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POSITION PAPER

THE EU'S POST-2020 BUDGET: GUIDLINES FOR INVESTING IN EUROPE'S FUTURE

The Multiannual Financial Framework (MFF) constitutes the European Union's crucial financial instrument, not only for the budgetary discipline but also for investing into ground-breaking projects. Before the new MFF begins in 2021, the European Union must seize the opportunity to purposefully set the monetary course for sustainable development, effective climate protection and substantial nature conservation in a future-oriented way.

On the one hand, the MFF must be oriented towards the interests of the people in the EU global South and, on the other hand, towards our planet's limits. The MFF must particularly deliver on the EU's international commitments under the Agenda 2030 for sustainable development, conservation of biodiversity and combating climate change.

Firstly, this means to carefully examine all expenditure and verify compliance with the United Nation's sustainability objectives and the Paris Climate Agreement. Secondly, funding for nature conservation and environmental protection must be significantly increased. Thirdly, the EU must stop subsidising measures causing irreversible damages to the environment, health or climate and consequently, to our European economies. Fourthly, this means that the EU budget will finally need a comprehensive evaluation based on its effects and with the consequence that financial resources can be used more purposefully in the next Financial Framework.

We welcome the principles set out in the reflection paper on the future of EU finances¹ the new MFF is to be based on. In the following, we intend to specify these principles:

EU value added – *“Funding should be concentrated on the areas of highest value added “*: The greatest added value to the EU is a healthy planet Earth that is, and for future generations will remain, the basis of all life. A stable climate is the basic condition for intact ecosystems. Only intact ecosystems can provide people with vital services, such as clean air, fertile soils and healthy food. Beyond that, they are extremely important for the adaptability to climate change.

Accountability – *“The debate on the future EU budget will follow a democratic and transparent process“*: The more than 500 million people in the EU that suffer from air and noise pollution, are exposed to increasing weather extremes and want to consume healthy food are directly affected by policy decisions. They are the ones that must benefit from the European added value. Therefore, decision-making on financing policy areas with EU money must be democratic and transparent.

More flexibility within a stable framework – *“The multiannual structure of the EU budget is an asset. Certainty and predictability are a prerequisite for long-term investment. However, experience has shown that more flexibility is essential to respond to crises and unforeseen events.“* Not only does the MFF's ceiling provide a framework for our economic activities but so do our planet's limits. To act more proactively in the future and to react more effectively and efficiently to crises, these limits should guide the budget's flexibility.

Simplified rules – *“Citizens should not be discouraged from applying for EU funding as a result of excessive bureaucracy.“* We endorse a single set of rules and further reducing bureaucracy. However, simplification should not result in unleashed deregulation at the expense of the environment and health. It is crucial to significantly facilitate access for the Member States' civil societies to EU funding. Strong organisations and NGOs focused on public welfare play a major role when it comes to achieving EU objectives and developing stable, just and democratic societies.

Our Horizontal Guidelines for the Post-2020 MFF:

Sustainability ('sustainability proofing') – consistent with the 2030 Agenda for Sustainable Development. The EU must achieve all 17 sustainable development goals. Any social, economic or ecologic development must be based on the intention to preserve our natural basis of existence. The sixth scenario providing a concise and sustainable alternative to the EU Commission's five scenarios on the future of Europe and supported by more than 250 nongovernmental Organisations across Europe should give direction to the next MFF. Public funds must be exclusively used for performing public services and support EU laws and principles. EU payments should also be subject to compliance with the rule of law in the Member States.

Climate Protection ('climate proofing') – consistent with the Paris Climate Agreement. By ratifying, the EU has undertaken to limit global warming to well below 2 degrees Celsius or, better still, 1.5 degrees Celsius. All financial flows should be guided by the long-term 2050 climate goals. For this reason, we must achieve a balance between man-made greenhouse gas emissions and sinks by mid-century. Therefore, all EU expenditure must be consistent with climate goals. Conversely, expenditure not coherent with climate protection goals must cease. At least 40 percent of EU funds within the

essential expenditure areas such as regional and structural funds, research, agriculture and development should go into climate protection. By tracking, for example applying the 'Rio marker' method, these measures must be consistently checked for effectiveness. Regarding adaptation measures to climate change, special emphasis should be placed on the resilience of ecosystems and solutions that are based on nature. They must contribute to achieving national and European 2030 climate and energy goals and be integrated into national climate protection and energy plans and regional operational programmes.

Nature and Biodiversity Protection ('biodiversity proofing') – consistent with the Convention on Biological Diversity (CBD). A new food and agricultural policy supporting agricultural production that protects soils, air and water and conserves biodiversity is urgently needed. It should also promote sustainable consumption patterns and respond better to health issues. Public funds should merely be used for maintaining and producing public goods such as air, water, cultural landscape and biodiversity.

Without exception, the money spent - regardless of whether it's euro, zloty or kroner – must meet these three guidelines.

Therefore, principles of EU environmental policy must be consistently enforced. Above all, the precautionary and the 'polluter pays' principle must take effect.

The following measures are derived from the triad 'sustainability, climate and biodiversity proofing' the EU budget:

Stop Environmentally Harmful and Climate-Damaging Subsidies

Within the framework of the UN Convention on Biological Diversity and within the context of the G7, the EU decided to phase out subsidies harmful to the environment and biodiversity as a strategic goal to be achieved by 2020. The cessation of such subsidies primarily applies to funding fossil energy sources and to new constructions and retrofitting intended to extend the lifetime of nuclear power plants and their infrastructure. Secondly, this applies to carbon-based mobility and its infrastructure. Thirdly, this refers to funding agriculture that irretrievably destroys soils and biodiversity and pollutes water and air.

Towards a Sustainable Energy and Transport Transition

- In the energy sector, the EU must primarily use its financial resources to expand renewable energies and promote energy efficiency. Solar and wind energy are the corner stones of future power supply. The environmentally sound and sustainable development of renewable energies must be significantly accelerated throughout the EU.
- In the sectors, housing, transport and production industry energy-saving and energy efficiency measures must be promoted far more vigorously.
- Targeted incentives must promote emission-free mobility and its linkup with the energy transition. In concrete terms, this means to primarily promote rail transport, cycling and walking instead of putting money into road and air traffic projects. EU funding for new motorways clearly conflicts with the climate goals of the EU and the Paris Agreement and should be reduced to a fraction of its present level.
- Similarly, the new MFF must set forth financial incentives for decentralised energy production entirely originating from renewable energy sources and generated by EU citizens.

- To achieve the objectives of the Paris Agreement, additional EU funding that supports transnational collaboration of the Member State's civil societies and with neighbouring countries is needed. Germany's European Climate Protection Initiative (EUKI) sets an example.
- From a climate policy perspective, the future of natural gas is tightly limited. In the future, long-term investment in CO₂ intensive infrastructure such as natural gas pipelines and terminals must be avoided.
- Measures linking consumption sectors to energy saving must be supported insofar as they serve a decentralised energy system based on renewable energies.
- The profound structural change of an economy dependent on fossil fuels to a climate-neutral economy must be socially cushioned. Particularly affected regions should be financially supported. For instance, however important the closure of coal-fired power plants is, the people in coal-mining areas should not be left behind.

Facilitating a Sustainable Industry Transition

- To achieve greenhouse gas neutrality by 2050, the transformation of energy-intensive (basic) industries must be introduced rapidly. However, for many years to come, European emissions trading will not provide a price signal relevant for investment. Together with other flanking measures the EU budget must take a much stronger role in the transition.
- Regardless of present stakeholders, EU funds must promote sustainable industrial and research policy and particularly the market entry phase of new green future technologies. Consequently, research promotion of projects not aiming at the EU's sustainability transition must cease.

Towards a Sustainable Agriculture Transition

- Given that areas used for agriculture and forestry amount to a significant part of Europe's total area, the EU's common agriculture policy (CAP) is of particular importance. However, CAP clearly has a negative environmental record and does not meet the global goal's requirements for a sustainable development that by ratifying the Agenda 2030, all EU member states intend to comply with. Consequently, after 2020, urgent and fundamental changes are needed.
- A new land use and food policy must be geared to promote rural and ecological farming in regional value chains that is nature- and animal welfare-compatible. On the one hand, the new policy should invest in a sustainable system with high professional standards and on the other hand, it must provide attractive offers for farmers wanting to generate additional income by providing services for nature conservation and the development of rural regions based on environmental and climate goals.
- Human health and animal-friendly husbandry must be at the heart of sustainable agriculture. Accordingly, subsidising businesses that cause damage to human health and the environment by industrial livestock farming, disproportional use of agricultural chemicals or by genetically modified organisms must be prevented.

Towards Proactive Nature and Biodiversity Conservation

- Within the framework of an earmarked EU nature fund, mandatory and sufficient funding for nature conservation must be introduced. The development of funding programmes must be under the direction of technically competent environmental and nature conservation authorities on the EU through to the regional level. The fund serves to finance Natura 2000 and to promote additional biodiversity measures, particularly those performed by land users.
- After 2020, the LIFE Programme must be strengthened to become a targeted funding instrument of the EU Commission that promotes innovative and pioneering biodiversity projects and the EU Nature Fund must be supplemented accordingly. At the same time, funding for the component nature and biodiversity should be increased from presently 150 million to 1 billion euro per year.
- The Trans-European Green Corridors (TEN-T) intended to serve sustainable regional development must be promoted through the Connecting Europe Facility equivalent to existing funding of Trans-European Networks for Energy (TEN-E) and Trans-European Networks for Transport (TEN-T). Therefore, an earmarked minimum budget of 1 billion euro per year must be provided.
- The current European Maritime and Fisheries Fund (EMFF) should be further developed into a Marine Protection Fund.

Towards a Sustainability Transition in Resource Use and Provision

- The EU must invest more in preventing waste and the re-use and recycling of products. A concrete recycling economy can only be successful if the EU financially favours corresponding products and services. This should clearly be at the core of funding policy in the area of waste management.
- The next MFF must support the development of green future technologies such as energy storage, energy-efficient products, durable and repairable products, recycling-optimised products as well as services significantly saving resources.
- Ultimately, subsidies and incentives should be subject to the precautionary principle. For example, this could include material input taxes on individual materials as well as in specific economic and consumption sectors.

The EU in the World

Within the international community and in the areas climate protection, sustainable energy transition, resource-efficient and sustainable supply chains and nature conservation, the EU plays a major role. The EU's imminent responsibility towards third countries, particularly towards countries of the global South, needs to be reflected by the external EU budget programmes. The EU must lead by good example to not lose its credibility and trust on the international scene.

On the Revenue Side

In the process of actually 'sustainability, climate and nature proofing' the next MFF, the sources of revenue could, by their nature, contribute crucially. We explicitly welcome the consideration set forth in the Reflection Paper to levy common energy and environmental taxes on vehicles or to introduce carbon pricing. Furthermore, we would like to encourage the EU to develop new revenue sources by imposing taxes on activities and products harmful to the environment, nature and climate. Particularly, this should include greenhouse gas emissions, individual consumables, pesticides, insecticides and synthetic fertilizers.

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The German League for Nature and Environment (DNR) is the umbrella organisation of 89 nature and environment protection and animal welfare organisations that together reach about 10 million people. The organisations teaming up under the umbrella of DNR share the objectives to protect biodiversity and natural resources, to combat climate change and to stand up for a sustainable and environmentally sound economy.

ⁱⁱ https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf