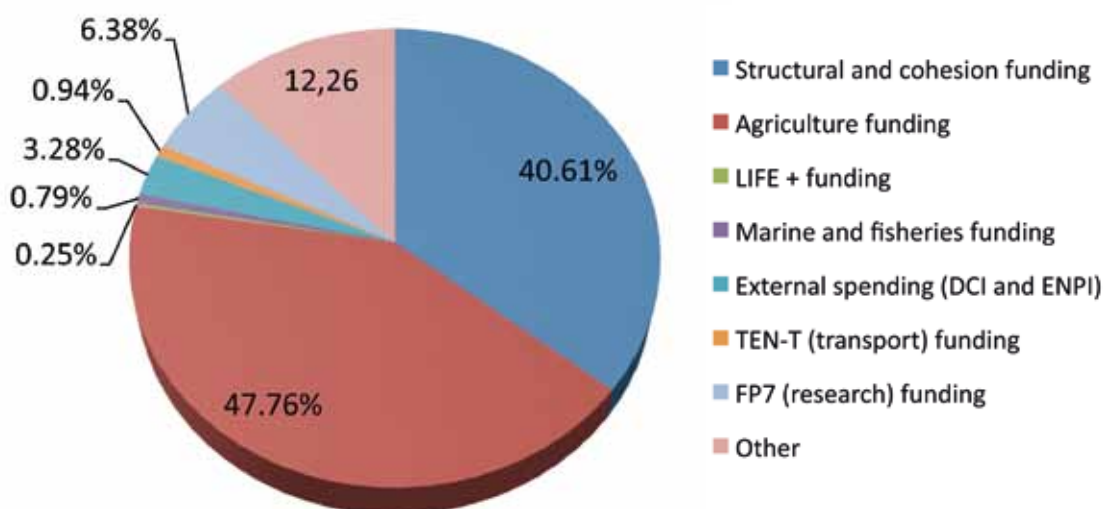
The Reality

The European Multi-annual Financial Framework currently represents 1% of Europe's annual GDP. With €976 billion allocated for the seven year (2007-2013) EU-Budget, the use of European taxpayers' money is not

delivering what it could and should for the citizens of Europe: well-being, jobs and a healthy environment. The EU-Budget is controversial, obscure, and often misused. In many cases, it is hard to see the added value of the EU's expenditures, while obvious gaps exist in delivering European public benefits that citizens expect such as tackling climate change, reducing energy overconsumption and halting the decline of biodiversity and the planet's resources.

The next seven-year EU-Budget, the Multi-annual Financial Framework 2014-2020, provides a huge opportunity to take action in the right direction. It has the ability to put the money where it is most needed, serve European public interest and positively transform Europe. Reforming the EU-Budget is an essential part of a successful European response to the economic, climatic, environmental and other crises. Europe can and must take responsibility for ensuring the best use of public money, and cannot bear the cost of a failure.

Figure 1 – Breakdown of expenditure for the 2007-2013 financial framework.



The EU income debate

In order to equip the European Union (EU) with an autonomous budget and to decrease budgetary pressure on Member States (whose direct contributions today represent 76% of the EU-Budget), many stakeholders, including commissioners and parliamentarians, have proposed the creation of own resource generation tools for the EU-Budget. They include, among others, increased VAT, carbon and energy taxes, the auctioning of carbon permits under the EU Emissions Trading Scheme, financial transaction taxes or European loans through green bonds. While it is clear that the EU-Budget needs sufficient resources, and independence from Member States narrow “just return” calculations, this report focuses solely on the expenditure side and recommends a coherent and detailed proposal on how the EU should spend its available budget.

10 principles for a sound EU-Budget

The following ten principles should guide the reform of the EU-Budget. They make a set of integrated recommendations to improve the efficiency and focus of the budget. As transversal principles, they should apply to all EU funding instruments and policies.

1 Public money for public goods and ecosystem services

The EU-Budget should support the provision of public goods that are unlikely to be sufficiently delivered by the market. Environmental public goods include the preservation of biodiversity and ecosystem, wilderness, climate stability and carbon absorption capacity, water provision and quality, air and soil quality, resilience to fire and floods, as well as the maintenance of valued cultural and historic landscapes.

2 Targeted spending

The EU-Budget should only support a limited number of priorities which are clearly identified and justified, to efficiently catalyse the transition towards a sustainable society. All payments from European funds should depend on the achievement of clear and measurable targets delivering on European objectives. The required European control should be result-oriented and not reduced to financial reporting rules, making it possible to

both improve the quality of spending and simplify the administrative burden.

3 Coherence within and across European policies and instruments

EU spending should not undermine any EU policy objectives or the effectiveness of other European policies. Furthermore the EU-Budget lines should amplify each others' positive impacts and outcomes. Notably, EU spending should not undermine European environmental objectives, and Member States should demonstrate the coherence and cross-compliance of their national measures, under the scrutiny of the European Commission. The EU's funds should be evaluated in that respect before implementation, and any reorientations or adjustments made when needed.

4 Maximising EU leverage

The EU-Budget should concentrate on projects that deliver the most public benefits at the European level and reflect European priorities. In particular, EU expenditure is justified:

- When it can strongly leverage investments from Member States and/or the private sector in order to accelerate climate friendly solutions (e.g. technological innovation).
- When it deals with trans-national issues that require European action, or on global issues where the EU needs to act together with international partners.
- When economies of scale are significant at the European level.
- When it supports the building of capacities and the piloting of innovative approaches, in order to support and boost desired developments.
- When the achievement of common EU goals, within the logic of solidarity and cohesion, requires a net transfer of resources toward poorer Member States or regions.

5 Long term cost effectiveness

The EU-Budget should support solutions which are the most cost effective over time, going beyond an economic short-termism that can be costly in the medium to long term. Therefore, the EU-Budget needs to fully internalise external costs, account for the value of public goods and natural capital, and meet the costs of restoration and the costs of inaction.

6 Integrated strategy

The EU-Budget should be the result of an integrated strategy, to ensure:

- Coherence at all geographic and government levels (European, national and regional).
- Coherence between sectoral strategies (e.g. agricultural spending and transport networks) and transversal strategies (e.g. biodiversity protection and climate stabilisation).
- Coherence for all design, decision and implementation phases of policies and instruments. An improved monitoring and evaluation framework is needed to ensure that all payment schemes are subject to thorough and regular assessments of impacts to allow for ongoing improvements.

7 Transparency

The EU-Budget should provide full disclosure of costs and impacts of programmes, subsidies and projects, in order to allow informed reactions from EU citizens. The information should be timely and easily accessible at all relevant levels (European, national and regional).

8 Partnership

The EU-Budget should apply binding rules for meaningful public participation and partnership of all relevant stakeholders – including civil society – at all programming stages and levels (European, national and regional). Stakeholders' inputs should be taken seriously, guaranteeing the proper application of procedures, facilitating the accountability of political

processes and decisions, improving the quality, relevance and effectiveness of government policies, and ensuring that socio-environmental concerns are addressed alongside economic issues. This involves upholding the essential elements of an EU democratic system, going well beyond mere consultation.

9 Accountability

All EU payments should ensure the achievement of targets and comply with the requirements that are attached to the payment schemes. All beneficiaries, Member States and EU institutions are accountable for its proper implementation. Any unjustified lack of delivery of expected results or violation of the conditions should result in payment suspension and possible repayment.

10 Environmental proofing⁵

All payments must be assessed, prior to implementation, to ensure that they do not produce negative effects or undermine European climate (including energy efficiency), biodiversity and resource objectives. In order to ensure the proofing approach through innovative methodologies and tools, a small amount of money should be available in each fund for capacity building. Proofing procedures should consider auditing as an important tool in correcting institutional practice that is not in line with some of the principles mentioned above. The proofing principle implies an immediate end to all environmentally harmful subsidies. This would have the added benefit of freeing substantial amounts of money to reinvest in a green economy.

5. For more information about climate proofing the EU budget, see IEEP (2010). Strategies and instruments for climate proofing the EU Budget – Interim report.

2. The EU's environmental challenges for the next budget period

2.1 Climate change and energy crisis

"Some may say we cannot afford it – I say we cannot afford not to. Therefore, we must mainstream climate into all relevant policy areas"

Connie Hedegaard, Commissioner for Climate Action⁶

Our Vision

Climate change is the definitive global challenge. It can only be overcome by working together, and the EU, as a major international economy with historical and current responsibility for the problem, must lead the way. The EU-Budget should support significant decarbonisation, with the aim of reducing EU greenhouse gas emissions (GHG) by at least 40% by 2020, progressing to 90% by 2050.

The EU-Budget has an important role to play in facilitating Member State transitions to sustainable, low consumption and renewable based economies. Investing in these transitions will yield great returns for the environment and for EU citizens. Already today, combined, there are some 3.4 million jobs in the renewable, efficient transport, and energy efficiency goods and services sectors. Indirect jobs not included in the above figure are likely to add another 5 million to the current employment figure⁷.

With the new climate and energy 2020 targets⁸, the EU-Budget should ensure that any funding dedicated to address climate change demonstrates measurable climate benefits and supports:

- Energy efficiency and savings.
- Mitigation through conservation and ecologically-sound restoration of degraded lands for carbon, water, biodiversity and other ecosystem service benefits.
- Ecosystem based adaptation.

Part of the funds should be dedicated to implement actions worldwide as part of the EU's international responsibility.

The Reality

The EU has a range of initiatives in place that are aimed at climate change mitigation and, to a lesser extent, adaptation, including the 7th Framework Programme for Research and Development (FP7), the EU Energy Initiative⁹, the Environmental Technology Action Plan¹⁰, the European Strategic Energy Technology Plan¹¹, and the Energy Policy for Europe¹², to name a few. These programmes are, however, ad hoc and limited in size. Climate change was therefore a marginal factor in the EU's financial programming 2007-2013. To make matters worse, European funds are still leading to significant increases in GHGs in some Member States¹³.

6. Connie Hedegaard, Commissioner for Climate Action, addressing the European Parliament's Environment committee as Commissioner-designate for Climate Action, January 15 2010.
7. WWF Europe (2009). Low Carbon Jobs for Europe, page 28.
8. Conclusions of the Spring European Council of 8 and 9 March 2007.
9. EU Energy Initiative for Poverty Eradication and Sustainable Development (EUEI) launched at the World Summit on Sustainable Development (WSSD) in September 2002.
10. European Commission (2004). Stimulating Technologies for Sustainable Development: An Environmental Technology Action Plan for the European Union. (COM (2004) 38).
11. European Commission (2006). Towards a European Strategic Energy Technology Plan" (SET-Plan). (COM (2006) 847)
12. European Commission (2007). An Energy Policy for Europe. COM (2007) 1.
13. Martin Konecny, Friends of the Earth and CEE Bankwatch Network (2007). EU cash in climate clash.

The present EU-Budget does not sufficiently and coherently integrate climate change into its priorities, despite the important role that the EU has to play in this field. The budget neither has an integrated approach nor a clear budget line for climate change. The EU has to set up safeguards for climate action. For instance, European money spent on climate damaging activities should be redirected to support green investments.

Priority issues

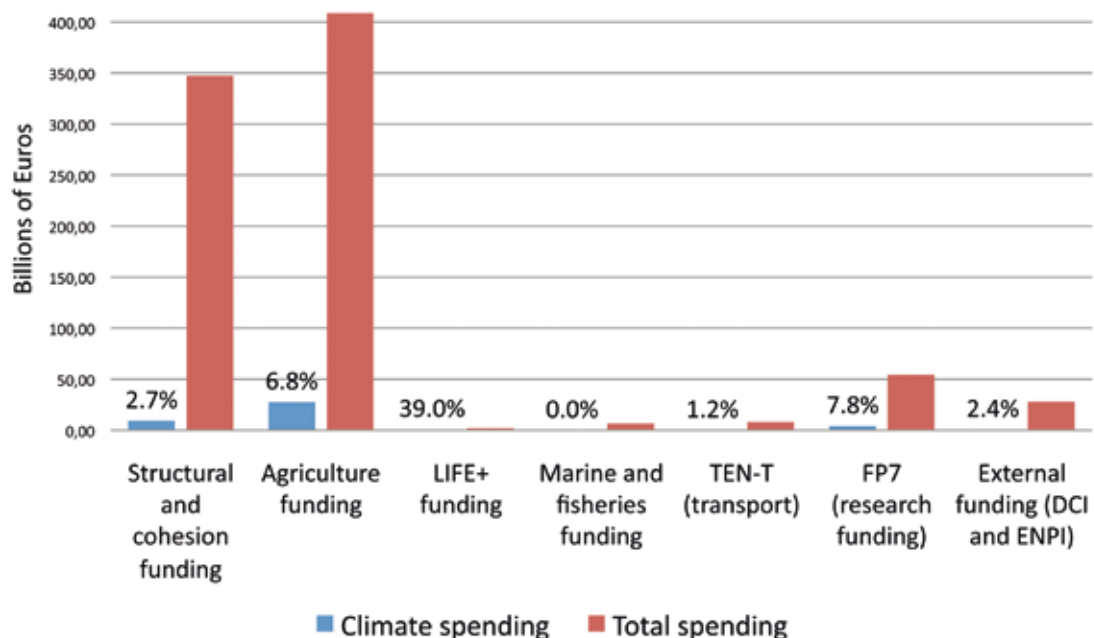
Energy efficiency and savings

A transition to a low consumption and renewable based energy system will bring with it a host of economic opportunities. Energy efficiency is widely recognised as the area offering the greatest emission savings, with costs entirely recuperated in the near future through lower spending on imported fossil fuels. Yet despite these major benefits, the EU's energy saving target is still not binding and several key directives are poorly implemented at the national level. The EU's main policy instruments to reduce energy use, the

Energy Efficiency Action Plan and the Energy End-Use Efficiency and Energy Services Directive, so far only provide indicative targets and have been largely ignored by the Member States.

Despite the well-known benefits, the current EU-Budget does not prioritise energy efficiency. The structural funds, a major source of financing to central and eastern European Member States, allocate roughly 1.2% for energy efficiency, co-generation and energy management for the whole of Europe¹⁴. Yet this is precisely the region where revenues are lowest and the potential for reducing energy use and cutting costs is highest. Meanwhile, the European Strategic Energy Technology Plan evaluates the structures required to implement the European energy initiative, but lacks a dedicated budget. The estimates for allocated funding for renewable energy and energy efficiency are unclear, but have been determined to range between 0.8% and 5.4% of European funds (with the bulk going to biomass and a small fraction to energy efficiency). In the new Member States, the average is 2%, an allocation that is recognised to be too low.¹⁵

Figure 2 – Potential expenditure of the financial framework 2007-2013 for tackling climate change in the EU.



14. European Commission (2010). Commission staff working document accompanying communication on the Cohesion policy: Strategic report 2010 on the implementation of the programmes 2007-2013. (SEC (2010) 360).

15. CEPS (2008). Financial Impacts of Climate Change: Implications for the EU-Budget.

The following energy efficiency measures should be supported through the EU funds:

- The targeting of existing, cost-effective efficiency options in regions suffering from fuel poverty.
- Research, development and deployment of new and near-market energy efficiency technologies.
- National or regional led schemes that provide educational benefits or reduce costs for others through the deployment of energy efficient technologies.
- A binding target for energy savings, based on primary energy use, and a fixed baseline.

In addition, the EU has a role to play in accelerating the phasing-out of old and inefficient products, preventing inefficient equipment from entering the market and bringing to an end the construction of inefficient buildings, and thus:

- Policies should provide a long-term perspective to create a stable environment for investment markets, economic conditions and social circumstances.
- Differences in capacity among Member States and regions should be recognised where relevant; EU funds should prioritise, where needed: workforce training, financing a deep renovation programme of the existing building stock, and providing information where most needed.

Renewable energy

Investment in renewable energy must be prioritised both to meet the EU's own climate and energy goals and ensure that Europe is en route to meeting the Inter-governmental Panel on Climate Change's recommendation that developed countries reduce GHGs to 80-95% by 2050. Investing in renewable energy does not just deliver for the climate. The achievement by 2050 of a renewable share of 92% of energy and a reduction by 95% of energy related CO₂ emissions would cost the EU an additional €1,800 billion in investments, but would bring €2,650 billion of fuel cost savings over the next 40 years.¹⁶

Stimulating renewable energy markets and supporting mass deployment is principally a Member State responsibility. It is achievable through mobilising investment from the market through appropriate policies

such as taxation, standards, mandates and guaranteed tariffs. The EU has an important role to play to support this, focusing its funds on facilitating the transition. This should be delivered through supporting research, development and the deployment of new and near-market technologies, particularly those that have been neglected in Europe such as wave and geothermal.

The EU should also support funds to Member States to ensure that renewable energy projects are "biodiversity proof". There is a clear need to ensure that future financing for climate change and for biodiversity are mutually supportive. It should also be ensured that actions to mitigate climate change do not have any net negative impacts on biodiversity. This will include attention to compensation projects, as some losses caused by new energy infrastructure are unavoidable.

Climate change adaptation

Currently, the EU does not have any clear earmarked fund supporting climate adaptation. However, tackling the already unavoidable effects of climate change is already, and will become even more in the near future, a core challenge of EU policy – this is also reflected by the strong emphasis on adaptation within the "Europe 2020" strategy.

Increasing ecosystem resilience, a key component for climate adaptation, should be a cross-cutting priority of EU adaptation policy. Getting our ecosystems into good shape now will help protect them against climate change, and will deliver multiple public benefits to EU citizens. Healthy, diverse and resilient ecosystems are essential for the adaptation of society to the many negative effects of climate change, and EU funding for activities such as the maintenance and restoration of key habitats and ecosystems can make a significant difference. Restoring wetlands and enhancing their connectivity across Europe, for example, can increase water storage in the face of drier summers in the future, but also helps protect people from extreme events such as floods and drought. At the same time a "green infrastructure" of protected areas, green spaces and corridors needs to be created to allow species and habitats to accommodate changing conditions. Climate funding should specifically support the cross-border connectivity of key EU habitats. Protecting and enhancing

16. Greenpeace (2010). EU Energy [R]evolution – Towards a fully renewable energy supply in the EU27.

carbon-rich ecosystems such as forests and peatlands will also help with climate mitigation, ensuring that carbon remains stored in these ecosystems and also continues to be sequestered from the atmosphere.

Furthermore, current Common Agricultural Policy funds should support sustainable farming practices including practices that are delivering mitigation and adaptation results (e.g. peat and grassland conservation and sustainable crop rotation).

International responsibility

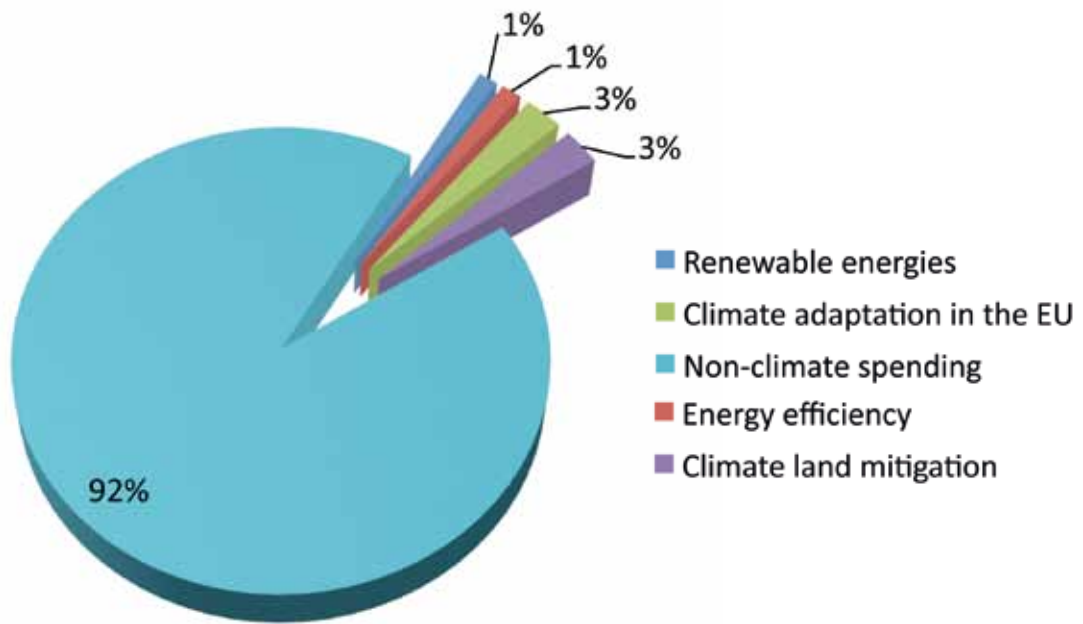
Climate change threatens the basic elements of life for people around the world – access to water, food production, health, and use of land. As a region that has emitted a large quantity of CO₂, Europe has a historical responsibility to reduce its GHG emissions in order to allow other regions the atmospheric space needed to develop in a sustainable way, and to tackle poverty. This is recognised in the UNFCCC as “common but differentiated responsibility”.

An EU target for emissions reduction of at least 40% by 2020, based on 1990 levels, is needed, as well as suf-

ficient and appropriate funding for ecosystem friendly adaptation and mitigation in developing countries. These emission reductions must be prioritised domestically by boosting energy savings, renewable energy sources and reducing fossil fuel consumption.

Developing countries most affected by climate change are growing increasingly frustrated by the failure of developed countries to meet their promises to fund adaptation and mitigation measures. The role of the EU-Budget in this financial effort is still unclear. Current environmental spending for developing countries is focused at project level (through thematic programmes) with some national and regional geographic funding. However, the fundamental integration of climate and environmental measures is often lacking from government budget support. Adaptation and mitigation assistance to developing countries by developed countries is expected to reach at least US \$195 billion a year by 2020¹⁷. Additional to current external funds, further funding for tackling climate change should be available to prioritise adaptation in the poorest countries and most vulnerable regions, and ensure all measures increase and do not undermine ecosystem resilience.

Figure 3 – Total climate EU expenditure within the financial framework 2007-2013



17. Climate Action Network International. <http://www.climatenetwork.org/content/fair-ambitious-binding-essentials-successful-climate-deal>

2.2 Biodiversity loss and ecosystems' degradation

"The loss of biodiversity is a global threat that is just as important as global warming. It threatens our natural environment and thus, the quality of our life. But biodiversity underpins also our economies. It is not therefore only because of the love of nature or a vision for our environment that we should keep biodiversity on the political agenda."

José Manuel Durão Barroso, President of the European Commission¹⁸

Our Vision

Biodiversity is a public good that is essential not only for human welfare but also for our economic activities. It is also a fundamental prerequisite for climate change mitigation and adaptation. It transcends national boundaries and in most cases its value is ignored by the market. Moreover, biodiversity is not evenly distributed across the EU, and poorer Member States need support for its conservation. Therefore not only the Member States but also the EU should invest in biodiversity. As Europe's capital for future sustainable development: it offers a major return for minimal investment, maximising the leverage of the EU-Budget. Strongly committed to stop European biodiversity loss and to contribute to addressing the dramatic loss of biodiversity worldwide by 2020 (as agreed by the European Council in March 2010), the EU should now provide the financial means to reach these crucial targets.

The Reality

The EU's approach to protecting biodiversity has led to the largest coherent network of protected areas in the world, Natura 2000. It is acknowledged to be one of the most modern and ambitious approaches taken to halt the loss of biodiversity. The Natura 2000 network, created under the Birds and Habitats Directives, is the cornerstone of European biodiversity conservation policy with more than 25,000 designated sites covering approximately 21%¹⁹ of the total EU terrestrial area. However 65% of habitats²⁰ in Europe are under serious threat, often due to lack of proper management and

protection, the negative impacts of harmful subsidies and infrastructure development. Moreover, Natura 2000 suffers from chronic lack of funding in order to meet these challenges and to unfold its full potential. Financial support is needed, inter alia, for protection measures, management activities, compensation payments, monitoring and communication.

Despite a clear legal obligation to support the co-fund for the implementation of the Natura 2000 network, the current EU-Budget 2007-2013 has failed to secure necessary funding. Only one very small dedicated fund for the environment (LIFE+) provides systematic financing for Natura 2000 and other nature conservation measures (with approx 0.2 % of the EU-Budget), whereas a number of voluntary opportunities for Natura 2000 exist within non-environmental European funding lines. Current experiences demonstrate that this voluntary approach to integrate Natura 2000 into other funding lines is not sufficient to cover costs of the Natura 2000 network, officially estimated at around €6.1 billion a year.²¹ The lack of coherence in funding for biodiversity across major European policy instruments, as well as weak political prioritisation in Member States, are likely to be the main factors for the low uptake of the wide range of funding opportunities for biodiversity.

At the international level, biodiversity is being lost at even faster rates than in Europe, especially in the tropics. Already 40% of global forests have been lost in the last 300 years, and 20% of coral reefs have been degraded in the past two decades. But financing means are even poorer than inside the EU, with only 3% of

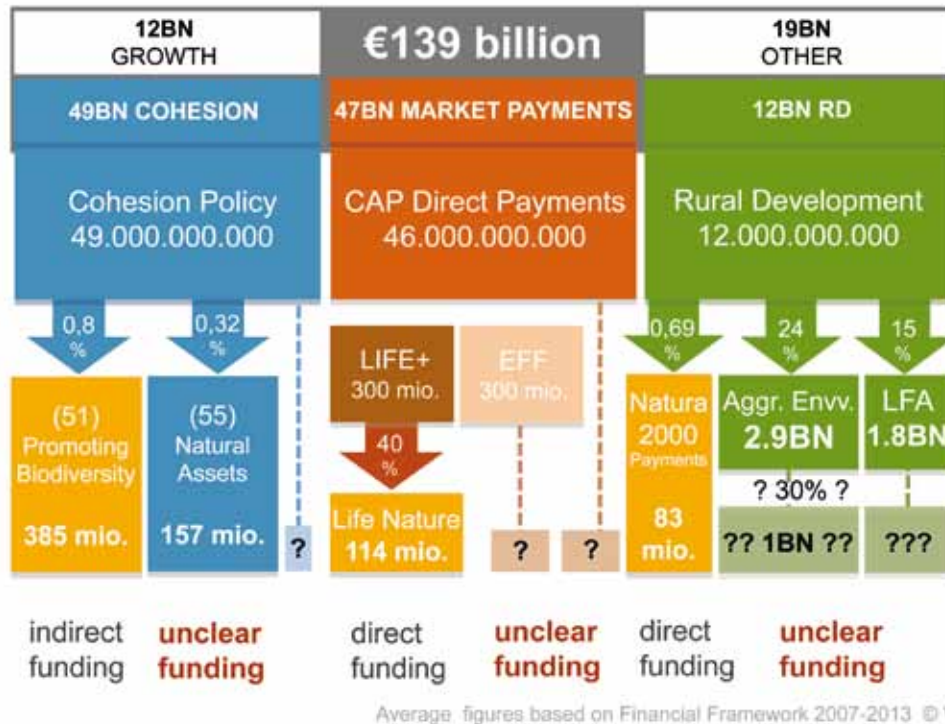
18. José Manuel Durão Barroso, President of the European Commission, Conference Biodiversity Protection – Beyond 2010, Athens, April 27 2009

19. Based on the European Commission's area calculation snapshot as of December 2009. http://ec.europa.eu/environment/nature/natura2000/db_gis/pdf/area_calc.pdf

20. Habitat's Directive Article 17 report (2001-2006) – Overview of results. http://eea.eionet.europa.eu/Public/irc/eionet-circle/habitats-art17report/library?l=/papers_technical/overview_conservation_1/_EN_1.0_&a=d

21. Co-ordination Group for Biodiversity and Nature (meeting 02/03/2010). Financing Natura 2000 – State of Play, Agenda item 3.A, Doc.3.A and European Commission (2004). Financing Natura 2000. (COM(2004)431 final)

Figure 4 – The current integrated funding model for Natura 2000 is lacking transparency. © WWF



European external spending²² supporting the environment, including nature conservation, according to the European Commission.²³ The support to biodiversity is therefore meagre when considering the fundamental role that biodiversity plays in supporting human welfare. The loss of biodiversity and ecosystem services at the current rate for the world as a whole is estimated to result in annual costs of €50 billion over the period 2000 – 2010, reaching the astonishing cost of €275 billion per year in 2050²⁴, or 7% of total world GDP²⁵.

At the European Council meeting on 25-26 March 2010, the Heads of State stressed the “urgent need to reverse continuing trends of biodiversity loss and ecosystem degradation” and committed to ambitious targets: the protection and restoration of the EU’s biodiversity and the ecosystem services it provides by 2050, with the

2020 headline target of halting the loss of biodiversity in the EU and stepping up the EU’s contribution to halting the loss of biodiversity worldwide. The EU has therefore to come up with adequate financial means to meet both European and international obligations.

Priority issues

Natura 2000

In Europe, investment in biodiversity conservation must be massively increased. The EU needs first of all to ensure sufficient funding for the Natura 2000 network, the cornerstone of European biodiversity policy and therefore a budget priority for the EU²⁶: €3-4.5 billion per year should come from the EU-Budget, representing 50-75 % of the total costs of Natura 2000. Examples show that

22. See section on external funding on page 47
 23. European Commission (2010). Annual Report 2010 on the European Union’s development and external assistance policies and their implementation in 2009.
 24. TEEB (2008). The Economics of Ecosystems & Biodiversity: An Interim Report.
 25. TEEB. (2009). The Economics of Ecosystems and Biodiversity for national and international Policy Makers.
 26. Article 8 of the Habitats Directive 92/43/EEC provides for EU co-financing for the management of Natura 2000 sites.



the Benefit Cost Ratio (BCR) of Natura 2000 is extremely positive²⁷. A ten-fold increase of the current LIFE+ fund for biodiversity must be complemented by mandatory allocation of funds from non-environmental budget lines, all being subject to obligatory National Natura 2000 Financing Programmes. However, besides providing sufficient funding for Natura 2000, the EU-Budget should also dedicate financial support for ensuring the connectivity of natural habitats throughout the EU.

Integrating Natura 2000 financing into different funding lines (the “integration option”) has tremendous advantages, but is failing to materialise at the moment. This situation could be resolved to a large degree with the establishment of an obligatory National Natura 2000 Financing Programmes. This would improve the national uptake of Natura 2000 financing options in non-environmental European funding lines as well as improving transparency and monitoring by clarifying the actions that should be financed under European or national funding lines.

The EU should provide technical assistance to support Member States in setting up such programmes. Any

EU funds, including LIFE, should be withheld by the European Commission until these National Natura 2000 programmes are approved.

The following should be included in National Natura 2000 Financing Programmes:

- National Natura 2000 funding strategies for the next EU-Budget, explaining key priorities which need to be addressed over the whole period.
- Description of Natura 2000 measures to be financed.
- Foreseen contribution of each EU fund (budget and measures) to the national Natura 2000 network for the next Financial Perspective.
- Foreseen contribution of Member States fund(s) (budget and measures) to the national Natura 2000 network for the next EU-Budget.
- Implementation plan.
- Monitoring and evaluation plan.

Current European funds provide a number of opportunities to finance Natura 2000 but Member States have failed to take up many of these opportunities. The voluntary principle alone has not guaranteed sufficient

Figure 5 – A bumblebee, on Saint John's Wort flower, providing a fundamental service to ecosystems: pollination. © Stephen Sheridan



27. Kuik, Brander & Schaafsma (2006). Globale Batenraming van Natura 2000 gebieden and The Scottish Government (2004). An Economic Assessment of the Costs and Benefits of Natura 2000 Sites in Scotland.

money for Natura 2000 within the 2007-2013 funding period. It is therefore necessary to provide obligatory allocations of funds to Natura 2000 across all relevant EU funding lines.

Furthermore, marine Natura 2000 sites, currently much less developed than terrestrial sites, must receive proper attention and funding from the EU and thus should also be prioritised in LIFE and the National Natura 2000 Financing Programmes.

Agriculture²⁸

As farmland covers over 50% of the EU, the Common Agricultural Policy (CAP) plays an extremely important role in influencing how land is managed and environmental objectives achieved. The European Environment Agency estimates that 50% of all species in Europe depend on agricultural habitats, including a number of endemic and threatened species.

The CAP is one of the EU's most controversial policies. Direct payments to farmers still effectively subsidise intensive farming, and have disastrous impacts on farmland biodiversity. Cross compliance, introduced in 2005 to solve this problem, is too weak and its implementation is very poor, thus not ensuring biodiversity-sensitive agriculture.

Although the establishment of rural development (Pillar II) and more precisely agri-environmental measures were an improvement, their implementation also suffers from severe gaps. The reform of the CAP is crucial to establish a new contract between farmers and the EU in which public support is based on the delivery of environmental public goods by farmers, including biodiversity protection.²⁹ More specifically, there are farming systems which deliver a high level of biodiversity protection and should be rewarded by public support, including High Nature Value (HNV)³⁰ and organic farming.

In addition, some changes are needed in the current agri-environmental schemes and other rural development investments must be improved. Much greater

focus on biodiversity is needed. Schemes must be better targeted and monitored and Natura 2000 compensation and management measures should be strongly increased and their budgets made fully transparent, in order to reach at least €2 billion per year, providing strong opportunities for farmers and land users.

Marine and fisheries

European fish stocks are in a highly worrying state: more than 72% of commercial fish stocks in Europe are over-exploited, far above the global average of 25%.³¹ Poor fisheries management – too many boats, quotas set too high, fishing seasons open too long, indiscriminate gear, the targeting of juvenile fish – continue to put the seas (and fishing communities) at risk. Overall there remain far too many European vessels chasing the fish that are still available. This is one of the crucial barriers to the recovery of fish stocks.

Experts estimate that by setting and enforcing the right recovery goals for European fish stocks, many of the EU's fish stocks could be restored within 15 years or less.³² The reform of the Common Fisheries Policy (CFP) is a huge opportunity to fix past mistakes.

The following should be priority goals for the CFP:

- Ecological sustainability should be given top priority in the CFP's objectives as a prerequisite for a viable fishing sector.
- Long term Management Plans, incorporating an ecosystem-based approach, should be established for all fisheries and should be a precondition for access to those fisheries.
- Catch levels should be set so as not to exceed the levels recommended by scientists.
- Ambitious, legally-binding and time-bound targets should be established for recovering fish stocks.
- Fleet capacity reductions should be mandated, with 'right-sizing' tailored to and designed by the fisheries where they are needed.
- Any subsidies should be targeted to elements that will enable fisheries to be sustainably managed, such as selective gear, improved scientific research and compliance technology.

28. For further analysis of the CAP, see page 25

29. See BirdLife, EEB, EFNCP, IFOAM, WWF (2010). Proposal for a new EU Common Agricultural Policy.

30. See BirdLife, Butterfly Conservation, EFNCP, WWF (2010). CAP reform 2013 – last chance to stop the decline of Europe's High Nature Value farming?.

31. European Commission (2010). Consultation on Fishing Opportunities for 2011. (COM (2010)241).

32. Froese, R., & Proelß, A. (2010). Rebuilding fish stocks no later than 2015: Will Europe meet the deadline? Fish and Fisheries, 11(2), 194-202.

- Displacement of surplus fleet capacity must be prevented outside the EU – we cannot transfer our overcapacity problems to third-country waters or vulnerable deep-sea environments.
- Fisheries should operate within a framework of strict accountability to EU standards and control, with effective sanctions for non-compliance.

The EU-Budget should follow these goals of a reformed CFP. It includes eliminating harmful fishing subsidies such as fuel subsidies or temporary cessation of activities, and supporting the targets identified within fisheries' long term management plans to implement sustainable fisheries.

Infrastructure development

The current EU-Budget still provides a lot of support to large infrastructure development with the potential to harm biodiversity. This includes a wide range of investments in transport (especially roads and motorways, potentially rail lines, electricity transmission, etc), water and flood management (dams, dykes, etc), tourism (skiing slopes, marinas) or economic development (harbours). Infrastructure developments are supported mostly through the Cohesion Policy. In many cases, damage to biodiversity can be prevented through a smart approach – taking biodiversity into consideration from the very beginning of any project.³³

The rationale of most infrastructure projects is based on their benefits to growth and employment. However, increasing evidence suggests that their expense, regular cost over-runs and delays, often result in fewer results

than expected; they thus have much lower cost effectiveness than expected. In addition, especially when these infrastructures are located in biodiversity-rich areas, they can have heavy negative externalities that are not properly assessed and efficiently mitigated, and can lead to further costs of reparation.³⁴

The next EU-Budget should ensure that strengthened assessments are provided for EU funded infrastructure projects, including the mid to long term costs of biodiversity (and climate) externalities, carefully checking that smoother alternatives could not be more efficient and cheaper, and at a minimum ensuring that all possible mitigation measures have been taken.

International responsibility

Investing in biodiversity protection and ecosystems restoration is essential for both poverty alleviation and climate change mitigation and adaptation. To reflect this, the resources for the external dimension of the EU-Budget must be strongly increased, effectiveness improved, and biodiversity mainstreamed as one of the key priorities.

Furthermore, in many cases the conservation of European species is not possible without action outside the EU (e.g. migratory birds on their African wintering grounds). Therefore EU financial support should also be available for conservation measures for EU species throughout their migratory routes.

Finally, the EU has also a particular responsibility for conservation of the biodiversity treasures of its own overseas entities.³⁵

33. ASFINAG (2009). Natura 2000 und Artenschutz – Empfehlungen für die Planungspraxis beim Bau von Verkehrsinfrastruktur., (available in German only).

34. See for example the World Commission on Dams and Development, November 2000.

35. For further information on Overseas Entities, see page 44

2.3 Resource inefficiency

“What could be more fundamental, more universal than the stewardship of the air we breathe, the ground we walk on or the water we drink?”

Janez Potočnik, Commissioner for the Environment³⁶

Our vision

The EU has to move from overuse of natural resources beyond the planet's limits towards sustainable consumption patterns within the global carrying capacity by 2050 at the latest. Significant net reductions in European resource use should already be achieved by 2020. The EU should become the most resource efficient economy in the world and, from 2014, use its limited budget to catalyse this transition. In so doing, the EU will drive reductions in the use of resources and its collective growing dependency on imports while increasing recycling and restoration.

The reality

Nature provides humans with all natural resources essential for life: materials, water, air, energy and land, which are the basis for humankind and all living beings' existence and survival on the planet. The majority of these resources are at stake due to overconsumption.

The EU's ecological footprint is exceeding its global carrying capacity by more than 2.5 times. Europe is the biggest importer of resources worldwide.³⁷ Besides the danger of overexploitation and environmental degradation, this high level of resource consumption is threatening the EU's economy and efforts aimed at ensuring access to increasingly scarce resources. By decreasing its demand for natural resources the EU can strengthen its economy.

Conservation and highly efficient use of resources is crucial for ensuring the well being of our citizens and economy. The decrease of resource use, a shift in na-

tural resources' consumption patterns and strict decoupling of economic growth from demand for natural resources should become European priorities. The Europe 2020 strategy rightly proposes a first step in this direction with the resource efficiency flagship initiative. Therefore, the EU-Budget should set the right incentives to support the development of resource-saving technologies and initiate the creation of new jobs linked to resource conservation.

European money should be invested only where best technologies to save and reuse resources are in place. The ambition is for the EU to use its limited financial resources to invest, over the long term, in the application of technologies that will reduce the use of natural resources. This approach should guarantee the sustainability of both natural resources and European citizens' money in a world where the increasing cost of resources directly affects the EU's economy. On a horizontal level, the EU should follow an integration approach by promoting resource efficiency in all sectors throughout all policies.

Waste

Only a few countries in Europe have managed so far to stabilise or reduce the amount of their municipal waste, or to achieve reasonably high recycling and composting rates, even though during the last few decades the EU has adopted a number of policies aimed at reducing waste generation and increasing levels of recycling and composting.³⁸ Reducing the production of waste is the first priority but it is clear that there is a massive potential to increase reuse, recycling and composting rates, given that the best performing region, Flanders, is achieving >70% recycling, higher than any Member State.³⁹

36. Janez Potočnik, Commissioner for the Environment, addressing the European Parliament's Environment Committee as Commissioner-designate for the Environment, January 13 2010.

37. Friends of the Earth Europe (2009). Overconsumption? Our use of the world's natural resources.

38. Among them the Waste Framework Directive and the Landfill Directive, both aimed at reducing the amount of untreated organic waste going to landfill.

39. OVAM (2006). Jaarverslag 2005. Page 69. (only available in Dutch)

The ways in which Europe treats its waste has large impacts on climate change: these include the release of fossil-fuel derived CO₂ from incineration and the release of methane from landfill, a much stronger greenhouse gas. Recycling, on the other hand, offers more environmental benefits and lower environmental and climate impacts than other waste management options; it is also more labour intensive, and thus creates more jobs – achieving 70% recycling of Municipal Waste around Europe, rather than the current 50% target by 2020, would create more than 500,000 jobs.⁴⁰ Recycling also reduces the need for the extraction and processing of new resources, therefore further saving fossil-fuel energy, and avoiding damage to ecosystems. Recycled materials also have value – the EU is currently burying or burning more than €5 billion worth of resources every year.⁴¹

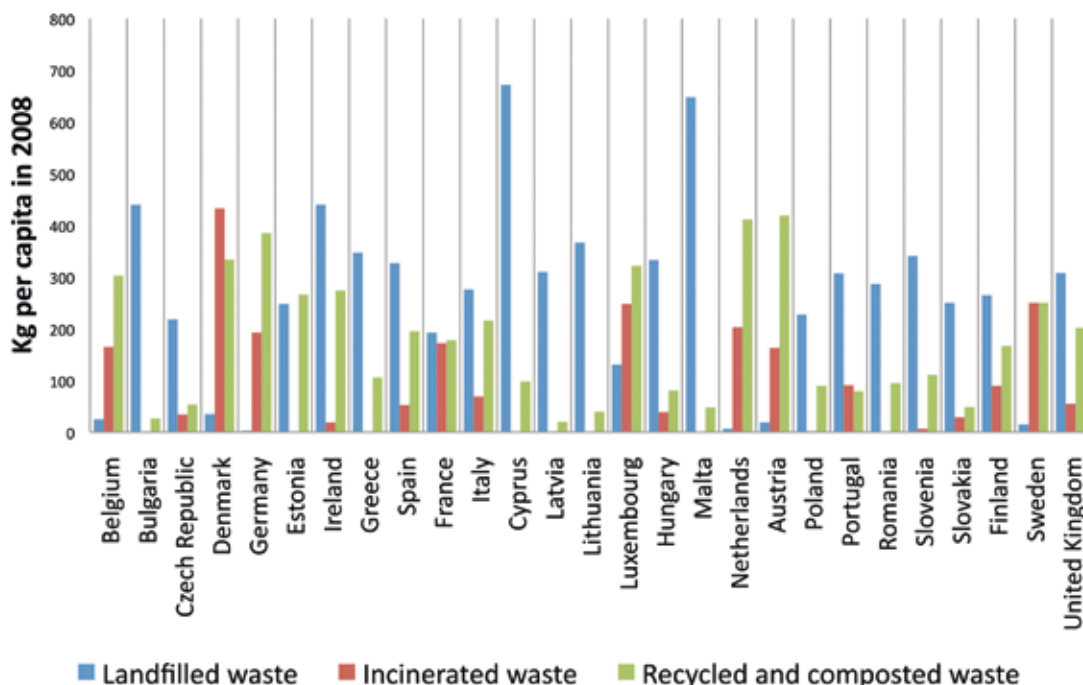
There is significant potential for spending money from European funds for waste reduction, reuse, recycling

and composting projects instead of financing a few huge projects for waste incineration. Waste incineration is an outdated and expensive technology, with poor climate performance. The inflexibility and long life of incinerators (usually 20 years) freezes potential improvements of reducing and recycling waste because it needs to burn the same amount of waste to remain economically profitable. The current practice of supporting harmful waste treatment practices such as investments for incinerators or landfills should be replaced by integrated waste management concepts, tailor-made for the region concerned.

Water

A 2009 Euro barometer survey showed that almost two out of three Europeans consider the quality and quantity of water in their country to be a serious problem.⁴² Despite the crucial importance of water for people's health, biodiversity and the economy, freshwater ecosystems are regarded as the most threatened

Figure 6 – Waste recycling still offers an enormous potential in Europe. Data source: European Commission, Eurostat. Note: the amount of recycled and composted waste is estimated as the difference between the amount of municipal waste generated and the amount landfilled and incinerated.



40. Friends of the Earth Europe. (2010). More jobs, less waste.

41. Friends of the Earth Europe. (2009). Gone to Waste: The valuable resources that European countries bury and burn.

42. Flash Eurobarometer on Water- Analytical report (2009), page 10. http://ec.europa.eu/environment/water/participation/pdf/eurobarometer_report.pdf

ecosystems on Earth.⁴³ Numerous threats are now visible that increase the competition for water: “old” water pollution such as nitrates and phosphorous, “emerging pollutants” such as pharmaceuticals, the over-use of water, river fragmentation and physical modifications to rivers, lakes and wetland. Climate change will make these challenges even more acute: water scarcity already affects at least 11% of Europe’s population and 17% of the EU’s territory.

However, the projected costs of loss of ecosystem services and biodiversity provided by freshwater ecosystems⁴⁴ show that current financial support is not yet proportional to the challenges. The financial means have not followed the ambition of European policies and legislation, and money both from the EU and Member States is still lacking. Even more worrying, some European harmful subsidies have increased the over-use of water (agricultural subsidies for irrigation in water-scarce regions) or river fragmentation (infrastructures against floods that relocate and worsen the problem downstream and are counter-productive in the long term).

The EU should provide sufficient funding for innovative measures developed under the Water Framework Directive (including for international cooperation), eliminate harmful subsidies hampering sustainable water management, improve the integration approach of water concerns in all funding lines, and ensure appropriate funding for ecological flood risk management under the Flood Risk Management Directive.

Materials

While the EU is pursuing a policy to ensure a high level of quality of life for today and tomorrow’s global population, each European consumes three times as many resources as an Asian, and more than four times more than an African. Developing countries will increase their demand for raw materials as part of the economic catching-up process. A global answer is needed to identify how scarce raw materials can be consumed globally without exceeding the environmental capacities of our planet, taking into account a population of around 9 billion worldwide by 2050. In this increasingly resource-constrained world, the EU’s economic model needs a profound shift.

Figure 7 – Waste recovery and recycling still offers significant potential for developing a green economy while reducing the EU’s environmental footprint. © Ariel Brunner



43. WWF (2008). Living Planet Report.

44. TEEB (2008). The Economics of Ecosystems & Biodiversity: An Interim Report. The European Commission.

Figure 8 – Harmful agricultural practices can lead to soil degradation and erosion. Hungary. © Szabolcs Nagy



In order to achieve a substantial reduction of absolute demand for raw materials, a significant change in consumption patterns and production methods is required in Europe. The EU-Budget can leverage such a transformation process.

Any direct or indirect support for harmful extraction practices such as the destruction of fertile land, water shortages, toxic pollution or social disruption in developing and emerging countries should be banned. EU-Budget beneficiaries should respect high efficiency standards for the use of materials, and the EU-Budget should only support projects using best available technologies such as research support for the identification of alternative (e.g. renewable) materials and processes and projects that maximise resource efficiency.

Land and soil

Land is under increasing pressure, caught between society's need for resources and space, and its capacity

to support and absorb these needs. This is leading to unprecedented changes in landscapes, ecosystems and the environment. Furthermore, the loss of top-soil due to erosion or building activities, contamination, and acidification is a major land problem in Europe. Soil, holding twice as much organic carbon as vegetation, is a key and very complex natural resource that is undervalued.

The EU should avoid any harmful impact on land use and the EU-Budget should not support projects that lead to global land deterioration (including soil damage, deforestation and the increasing exploitation of natural resources within and outside the EU). The EU should set the course for sustainable agriculture in order to reduce soil degradation and water overexploitation (causing land desertification). In its climate policies, the EU should consider the effects of indirect land use change both inside and outside Europe.

3. Reforming the EU funds

3.1 The Common Agricultural Policy

“Should we resign ourselves to seeing the quality of soil and water deteriorate? Should we be thinking that loss of biodiversity is unavoidable? Should we just sit back and accept climate change? I do not think so. Society is not passive in the face of environmental challenges. Agriculture has solutions to offer.”

Dacian Cioloș, Commissioner for Agriculture and Rural Development⁴⁵

The goal

The Common Agricultural Policy (CAP) must reward farmers and land managers for the delivery of public goods while appropriate policies need to be implemented to guarantee that external costs are included in market prices. European agriculture policy must move away from the logic of financial dependency and compensation to one of public goods delivery based on a new contract between farmers and society. This fundamental transformation would reward land management activities that deliver benefits to society and would prohibit the use of public funds to support activities which have adverse environmental impacts.

A little more than 5% of the CAP budget is spent on agri-environment schemes, and analysis of a suite of Rural Development programmes has indicated that a much lower proportion is spent on targeted, well designed and well implemented conservation schemes.⁴⁶ Agriculture should be a driver for the enhancement of biodiversity and natural resources. Its importance will increase as ecosystems collapse, as already scarce resources become even scarcer and the effects of climate change become more painful.

Ensuring long term food security means making European agriculture systems sustainable and conserving the natural resources on which food production

depends: soil, water and biodiversity. While it is crucial to re-orientate support for farmers who deliver public goods, sustainable agriculture needs a wide set of other policies for production, consumption and trade.

The reality

Agriculture is directly responsible for nearly one tenth of GHG emissions in the EU,⁴⁷ contributing in 2008 to 9.5% (EU-15) of GHG emissions, making it the second largest emitter sector after the energy sector. Further emissions, such as those from the production of fertiliser or imported feed, are not included in these figures, although they are caused by our current agriculture practices. Reducing GHG emissions from the agriculture sector is a top EU priority if it is to achieve its 2020 targets.⁴⁸ Furthermore, the agriculture sector is feeling the impact of a changing climate while also playing an important role in climate adaptation, being a vital solution to the problem.⁴⁹

The high importance of biodiversity protection as a prerequisite for sustainable development has been underlined by the EU's Biodiversity Action Plan that addresses the challenges of integrating biodiversity concerns into other policy areas in a unified way, and that identifies funding proportional to this ambitious task. The CAP is meant to provide major financing opportunities for

45. Dacian Cioloș, European Commission for Agriculture and Rural Development, Conference on public debate entitled ‘The CAP after 2013’, July 20 2010.

46. BirdLife International (2009). Could do better: How is EU Rural Development policy delivering for biodiversity?

47. European Commission (2009). The role of European agriculture in climate change mitigation.

48. In June 2009, a reduction in EU greenhouse gas emissions (GHG) of at least 20% below 1990 levels became part of a ‘climate and energy package’ as an EU binding legislation for implementation.

49. European Commission (2009). Adapting to climate change: Towards a European framework for action – The challenge for European agriculture and rural areas.

biodiversity conservation in the EU. In 2010, European Heads of State have renewed their commitment to reversing biodiversity loss, adopting ambitious targets that cannot be met without a profound transformation of our agricultural landscapes and practices.

The CAP is also the EU's main tool for dealing with land use issues. In Europe as a whole, 24% of water abstraction is used for agriculture. However, in southern Europe, agriculture accounts for 60% of the total water abstracted and reaches as much as 80% in certain areas.⁵⁰ European agriculture is a major contributor to water pollution, eutrophication and biodiversity loss. Agriculture also has a detrimental impact on soil erosion and land degradation. Soil erosion by water and wind has an effect on European land (around 15%) due to farming impacts.⁵¹ Furthermore, EU farming has also become heavily dependent on fossil fuels (both directly and through the use of artificial nitrogen fertilisers) and on imported animal feed and phosphorus. These dependencies have produced a large ecological footprint and increased the vulnerability of the European food system to external shocks.

As farmland covers over 50% of the EU, the CAP plays an extremely important role in influencing how land is managed and environmental objectives achieved. The CAP was allocated a total of €317.39 billion in the current 2007-2013 period, representing roughly 37% of the EU-Budget in 2009. The current CAP still fails to address the pressing problems associated with European farming and rural areas – it also fails to deliver value for money.

The bulk of the CAP budget is spent on direct payments (80%) through the European Agricultural Guarantee Fund (EAGF). Direct payments (pillar one) consist of the Single Payment Scheme (SPS, 66% of EAGF) in old Member States with entitlements that reflect past levels of production subsidies, the Single Area Payment Scheme in new Member States (SAPS, 9% of EAGF) which is distributed through a flat-rate payment per hectare corresponding to an amount decided by the Member States, and market interventions (including export subsidies and intervention purchasing).

The system of “cross compliance”, introduced in 2005, requires farmers in receipt of these payments to adhere to a suite of rules made up of aspects of existing legislation and standards relating to ‘Good Agricultural and Environmental Condition’. If a breach of cross compliance occurs, recipients are subject to a reduction in their payments. However, the system is failing to secure meaningful environmental benefits due to problems such as the vagueness with which most requirements are defined by Member States, an inadequate control and penalty system, a lack of monitoring and evaluation and the perverse incentive for Member States to minimise any deductions (75% of penalties are returned to the EU).

Partly co-financed by Member States, the European Agricultural Fund for Rural Development (EAFRD), finances Europe's rural development policy. The fund (pillar two) divides its spending within four axes. Axis 2, under which agri-environment schemes sit, has the highest minimum spending obligation (25%) for Member States, and is the most important for the environment. It is also one of the few instruments where governments are actually obliged to spend on environmental measures, as making agri-environment schemes available to farmers is a mandatory requirement. However, many rural development programmes still include measures that harm biodiversity or that are not properly designed to support environmentally valuable farming systems. Although it has many shortcomings, due mostly to incorrect implementation and design, the rural development policy is based on solid principles (e.g. well-defined objectives, contractual base, monitoring and evaluation, Commission approval, and consultation of stakeholders) that create considerable potential to support biodiversity, climate mitigation and adaptation, and resource conservation.

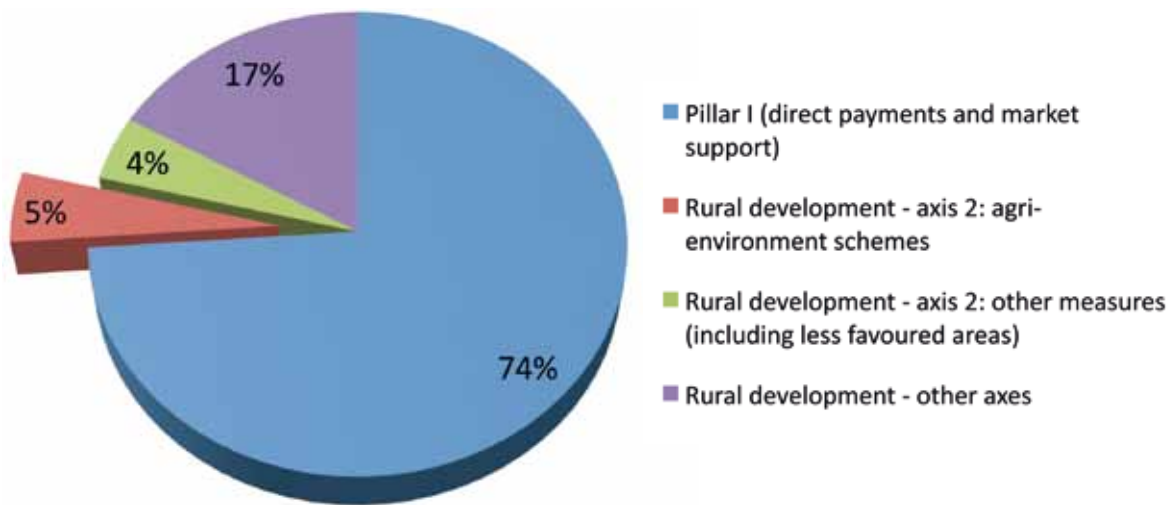
Recommendations

A reformed CAP should target funds at the achievement of the EU's sustainable development objectives, while phasing out all agricultural subsidies that facilitate the sale on world markets of goods at prices below their costs of production.

50. EEA (2009). Water resources across Europe – confronting water scarcity and drought.

51. EEA (2007). Europe's environment – the fourth assessment.

Figure 9 – Expenditure breakdown of Agriculture funds within the financial framework 2007-2013. Source: European Commission.



In order to achieve a higher delivery of public goods by farmers, Europe needs a structural change in the current direct aid payments (pillar one). Europe's rural areas need a sensible, well-resourced rural policy focused on rural development and the delivery of environmental public goods which would otherwise have no marketplace. Some of the most important public goods associated with agriculture include farmland biodiversity, the conservation of agricultural genetic resources, watershed functionality, attractive agricultural landscapes, carbon storage, resilience to wildfire and other natural hazards, ecosystem resilience in the face of climate change and rural vitality.

CAP funds should be channelled into well defined schemes supporting sustainable farming systems and the transition to more sustainable farming methods, targeted agri-environmental schemes and investments in sustainable farming and support measures such as advisory services. A transition period will be needed with effective mechanisms to ease the transition. Certain payments would support the economic viability of farming systems delivering public goods; others would compensate for specific commitments or obligations, while supporting the transition toward more sustainable farming practices.

The following should be pursued through agriculture funding:

- CAP funds should accelerate the transition towards more sustainable farming systems that can combine sufficient and adequate food production with reduced environmental impacts and careful resource use.
- Payments should be on a contractual basis. Payments to farmers must be justified on the basis of a clear public interest, such as the delivery of public goods. Payments will be designed to support the delivery of public goods and will be based on a written agreement between society and the recipient. This basis will give legitimacy to the payments and ensure that both the recipient and taxpayers fully understand what is required and what is being rewarded.
- Member States should have a financial programme for CAP funds. General rules, guidelines and European priorities should be decided in common, with Member States and regions determining the details of schemes, relative budget allocations and national/regional priorities for approval by the Commission. The Commission should also monitor programme delivery to ensure coherence and to prevent misuse.
- All CAP schemes should be assessed, prior to approval, to ensure that they do not unintentionally or indirectly have trade distorting effects or harm the potential for developing countries to develop sustainable local markets.

Figure 10 – Extensive grazing practice by cattle in Andalusia, Spain. © Pierre Commenville



3.2 Cohesion Policy

"I intend to strengthen the overall coherence of the EU intervention by establishing closer coordination with other EU policies and clearer alignment of cohesion policy with the main strategic agenda of the Union."

Johannes Hahn, Commissioner for Regional Policy⁵²

The goal

European structural and cohesion funds should foster sustainable development and the transition to a low-energy-consumption society, living within its ecological limits. The Cohesion Policy should support the deployment of energy efficiency measures and renewable energy sources and should prevent any harmful social and environmental impacts emerging from its investments.

The reality

The EU's Cohesion Policy seeks to strengthen the process of reducing the gap between the poor and the

rich regions of the EU, namely by promoting economic, social and territorial cohesion. It is based on reducing social disparities by enhancing employment and social inclusion. Its instruments, the structural and cohesion funds, are foreseen to achieve those purposes. The total sum of the EU's Cohesion Policy funding amounts to €347 billion for the 2007-2013 period.⁵³

The Cohesion Policy is built on a growth paradigm, one that focuses on the quantitative expansion of economies under the auspices of the EU's Lisbon Strategy. This focus on economic growth leaves the environmental pillar continuously underprivileged. One root cause is using GDP as an indicator for financial distribution and the lack of progress in defining criteria which would better suit today's challenges.

Figure 11 – The planned Struma motorway, financed by structural and cohesion funds threatens the stunning biodiversity of this Natura 2000 site. Kresna Gorge, Bulgaria. © Boyan Petrov, NMNHS



52. European Parliament (2009). Answers to European Parliament Questionnaire for Commissioner-designate (Regional Policy) Johannes Hahn.

53. European Commission (2008). Working for the regions, EU regional policy 2007-2013.

Another crucial problem is that the Member States are not required to guarantee that European funding is contributing to the implementation of European environmental policies and targets, e.g. that the overall support of the transport sector would not cause an increase of GHG emissions. In reality a considerable amount of Cohesion Policy funding (more than 12%) is used to support transport infrastructure projects that contribute to increased GHG emissions in the concerned regions.⁵⁴ Furthermore, the European Social Fund, an important component of the Structural Funds, is currently not well geared to support education and new skills or to provide training for new job profiles required for the transition to a low energy consumption society.

As a consequence several major failures can be observed in the current use of Cohesion Policy funds:

- Opportunities to support key environmental objectives through EU funding are being systematically missed, e.g. financing Natura 2000 sites or investing in climate mitigation projects are negligible among Member States' Operational Programmes. As regards 2007-2013 spending allocations, energy efficiency and renewable energy measures received a meagre ~€9.3 billion allocation for all 27 Member States (EU27) as a whole.⁵⁵
- Green Public Procurement is a voluntary instrument; its rules are neither standard nor obligatory for Structural Funds projects. This means that the EU's funds are not being systematically used to promote green products and services. Setting incentives for establishing a significant green market segment would therefore send a transformational message to economic operators.
- European funding still supports projects with negative environmental impacts, increasing GHG emissions, harming eco-systems and otherwise contradicting European overall environmental objectives. For example, incinerators are often promoted at the expense of more economic and environmental friendly alternatives, such as waste prevention, recycling and composting. In general, an integrated

approach is still not being sufficiently implemented, such as mainstreaming environmental safeguard mechanisms horizontally through the whole programming and implementation cycle. Strategic Environmental Assessments of the complete planning process are often just as deficient as single Environmental Impact Assessments of individual projects.

The EU's Cohesion Policy has been designed to offset the burden of a single market for the less-favoured regions of the Union. The policy and its instruments (Structural Funds and then the Cohesion Fund) have been included in subsequent Treaties. The existing Cohesion Policy and its funding are part of the EU's historical and political self-conception. However, it would be desirable to align it more towards the EU's sustainable development strategies. Poorer regions also need support in order to meet common European objectives such as on climate and biodiversity protection. Being the second largest funding instrument in Europe under the 2007-2013 "Sustainable Growth" heading, it significantly defines the development direction of the regions.

Furthermore, the Instrument for Pre-Accession Assistance (IPA) also supports cross-border cooperation projects, institutional and human resources capacity building as well as regional and rural development measures to Western Balkan countries and Turkey. Besides marginal allocation, co-financing and up-take of funds for the environment, the IPA, within the current programming period, often favours environmentally outdated solutions (e.g. waste incinerated in cement kilns), instead of systematic approaches that can deliver real environmental protection (e.g. sound waste management practices).

Recommendations

The Cohesion Policy has already introduced a concept of territorial cohesion that focuses on specific assets and challenges facing different territories. This approach, combined with a strong sustainability fo-

54. Calculations based on planned EU investments for road transportation according to Annex V of European Commission (2010). Commission staff working document accompanying communication on the Cohesion policy: Strategic report 2010 on the implementation of the programmes 2007-2013. (SEC (2010) 360).

55. Calculations based on planned EU investments according to Annex V of European Commission (2010). Commission staff working document accompanying communication on the Cohesion policy: Strategic report 2010 on the implementation of the programmes 2007-2013. (SEC (2010) 360).

Figure 12 – Eastern Ore Mountains, Czech Republic. Controversial Motorway funded by the EU (Instrument for Pre-Accession) and European Investment Bank, bisecting the Eastern Ore Mountains, a protected natural park. © Pavel Pribyl



cus, redefines the Cohesion Policy. Aimed at fostering the assets of territories via a sustainable perspective (biodiversity, potential for green jobs, local renewable energy production), this approach will address European challenges (the need to adapt to climate change, to address inefficient energy systems and high energy consumption, resource intensive manufacturing, environmental pollution, transport congestion, degraded urban areas).

In other words, the Cohesion Policy should aim to place all EU regions on a sustainable development path and the following principles should be supported:

- Priorities and objectives need to be redefined “beyond GDP” and should focus on enabling sustainable development that takes into account the ecological limits of the planet.
- The prioritisation of the transition towards an eco-efficient and low-carbon development path through support for energy efficiency, particularly in the retrofitting of buildings, and renewable energy sources. Support for innovation should clearly lead to reductions in GHG emissions and resource intensity.
- Devoting a substantial part of the European Social Fund to adequately train workers in energy

efficiency and renewable energy related professions (energy auditors, workmen able to carry out deep retrofitting of buildings, etc), including education and training for the new job profiles needed for the transition to a low carbon society.

- The embracing of Europe-wide energy infrastructure with the clear aim of facilitating an uptake of energy from renewable sources and the necessary investments in cross-border grid infrastructure that is needed to support a high renewable component of EU electricity generation, and promoting energy efficiency.
- Investments in ecological and green infrastructures and not only in hard physical infrastructures (e.g. ecosystem-based water treatment instead of only building water treatment plants, or natural flood protection instead of higher flood defences), in order to protect biodiversity. Interventions should specifically contribute to the implementation of the Natura 2000 network.
- Stopping the provision of subsidies that harm the climate and biodiversity e.g. support for air transport.
- Spending categories have to be revised, better defined and need clear guidelines to avoid contradictory approaches (e.g. natural flood protection versus the destruction of floodplains for water infrastructure) and should be connected to measurable tar-

gets which are clearly linked to the objective of each spending category.

- A revision of spending categories should emphasise new EU environmental priorities and provide guidelines for eligible measures.
- Green Public Procurement should be obligatory for the realisation of projects.
- The EU's funding instrument for Pre-Accession countries should ensure the mainstreaming of environmental concerns within the process of accession and also be climate and energy efficiency proofed.

Furthermore, the European Commission's role in guaranteeing the coherence of national frameworks with European environmental priorities should be strengthened so as to ensure that Member States' programming is strategically linked to the overall EU sustainability objectives:

- Member States have to guarantee that national funding frameworks provide sufficient funding for the EU's overall environmental objectives – especially climate and biodiversity targets – ahead of EU funding approvals.
- A comprehensive system of environmental safeguard mechanisms (climate and biodiversity proofing) should be applied throughout the whole programming cycle.

3.3 Transport funding

“Delivering the means to decarbonise transport and reduce greenhouse gas emissions will be a key policy goal for the new Commission”

Siim Kallas, Vice President of the European Commission⁵⁶

The goal

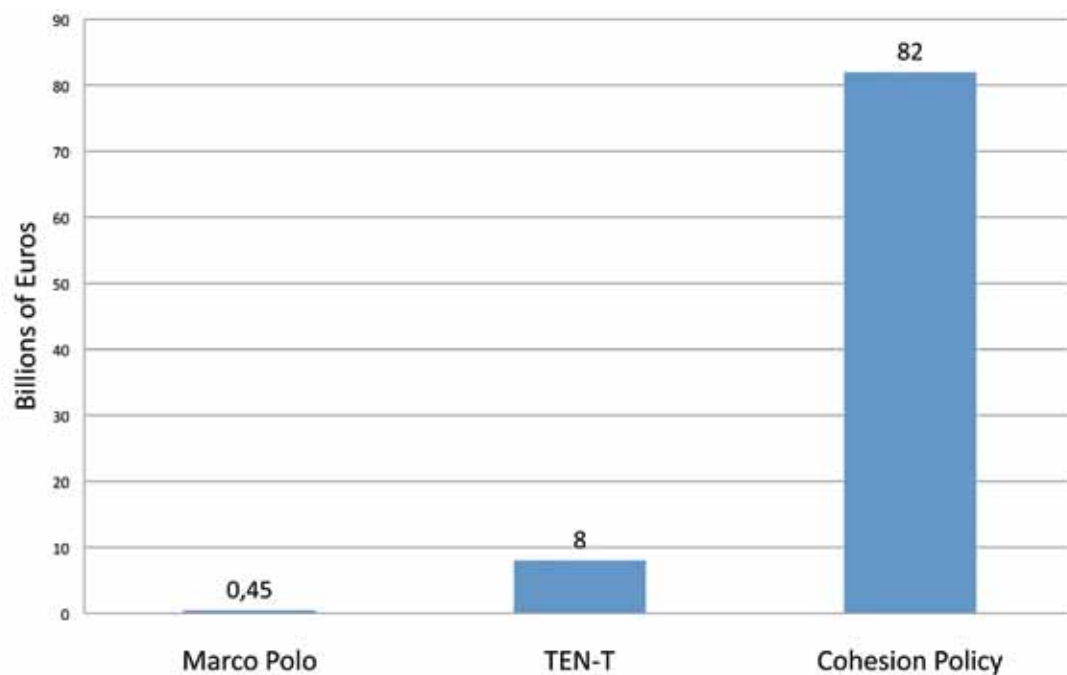
The EU must support transport plans and projects which actively reduce GHG emissions and maintain green infrastructures. Transport investments, which are one of the major instruments to concretely deliver the objectives of climate and environment policy as well as transport policy, must contribute to the decarbonisation of transport.

Given the objectives of the EU for the decarbonisation of transport, a stronger link between infrastructure

investments and reducing GHGs from the transport sector is now needed.

European funding for transport should be primarily focused on helping Member States to switch to a more climate-friendly transport system. The best value the EU can add to national infrastructure decision-making is to focus on the decarbonisation objective through the application of a transparent and open methodology for selecting projects, whilst integrating biodiversity concerns.

Figure 13 – The different sources of transport funding within the financial framework 2007-2013 in billion Euros.



56. Siim Kallas, Vice-President of the European Commission, addressing the European Parliament Transport Committee as vice-president designate, January 14 2010.

The reality

In contrast with other sectors, transport is the only one where GHG emissions have increased in the EU since 1990. Unless concerted policy action is taken, this trend is likely to continue, with transport emissions expected to grow by 74% between 1990 and 2050.⁵⁷ Without action to reduce the transport sector's climate impact, efforts made in other sectors will be wiped out by growing transport emissions.

With around €90 billion dedicated through various funds⁵⁸ under the current financial framework, investment in transport-related projects represents a considerable share of the European involvement in projects undertaken by Member States. Transport investments are funded through various financial instruments, such as the TEN-T programme, the European Regional Development Fund, the Cohesion Fund and the support of the European Investment Bank.

There are currently important discrepancies between the different European financial instruments that contribute to the funding of infrastructure projects. The

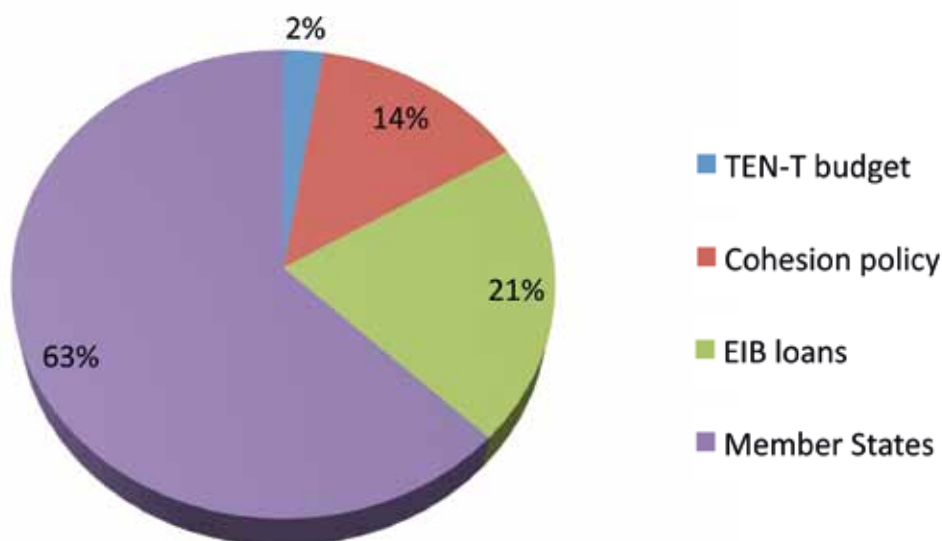
argument is often made that because the lion's share of TEN-T funding goes to the rail sector, this is enough to ensure the sustainability of investment. This assumption paints a much distorted picture. First, because the TEN-T budget line is far outweighed by transport spending from other policy areas (Structural and Cohesion funds), and second – and most importantly – because project proposals have not been comparatively assessed on the basis of overall climate impact.

Furthermore, many transport projects are still not sufficiently embedded in integrated spatial plans aimed at saving biodiversity hotspots and establishing green corridors.

Recommendations

A proper reform of the methodology for the planning, implementation and evaluation of transport investment projects will allow EU institutions to demonstrate a clear commitment to the climate and energy targets for 2020, including a 40% GHG emissions reduction. Current allocation of funds must be rebalanced to

Figure 14 – A breakdown of the funding sources for TEN-T projects. Data retrieved from the report - Public consultation on the future trans-European transport network policy (COM (2010) 212 final).



57. Skinner, I., Van Essen, H., Smokers, R. and Hill, N (2010). EU Transport GHG: routes to 2050? – Towards the decarbonisation of the EU's transport sector by 2050.

58. €8 billion is allocated to the TEN-T budget line according to DG MOVE (http://ec.europa.eu/transport/infrastructure/funding/doc/funding_figs.pdf) and €82 billion is allocated to transport in the Cohesion policy according to DG REGIO (http://ec.europa.eu/regional_policy/themes/transport/index_en.htm).

wards projects allowing a smart and environmentally friendly upgrade of the network: projects supporting road charging, soft mobility, traffic management, rail electrification, interoperability and low-carbon energy infrastructure should be favoured. Moreover, in order to fulfil the objective of a more efficient transport system, alternative means for the funding of new infrastructure construction should be considered.

As such, transport funding should support the following criteria:

- Every transport project supported by the EU funds should contribute to the reduction of greenhouse gases, with a strict conditionality based on a climate impact assessment of the investment.
- Aviation must not be granted further European funding. It is by far the most carbon intensive mode of transport and already enjoys a wide range of fiscal privileges. The same rationale should apply to infrastructure investments used to improve airport accessibility, including high speed rail links to airports. Such projects clearly facilitate air travel rather than providing an alternative to it, leading to negative climate impacts overall.
- No funding should be awarded to projects that lead to unacceptable biodiversity loss or ecosystem degradation. Due to the potential negative environmental impacts, compliance with all European relevant legislation must be ensured, in particular the Birds and Habitats Directives, the Water Framework Directive, the Environmental Noise Directive, the Air Quality legislation, etc.
- Integrated spatial plans indicating present and planned green corridors and biodiversity hotspots (green infrastructure) should become part of the planning instruments for future transport infrastructure projects funded with European money.
- Independent auditing of carbon impacts and wider economic, environmental and social impacts should be set up and be easily accessible and publicly available.
- Investment preparation should be executed according to up to date methodology, with a hierarchy of measures to ensure that only truly necessary investments are granted. Every project should therefore ensure alternatives are investigated in a credible way, including, for example, whether the connection problem at hand cannot be solved with digital instead of real infrastructure.
- The traffic- and carbon-generating impacts of each project should be assessed to ensure that traffic demand projections are measured under a scenario of gradual internalisation of external costs.⁵⁹
- European transport funds should only be used to stimulate carbon efficient transport projects and it has to be insisted that public money should only support projects which would not otherwise occur via investment from national or private sources.
- No untolled highways should be supported by the EU. Where road projects are judged to be eligible for funding support following the proper assessments, this must be conditional upon 'user pays' provisions. Support for road projects, on a user-pays basis, should therefore only be in the form of loans rather than grants.

59. A research project for the Dutch Ministry of Finance (Returns on roads – Optimising road investments and use with the 'user pays' principle, CE Delft 2002) showed that under a system of charging for external costs, the optimal road investment programme would be about 40% the size of the programme under a business as usual scenario.

3.4 LIFE: environment dedicated funding

“In financial terms [LIFE] is the most important European funding that is specially dedicated to the environment and is managed directly by the Commission, being an essential tool with regard to the objectives of the environmental policy of the European Union.”

European Court of Auditors⁶⁰

The goal

The EU should invest at least 1% of the EU-Budget through a new LIFE instrument. LIFE should be mainly used as a fund that supplements the environmental activities within other funds, including those needed to support the Natura 2000 network and biodiversity. It should also pay for competitive, bottom-up projects initiated by civil society and local stakeholders, as well as for projects that have been programmed at national level within a national framework. Moreover, LIFE should be used for innovative approaches that provide new solutions to fight climate change and to develop economic activities that will bring about reductions in the overconsumption of natural resources.

The reality

Although they have been provided with only a tiny amount of money to date, LIFE projects have provided value for money, have helped to establish innovative projects across the EU and are deemed to have delivered successful results on the ground. LIFE, the only fund earmarked specifically and solely for the environment, amounts to €2.1 billion (around €300 million annually)⁶¹, representing around 0.23% of the total EU-Budget. Yet the financial contribution to nature and biodiversity conservation (approximately €130 million per year, or 0.1% of the total EU-Budget) is meagre when considering the needs and the fundamental role that biodiversity plays in supporting human welfare and the challenges faced today in terms of climate change and resource scarcity.

In spite of the tiny budget allocation to LIFE, expenditure has also been hampered by the difficulties faced by

potential beneficiaries in accessing the funding. Local actors and small non-governmental organisations are often the very ones best placed to carry out innovative conservation work and that usually deliver high value for money. However, they have regularly been unable to use LIFE+ support because of the co-funding obligation. Furthermore, the LIFE Regulation limits action to fields not covered by other European funds. Moreover, badly needed action based on well established scientific grounds is sometimes impossible to be supported by the LIFE programme when it is not considered “experimental” (specifically on LIFE-nature and biodiversity projects). As a result, some opportunities of supporting good projects have been lost.

Recommendations

Unlike the current set-up, LIFE should be divided into two funds: one part that is administered by the European Commission and another part that becomes part of the National Natura 2000 Financing Programmes. Beyond this structural change, other required modifications are:

- The total amount allocated to LIFE should be at least 1% of the total EU-Budget.⁶²
- The bulk of the fund should be used by Member States through their financial programming of Natura 2000.
- The remaining funds should be administered centrally, through a competitive process, and should target NGOs, other stakeholders and local authorities. Competitive LIFE grants should be open to climate (ecosystem adaptation), resource and biodiversity projects, and should support relatively small

60. European Court of Auditors (2009). Special Report – the sustainability and the commission’s management of the life nature projects.

61. <http://ec.europa.eu/environment/life/about/index.htm#lifeplus>

62. Based on the current annual budget.

- projects that support innovative, bottom up or participatory approaches.
- LIFE should also cover European overseas entities, and the competitive component of LIFE should be opened to accession countries and to non-EU countries to address the conservation needs of European protected species and habitats (e.g. for conservation work on the wintering grounds of European species that migrate to Africa).
 - LIFE funding should be simplified and become more accessible by: reducing the administrative burden of reporting and decision-making; improving the flexibility of project budgeting and management; reducing the red tape involved in project applications and reporting; reducing the co-financing rates for beneficiaries. At the same time more attention must be given to the monitoring and evaluation of the actual impacts of projects, with long term follow up.

*Figure 15 & 16 – LIFE Priolo project has supported the restoration of the laurisilvia forest for the conservation of the endangered Azores Bullfinch *Pyrrhula murina*, one of the most threatened birds in Europe. Pico da Vara, Natura 2000 site, Azores, Portugal. © SPEA/BirdLife in Portugal*



3.5 Research funding

“The European Commission should augment the funding levels for energy R&D to ensure that they are appropriate to the scale of the energy and climate challenges faced, and also consider rebalancing funding within the energy R&D budget to take proper account of the priorities in non-nuclear R&D.”

International Energy Agency⁶³

The goal

Funding for European research must be refocused on delivering breakthroughs on the key sustainability challenges of climate change, biodiversity and resource efficiency. Europe is committed to a knowledge based society. Research should prioritise a European long-term added value that will firmly establish the EU within a green economic path. Furthermore, the 7th Framework Programme (FP7) should stimulate public and private research in favour of European policy. European research expenditure must support fundamental research in climate and energy, biodiversity and resource efficiency and as well for promote and extensively increase green technologies and innovations. The FP7 should ensure research quality improvement and convergence towards European standards through competitiveness, stimulating matching funding from member states, private sectors and charity sectors, and increasing academic exchange at the European level.

The reality

The 7th Framework Programme (FP7) has a budget of €53.3 billion⁶⁴, of which €8.5 billion has contributed to environmental research. However, the funding priorities are inconsistent with European policies. The FP7 promotes funding to large projects that are often not coherent with the needs for research relevant to the environmental, energy and climate policies. Also, it is focused on basic scientific research while funds are lacking for applied research, especially in ecology and climate adaptation.

Furthermore, the funding for non-nuclear energy research under the FP7 is less than the total funding for research into nuclear fusion, fission and safety under the Euratom RTD Programme. The EU's prioritisation of nuclear energy has been strongly criticised by the International Energy Agency. The current framework programme allocates almost 40% of the energy funding (€1.947 billion) to nuclear fusion, a technology that is not expected to contribute any energy production before 2050.⁶⁵

Recommendations

An increase in investment in climate and biodiversity priorities is needed in research, development, and innovation in order to decarbonise the European economy and bring it into line with ecological limits. The new FP8 should have a clear financial programming of its research budget allocation, out of which Member States agree on their research priorities that the European Commission has to accept before disbursement of the funds. The following also need to happen:

- Research money currently going to nuclear should be shifted to research on aspects related to building a green economy. Funding should focus on sustainability including energy efficiency, renewable energy, ecosystem services, resource efficiency and biodiversity.
- EU spending of FP8 should be linked to other policy measures that help create markets for new clean technologies.

63. IEA (2008). Energy Policies Review – The European Union, page 13. <http://www.iea.org/textbase/nppdf/free/2008/EU2008.pdf>

64. €1.89 billion for “environment research including climate change”, €2.35 billion for “energy research” and €4.16 billion for “transport research including aeronautics”. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:412:0001:01:EN:PDF>

65. IEA (2008). Energy Policies Review – The European Union, page 192 and 194

- The FP8 should fill in research gaps such as in ecosystem services and sustainable agriculture in the new Member States where there is missing data.⁶⁶
- Research spending should be covering breakthrough and innovative technologies that are not yet ready for the market and for leverage into the market.
- The FP8 should establish an independent scientific board/panel of chief scientists from the Member States to oversee the selection of projects and to ensure their scientific value.
- All projects should involve a monitoring of the quality of the results. In the case of applied research, the actual use of results should be monitored as well.
- The funding mechanism should be made more flexible in order to also accommodate smaller grants for innovation as well as grassroots scientific research.

Figure 17 – Expenditure of the FP7 programme 2007-2013.

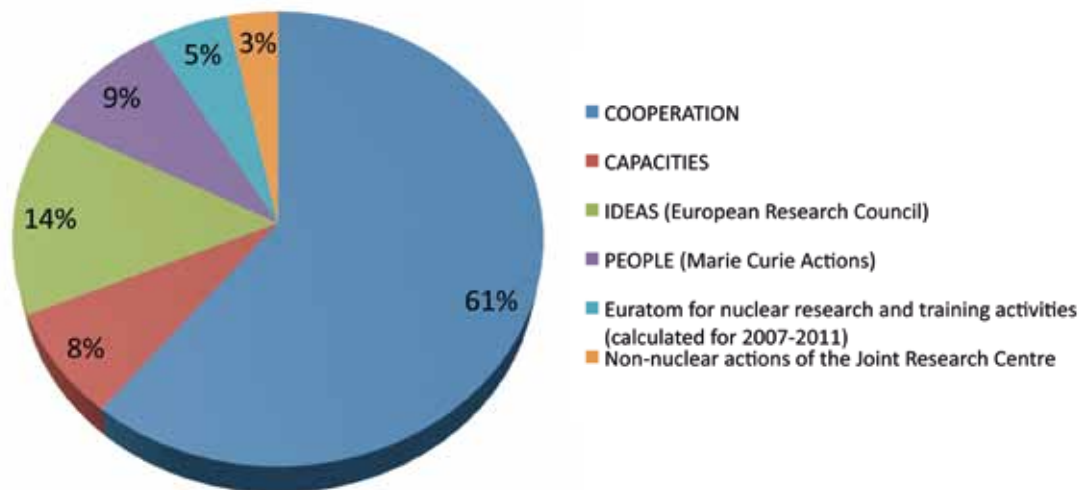
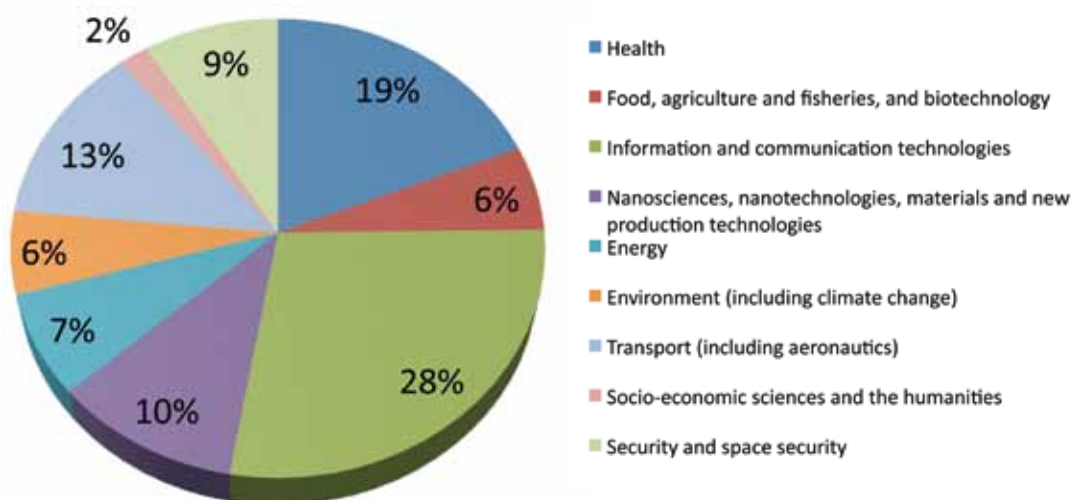


Figure 18 – A breakdown of expenditure for the COOPERATION block of activities (61% of the overall FP7 budget).



66. Half the scientific papers on farmland birds are from the UK, and most others are from Western Europe.

Figure 19 – The “mountain. Trip” FP7 Project works to transfer readily accessible mountain research knowledge to stakeholders and practitioners with information relevant to sustainable development in mountain regions. The Dolomites Alps, Italy. © Ariel Brunner



3.6 Marine and fisheries funding

"In 86% [of European] fish stocks, overfishing is so serious that more fish would be caught if there was less fishing. Some 18% of stocks are in such bad state that scientists advise that there should be no fishing."
European Commission⁶⁷

The goal

The EU-Budget's funding must ensure the protection of the EU and global marine environment by supporting a sustainability revolution in fisheries. The EU's overarching responsibility with respect to Europe's seas is to achieve a 'good environmental status' by implementing regional marine strategies and dedicated programmes of measures, as well as by completing an EU-wide network of protected marine areas.⁶⁸ The European Fisheries Fund (EFF) and the Fisheries Governance and International Agreements should therefore be used to promote alternative low impact fisheries, to protect and enhance the aquatic environment and/or support alternative sustainable coastal livelihoods. Sustainable use of the EFF should be compulsory.

Furthermore, the EU is bound by the World Summit on Sustainable Development Declaration (2002) agreement to restore fish stocks to maximum sustainable yield by 2015 and, in the context of the Convention on Biological Diversity, has agreed to eliminate overfishing by 2020 at the latest. Therefore any European funding should not hinder these objectives.

The reality

Global fish stocks and marine ecosystems are collapsing, and European fishing fleet is part of the problem; moreover, European marine ecosystems have been depleted of fish, and European habitats remain vulnerable to the impacts of overfishing and destructive fishing practices. Fisheries in the EU's Exclusive Economic Zone (EEZ) are entirely managed at EU level and much of the marine environment lies outside national borders. The European fishing fleet is highly subsidised from the EU-Budget, supporting the unsustainable use

of the marine environment. Furthermore, the marine environment also lacks a clear ownership which inevitably brings resource depletion, unless strong public intervention is taken to preserve public goods. Supporting the transformation of the currently utterly unsustainable fisheries sector is thus a clear task for European intervention.

The EU-Budget allocated a total of €6.75 billion to the contribution for sustainable use of marine ecosystems, divided between the EFF (€4.34 billion) and the Fisheries Governance and International Agreements (€2.41 billion). However, EFF subsidies have limited impact on environmental measures and fail to be as beneficial as they could be. The use of the fund for sustainable fishing is decided by Member States through their National Operational Programmes priorities, and therefore its deployment, although subject to European Commission scrutiny, is discretionary. The self sustenance of marine protected areas is often only attainable if public funds are available to compensate fishermen for the initial loss of income between the establishment of the fishing ban and the stocks recovery.⁶⁹ However, the possibility of financing marine Natura 2000 sites is under achieved as most site management activities are omitted from these programme priorities.

Moreover, the Fisheries Governance and International Agreements are mainly used as arrangements with developing countries (i.e. external to the EU) to allow EU fleets to fish within their waters, often to the detriment of both the local artisanal sector and the integrity of marine ecosystems in the third country.⁷⁰ Furthermore, technical creep modernisation (engine replacement) is still funded by the EU-Budget, increasing fishing efficiency and thereby increasing the pressure on already overfished stocks.

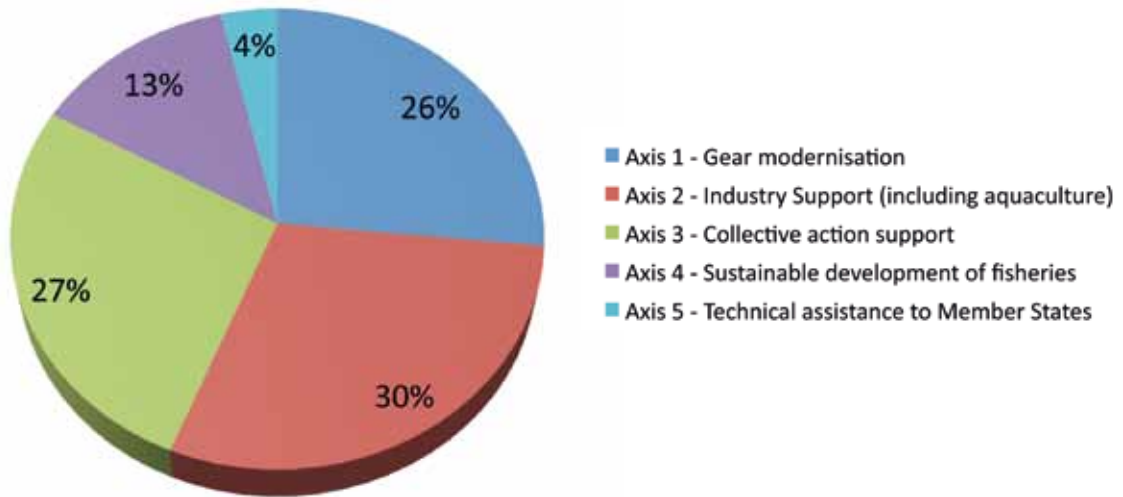
67. European Commission (2010). Consultation on Fishing Opportunities for 2010. (COM (2009)224).

68. Marine Strategy Framework Directive.

69. TEEB (2008). The Economics of Ecosystems & Biodiversity: An Interim Report. The European Commission.

70. Swedish Society for Nature Conservation (2009). To Draw the Line: EU Fisheries agreements in West Africa.

Figure 20 – Breakdown of European Fisheries Fund by axis. Although marine Natura 2000 has the potential to be supported from each axis, funding can only be related to fishery activities and are rarely integrated in Member States' Operational Programmes.



Specific nature conservation funding has also been cut on the basis that money would be available through the sectoral funds. Consequently, if under the new EU-Budget this practice is continued, all or nearly all fisheries-related marine conservation measures will continue to be funded through the EF F.

Recommendations

A key focus of public aid should be to support good governance in fisheries resource exploitation within the EU and beyond, such as independent scientific research, efficient and harmonised catch documentation and monitoring, control and surveillance technologies. Funds can also help improve good governance by linking their disbursement to the respecting of EU legislation. Member States and operators which fail to meet such cross-compliance should incur sanctions, notably the withdrawal or withholding of EFF allocations. Public money must be for public goods and marine fish stocks and healthy marine ecosystems are such public goods. EU funding should be conditional on compliance with all environmental legislation.

The following objectives should be pursued:

- Support for sustainable long term management plans and environmentally-friendly fishing methods.
- Support for the establishment and management of marine protected areas.
- Habitat management and improvement in both marine and inland fisheries (e.g. waste removal from marine environment or wildlife-friendly management of extensive freshwater fish farms).

The following conditions need to be applied to all funding streams:

- Conditioning of access to funds at government and operator level to the respect of EU legislation, permits and quotas (cross-compliance) and fleet reduction commitments.
- The need to enforce fleet reductions and management.
- All funding for the modernisation of vessels should be stopped.

Hence, the EFF should include:

- The mandatory use of Natura 2000 payments.
- Funds for the establishment of 'no take' marine protected areas.
- Funds for low impact gear.
- Funds for marine and freshwater habitat restoration.
- Training, advice and other support to sustainable practices.

- Help to small-scale fishermen in joining sustainable fishery certification programmes, cooperative management arrangements, improvement of commercialisation of sustainable seafood etc.

Furthermore, funding for marine fishery agreements should avoid exporting the EU's problems. Displacement of surplus fleet capacity must be prevented, especially to third-country waters and vulnerable deep-sea environments. Instead, these agreements should ensure the sustainability and protection of marine ecosystems outside EU waters.

Figure 21 – A marine protected area; its cliffs benefit seabirds and the waters which surround the island have many good examples of subtidal reef communities - Tory Island, Ireland. © James Peat



3.7 The EU overseas entities

“EU overseas entities are a chance for Europe. The loss of their biodiversity is a real threat that should be faced with adequate financial means and coherent policies. A European voluntary system for the preservation of species and habitats in ORs and OCTs would be a great asset. We have to work on this and find viable solutions”

Stefano Manservigi, Director General of DG Development⁷¹

The goal

The EU funds dedicated to the 30 overseas entities need to reflect the unique potential for European leadership on tackling climate change, biodiversity decline and recourse inefficiency. These entities are particularly vulnerable to the effects of climate change and invasive species, and deserve attention at European level. Inhabited by European citizens and neighbouring ACP countries and Small Island Developing States (SIDS), which are important players for European policies and global environmental negotiations, they provide the EU with an opportunity to reinforce its global and regional contribution on environmental issues and sustainable development. With adequate European support, they can become centres of excellence in research on sustainable development, biodiversity conservation, renewable energy and climate change adaptation.

The reality

The European Union counts nine Outermost Regions (ORs) as integral elements of its territory and is furthermore associated with 21 Overseas Countries and Territories (OCTs). These 30 entities harbour an extraordinary wealth of biological diversity, which represents a globally important natural heritage and is also an essential part of their social, cultural and economic potential. This heritage faces a number of threats including climate change, pollution, the destruction of habitats and the spread of non-indigenous species.

Being a full part of the EU, ORs receive considerable European support through structural funding. However, many of the projects co-funded by the Commission have had a negative impact on the environment, while specific funding for biodiversity remains severely insufficient.⁷² The absence of the Natura 2000 network in these regions makes the situation even worse. It creates a unique situation within the EU, in which the Commission finances infrastructures and development on one hand, but without any European level tool on the other hand to identify and preserve key species and habitats.

OCTs may receive funding from the European Development Fund. The funding amounts are much smaller than in the case of Structural funds provided to Overseas Regions. Because of these financial resources limitations, local authorities in most of these territories have so far been reluctant to use these financial allocations for specific environmental projects or initiatives.

Recommendations

The European Commission should work closely with Member States as well as with stakeholders in the overseas entities to achieve the following in these regions and territories:

- Provide the necessary funding for the initiative known as BEST (Biodiversity and Ecosystems in Overseas Territories), resulting from the 2008 Reunion conference⁷³ and under preparation by

71. Stefano Manservigi, Director General of DG Development, European Commission (addressing the 2008 Reunion conference: “The EU and its Overseas Entities: Strategies to Counter Climate Change and Biodiversity Loss”).

72. Comité français de l’UICN(2006) “Financements publics et biodiversité d’outre-mer”, and “Message de l’Ile de la Réunion” 2008.

73. <http://www.reunion2008.eu/pages/en/en-home.html>

Figure 22 – World map identifying Europe's Overseas Entities, Biodiversity hotspots and Major wilderness areas. © IUCN/CI

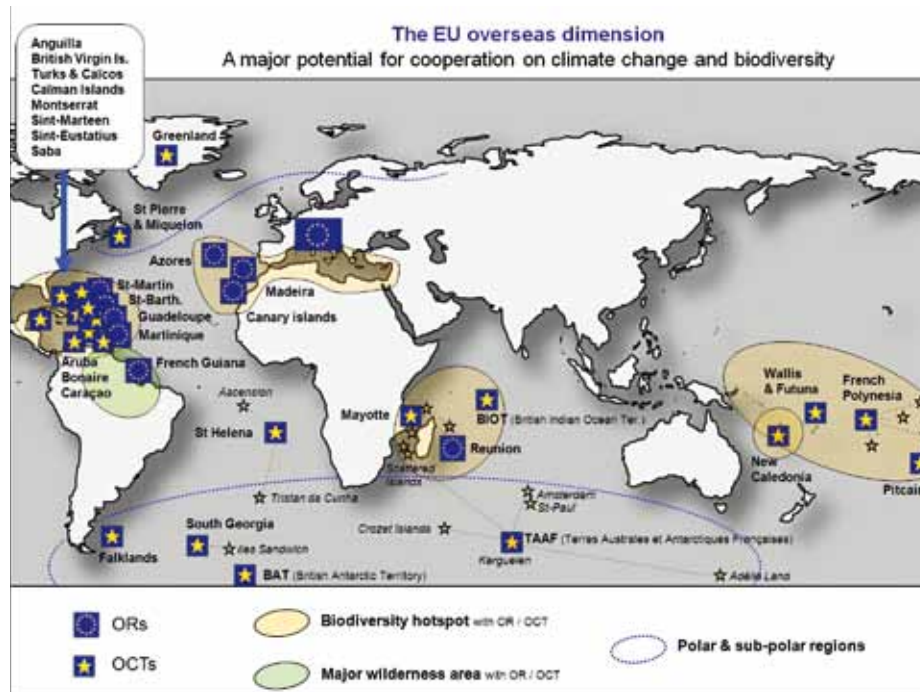


Figure 23 – Hydraulic project causing major damage to a major mountain aquifer, threatening coral reef and partially funded by EU structural funds. Reunion Island, French Oversea Region. ©SREPEN, 2006



the Directorate-General for Environment. Financial programming for this initiative should therefore be applied from the Structural Funds and additional external spending.

- Review existing EU funding streams available for these entities and their allocation criteria, with the aims of:
 - Providing dedicated funding for biodiversity conservation and climate change adaptation, and resource efficiency.
 - Increasing their environmental sustainability and their coherence with the aim of ecological excellence.
- Explore ways of creating a sustainable financing mechanism for biodiversity and climate change adaptation, which should include a small-grants scheme.
- Increase funding opportunities for research in ecosystem-based adaptation and biodiversity management, to support their potential on the key issues of renewable energies and climate change mitigation.

Figure 24 – The number of endemic species of New Caledonia, a French Overseas Territory, is alone comparable to the entire European continent. © Nouvelle-Calédonie Point Sud



3.8 External funding

“Extreme poverty is the most challenging global issue. It mocks our technical progress when men, women and children are still starving, continue to be vulnerable to HIV-infection, are forced to subsist in degraded environments, or are unable to exercise the most basic of their human rights.”

José Manuel Durão Barroso⁷⁴

The goal

The next EU-Budget must strongly reinforce its commitment to development cooperation and mainstream sustainability within external dimension spending. Climate change adaptation and mitigation, biodiversity, freshwater, marine and land use concerns must be addressed. Both the official commitment of 0.7% GDP for the achievement of the Millennium Development Goals and the European contribution for climate adaptation and mitigation costs in poor countries should be provided with sufficient means.

The reality

The Millennium Development Goals (MDGs) adopted by the United Nations in 2000 have galvanized efforts to meet the needs of the world's poorest nations. The EU is a major contributor, collectively providing 56% of official development assistance (ODA) in the world.⁷⁵ This represents an important financial commitment from the European budget as well as from Member States' aid budgets. The EU's external support reaches about €11 billion annually (including the European Development Fund).

However, only five years ahead of the 2015 target, many of the MDGs are still significantly off track. Among key reasons is the failure to recognize the contributions of the environment, natural resources and ecosystems to human development and poverty elimination. A lack of consideration for the environmental foundation of development can considerably reduce or even jeopardize

the effectiveness of aid, whilst addressing environmental issues can enhance its value. All over the world, there is growing evidence of the strong links between biodiversity conservation and healthy ecosystems on the one hand and poverty elimination on the other. In many areas, ecological degradation is the root cause of human deprivation.

In spite of this, current European Official Development Assistance (ODA) allocates only 3% of the total spending to environmental issues.⁷⁶ Environmental issues are too rarely mainstreamed in other funding programmes and external actions, and rarely included as one of the focal sectors within country strategy papers.

There is a strong rationale to allocate a greater part of European spending to the sustainability of the external dimension:

- The Treaty of Lisbon defines the scope and purpose of the EU's external actions “with the primary aim of eradicating poverty and helping to develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure the sustainable development.”⁷⁷
- The EU has made commitments to support least developed countries on several environmental issues, notably climate change and biodiversity.
- The EU has the capacity and influence to propose a new development paradigm at the international level, based on sustainable development and the long term well-being of citizens.

74. José Manuel Durão Barroso, Statement at High-Level Plenary Meeting of the United Nations General Assembly on the Millennium Development Goals, September 20th 2010.

75. European Commission (2010). A twelve-point EU action plan in support of the Millennium Development Goals, page 5. COM (2010)159.

76. European Commission (2010). Annual Report 2010 on the European Union's development and external assistance policies and their implementation in 2009.

77. Article 208

Recommendations

Environmental considerations should be mainstreamed throughout all external policies and financial instruments, especially in the face of current challenges to development such as climate change adaptation and mitigation, biodiversity loss and resource inefficiency. External assistance from the EU-Budget should fully take into account the conservation of ecosystems, natural resources and biological diversity, and explicitly address climate and freshwater security in plans, programmes, policies and sectoral and regional priorities. Global public goods are a precondition for development and external funding should further enhance the capacity of developing countries to mainstream environment and climate mitigation and adaptation across sectors and economic development plans.

The following objectives should be realised:

- Financial support for development instruments should be significantly increased in the next EU-Budget. In addition to development funds, the EU has agreed to provide long term finance for climate adaptation and mitigation. These should be accounted for separately and transparently in the EU budget. Further funding should be made available for biodiversity in line with the EU's commitments.
- The importance of ecosystems conservation for development strategies should be fully recognised in the "programming dialogue" between partner countries/regions and the European Commission. This objective cannot be achieved without supporting

civil society consultation and the full involvement of the national government departments responsible for biodiversity and natural resources.

- The EU should develop sustainable, beyond project, sources of funding for biodiversity in developing countries such as trust funds, support for the delivery of ecosystem services as well as small grant facilities that can be accessed by Civil Society Organisations at a country level.
- EU funds for Neighbouring countries and Overseas Countries and Territories should fully support convergence with European environmental standards and policies.
- Strategic Environmental Assessments (SEA), Cumulative Impact Assessments and Environmental Impact Assessments (EIA) should be supported and used strategically to promote environmental sustainability.
- The following principles should be mainstreamed in development support: the polluter pays principle, the precautionary principle and the common but differentiated responsibility principle, with capacity building support for their implementation.
- Support should be available to enhance the capacity of developing countries to mainstream environment and climate mitigation and adaptation across sectors and economic development plans.
- Beyond development cooperation, the EU has an impact on development through both its internal and external policies. The EU obligation of policy coherence for development⁷⁸ must receive a much stronger emphasis.

78. Article 208 of the Treaty requires policy coherence particularly in terms of the policies it implements which are likely to affect developing countries.

Figure 25 – European funded (DCI) PROCORREDOR project is supporting local actors to develop conservation measures and sustainable use of natural resources in Honduras. Pico Bonito National Park, Honduras. © Brian Lebakken



What's next?

"I believe we should pool our means to back our policy priorities. The issue is not about spending more or less, but spending more intelligently, by looking at European and national budgets together.

The present system is stretched to its limits – propped up by a byzantine set of corrections. Our citizens deserve a fairer and more efficient and transparent system."

José Manuel Durão Barroso⁷⁹

The links between the state of the environment, the economy and human well-being have never been so obvious. It is time for European budgets to change and reflect this reality. There are vast opportunities to shift the next financial framework towards public goods and the well being of European citizens. Implementing the recommendations presented in this report would create a large amount of green jobs, while boosting a more resilient, sustainable and stronger economy.

The opportunity for Europe to match its words to deeds is now.



79. José Manuel Durão Barroso, State of the Union 2010, September 7, 2010.



BirdLife Europe

BirdLife International is a global Partnership of conservation organizations that strives to conserve birds, their habitats and global biodiversity, working with people towards sustainability in the use of natural resources. The BirdLife Partnership operates in more than 100 countries and territories worldwide. BirdLife Europe is represented in 42 countries in Europe and is active in all EU Member States.

europe@birdlife.org - <http://europe.birdlife.org>



Conservation International

Conservation International is an organisation with global reach and impact. Building upon a strong foundation of science, partnership and field demonstration, CI empowers societies to responsibly and sustainably care for nature for the well-being of humanity. CI works in more than 40 countries on four continents. CI Europe is the organisation's new office in charge of policy work at EU level. Based in Brussels, it has a status of Belgian ASBL and started its operations in February 2010.

europe@conservation.org - www.conservation.org



CEE Bankwatch Network

CEE Bankwatch Network is an international environmental NGO with member organisations currently from 12 countries across central and Eastern Europe and CIS region. Our mission is to prevent the environmentally and socially harmful impacts of international financial institutions, including EU funding, and to promote alternative solutions and public participation.

main@bankwatch.org - www.bankwatch.org



European Environment Bureau – EEB

The EEB is a federation of more than 140 environmental citizens' organisations based in all EU Member States and most Accession Countries, as well as in a few neighbouring countries. These organisations range from local and national, to European and international. The aim of the EEB is to protect and improve the environment of Europe and to enable the citizens of Europe to play their part in achieving that goal.

eeb@eeb.org - www.eeb.org



Friends of the Earth Europe

Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

info@foeeurope.org - www.foeeurope.org



Transport & Environment

T&E is an independent pan-European association with scientific and educational aims, with no party political affiliation and devoid of any profit making motive. T&E's mission is to promote a policy of transport and accessibility, based on the principles of sustainable development, which minimises negative impacts on the environment and health, use of energy and land and all economic and social costs, maximises safety, and guarantees sufficient access for all. Established in 1990, T&E represents around 50 organisations across Europe, mostly environmental groups and sustainable transport campaigners.

info@transportenvironment.org - www.transportenvironment.org



World Wild Fund for Nature – WWF

WWF is one of the world's largest and most respected independent conservation organisations, with over 5 million supporters and a global network active in over 100 countries. WWF's mission is to stop the degradation of the earth's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

wwf-epo@wwfepo.org - www.panda.org/eu

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