



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



Introduction

The outcome of discussions on the EU financial perspectives 2007-2013 will have a major impact on Europe's citizens, economy and environment. The main challenges for European policy over the next ten years are reducing the social and economic gaps between regions in the enlarged European Union, further strengthening European's economy, improving the quality of life of citizens, and ensuring that this development is sustainable by reducing the negative impacts of policies on people and the environment.



The limited European budget must make an effective contribution to the attainment of the EU's ambitious objectives. For too long, major EU budget lines such as the Common Agricultural Policy have been spent without proving that they represent value for taxpayers' money, in terms of the delivery of economic, social and environmental goods and services.



The overall vision of the Commission's package of proposals for 2007-2013, whilst representing a step forward in some areas, is not balanced. The term 'sustainable development' in the Commission's proposals refers in reality to 'steady and constant economic growth', rather than development which meets the needs of the present generation without compromising those of future generations.



Moreover, the Lisbon target, to become the most competitive knowledge economy in the world, and the material benefits that this promises, does not mean that Europe will necessarily improve the quality of life of its citizens.



A different vision for Europe

According to the Lisbon Strategy, agreed by EU leaders in 2000, our social policy, better living standards and environmental protection are conditional on improved economic growth and increased employment. However, environmental protection cannot be viewed as simply an aspiration or an opportunity for economic diversification. Environmental protection is the precursor to sustainable human development. This is the standard against which the drive for growth must be set.



For example, the financial perspectives should aim to make Europe the most resource efficient economy of the world. Drastic improvements in energy and resource efficiency would improve competitiveness, reduce dependency on oil imports and other resources, encourage innovation, create jobs and reduce CO2 emissions. This is also a matter of global justice, ensuring that there are sufficient resources available to meet the growing needs of developing countries.

As reports from the European Environmental Agency clearly demonstrate, much more needs to be done to tackle the serious environmental problems that exist in Europe and the rest of the world. Overfishing has led to historically low levels of fish stocks in EU waters; the climate change impacts of greenhouse gas emissions are increasingly being felt and are causing significant economic losses; intensive farming has resulted in alarming rates of wildlife decline.

If targeted correctly, EU funds can help meet the major economic and social challenges faced by Europe and key environmental commitments such as the Kyoto greenhouse gas reduction target and the objective to 'halt biodiversity loss by 2010'. If this opportunity is missed, the EU risks bequeathing an impoverished Europe to future generations.

The Green 9's general recommendations

The financing package put forward for the period 2007-2013 presents an opportunity to put long-term sustainable development at the heart of the EU's spending plans.

- **Key budget lines which deliver for the environment must be well resourced, and not cut, whatever the outcome of the debate about Member States' contributions to the EU budget.**

A debate is currently taking place with regard to Member States' contributions to the EU Budget. Six Member States want the EU's budget to be capped at 1 per cent of the EU's gross national income (GNI). There is a great risk that key budget lines that deliver public and environmental benefits, such as rural development and environment funding, will be cut if the overall EU budget is reduced, particularly as the agreement reached on agricultural funding to 2013 already determines a large share of the EU Budget. ***Whatever the outcome of the debate on Member States' contributions, EU spending programmes that deliver public and environmental benefits, as well as EU 'added value', must be well resourced, and not cut.***

- **The budget should be 'greened' and resources specifically targeted towards the achievement of the EU's environmental objectives from all relevant funding lines, particularly the CAP and Cohesion Policy instruments (the Structural Funds and the Cohesion Fund).**

It is very difficult to judge from the draft financial perspective how much priority will be given to the environment, compared with competing Lisbon economic development objectives and fixed agricultural subsidies. As the Commission proposes to 'mainstream' the environment into existing programmes, there are plenty of opportunities, but no guarantees, that environmental needs will be met. Member States' national strategic reference frameworks and operational programmes for EU funds should only be approved when it can be guaranteed that sufficient funds will be allocated to financing the needs of the environment.

In addition, NGOs should be able to play a role in the strategic programming guidelines for Rural Development and Regional Funds, as well as the 'on the ground' operation of these programmes, in order to ensure policy coherence and integration.

- **Priorities and objectives should be defined with regard to the economic, social and environmental commitments of the European Union, and EU funds should only become available to projects or programmes if it can be demonstrated that they contribute to the EU's objectives.**

More important than the amount of money available from the Commission's budget is the question: what are the available funds being used for? Public funds are limited. Clear objectives and priorities should be fixed in order to make sure that public funds deliver what the public expects. All funding should be made conditional on achieving the EU's environmental, economic and social objectives.

Eleven specific challenges for the next financial perspectives

The Green 9 NGOs have eleven specific challenges to decision-makers for the next financial perspective. We believe that these challenges must be met if the EU is to fulfil its commitments to the sustainable development of Europe.

1. **Sustainable development must guide innovation.** The Commission proposes a tripling of funding for technology development and training, to reach 25,8 billion euro/year in 2013. Some of this funding will be targeted at developing eco-efficient technologies, and, indeed, an Environmental Technology Action Plan (ETAP) was presented in 2004. However, the ETAP does not give any guarantee that the EU's innovation activities will be guided by its sustainable development objectives. EU innovation funds need to be explicitly connected to EU policies such as further reductions of greenhouse gas emissions, dematerialisation, waste prevention, water-use efficiency, reduction of transport needs and environmentally-friendly transport modes. Furthermore, it is unrealistic to expect a major uptake of eco-technologies without changing the market conditions. Reform of EU and national subsidy policies, tax reforms and green public procurement are vital.
2. **The Structural and Cohesion Funds must support sustainable development.** The funds have great potential to assist the sustainable development of poorer and disadvantaged regions. The funds should give much more targeted support to measures which decouple economic growth from resource use (thus meeting Kyoto targets), for example, improving energy efficiency and renewable energy, promoting a shift from road to rail. The funds must also finance development which protects and enhances the natural environment, in particular, by supporting the management of Natura 2000 network and the implementation of the Water Framework Directive. Member States should be expected to adopt a range of such measures. The funds' performance must be measured against their delivery of sustainable development, through the use of appropriate indicators, and rewarded by the performance reserve.
3. **EU agricultural and rural subsidies must deliver public goods for public payments.** The agreement reached at the European Council in Brussels in October 2002 to fix the first pillar of the CAP budget (market-related expenditure and direct payments) should be revisited, with a view to speeding up the transfer of payments

to the second pillar (rural development). As soon as is feasible after 2013, both pillars should be merged into one simplified funding mechanism for rural Europe, supporting environmentally friendly farming practices and other rural activities. The Rural Development Regulation must be strengthened within the financial perspectives 2007-2013, including its funding, and, in particular, agri-environment schemes and those measures that contribute to the effective conservation of biodiversity.

4. **Sufficient funds should be allocated to the management of the Natura 2000 network of EU protected areas.** The Habitats Directive requires the EU to co-finance the management of the Natura 2000 network, which protects Europe's most valuable wildlife, such as otters, lynx, eagles and bears, and covers around 17% of the EU's territory. The Commission estimates that the total of cost of managing the Natura 2000 network is EUR 6.1 billion per year, although this is likely to be a significant underestimate. The EU must dedicate funds for the co-financing of Natura 2000 via the Rural Development Regulation, the Structural Funds, the European Fisheries Fund and the LIFE+ instrument. This is vital to ensure that the environmental, economic, employment, health and educational benefits associated with Natura 2000 are maximised.
5. **The environment funding line (LIFE+) must be enhanced and clarified.** The dedicated funding instrument for the environment, 'LIFE+', which currently represents around 0.2% of the overall budget, must be significantly enhanced to support activities that cannot be financed from the major funding programmes, such as certain nature conservation activities, support to NGOs and the continuation and implementation of the European Climate Change Programme. LIFE+ should include a dedicated programme for Natura 2000 activities that cannot be financed by the Structural Funds, Rural Development Funds or the European Fisheries Fund. As between EUR 250 million and EUR 580 million is needed per year from LIFE+ to support Natura 2000 activities that cannot be financed by other programmes, the overall budget must be increased.
6. **The environment and health agenda must be supported and promoted.** It is essential that the future European Chemicals Agency and the new European Centre for Disease Prevention and Control, are adequately resourced and funded. Secondly, there needs to be a clear funding strategy to implement the Environment and Health Action Plan 2004-2010 and also the second phase of SCALE under the Public Health Programme, Research, Technology and Development Programme and LIFE +.
7. **Any spending on the trans-European transport networks (TENs) should be preceded by a thorough, transparent and audited cost benefit analysis.** The Commission's proposal for the TEN transport and energy budget represents a dramatic increase in funding compared to the previous financing period. The Commission justifies this increase with the huge economic benefits of the TENs. Judging from the Commission's own Extended Impacts Assessment, these benefits are at best questionable and at worst untrue. The conclusion is straightforward: any transport spending decision should be preceded by a long-term, thorough, transparent and audited cost benefit analysis that takes into account environmental and resource costs. Furthermore, the results of this

analysis should be fed back into the decision-making process. Finally, European funds should only be made available for projects that are fully consistent with all European environmental legislation and policies.

8. **Fisheries funding should serve multiple objectives, including nature conservation and environmental management.** Wherever possible, the limited funding under the new European Fisheries Fund (EFF) should be used in ways that serve multiple objectives, including nature conservation and environmental management, so that 'win-win' opportunities can be exploited. The introduction of measures that run counter to sustainable development, such as opening up opportunities for investment in fishing fleet capacity, must be resisted as such an approach would be contrary to the recent reforms of the CFP.
9. **The EU's external assistance programmes should support global environmental and sustainable development objectives.** The EU General Affairs Council Conclusions of May 2001 require EU funds to support partner developing countries in effectively reversing environmental degradation. The EU should therefore put in place financial provisions for: supporting environmental governance in developing countries, including capacity for international negotiations; developing specific thematic initiatives including on biodiversity conservation, fisheries, forestry, water resource management, renewable energy and energy efficiency; and ensure effective environmental integration across EU programmes and policy.
10. **The sustainable development potential of the EU's neighbourhood policy should be fully realised.** Under this new policy, the EU invites its neighbours to the East and to the South to share in the peace, stability and prosperity of the European Union. The neighbourhood policy and its associated funding instrument include support for promoting sustainable economic, social and environmental development in border regions as well as for promoting environmental protection and the good management of natural resources of the eligible countries. These funding opportunities should be fully realised by building support for environmental governance and capacity for environmental investments in the 17 neighbourhood countries.
11. **The Commission should be sufficiently resourced so that it can play its role as 'guardian of the Treaties' in an effective way.** Member States have agreed to EU legislation in order to create a level playing field for economic actors and to provide EU citizens with increasingly equal rights, opportunities and protection. However, after legislation is agreed, implementation and enforcement is at best, uneven, at worse, completely lacking. This creates serious problems for people, the environment and business. The role of the European Commission as guardian of the Treaties is essential. The Commission should have both the will and the resources to fulfil this vital role.

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